



Quarterly Performance Review & Attribution

Swan Defined Risk U.S. Large Cap
Q1 2022 Review

For Financial Professional Use Only

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 intraquarter 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%
Bloomberg US Agg Bond	-5.93%	-5.93%		-2.15%	-1.12%	-2.78%

Source: Morningstar Direct

Swan Defined Risk U.S. Large Cap

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 Defined Risk U.S. Large Cap outperformed the S&P 500 during the first quarter, -3.1% vs. -4.6%. However, the market rally towards the end of the quarter masked the effectiveness of the hedge during the depths of the correction. When the S&P 500 drew down by -12.8% intraquarter, the strategy was down by roughly half as much.

Core Equity: the equity ETFs used for market exposure tracked the S&P 500 down. However, this portion of the strategy did benefit from increasing its upside exposure to the market *after* the market experienced a sell-off. This additional upside exposure was generated via the purchase of some call spread positions. As a result, the core equity portion of the strategy had a -3.0% quarterly return, vs. -4.6% for the S&P 500.

Hedge: the put options used to hedge the Fund were up slightly as the quarter ended, with a 14 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.

Additional Return Trades: the strategy avoided the treacherous volatility market and engaged in minimal call writing or put writing.

**Swan Defined Risk U.S. Large Cap Strategy
as of 3/31/22**

	Q1	Q2	Q3	Q4	2022
Core Equity	-3.09%				-3.09%
Hedge	0.14%				0.14%
Additional Return Trades	0.00%				0.00%
Fees/Other	-0.09%				-0.09%
Total Portfolio (Net)	-3.05%				-3.05%
S&P 500	-4.60%				-4.60%
Over / Under Performance	1.55%				1.55%

Sources: Swan Global Investments and Morningstar; Indices are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. DRS results are from the Swan Defined Risk U.S. Large Cap Composite, net of fees.

IMPORTANT DISCLOSURES:

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The Swan Defined Risk Strategy Contribution data is derived from the performance data of the applicable Swan Defined Risk U.S. Large Cap Composite only. The derivation process includes allocating the monthly total portfolio return (plus a management fee) to each Defined Risk Strategy (DRS) component (core equity, hedge and options trades) based on each component’s gains/losses for the period relative to the total portfolio’s gains/losses for the period. The resulting attribution is what Swan feels is a fair representation of how the Strategy components performed. Using and comparing the contribution data may be of limited use and is presented for illustrative purposes only. Total portfolio performance information is presented net of management fees, ETF expenses, trading costs, dividends and distributions.

There are nine 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 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; 8) The DRS U.S. Large Cap Institutional Growth Composite which includes high net-worth, qualified and non-qualified separately managed accounts and mutual fund accounts with a higher risk tolerance 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; 9) The Pacer Swan Structured Outcome Strategies (SOS) ETF Series Composite which includes investors in the Pacer Swan SOS ETF products. 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.

All Swan products utilize the Swan DRS but may vary by asset class, regulatory offering type, etc. Accordingly, all Swan DRS product offerings will have different performance results and comparing results among the Swan products and composites may be of limited use. 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.

The S&P 500 Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. Indexes are unmanaged and have no fees or expenses. An investment cannot be made directly in an index. 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 may be of limited use. The equity portion of portfolio is hedged using put options and the shorter-term options trade component of the portfolio is actively managed to seek additional return. Both the equity and options trading portion of the strategy may experience losses in a market downturn but may be defined and mitigated by the hedge. The extent of potential losses will vary depending on many factors including, but not limited to; the options used, option strategy, expiration, prices, actions taken by portfolio manager. Investments involve risk, including possible loss of principal. There is no guarantee the fund will meet its objective.

IMPORTANT DISCLOSURES:

The performance benchmark used for the Swan Defined Risk U.S. Large Cap Composite is the S&P 500 Index comprised of 500 large-capitalization stocks, and which does not charge fees. 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 Fund to potentially unlimited losses.

