SWAN GLOBAL INVESTMENTS

Is Private Credit the New Subprime?

What the Global Financial Crisis Teaches Us About Leverage, Liquidity, and Incentives

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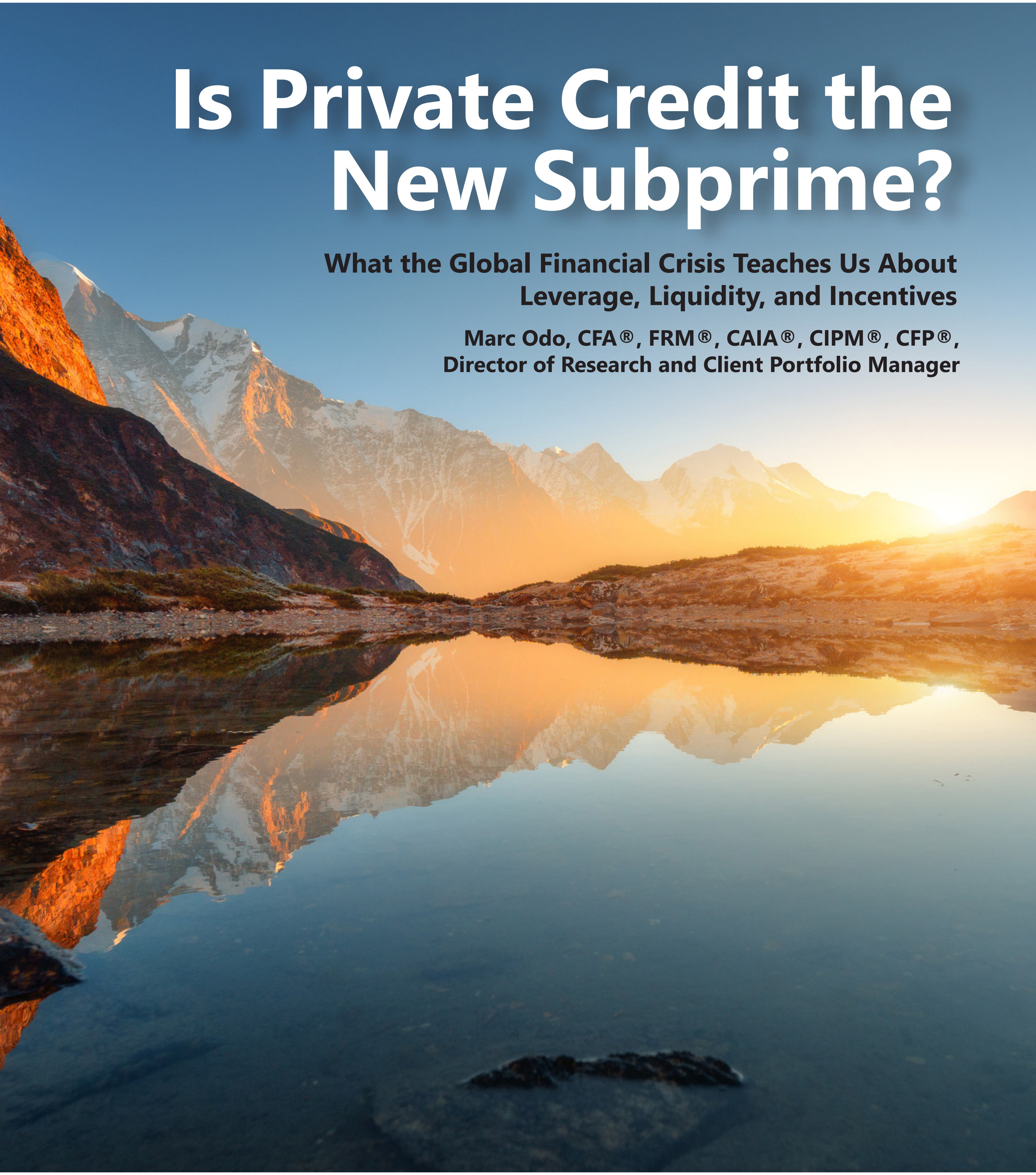


