

Quarterly Round-Up

Swan Global Investments – Portfolio Management Team October 26th, 2021

Define Risk, Improve Outcomes – Investing Redefined®

Quick Review of 2021, Q3

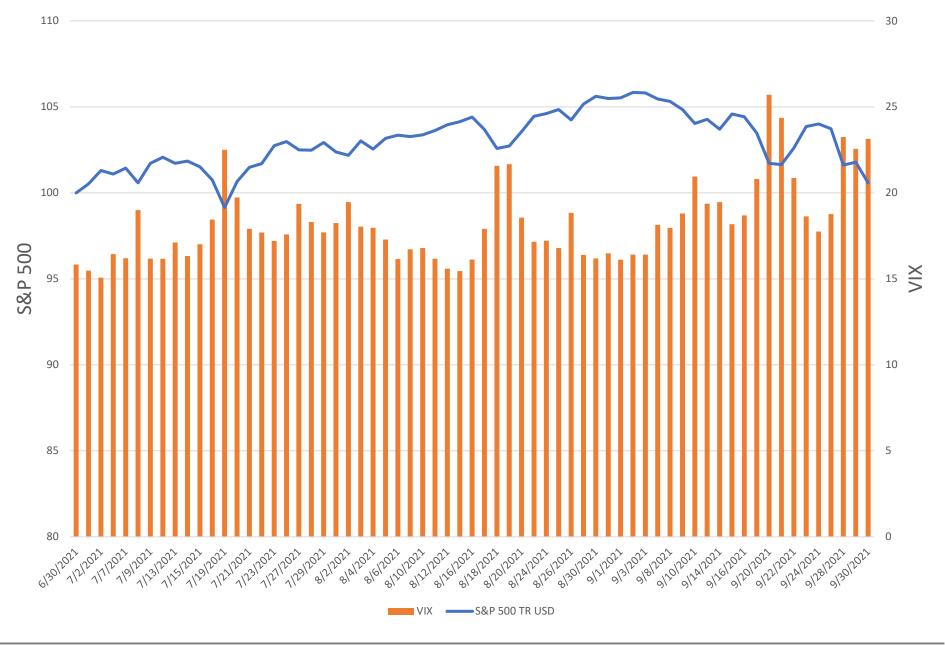
- S&P 500 peaked just before Labor Day
- Sell-off in riskier asset classes
- Bonds faltered as yields on 10-year went above 1.5%

	Q3	YTD	Jul	Aug	Sep
S&P 500	0.58%	15.92%	2.38%	3.04%	-4.65%
Russell 2000	-4.36%	12.41%	-3.61%	2.24%	-2.95%
MSCI EAFE	-0.35%	8.79%	0.76%	1.77%	-2.83%
MSCI EM	-7.97%	-0.99%	-6.67%	2.65%	-3.94%
Russell 1000 Growth	1.16%	14.30%	3.30%	3.74%	-5.60%
Russell 1000 Value	-0.78%	16.14%	0.80%	1.98%	-3.48%
Barclays US Agg	0.05%	-1.55%	1.12%	-0.19%	-0.87%



Market Environment

Third Quarter: S&P 500 vs VIX



Death by a Thousand Cuts

- Delta-variant illnesses and death
- Inflation
- Rising yields
- Tapering of Fed asset purchases
- "Techlash" in U.S. and China
- Gridlock in Washington

