



SWAN CAPITAL
MANAGEMENT

Quarterly Performance Review & Attribution

Swan Defined Risk Funds
Q3 2024

For Financial Professional Use Only

2024 Third Quarter Review

Despite a near-correction in late July and early August, the S&P 500 closed at a record high of 5762 to end the third quarter. The index was up 5.9% for the quarter and 22.1% year-to-date on the back of a 50 basis point rate cut and hopes for the elusive “soft landing.”

The market broadened out during the third quarter, after previously being led by a handful of growth stocks. This is due in large part to the Federal Reserve finally delivering its rate cuts. A year ago, the markets were anticipating numerous rate reductions throughout 2024, but the Fed didn’t start cutting until this September. The loosening of monetary policy was welcomed by value stocks, bonds, small cap stocks, and emerging markets. While volatility spiked sharply in early August, by quarter-end the VIX was back down to the mid-teens.

Much of the market activity and monetary policy over the past year has been driven by hopes of an economic “soft landing.” Compared to where we were a few years ago, inflation has been successfully reduced to tolerable levels without slowing the economy.

However, as we enter the final quarter of 2024 Swan Global Investments is concerned that a political “soft landing” is harder to envision. The upcoming November election is extremely fraught. It is safe to say we are witnessing the most toxic political environment in at least the last 50 years.

Many market commentators tell investors to “ignore politics” since historically markets have done well under Republicans and Democrats. However, Swan Global Investments remains “always invested, always hedged” for these uncertain and volatile times.

2024 Returns as of 9/30/2024

	Q3	YTD		Jul	Aug	Sep
S&P 500	5.89%	22.08%		1.22%	2.43%	2.14%
Russell 2000	9.27%	11.17%		10.16%	-1.49%	0.70%
MSCI EAFE	7.33%	13.50%		2.95%	3.26%	0.97%
MSCI EM	8.88%	17.24%		0.37%	1.65%	6.72%
Russell 1000 Growth	3.19%	24.55%		-1.70%	2.08%	2.83%
Russell 1000 Value	9.43%	16.68%		5.11%	2.68%	1.39%
Bloomberg US Agg Bond	5.20%	4.45%		2.34%	1.44%	1.34%

Source: Morningstar Direct

Swan Defined Risk Fund

U.S. Large Cap (SDRIX)

Performance Attribution & Summary

While the S&P 500 posted a quarterly gain of 5.9%, the Megacap, tech names known as the “Magnificent Seven” took a breather following their big run-up in the first half of the year. Market leadership rotated to less glamorous parts of the market like Utilities, Real Estate, Industrials, and Financials. All these sectors are more sensitive to interest rates and had double-digit rallies in the third quarter as the Fed cut rates by 50 basis points. Year-to-date the S&P 500 index is up 22.1%

The Swan Defined Risk Fund had a strong third quarter, with a return of 4.3%. Relative to the S&P 500 return of 5.9%, this represents a capture ratio of 73%, exceeding expectations. Year-to-date the Fund is right in line with expectations, capturing half of the S&P 500’s gain with an 11.0% return. Given the fact that the S&P 500 is up significantly, the Fund has re-hedged its entire portfolio.

Core Equity: the ETFs in the core equity portion of the portfolio are intended to track the performance of the S&P 500. During the third quarter they fulfilled this role, up 5.5%.

Hedge: Swan actively manages the Fund to maintain the proper balance between the core equity and hedge components. The Fund entered 2024 invested in put options with a strike price of 5000. With the S&P 500 up more than 20% year-to-date, these put options would be of limited value if the market were to sell off by 10% to 20%. Therefore, Swan’s portfolio managers re-hedged the Fund by trading the old put options for new ones featuring higher strike prices. Following the re-hedge, the composite strike price of the Fund’s put options is above 5600. This risk/return profile of the Fund is therefore more in-line with what one would expect at the start of the year.

Additional Trades: the volatility spike in late July and early August was detrimental to the premium collection trades. While the Fund did claw back some of the early quarter losses as volatility subsided, this segment of the Fund was responsible for losses of 24 basis points in the third quarter.

**Swan Defined Risk Fund (SDRIX)
as of 9/30/2024**

	Q1	Q2	Q3	Q4	YTD
Core Equity	8.86%	3.16%	5.49%		18.47%
Hedge	-3.13%	-1.52%	-0.66%		-5.23%
Additional Trades	0.27%	-0.45%	-0.24%		-0.42%
Fees/Other	-0.25%	-0.25%	-0.25%		-0.75%
Total Portfolio (Net)	5.48%	0.88%	4.28%		10.96%
S&P 500	10.56%	4.28%	5.89%		22.08%
Over / Under Performance	-5.08%	-3.40%	-1.61%		-11.12%

**Average Annualized Returns
as of 9/30/2024**

Returns	Inception Date	1 YR	3YR	5YR	10YR	Since Inception
Class I	07/30/12	17.64%	4.93%	6.55%	4.67%	5.38%
S&P 500	-----	36.35%	11.91%	15.98%	13.38%	14.58%

Source: Zephyr StyleADVISOR and Swan Global Investments

Performance shown is historical and does not guarantee future results. Current performance may be lower or higher. Because share price, principal value, and return will vary, you may have a gain or loss when you sell fund shares. 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 fund operating expenses are 1.27% for Class I. Class I shares have no sales charge and may be purchased by specified classes of investors. For performance information current to the most recent month end, please call (877) 896-2590.