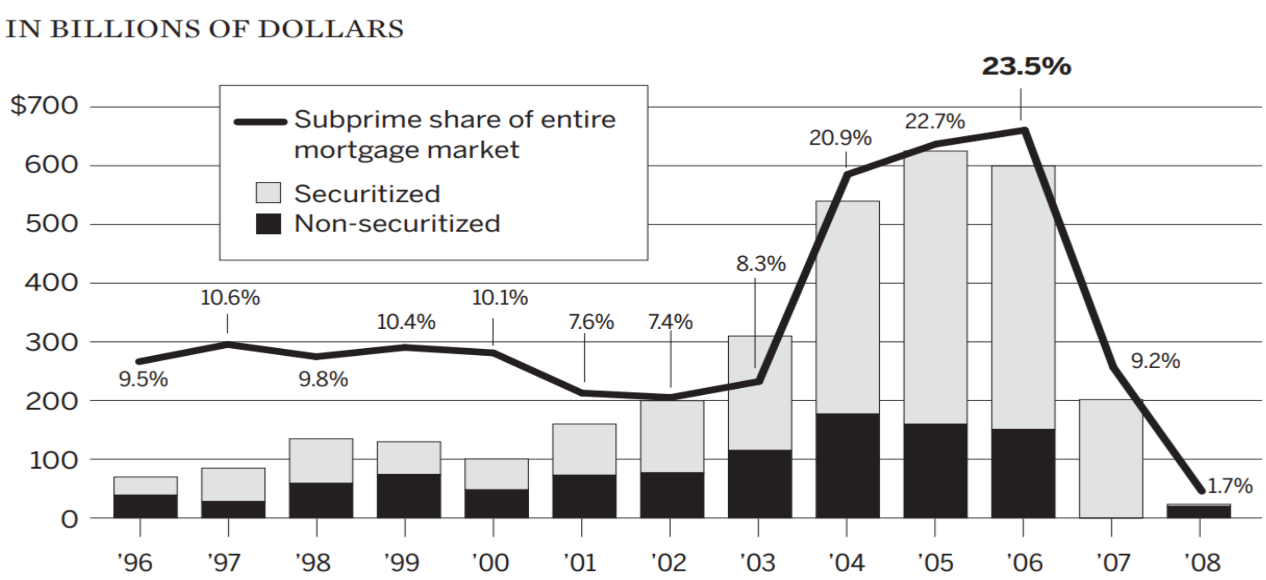
Introduction

It's been 20 years since the bubble in U.S. housing brought the global financial system to near collapse. While the Global Financial Crisis occurred in 2007-09, the conditions that led to the crisis were festering in the mid-aughts. There wasn't a single "smoking gun" responsible for the Global Financial Crisis. Instead, it was the combination of multiple factors, each compounding the risks of others, that caused the problems to spiral out of control. If any of these factors happened in isolation, it is unlikely that the financial system would have been brought to its knees. But the fact of the matter is these factors fed off each other, leading to a systemic meltdown.

Today the growth is in the loosely regulated private credit market. This sector has seen tremendous growth over the last several years. It's often said the most dangerous words in finance are "this time it's different." In this paper, we will explore not the differences, but the similarities between private credit and subprime mortgage lending.