5

For Financial Professional Use Only

Defined Risk Strategy – Distinct Investment Components

Always Invested, Always Hedged



Equity

for Portfolio Growth Defined Risk Strategy



Hedge

for Portfolio Preservation



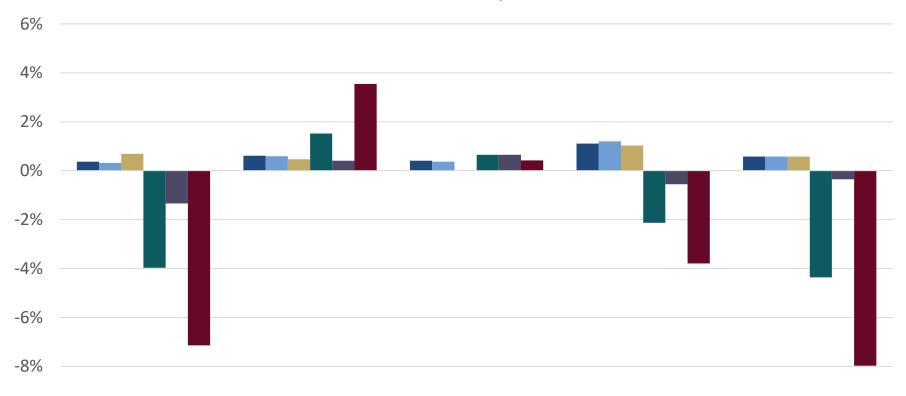
Options

Offset Hedge Cost

A HEDGE IS NOT INSURANCE AGAINST LOSSES

Attribution: 2021, Q3

2021 Attributions: Q3

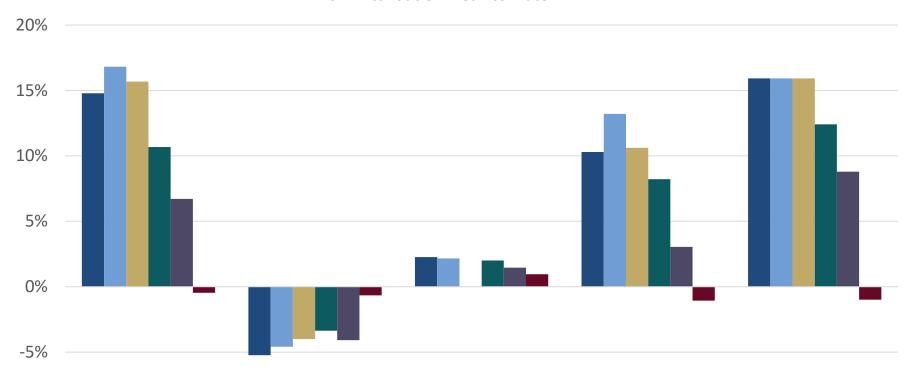


-10%	Equity	Hedge	Add'l	Total	Benchmark
■ LgCap	0.37%	0.61%	0.41%	1.11%	0.58%
Growth	0.32%	0.59%	0.37%	1.20%	0.58%
Prime	0.69%	0.47%	0.00%	1.03%	0.58%
■ SmCap	-3.97%	1.52%	0.65%	-2.13%	-4.36%
■ ForDev	-1.34%	0.41%	0.65%	-0.55%	-0.35%
■ EmgMkt	-7.14%	3.55%	0.42%	-3.79%	-7.97%



Attribution: 2021, YTD

2021 Attribution: Year-to-Date



-10%	Equity	Hedge	Add'l	Total	Benchmark
■ LgCap	14.79%	-5.23%	2.26%	10.30%	15.92%
Growth	16.82%	-4.59%	2.17%	13.21%	15.92%
■ Prime	15.68%	-4.00%	0.00%	10.62%	15.92%
■ SmCap	10.68%	-3.37%	2.00%	8.22%	12.41%
■ ForDev	6.72%	-4.08%	1.45%	3.04%	8.79%
■ EmgMkt	-0.47%	-0.66%	0.95%	-1.07%	-0.99%



The Good

- All of Swan's US LC products outperformed the S&P 500 in Q3
- Swan's YTD capture ratios performance met or exceeded expectations in most products
- Re-hedges in US LC products
- Premium collection continues to do well
- Swan Hedged Equity ETF (HEGD) \$115mn YTD

5

For Financial Professional Use Only

The Good: Capture Ratios

	Q3	YTD
US Large Cap	195%*	65%
Growth	195%*	82%
HEGD	169%*	58%
US Small Cap	48%	67%
Foreign Developed	154%*	35%
Emerging Markets	46%	93%*