Year	Swan Global Investments, LLC DRS U.S. Large Cap Composite										S&P 500 ("The Benchmark")				
	Net-of-Fee Return	Net-of-Fee Cumulative Return	Net-of-Fee Annualized Return	Beta (Net of Fees)	Standard Deviation (External) Net of Fees	Sharpe Ratio (Net of Fees)	# of Accts / Assets in Millions	Total Firm Assets (\$MM)	Dispersion (Internal) Gross of Fees	Return	Cumulative Return	Annualized Return	Standard Deviation (External)	Sharpe Ratio	
1997+	19.17%	19.17%	19.17%	N/A	N/A	N/A	1 / .22	0.22	<6	10.58%	10.58%	10.58%	N/A	N/A	
1998	11.55%	32.94%	20.90%	N/A	N/A	N/A	1 / .32	0.32	<6	28.58%	42.18%	26.44%	N/A	N/A	
1999	12.26%	49.24%	17.37%	N/A	N/A	N/A	1 / .72	0.72	<6	21.04%	72.09%	24.25%	N/A	N/A	
2000	3.17%	53.97%	13.12%	N/A	N/A	N/A	1 / .90	0.90	<6	-9.10%	56.43%	13.64%	N/A	N/A	
2001	7.46%	65.46%	11.84%	0.36	7.23%	0.51	3 / 1.66	1.66	<6	-11.89%	37.83%	7.39%	16.71%	0.13	
2002	12.22%	85.68%	11.91%	0.20	10.20%	0.56	3 / 1.97	1.97	<6	-22.10%	7.37%	1.30%	18.55%	-0.17	
2003	-0.65%	84.47%	9.88%	0.16	10.11%	0.47	6 / 3.74	3.74	5.68%	28.68%	38.17%	5.10%	18.07%	0.07	
2004	11.76%	106.17%	10.13%	0.17	9.89%	0.55	8 / 4.66	4.66	5.80%	10.88%	53.21%	5.85%	14.86%	0.14	
2005	6.69%	119.97%	9.72%	0.17	6.12%	0.55	8 / 4.98	4.98	2.66%	4.91%	60.73%	5.74%	9.04%	0.14	
2006	17.26%	157.94%	10.49%	0.17	4.52%	0.63	12 / 7.69	7.69	3.71%	15.79%	86.12%	6.76%	6.82%	0.21	
2007	8.39%	179.57%	10.29%	0.18	5.92%	0.62	14 / 9.40	9.40	3.79%	5.49%	96.34%	6.64%	7.68%	0.20	
2008	-4.57%	166.78%	8.91%	0.23	9.34%	0.49	17 / 15.65	15.65	5.00%	-37.00%	23.70%	1.87%	15.08%	-0.11	
2009	22.63%	227.15%	9.95%	0.25	10.70%	0.62	73 / 55.78	55.78	4.18%	26.46%	56.44%	3.64%	19.63%	0.02	
2010	7.88%	252.94%	9.79%	0.27	10.57%	0.63	105 / 97.90	97.90	2.21%	15.06%	80.00%	4.45%	21.85%	0.09	
2011	-4.59%	236.73%	8.73%	0.27	9.21%	0.56	146 / 59.44	59.44	3.16%	2.11%	83.80%	4.29%	18.71%	0.09	
2012	8.29%	264.64%	8.71%	0.28	7.45%	0.59	436 / 129.08	386.76	1.44%	16.00%	113.22%	5.01%	15.09%	0.15	
2013	14.21%	316.45%	9.03%	0.28	6.62%	0.65	423 / 309.7	1,052.99	1.56%	32.39%	182.28%	6.49%	11.94%	0.25	
2014	6.23%	342.40%	8.87%	0.28	4.75%	0.66	599 / 434.3	1,810.04	0.65%	13.69%	220.92%	6.89%	8.97%	0.29	
2015	-2.11%	333.06%	8.25%	0.29	5.79%	0.62	766 / 473.21	2,446.11	1.36%	1.38%	225.36%	6.58%	10.47%	0.28	
2016	9.08%	372.39%	8.29%	0.29	5.38%	0.65	1,207 / 675.64	3,620.08	0.90%	11.96%	264.27%	6.85%	10.59%	0.31	
2017	11.51%	426.74%	8.44%	0.29	4.99%	0.69	1,630 / 982.45	4,975.33	0.78%	21.83%	343.79%	7.54%	9.92%	0.37	
2018	-6.83%	390.74%	7.68%	0.31	6.23%	0.60	1,292 / 756.36	4,063.88	1.13%	-4.38%	324.34%	6.95%	10.80%	0.33	
2019	14.93%	463.99%	7.99%	0.31	7.01%	0.64	1,144 / 638.36	3,065.24	1.15%	31.49%	457.95%	7.94%	11.93%	0.40	
2020	3.01%	480.97%	7.77%	0.32	9.18%	0.62	893 / 501.09	2,236.86	1.75%	18.40%	560.60%	8.37%	18.53%	0.41	

Composite Description: The Defined Risk U.S. Large Cap Composite demonstrates the performance of non-qualified and 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 Composite relies 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 is a hedged equity investment approach designed to benefit from long-term market appreciation, while mitigating overall market risk. Stock and options are the primary components of the strategy. Portfolios in the composite may include non-DRS securities (securities that are not part of the Swan Defined Risk Strategy) that are excluded from composite performance.

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.

This and other information is contained in the prospectus and should be read carefully before investing. For a prospectus please call Swan Global Investments at (970) 382-8901. Further information can be obtained at swanglobalinvestments.com.

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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.



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