Poorly Designed Regulatory Policies and Unintended Consequences

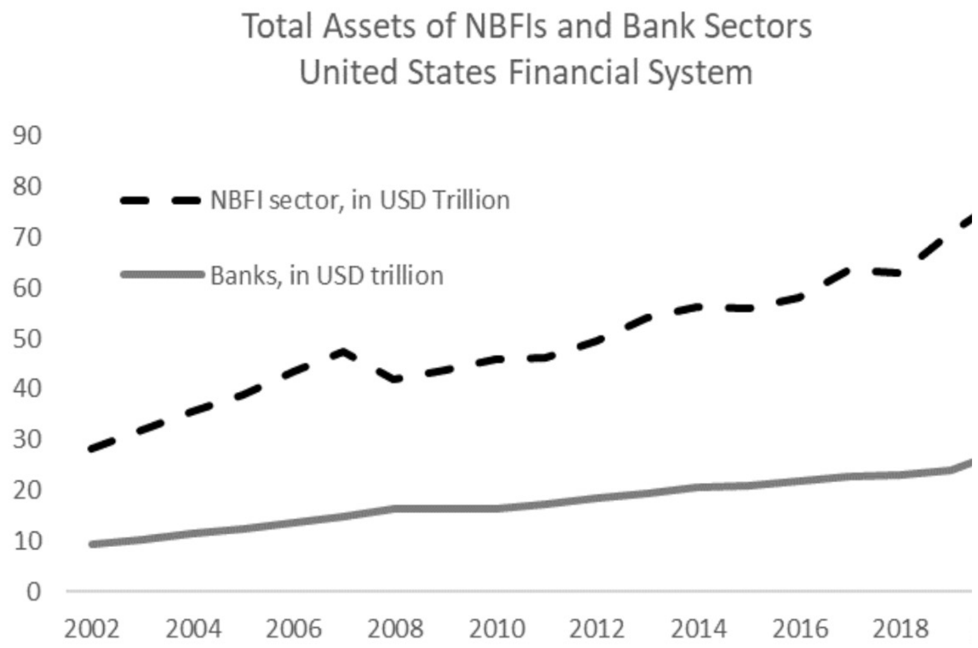
Long before the housing bubble formed it was the official policy of several administrations to encourage home ownership, deemed to be a "social good." Policies like the Community Reinvestment Act of 1977 set targets and requirements to boost home ownership amongst individuals and communities that, under more stringent criteria, would be unlikely to afford a mortgage and the expenses of owning a home. Regardless if one believed these efforts were "worthy" or not, one should remember the old saying, "the road to hell is paved with good intentions."



NOTE: Percent securitized is defined as subprime securities issued divided by originations in a given year. In 2007, securities issued exceeded originations.

Source: Financial Crisis Inquiry Report, ch. 5, pg 70

The parallel to today is the unintended consequences of the Dodd-Frank Act of 2010 and the Basel III Endgame. Both require banks to maintain higher capital buffers, hold "high quality" assets on their balance sheet and discourage "risky" lending. While these goals might seem worthy, there are always the unintended consequences and second-, third-, or fourth-order effects one should worry about.



Source: Federal Reserve Bank of New York, September 2024. "Where Do Banks End and NBFIs Begin?", pg 33

NBFI stands for Non-Bank Financial Institutions.

Seasoned veterans of the financial industry understand that risk is rarely eliminated. Instead, risk is usually just shifted elsewhere. Activities that are not permitted by certain firms, like FDIC-regulated banks, are simply shifted outside the system and conducted by other entities not subject to the regulation. An in-depth working paper by the Federal Reserve Bank of New York entitled "Where Do Banks End and NBFIs Begin[1]? " does a great job exploring this dynamic. Private credit is filling a market role vacated by the traditional banking sector.

[1]"Where Do Banks End and NBFIs Begin?" Acharya, Viral, Cetorelli, Nicola, and Tuckman, Bruce. Federal Reserve Bank of New York, September 2024. NBFIs is short for "non-bank financial institutions."

Mortgage Securitizations and The Evolution of Lending

One of the more obvious culprits of the GFC was the securitization of mortgages. In theory, mortgage securitization is a good thing- it transforms bulky, illiquid, long-term assets into highly liquid bonds. Moreover, securitization allowed for the "tranche-ing" of mortgages, creating different risk/return profiles and giving investors the ability to choose the risk-return profiles most appropriate for their portfolios.

However, a disastrous consequence of securitization is that it also transformed the mortgage creation process from a credit decision to a transaction decision. When mortgages were held for 30 years on the balance sheets of a bank or a savings-and-loan institution, the creditworthiness of the borrower was of paramount importance. The lender was on the hook for losses should the borrower default. With securitization, mortgage lenders were paid on the transactions generated. Whether or not the borrower had the means or intent to pay back the mortgage was irrelevant, as the debt was offloaded as quickly as it was generated. Creditworthiness was deemed to be "not my problem" of those issuing the mortgages[2].

Today's private credit market has a similar dynamic where the organizations who are doing the debt origination and deal flow are not the ones who ultimately hold the debt. This represents a classic "agency" problem. Obviously, the firms that are raising and issuing private credit are doing so on behalf of firms who want to lend. These originators will be moving the vast majority of the debt off their own books, as intended. But one must always be cognizant of the incentives and the risks when lending transitions from being a creditworthiness question to a transaction question.

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[2] It should be noted that securitizations worked fine for "prime" mortgages, backed by GSEs like Fannie Mae and Freddie Mac. Those mortgages that conformed to established lending standards held up as expected during the GFC. It was the subprime mortgages being issued by unregulated, private lenders that imploded.

