

Quarterly Performance Review & Attribution

Q1 2022

HEGD - Swan Hedged Equity
US Large Cap ETF

2022 First Quarter Review

Despite a radical realignment of the post-Cold War political environment, the S&P 500 ended the first quarter of 2022 down a mere -4.6%. While the market did suffer an intra-quarter loss of -12.8%, this correction was short-lived. As the Russian invasion of Ukraine slowed to a stalemate, the markets rallied the last few weeks of the quarter. While investors are likely relieved that their portfolios barely suffered during Vladimir Putin's heinous attack on Ukraine, the fact that the markets were so quick and eager to brush bad news under the carpet is potentially worrisome for those with a longer-term view.

As the ripple effects of the war reverberated around the globe, most equity markets sold off. Riskier asset classes like small cap, emerging markets, and growth fared worse, while value stocks were boosted by a surge in energy prices. Volatility spiked during the initial weeks of the invasion and the VIX climbed above 30 before retreating near the end of the quarter.

The Fed was caught between a rock and hard place but remained committed to an extended period of monetary tightening. In previous crises the Fed typically responded by cutting rates, but that option is

not on the table with inflation at 40-year highs. Shorter-term, 2-5 year rates climbed above longer-term, 10-30 year rates, worrying those who see an inverted yield curve as a bad omen for the economy. Regardless of what the future might hold, bonds fared worse than equities during the first quarter, as the Bloomberg US Aggregate index trailed the S&P 500 - 5.9% vs. -4.6%.

While the war in Ukraine is ongoing and its outcome uncertain, one thing can be said with a high degree of confidence: the world is not going back to what it was. Inflation looks to be high and sustained for the foreseeable future, as Russian and Ukrainian oil, gas, metals, and foodstuffs are removed from the global markets. Globalization, already under strain from a populist backlash, trade wars, and the Covid-19 pandemic, suffered another blow. Countries that might find themselves afoul of sanctions are rapidly re-assessing the wisdom of keeping dollar and euro-based currency reserves at Western central banks. It is difficult to reconcile all these headwinds with the fact that the S&P 500 ended the quarter at 4530, within striking distance of its all-time high of 4796, set on the first trading day of 2022.

2022 Returns as of 3/31/2022

	Q1	YTD	Jan	Feb	Mar
S&P 500	-4.60%	-4.60%	-5.17%	-2.99%	3.71%
Russell 2000	-7.53%	-7.53%	-9.63%	1.07%	1.24%
MSCI EAFE	-5.79%	-5.79%	-4.82%	-1.76%	0.76%
MSCI EM	-6.92%	-6.92%	-1.89%	-2.98%	-2.22%
Russell 1000 Growth	-9.04%	-9.04%	-8.58%	-4.25%	3.91%
Russell 1000 Value	-0.74%	-0.74%	-2.33%	-1.16%	2.82%
BBgBarc US Agg Bond	-5.93%	-5.93%	-2.15%	-1.12%	-2.78%

Source: Morningstar Direct

Swan Hedged Equity U.S. Large Cap (HEGD)

Performance Attribution & Summary

While the first quarter of 2022 will rightly be remembered for Russia's brazen invasion of Ukraine on February 24th, lost in the chaos is the fact that the S&P 500 was down nearly 10% in January. While some of January's near-correction was driven by storm clouds in eastern Europe, investors had many other legitimate worries. Rising inflation rates, profit margin and labor pressures, and the removal of the proverbial "punchbowl" of quantitative easing all acted as a drag on investor sentiment. Value stocks widely outperformed growth, but virtually all the gains could be attributed to the energy sector. Nine of the eleven economic sectors had negative returns during the quarter. While the S&P 500 did rally sharply to end the quarter to cut its Q1 losses in half, this was the first negative quarter for the index since the Covid pandemic struck in early 2020.

The Swan Hedged Equity U.S. Large Cap ETF slightly outperformed the S&P 500 during the first quarter, -4.2 % vs. -4.6%. However, the market rally towards the end of the quarter masked the effectiveness of hedge during the depths of the correction. The maximum drawdown of the Fund during the first quarter was -8.4% whereas the S&P 500's maximum drawdown was -12.8%.

Core equity: the equity ETFs used for market exposure tracked the S&P 500 down, and had a -4.1% return on the quarter, as expected. In addition, the call spread positions used to augment the upside potential of the Fund were down slightly as the market turned negative.