Swan Defined Risk Growth Fund (SDAIX)

Performance Attribution & Summary

The Swan Defined Risk Growth Fund might be described as “equity with a hedge” rather than “hedged equity.” A subtle difference, but the point is that the Growth Fund is intended to have a higher equity exposure than a typical hedged equity fund. With less of its capital dedicated to the hedge, this usually equates to higher capture ratios to the upside and the downside.

The Growth Fund had a 3.9% gain during the third quarter, capturing about two-thirds of the S&P 500’s move. This is right in-line with expectations for the Growth Fund. The year-to-date capture ratio is also around two-thirds, as the Growth fund has a 14.5% gain and the S&P 500 is up 22.1%. Given the fact that the S&P 500 is up over 20%, the Fund re-hedged its entire portfolio over the course of the third quarter.

Core Equity: the Growth Fund’s core equity ETFs tracked the S&P 500 upwards during the third quarter. In addition, the Fund saw slight gains in the long call-spread positions, although most of the gains in that supplementary position were realized earlier in the year. Overall, this segment of the Fund had a 5.8% gain.

Hedge: the Growth Fund starts every calendar year with its put options slightly out-of-the-money. By purchasing cheaper put options the Fund can dedicate a larger portion of its portfolio to the S&P 500 core equity ETFs. This is a benefit in rising markets. In 2024 the Fund’s start-of-the-year put options had a strike price of 4700. With the S&P 500 up over 20% in the first three quarter of the year, the Fund’s hedges moved from being slightly out-of-the-money to significantly out-of-the-money. As an actively managed fund, the Growth Fund was rebalanced and re-hedged during the third quarter. The strike prices on the put options were rolled up from 4700 to around 5350. Should the S&P 500 experience a correction or even a bear market, these new put options with higher strike prices would be in a better position to hedge the downside exposure of the core equity. Following the re-hedge, the risk/return profile of the Fund was more in-line with what one would typically see at the start of a calendar year.

Additional Trades: on the downside, the volatility spike in late July and early August was detrimental to the Fund’s premium collection trades. Although some of the losses were recovered later in the quarter, this segment of the Fund had a -1.14% return on the quarter.

Swan Defined Risk Growth Fund (SDAIX)
as of 9/30/2024

	Q1	Q2	Q3	Q4	YTD
Core Equity	10.44%	4.54%	5.77%		22.12%
Hedge	-2.45%	-1.24%	-0.44%		-4.08%
Additional Trades	0.12%	-0.46%	-1.14%		-1.48%
Fees/Other	-0.25%	-0.25%	-0.25%		-0.75%
Total Portfolio (Net)	7.60%	2.51%	3.85%		14.54%
S&P 500	10.56%	4.28%	5.89%		22.08%
Over / Under Performance	-2.96%	-1.77%	-2.04%		-7.54%

Average Annualized Returns
as of 9/30/2024

Returns	Inception Date	1 YR	3YR	5YR	Since Inception
Class I	12/28/18	23.07%	5.93%	9.78%	11.23%
S&P 500	-----	36.35%	11.91%	15.98%	17.64%

Source: Zephyr StyleADVISOR and Swan Global Investments

Performance shown is historical and does not guarantee future results. Current performance may be lower or higher. Because share price, principal value, and return will vary, you may have a gain or loss when you sell fund shares. 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 fund operating expenses are 1.43% for Class I. Class I shares have no sales charge and may be purchased by specified classes of investors. For performance information current to the most recent month end, please call (877) 896-2590.

Swan Defined Risk Fund U.S. Small Cap (SDCIX)

Performance Attribution & Summary

After treading water the first half of 2024, small cap stocks rallied strong in the third quarter as the Fed finally delivered on its long-awaited rate cuts. While the Megacap tech stocks that dominate both the S&P 500 and the headlines are flush with cash, an underreported story is the fact that many smaller companies have struggled with financing. The 50 basis point cut on September 18th with hopes of more to follow was a huge relief for small cap stocks. The Russell 2000 was up 9.3% during the quarter and 11.2% year-to-date.