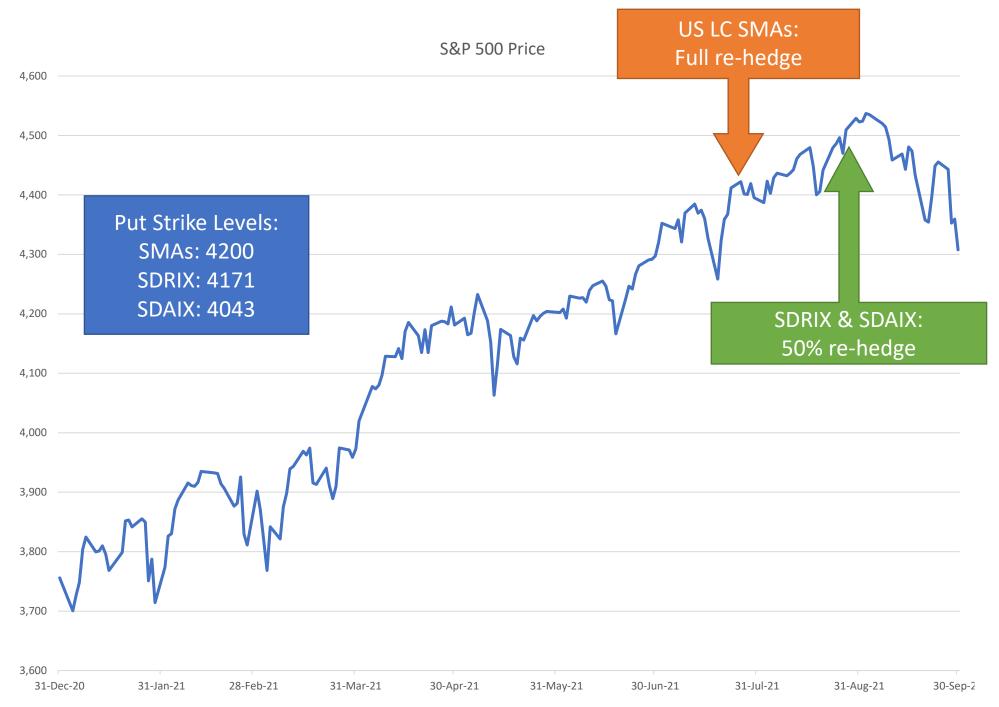
Green = Up Market

Red = Down Market

Asterisk* = capture ratios skewed by low baseline number

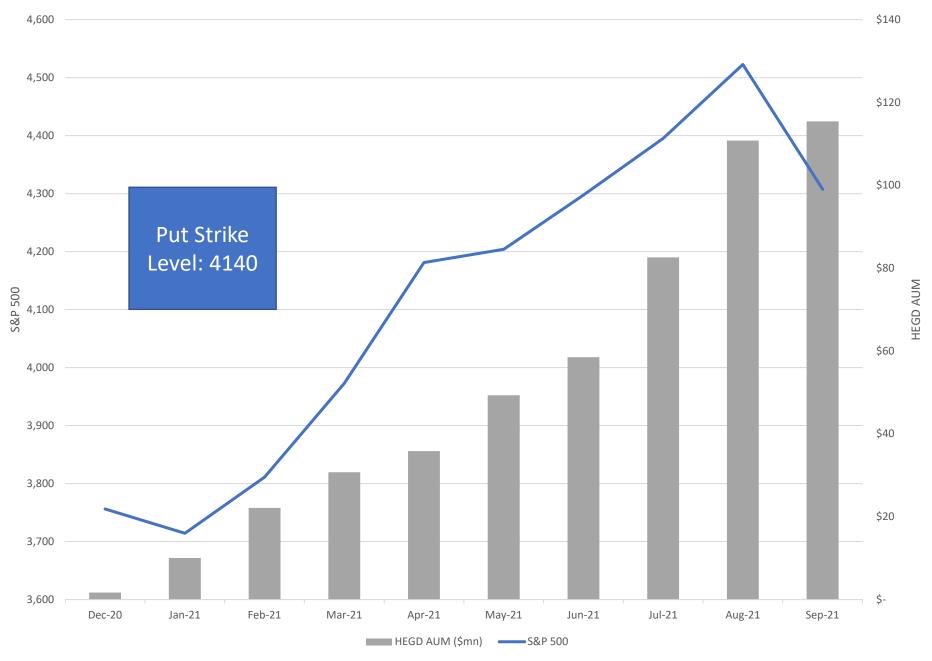


The Good: Re-Hedge in a Rising Market



The Good: Re-Hedge with Positive Fund Flows



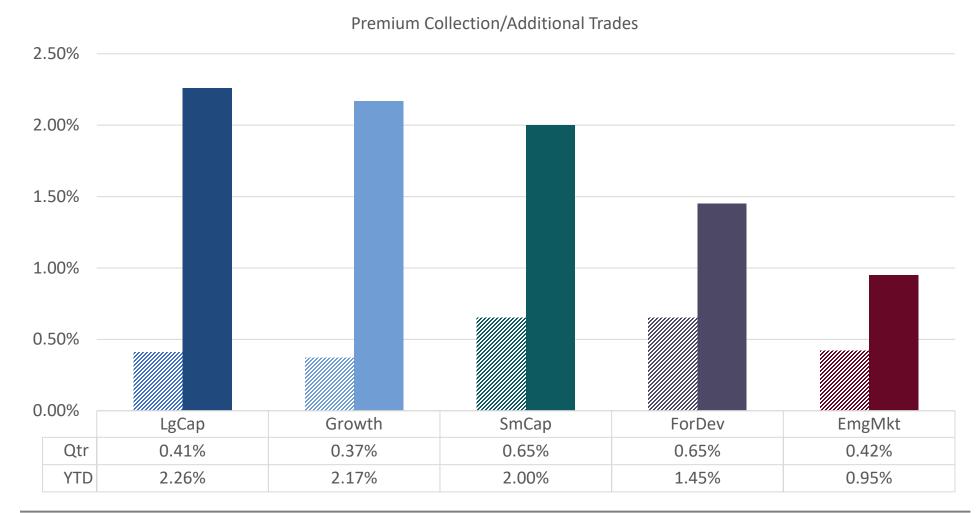




The Good: Adjusting to Market Environment

Refinements to the process:

Premium collection more conservative, nimble, and opportunistic



The Bad

- Market sentiment has shifted from complacent to concerned
- Profits have driven the market but face headwinds on many fronts
- Inflation appears to be sticky
 - Last quarter we discussed inflation's impact on bonds
 - o Equities are not immune from inflation

For Financial Professional Use Only



The Bad: Complacent No Longer

A Stock Market Malaise With the Shadow of '70s-Style Stagflation

After coasting higher over the summer, markets are jittery over rising prices, growth snarls and a number of other threats.

New York Times, 10/13/21

IMF Cuts Global Growth Forecast Amid Supply-Chain Disruptions, Pandemic Pressures

Group also raises its inflation outlook, urging policy makers to stand ready to take swift action

Wall Street Journal, 10/12/21

Weak September jobs report underscores Fed's misdiagnosis of delta variant's toll on the economy

Some economists and Fed watchers say the central bank underestimated delta's threats to job growth, inflation and global supply chains going into the fall

Washington Post, 10/9/21

Goldman Sachs gets even gloomier on the US economy

CNN, 10/11/21

For Financial Professional Use Only



- Worst September since US downgrade in 2011 and worst month since March 2020.
- 50-day moving average breaks as support- Change in pattern?
- 200-day moving average remains "elusive." No test since June 2020.
- Strong earnings and year end seasonals could fuel year end rally to 4750.