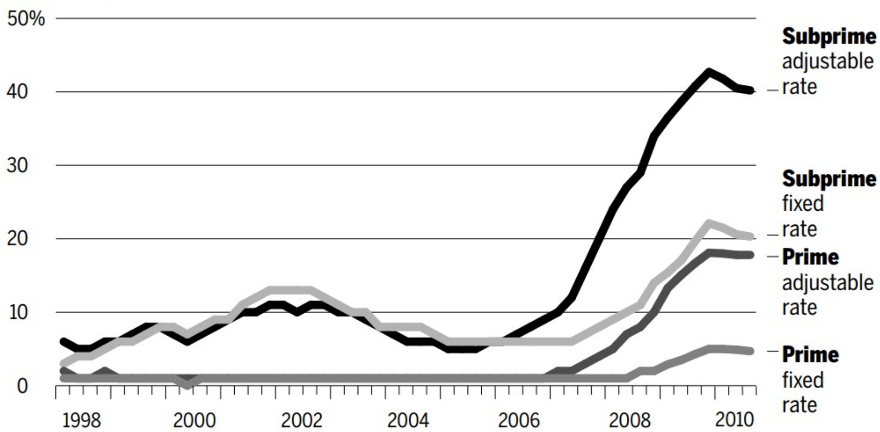
Creditworthiness of the Borrowers

One of the more notorious parts of the subprime lending boom was the fact that mortgages worth multiple hundreds of thousands of dollars each were being granted to individuals who realistically had no chance of repaying them. Individuals who couldn't make a down payment or held tenuous hourly-pay jobs were issued mortgages they couldn't possibly hope to repay. Towards the end of the cycle "NINJA" loans were being issued- i.e. "No income, no job or assets."

Mortgage Delinquencies by Loan Type

Serious delinquencies started earlier and were substantially higher among subprime adjustable-rate loans, compared with other loan types.

IN PERCENT, BY TYPE



NOTE: Serious delinquencies include mortgages 90 days or more past due and those in foreclosure.
SOURCE: Mortgage Bankers Association National Delinquency Survey

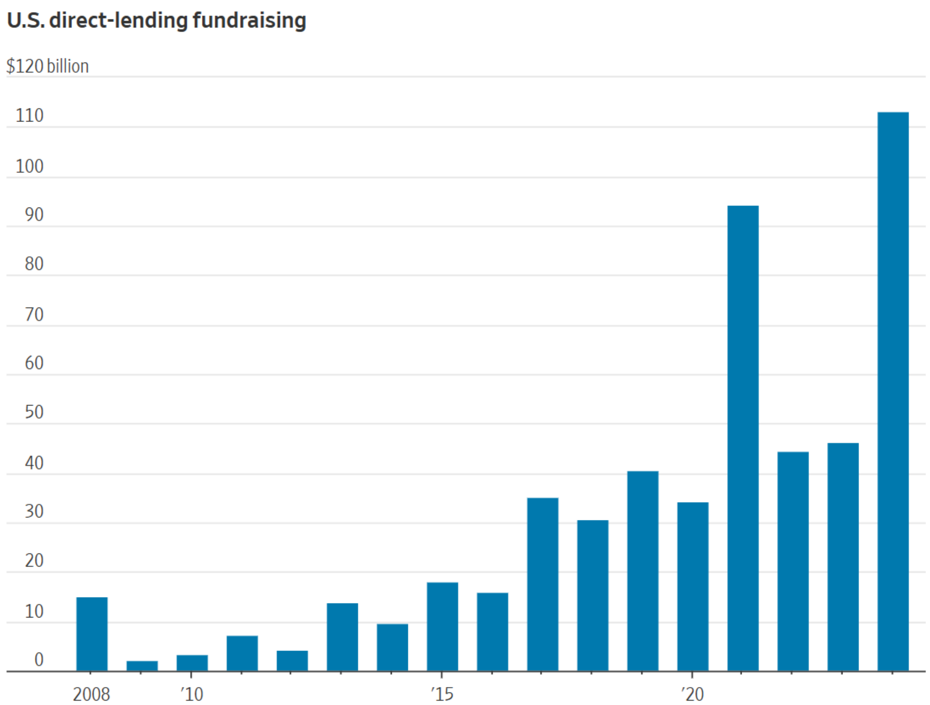
Source: Financial Crisis Inquiry Report, ch. 11, pg 217