The Swan Defined Risk Small Cap Fund performed within expectations during the third quarter with a 5.0% gain. This gain was just over half of the Russell 2000's 9.3% return. Year-to-date the Fund's return of 4.3% was slightly less than 40% of the index's gain, on the lower end of the expectations band.

Core Equity: the Fund's core equity exposure is invested in ETFs that track the movement of the Russell 2000 index. As the index benefitted from the rally in small cap stocks following the rate cut, so did the Fund's ETFs. This section of the Fund was up 8.2% in the third quarter.

Hedge: the put options used to hedge the portfolio are inversely correlated to movements in the Russell 2000. Therefore, gains in the index are expected to result in losses in the put option values. This was indeed the case during the third quarter, as hedge segment declined in value by 1.9%.

Additional Trades: the premium collection trades tend to be more profitable during more docile times in the market. Sharp declines or rallies tend to put stress on these types of trades. So it was during the third quarter when the additional income trades lost 85 basis points.

Swan Defined Risk U.S. Small Cap Fund (SDCIX) as of 9/30/2024

	Q1	Q2	Q3	Q4	YTD
Core Equity	4.64%	-3.04%	8.20%		9.78%
Hedge	-2.53%	0.50%	-1.90%		-3.91%
Additional Trades	0.10%	0.35%	-0.85%		-0.40%
Fees/Other	-0.25%	-0.25%	-0.25%		-0.75%
Total Portfolio (Net)	1.85%	-2.47%	4.98%		4.28%
Russell 2000	5.18%	-3.28%	9.27%		11.17%
Over / Under Performance	-3.33%	0.81%	-4.29%		-6.89%

Average Annualized Returns as of 9/30/2024

Returns	Inception Date	1 YR	3YR	5YR	Since Inception
Class I	12/29/15	13.32%	-0.54%	5.18%	4.91%
Russell 2000	-----	26.76%	1.84%	9.39%	9.23%

Source: Zephyr StyleADVISOR and Swan Global Investments

Performance shown is historical and does not guarantee future results. Current performance may be lower or higher. Because share price, principal value, and return will vary, you may have a gain or loss when you sell fund shares. 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 fund operating expenses are 1.82% for Class I. Class I shares have no sales charge and may be purchased by specified classes of investors. For performance information current to the most recent month end, please call (877) 896-2590.

Swan Defined Risk Emerging Markets Fund (SDFIX)

Performance Attribution & Summary

After spending the last several years in the doldrums, China staged a huge rally towards the end of the third quarter on the back of a long-awaited stimulus package. Whether or not the Chinese rally is sustainable is debatable, as are the deeper, structural concerns about the Chinese economy. But for the third quarter the MSCI China index was up 23.6%, helping drive the MSCI EM index up 8.9%. Other top ten countries in the index like South Africa, Indonesia, and Thailand all posted double-digit returns. Year-to-date the index is up 17.2%.

During the third quarter the Swan Defined Risk Emerging Markets Fund was up 2.1%, capturing just under a quarter's worth of the index's gain. Year-to-date the Fund is up 6.6% vs 17.2%, a capture ratio of 38%.

Core Equity: the emerging markets-based ETFs benefited from the pop in emerging markets and posted a return of 7.0%.

Hedge: the put options used to hedge the portfolio declined in value by 2.3% during the third quarter. Most of this was due to the gains in emerging markets, but a portion of the decline was also due to the time decay.

Additional Trades: the sizeable and rapid move in emerging market during the month of September was detrimental to the premium collection trades. This section of the Fund lost 2% during the quarter, negating the gains from the first half of the year.

**Swan Defined Risk Emerging Markets Fund (SDFIX)
as of 9/30/2024**

	Q1	Q2	Q3	Q4	YTD
Core Equity	2.34%	4.38%	6.95%		14.25%
Hedge	-2.06%	-1.79%	-2.28%		-6.01%
Additional Trades	0.68%	1.35%	-2.03%		-0.03%
Fees/Other	-0.25%	-0.25%	-0.25%		-0.75%
Total Portfolio (Net)	0.67%	3.64%	2.13%		6.56%
MSCI EM	2.44%	5.12%	8.88%		17.24%
Over / Under Performance	-1.77%	-1.48%	-6.75%		-10.68%

**Average Annualized Returns
as of 9/30/2024**

Returns	Inception Date	1 YR	3YR	5YR	Since Inception
Class I	12/30/14	11.96%	0.54%	2.53%	1.20%
MSCI EM	-----	26.54%	0.82%	6.15%	5.04%

Source: Zephyr StyleADVISOR and Swan Global Investments

Performance shown is historical and does not guarantee future results. Current performance may be lower or higher. Because share price, principal value, and return will vary, you may have a gain or loss when you sell fund shares. 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 fund operating expenses are 1.88% for Class I. Class I shares have no sales charge and may be purchased by specified classes of investors. For performance information current to the most recent month end, please call (877) 896-2590.