S&P 500 Index



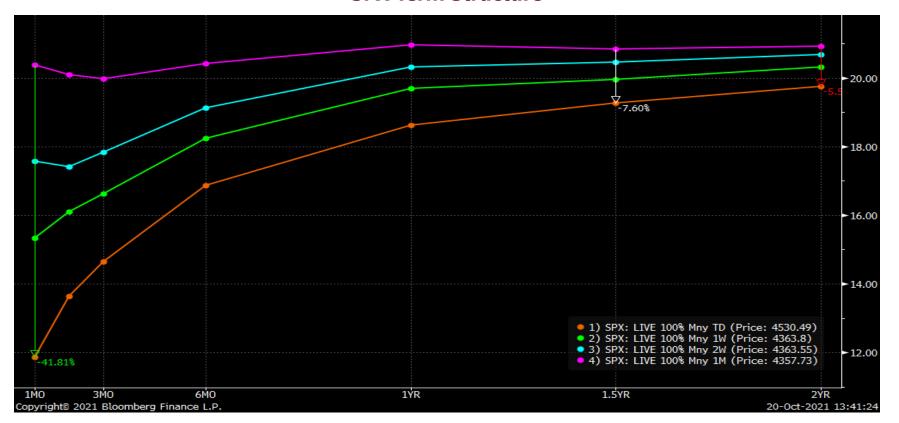
- VIX formed higher base prior to sell-off.
- S&P 500 record highs in Q3 with highest levels of implied volatility.
- SPX pull-back "expected."
- Jump-diffusion pattern continues.

VIX Index



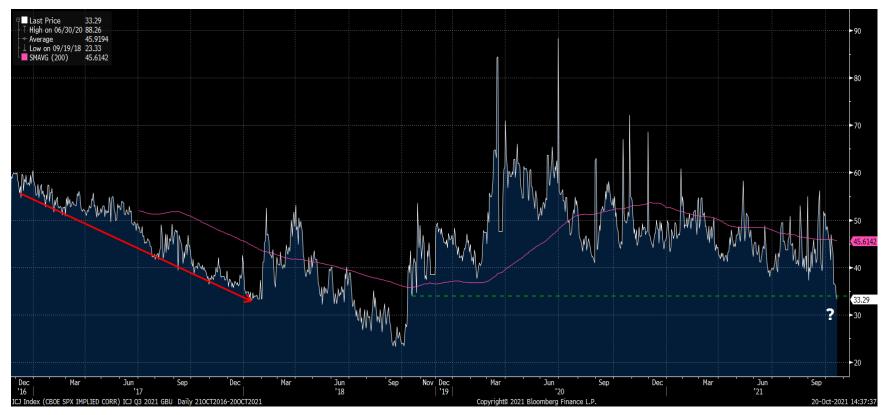
- Long-term volatility stable versus short-term volatility.
- Long-term vol priced "higher" versus pre-March 2020, but now priced "cheaper" post-March 2020 levels.
- Volatility of volatility persists in short-term bucket

SPX Term Structure



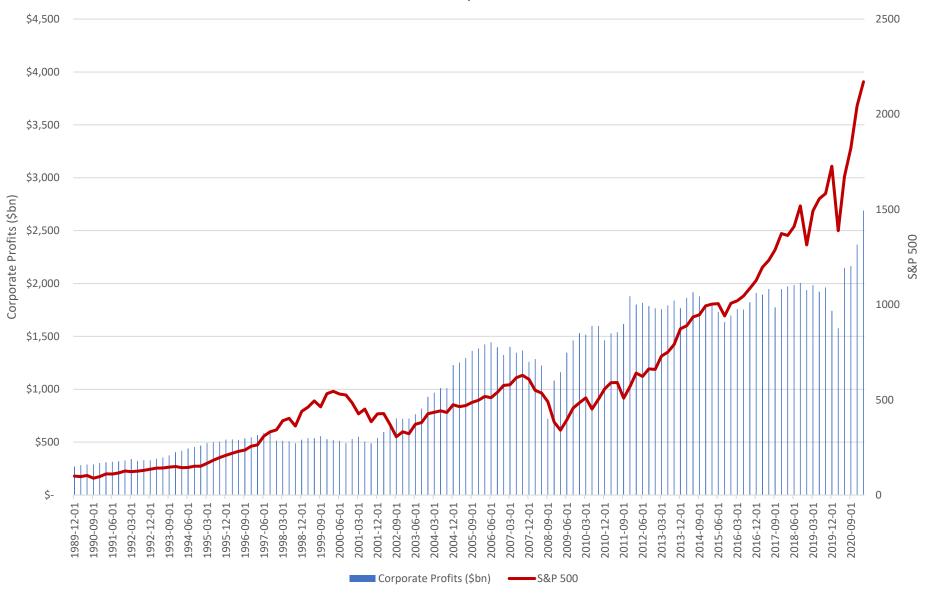
- Cboe SPX Implied Correlation ICJ Index
- Measures the expected average correlation of price returns of S&P 500 Index components, implied through SPX options and prices of single-stock options on the 50 largest components of the SPX tied to options with January 2022 maturity.
- S&P 500 implied volatility is a function of the average stock volatility and their correlations

ICJ Index



How long can it go on?