One of the advantages often cited by private credit's promoters is lending to smaller companies frozen out of traditional credit markets. While this sounds nice and egalitarian, one should ask why these borrowers aren't able to access lending via banks or the bond markets. The struggles of smaller companies are well documented, with 40% of the companies in the Russell 2000 being unprofitable. While some private credit is being used to finance the A.I. infrastructure buildout (see section "To Infinity!"), many other borrowers are in the public or private small/mid cap space. It is ironic that small cap stocks have struggled mightily vs. large caps over the last decade, yet private credit lenders are falling over themselves to lend to small- and mid- sized companies.

Too Much Money Chasing Too Few Deals

When analyzing the subprime crisis, a "chicken or egg?" question remains unresolved to this day. Was the problem created on the supply side, with Wall Street cooking up toxic securities and forcing them on naïve buyers? Or was the problem on the demand side, where yield-starved investors threw billions of dollars at any bond with a spread over the paltry Treasury rates of the mid-2000's? It's a question based on the fundamentals of economics: you won't have supply without demand, and you won't have demand without supply.

The parallels to the private credit markets are clear. Private lending has existed for quite some time, but previously as a small, niche industry. However, hundreds of billions of dollars and dozens of new players have entered the industry in the last few years. A decade ago, the private credit market was estimated to be worth $500bn[3]. At the start of 2025 the private credit market was estimated to be worth $3trn and is estimated to grow to $5trn by the end of 2029[4]. With too much money chasing too few deals, spreads and covenants have decreased. The laws of supply and demand are once again in effect: too much demand and not enough supply impact the pricing[5].



Source: The Wall Street Journal, "Private Credit Has a Problem: Too Much Money."

3 "Private Credit- Primed for Growth as LBOs Revive, ABF Opportunities Accelerate." Moody's, January 21, 2025

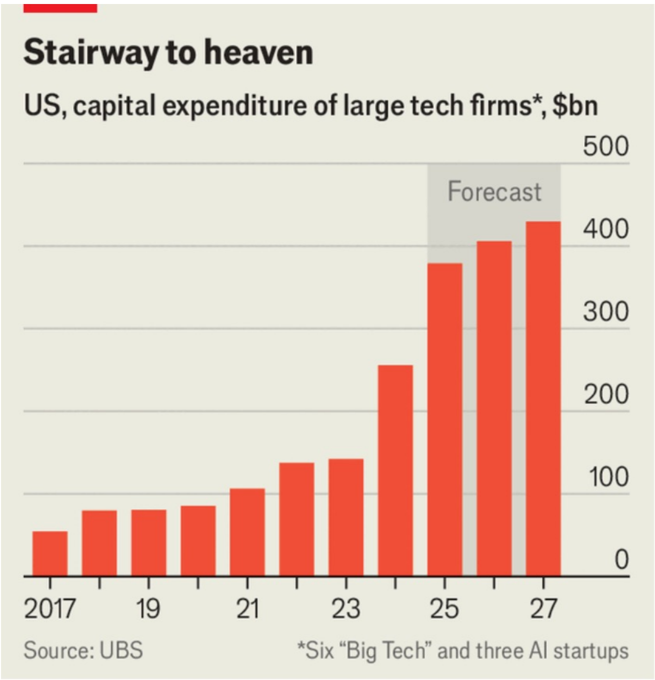
4 "Understanding Private Credit's Rapid Growth." Morgan Stanley Investment Management

5 "Private Credit Has a Problem: Too Much Money." The Wall Street Journal, May 22nd, 2025