Swan Defined Risk Foreign Fund (SDJIX)

Performance Attribution & Summary

For years market commentators have noted the gap in valuations between U.S.-based stocks and foreign equities. This gap is particularly pronounced if one looks at the market-cap weighted S&P 500 or the Megacap “Magnificent Seven” names. After racking up huge gains in the U.S. it appears some investors are looking to diversify and exploit the valuation gap by going bargain-shopping overseas. In addition, if the dollar declines from its recent highs, this would be a tailwind for non-dollar based assets. During the third quarter the MSCI indices for Japan, the United Kingdom, France, Switzerland, Germany, and Australia were all positive. These half-dozen countries collectively represent almost 75% of the index. This resulted in a third quarter gain of 7.3% for the MSCI EAFE, outperforming the S&P 500’s 5.9% gain.

The Swan Defined Risk Foreign Fund had third quarter gains of 3.9%. Compared to the MSCI EAFE return of 7.3%, this equates to a capture ratio of around 53%. Year-to-date the Fund as posted a 6.7% return relative to the 13.5% gain on the index; a capture ratio of about 50%. Both the third quarter and the year-to-date results are within the range of expectations.

Core Equity: the ETFs used to track the MSCI EAFE index were up 6.7% during the third quarter, giving the Fund upside exposure to the foreign developed markets.

Hedge: as the core equity portion of the portfolio posted gains, the put options used to hedge the portfolio moved in the opposite direction, as expected. In addition, the put options also lost value due to the passage of time. The aggregate effect was a -1.3% return in the hedge component of the strategy.

Additional Trades: mid-summer volatility adversely impacted the premium collection trades that make up the third component of the Fund. These trades tend to do better in more docile environments, but the third quarter was a bit choppy. This section of the Fund had a third quarter return of -1.17%.

**Swan Defined Risk Foreign Fund (SDJIX)
as of 9/30/2024**

	Q1	Q2	Q3	Q4	YTD
Core Equity	5.36%	-0.36%	6.74%		12.06%
Hedge	-2.85%	-0.11%	-1.25%		-4.17%
Additional Trades	0.87%	0.42%	-1.17%		0.11%
Fees/Other	-0.25%	-0.25%	-0.25%		-0.75%
Total Portfolio (Net)	2.99%	-0.30%	3.92%		6.70%
MSCI EAFE	5.93%	-0.17%	7.33%		13.50%
Over / Under Performance	-2.94%	-0.13%	-3.41%		-6.80%

**Average Annualized Returns
as of 9/30/2024**

Returns	Inception Date	1 YR	3YR	5YR	Since Inception
Class I	12/29/15	13.39%	3.06%	4.91%	3.58%
MSCI EAFE	-----	25.38%	6.02%	8.72%	7.51%

Source: Zephyr StyleADVISOR and Swan Global Investments

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ETFs are subject to investment advisory and other expenses, which will be indirectly paid by the Funds. As a result, the cost of investing in the Funds will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds that invest directly in stocks. ETFs are subject to specific risks, depending on the nature of the Funds Investments in underlying funds that own small and mid capitalization companies may be more vulnerable than larger, more established organizations.

Investments in foreign securities could subject the Funds to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. The use of leverage, such as that embedded in options, could magnify the Funds' gains or losses. Written option positions expose the Funds to potential losses many times the option premium received. A Put Option is an option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time.

The adviser's dependence on its DRS process and judgments about the attractiveness, value and potential appreciation of particular ETFs and options in which the Funds invests or writes may prove to be incorrect and may not produce the desired results. Purchased put options may expire worthless and may have imperfect correlation to the value of the Fund's sector ETFs. Written call and put options may limit the Fund's participation in equity market gains and may amplify losses in market declines. The Fund's losses are potentially large in a written put or call transaction. If un-hedged, written calls expose the Funds to potentially unlimited losses.

Overall securities market risks will affect the value of individual instruments in which the Funds invests. Factors such as economic growth and market conditions, interest rate levels, and political events affect the US securities markets. Emerging market countries may have relatively unstable governments, weaker economies, and less developed legal systems with fewer security holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default.

Investors should carefully consider the investment objective, risks, charges and expenses of the Swan Defined Risk Fund, the Defined Risk Emerging Markets Fund, the Defined Risk Foreign Developed Fund, and the Defined Risk U.S. Small Cap Fund. This and other information is contained in the funds' prospectuses and should be read carefully before investing. For a prospectus please call (877) 896-2590. The Fund is distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. Northern Lights Distributors, LLC and Swan Capital Management, LLC are not affiliated. There is no guarantee the funds will meet its objective.

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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
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©2024 Swan Capital Management
1099 Main Avenue, Suite 206
Durango, CO 81301
Telephone: 970-382-8901