S&P 500 vs Corporate Profits



Record profits have been driven by:

- Globalization
- Lower corporate and personal tax rates
- Declining "labor share" of national income
- Cheap money

Going forward we have:

- De-globalization & supply chain problems
- Pro-labor/Anti-business regulations & laws
- Rising wages and backlash against inequality
- Massive increase in debt & deficits rising rates?



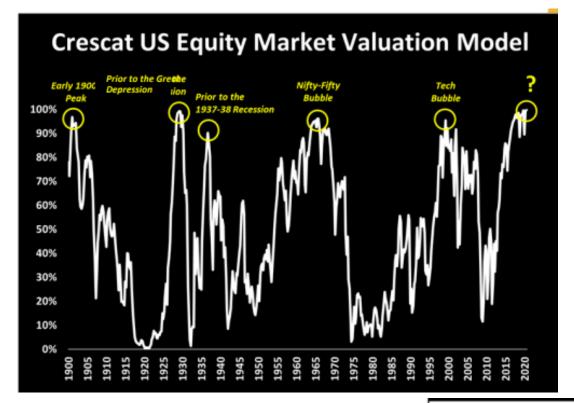
Companies can:

- Eat the higher costs, reducing profitability
- Squeeze their suppliers, thus reducing their suppliers' profitability
- Pass on higher costs, depressing demand and reducing market share

None of these choices are good for profits



The Bad: Priced for Perfection



Valuations near peak levels regardless of methodology

Median EV to Sales (Ex-Financials)	4.0	100%
US Total Market Cap to GDP	170%	100%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	48.8	100%
Median Price to Sales	2.8	100%
Median Price to Book	3.9	100%
Median EV to EBITDA (Ex-Financials)	15.0	100%
Aggregate EV To Sales	3.0	100%
Aggregate EV to Trailing 12M EBITDA	17.5	100%
Aggregate EV to 2021 EBITDA Estimate	15.9	100%
Aggregate Price to 2021 Book Value Estimate	3.8	100%
Aggregate Price to Tangible Book Value	12.8	100%
Aggregate Price to Earnings	27.9	98%
Cyclically Adjusted P/E (CAPE)	32.9	97%
Aggregate Price to 2021 Earnings Estimate	25.6	97%
Aggregate Price to Book	3.9	91%
Source: Bloomberg, Yale/Robert Shiller, John Hussman *Number	rs as of December of 2020	©2021 Crescat Capital LLC

The Ugly

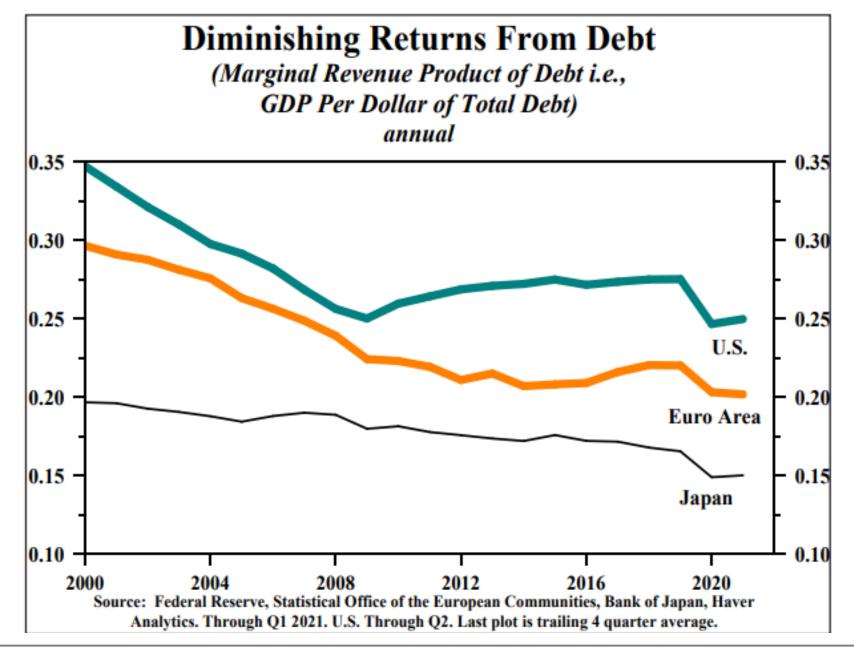
- Regardless of the outcome of the spending bills, debt and deficits are already out of control
- Disagreement and dysfunction in Washington is putting a brake on the most radical proposals