Hedge: the put options used to hedge the Fund were up slightly as the quarter ended, with a 13 basis point gain. There are several things to keep in mind about these results. First, the value-add of the put options were higher, around 2%, prior to the market rally at the end of the quarter. Second, the fund re-hedged its portfolio in early December in order to lock-in the gains from 2021. With a "Santa Claus rally" ending the year, the Fund started 2022 with the hedges slightly out-of-the-money. Finally, the rising yield curve has diminished some of the put option values.

Swan Hedged Equity U.S. Large Cap (HEGD) as of 3/31/2022

	Q1	Q2	Q3	Q4	2022
Core Equity	-4.14%				-4.14%
Hedge	0.13%				0.13%
Fees/Other	-0.26%				-0.26%
Total Portfolio (NAV)	-4.26%				-4.26%
Total Portfolio (Price)	-4.15%				-4.15%
S&P 500	-4.60%				-4.60%

Source: Zephyr StyleADVISOR and Swan Global Investments

Average Annualized Returns as of 3/31/2022

Returns	Inception Date	YTD	1 YR	3YR	5YR	Since Inception
HEGD (Price) – Swan Hedged Equity US Large Cap ETF	12/22/20	-4.15%	9.13%	N/A	N/A	10.67%
Cboe S&P 500 95-10 Index	-----	-6.49%	6.04%	N/A	N/A	8.43%
S&P 500	-----	-4.60%	15.65%	N/A	N/A	19.28%

Source: Swan Global Investments

Performance shown is historical and does not guarantee future results. Current performance may be lower or higher. There is no assurance the fund will pay dividends or capital gains in the future. Performance assumes the reinvestment of dividends and capital gains. You cannot invest directly in an index or average. Gross annual expenses are 0.89%. For performance information or for a copy of the prospectus, visit <https://etfs.swanglobalinvestments.com/hedged-equity-etf/>, or please call (877) 896-2590.

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The fund's investment objective is to seek capital appreciation while mitigating overall market risk.

An investment in the fund involves risk, including possible loss of principal.

Exchange Traded Funds and Mutual Funds involve risk, including possible loss of principal. There is no guarantee the Fund will meet its objective. The fund will use put and call options, which are referred to as "derivative" instruments since their values are based on, or derived from, an underlying reference asset, such as an index. Derivatives can be volatile, and a small investment in a derivative can have a large impact on the performance of the Fund as derivatives can result in losses in excess of the amount invested. Options used by the Fund to reduce volatility and generate returns may not perform as intended. There can be no assurance that the Fund's option strategy will be effective. It may expose the Fund to losses, e.g., option premiums, to which it would not have otherwise been exposed. Further, the option strategy may not fully protect the Fund against declines in the value of its portfolio securities. The prices of options may change rapidly over time and do not necessarily move in tandem with the price of the underlying securities. Selling call options reduces the Fund's ability to profit from increases in the value of the Fund's equity portfolio, and purchasing put options may result in the Fund's loss of premiums paid in the event that the put options expire unexercised. To the extent that the Fund reduces its put option holdings relative to the number of call options sold by the Fund, the Fund's ability to mitigate losses in the event of a market decline will be reduced. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund.

Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

The Fund is distributed by Foreside Fund Services, LLC. Foreside Fund Services, LLC and Swan Capital Management, LLC & Swan Global Investments, LLC are not affiliated.

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About Swan Global Investments

Investing Redefined® - Since 1997, our distinct investment approach has been redefining investing by directly addressing the biggest threat long-term investors face: market risk.

Market risk is too big a threat to investors to be dealt with passively. So we hedge it.

Swan Global Investments is a leader in hedged and options strategies, providing goals-based investment solutions built on an "Always Invested, Always Hedged" philosophy that seek capital appreciation, while mitigating market risk.

Our simple, yet innovative Defined Risk Strategy is a time-tested, goals-based investment approach that seeks consistent long-term returns by combining the benefits of passive investing with active risk management to mitigate risks to irreplaceable capital.



SWAN CAPITAL
MANAGEMENT

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¹ – Although the Fund is actively managed, the Fund intends to passively invest (buy and hold) at least 80% of it's assets directly or indirectly through one or more ETFs in equity securities of large cap U.S. companies.