More debt, less economic growth



For Financial Professional Use Only

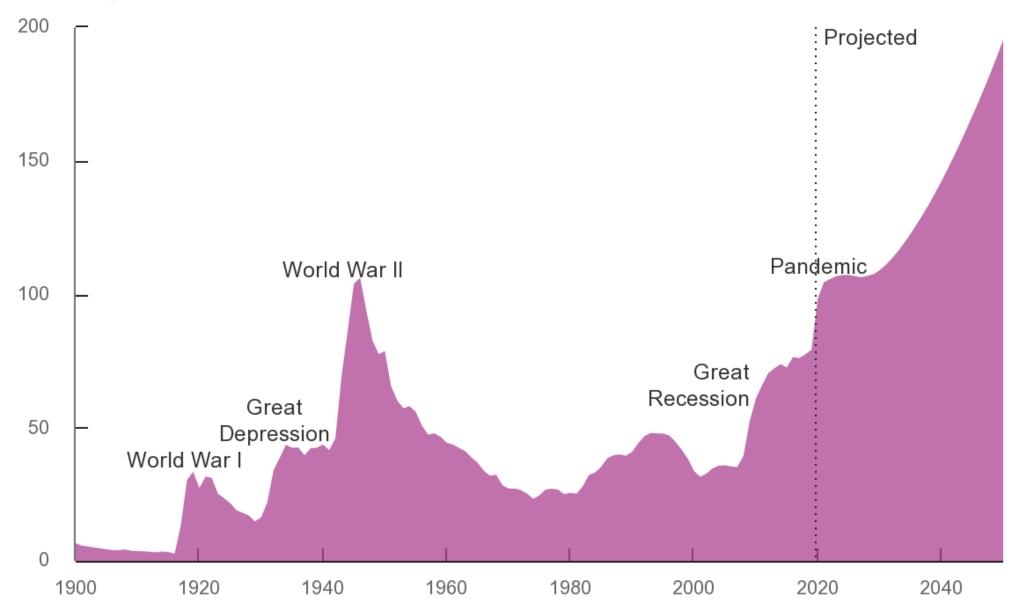
Debt: less bang for the buck



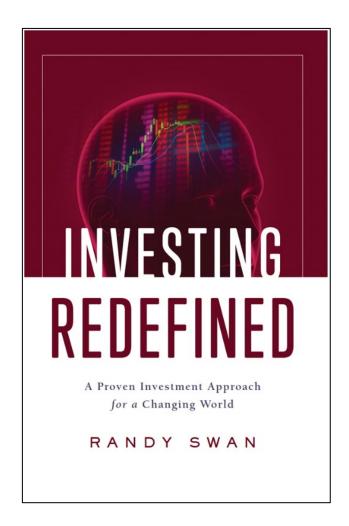
The Ugly: Debt, Debt, Debt

Federal Debt Held by the Public, 1900 to 2050

Percentage of Gross Domestic Product



New Book by Randy Swan



- Get it on Amazon, Barnes & Noble, and places where books are sold.
- Or reach out to your regional wholesaler

Investing Redefined

A Proven Investment Approach for a Changing World

From world governments and global debt to technological wild cards, Randy Swan breaks down the most pressing factors that influence market events and risks and explains why most investors aren't adequately prepared for consequences of the next market crisis.

"A must read for long-term investors on how to navigate a world drowning in debt."

 John Mauldin, Chairman of Mauldin Economics and author of the NYT bestseller *Endgame*

Summary

- Swan line-up is on pace for a good 2021
- The U.S. large cap solutions had their hedge strike prices ratcheted up, improving the downside positioning
- Improvements to the process have yielded good results
- We believe inflation should be a serious concern for both equity and bond investors
- Swan has a diverse set of products covering different asset classes and risk profiles to meet these needs





HEGD

Swan Hedged Equity US Large Cap ETF

Define Risk, Seek Improved Outcomes - Investing Redefined®

Seeking to Mitigate Risk + Growth

Components

- 1 Invest in Equities
 S&P 500: Cap-Weighted
 (SPY)
- 2 Hedge the Equities
 Primarily LEAPS set <u>ATM</u>
- 3 Seek Additional Return
 Buys Calls & Call Spreads

Potential Benefits

- ✓ Cap-weighted to increase potential for upside capture
- ✓ Losses in long calls or call spreads limited to price paid – not exposed to VIX spikes
- ✓ Seeks smoother ride than long-only equity and other DRS variations

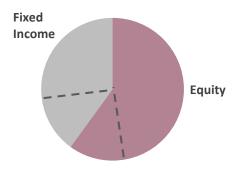
For Financial Professional Use Only

Hedged Equity – Potential Use Cases

May Serve Various Objectives

Help Increase Return Potential

Diversify Traditional Allocation

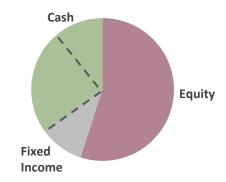


Reposition proportionate share of balanced portfolio into Hedged Equity to potentially:

- ✓ Increase overall portfolio return
- ✓ Maintain a similar risk target

Remain Invested

Shift Cash Off the Sidelines

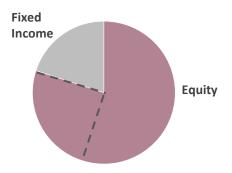


Reposition portion of cash into Hedged Equity to potentially:

- ✓ Increase market exposure
- ✓ Maintain a level of risk mitigation

Mitigate Risk & Help Reduce Volatility

Re-Allocate Equity Positions



Reposition portion of large equity allocation to Hedged Equity to potentially:

- ✓ Mitigate downside risk/volatility
- Maintain a level of equity upside participation



Questions from the Audience



Disclosures

Swan Global Investments, LLC. is a SEC registered Investment Advisor that specializes in managing money using the proprietary Defined Risk Strategy (DRS). Please note that registration of the Advisor does not imply a certain level of skill or training. Further information may be obtained by contacting the company directly at 970-382-8901 or www.swanglobalinvestments.com. Swan Global Investments, LLC, Swan Global Management, LLC, and Swan Capital Management, LLC, Swan Wealth Advisors, LLC are affiliated entities. Sources: Swan Global Investments, Zephyr StyleADVISOR, and Morningstar; all information is provided "as is" without warranty of any kind. Swan assumes no responsibility for typographical errors, inaccuracies or other errors which may occur.

This presentation is for information purposes only and does not constitute any investment advice or tax advice. DRS performance results are presented in U.S. dollars and are net-of-actual-fees and trading expenses and reflect the reinvestment of dividends and capital gains. Actual fees may vary based on, among other factors, account size and custodial relationship. No current or prospective client should assume future performance of any specific investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may cause the performance results of a client's investment portfolio to differ materially from the reported composite performance. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Historical performance results for market indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. All Swan products utilize the Defined Risk Strategy ("DRS"), but may vary by asset class, regulatory offering type, etc. Accordingly, all Swan DRS product offerings will have different performance results due to offering differences and comparing results among the Swan products and composites may be of limited use. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.

The Swan Defined Risk U.S. Large Cap Composite demonstrates the performance of non-qualified assets managed by Swan Global Investments, LLC since inception. It includes discretionary individual accounts whose account holders seek the upside potential of owning stock, and the desire to eliminate most of the risk associated with owning stock. The strategies rely on LEAPS and other options to manage this risk. Individual accounts own S&P 500 exchange traded funds and LEAPS associated with the exchange traded funds as well as multiple other option spreads that represent other indices that are widely traded. The Defined Risk Strategy was designed to protect investors from substantial market declines, provide income in flat or choppy markets, and to benefit from market appreciation. Stock and options are the primary components of the strategy.

The DRS U.S. Large Cap Growth Composite demonstrates the performance of separately managed account(s), and mutual fund investors in the DRS U.S. Large Cap Growth Strategy. Accounts in the DRS U.S. Large Cap Growth Composite have a higher risk tolerance and are focused on growth over protection by purchasing slightly "out-of-the-money" LEAP put options, i.e., put options where the current price of the underlying stock is above the strike price of the options, thus spending less on hedging. This small difference increases growth potential. The Composite relies on LEAPS and other options to manage this risk tolerance. The portfolios invest in S&P 500 exchange traded funds ("ETF") and LEAPS associated with the ETFs as well as multiple other option spreads that represent other indices that are widely traded. The Defined Risk Strategy was designed to protect investors from substantial market declines, provide income in flat or choppy markets, and to benefit from market appreciation. ETFs and options are the primary components of the strategy



Disclosures

The Defined Risk U.S. Large Cap Prime Composite demonstrates the performance of portfolios invested in The DRS U.S. Large Cap Prime Composite. Account holders seek risk-managed growth of capital by matching or exceeding the long-term performance of the U.S. large-cap equity market by minimizing large declines typically experienced during bear markets. The portfolios use exchange-traded long-term put options on exchange-traded funds seeking to track the S&P 500 Index for hedging purposes and exchange-traded put and call options to generate additional returns. The Defined Risk Strategy was designed to protect investors from substantial market declines, provide income in flat or choppy markets, and to benefit from market appreciation. Stock and options are the primary components of the strategy.

The DRS U.S. Small Cap Composite demonstrates the performance of separately managed account(s), and mutual fund accounts invested in the DRS U.S. Small Cap Strategy. DRS U.S. Small Cap accounts seek the upside potential of owning stock and the desire to minimize the downside risk associated with owning stock. The Composite relies on LEAPS and other options to manage this risk. The portfolios invest in exchange traded funds (ETF) that own domestic small, mid, and large capitalization securities, as well as foreign, and LEAPS associated with the ETF as well as multiple other option spreads that represent other indices that are widely traded. The Defined Risk Strategy was designed to protect investors from substantial market declines, provide income in flat or choppy markets, and to benefit from market appreciation. Stock and options are the primary components of the strategy.

The DRS Foreign Developed Markets Composite demonstrates the performance of separately managed account(s), and mutual fund investors in the DRS Foreign Developed Markets Strategy. DRS Foreign Developed Market accounts seek the upside potential of owning stock and the desire to minimize the downside risk associated with owning stock. The Composite relies on LEAPS and other options to manage this risk. The portfolios invest in exchange traded funds (ETF) that own securities tied to emerging and foreign developed markets, and LEAPS associated with the ETFs as well as multiple other option spreads that represent other indices that are widely traded. The DRS was designed to protect investors from substantial market declines, provide income in flat or choppy markets, and to benefit from market appreciation. Stock and options are the primary components of the strategy.

The DRS Emerging Markets Composite demonstrates the performance of separately managed account(s), and mutual fund investors in the DRS Emerging Markets Strategy. Accounts seek the upside potential of owning stock and the desire to minimize the downside risk associated with owning stock. The Composite relies on LEAPS and other options to manage this risk. The portfolios invest in exchange traded funds (ETF) that own foreign equities securities and LEAPS associated with the ETF as well as multiple other option spreads that represent other indices that are widely traded. The Defined Risk Strategy was designed to protect investors from substantial market declines, provide income in flat or choppy markets, and to benefit from market appreciation. Stock and options are the primary components of the strategy.

The benchmarks used for the Defined Risk U.S. Large Cap Strategy Composite, the Defined Risk U.S. Large Cap Growth Composite and the Defined Risk U.S. Large Cap Prime Composite are the S&P 500 Index, which consists of approximately 500 large cap stocks. The S&P 500 Index is often used as a proxy for the overall U.S. equity market. Indexes and other benchmarks used herein are generally unmanaged and have no fees or expenses. An investment cannot be made directly in an index or some of these benchmarks. Swan's investments may consist of securities which vary significantly from those in the benchmark indexes listed above and performance calculation methods may not be entirely comparable. Accordingly, comparing results shown to those of such indexes and benchmarks may be of limited use.



Disclosures

The benchmark used for The DRS U.S. Small Cap Composite is the Russell 2000 Index, which is designed to measure the equity market performance of U.S. small-cap to mid-cap companies.

The benchmark used for The DRS Foreign Developed Markets Composite is the MSCI (Morgan Stanley Capital International) EAFE index (Gross), which comprises the MSCI country indexes capturing large and mid-cap equities across developed markets, excluding the U.S. and Canada.

The benchmark used for The DRS Emerging Markets Composite is the MSCI (Morgan Stanley Capital International) EM (Emerging Markets) Index (gross), which is designed to measure equity market performance in global emerging markets

Swan claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS. Swan's compliance with GIPS has been independently verified for the periods July 1, 1997 through December 31, 2020. The Spaulding Group conducted Swan's verification. A copy of the verification report is available upon request. To receive copies of the report, please feel free to call (970) 382-8901 or email operations@swanglobalinvestments.com. Verification assesses whether (1) the firm has complied with all the composite construction requirements of GIPS on a firm-wide basis, and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with GIPS. Verification does not ensure the accuracy of any specific composite presentation.

Swan offers and manages The Defined Risk Strategy ("DRS") for its clients including individuals, institutions and other investment advisor firms. Swan Global Investments has affiliated advisers including Swan Global Management, LLC, Swan Capital Management, LLC, and Swan Wealth Advisors, LLC. There are seven DRS Composites offered: 1) The DRS U.S. Large Cap Composite which combines non-qualified and qualified separately managed accounts with a moderate risk tolerance invested in S&P 500 equities. 2) The DRS U.S. Large Cap Growth Composite which includes separately managed accounts and mutual fund accounts with a higher risk tolerance invested in S&P 500 equities; 3) The DRS U.S. Large Cap Prime Composite which includes portfolios with a conservative risk tolerance invested in S&P 500 equities; 4) The DRS Emerging Markets Composite which includes separately managed account(s) and mutual fund accounts invested in emerging market equities; 5) The DRS Foreign Developed Markets Composite which includes separately managed account(s) and mutual fund accounts invested in foreign developed market equities; 6) The DRS U.S. Small Cap Composite which includes separately managed account(s) and mutual fund accounts invested in U.S. small cap equities. 7) The DRS U.S. Large Cap Institutional Composite which includes high net-worth, non-qualified separately managed accounts and mutual fund accounts invested in S&P 500 equities that utilize cash-settled, index-based options held at custodians that allow participation in Clearing Member Trade Agreement (CMTA) trades. Additional information regarding Swan's Policies and Procedures used for valuing investments, calculating performance, and preparing GIPS reports are available upon request. There are three composites that have been terminated: 1) The DRS U.S. Large Cap Sectors Select Composite which includes non-qualified separately managed accounts invested in S&P 500 equities terminated on 1/1/2020. 2) The DRS U.S. Large Cap IRA Composite which includes qualified separately managed accounts invested in S&P 500 equities terminated on 1/1/2020. 3) The DRS Solutions Growth Composite which includes all separately managed accounts invested in multiple hedged asset classes and diversified into other asset classes with target allocations guided by a growth-oriented risk tolerance terminated in May 2020. Additional information regarding Swan's Policies and Procedures used for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

The charts and graphs contained herein should not serve as the sole determining factor for making investment decisions. To the extent that you have any questions regarding the applicability of any specific issue presented or discussed, you are encouraged to consult with Swan Global Investments. All information, including that used to compile charts, is obtained from sources believed to be reliable, but Swan Global Investments does not guarantee its reliability.

Swan uses options in the DRS strategy. Options carry additional risks and are not suitable for all clients. Clients must read and understand the current options risk disclosure documents prior to entering into any options or other derivatives transactions. Prior to implementing a call writing program or any of the strategies described herein, a client should further discuss this investment process with other financial, legal and/or tax advisors. The options risk disclosure document is located at: http://optionsclearing.com/about/publications/character-risks.isp. 296-SGI-102521