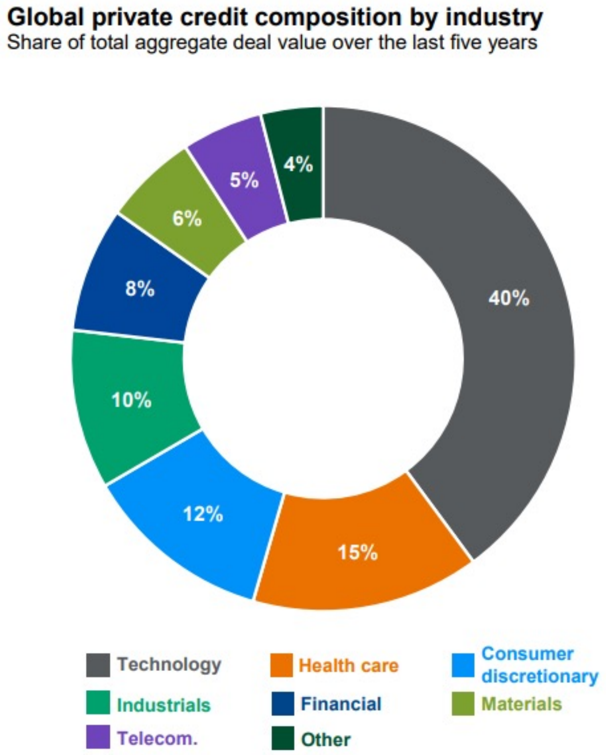
To Infinity... and Beyond!

Underpinning the subprime lending boom was the belief that housing prices only went one direction...up. The hallmark of a bubble is the belief that prices will always be higher tomorrow, so it makes sense to buy today. Unfortunately for those swept up in a bubble, the iron law of price being a function of supply and demand cuts both ways. Once demand for housing dried up in the mid-2000's it was inevitable that the bubble would burst and prices would fall.

Today there is much discussion around whether or not A.I. is in a bubble. Seasoned investors who survived the boom and bust of the Dot Coms and then housing are justifiably worried when bulls start throwing around numbers based more on A.I. hope than reality.



Source: The Economist, "What if the AI Stockmarket Blows Up?"



Source: J.P. Morgan Asset Management, "Guide to Alternatives" 1Q 2026

Certainly not all private credit is being issued to build out the A.I. infrastructure- private credit is being issued to companies across the economy. Also, the A.I. build out is being partially funded by the strong cash flows of the "Magnificent Seven" companies. That said, as the costs of building out the A.I. ecosystem continue to mount, there has been an increase in the use of private credit as even the Magnificent Seven companies are unwilling to bear the full risk of funding the data centers, energy sources, and other capital outlays needed[6]. A prudent investor should fully game out the consequences of what an A.I. bust might look like across the broad economy as well as the private credit market if the lofty promises of the A.I. evangelists fail to materialize[7].

A False Sense of Security

In theory, third-party, nationally recognized statistical rating organizations (NRSROs) offered unbiased, independent, and insightful analysis into the creditworthiness of subprime securitizations. However, during the GFC, the NRSROs were compromised and their ratings worthless. Moody's and Standard and Poors were paid to rubber-stamp AAA ratings on MBSs and CDOs. The ratings agencies didn't understand what was in these securitizations and were incentivized to offer investment grade ratings by the issuers. Investors who outsourced their due diligence to the NRSROs discovered that AAA ratings, along with their subprime mortgage bonds, were worthless.

Admittedly, the situation today with private credit is different. However, it might not be any better. By its very nature, private credit is, well, private. Information on the loans is not widely disseminated or analyzed. NRSROs do not rate most deals. Lenders must trust that the private credit syndicates are doing a better job of analyzing and monitoring their loans than S&P and Moody's did during the lead-up to the subprime crisis. Only time will tell if that proves true.

Canaries in the Coal Mine

Many investors point to July 2007 as the unofficial start to the Global Financial Crisis. Two Bear Stearns hedge funds[8] collapsed, even after receiving a $1.6bn bailout from Bear Stearns. These funds were highly leveraged and invested in collateralized debt obligations (CDOs). Investors in these funds were almost entirely wiped out. While these two funds were harbingers of the crisis to come, another year passed before investors started to realize just how widely the rot had spread.

In September of 2025 two firms in the automotive industry defaulted on their private credit obligations. Tricolor Holdings (subprime automotive lending) and First Brands (car parts) defaulted and are accused of fraud and hiding massive liabilities. Bond markets tremored a bit on the news, but then moved on. The private credit industry dismissed these as "one-off" events. Whether or not these two defaults prove to be isolated incidents or "canaries in the coal mine" of dangers to come remains to be seen.

6 "The Murky Economics of the Data Centre Investment Boom." The Economist, Sept 30th, 2025

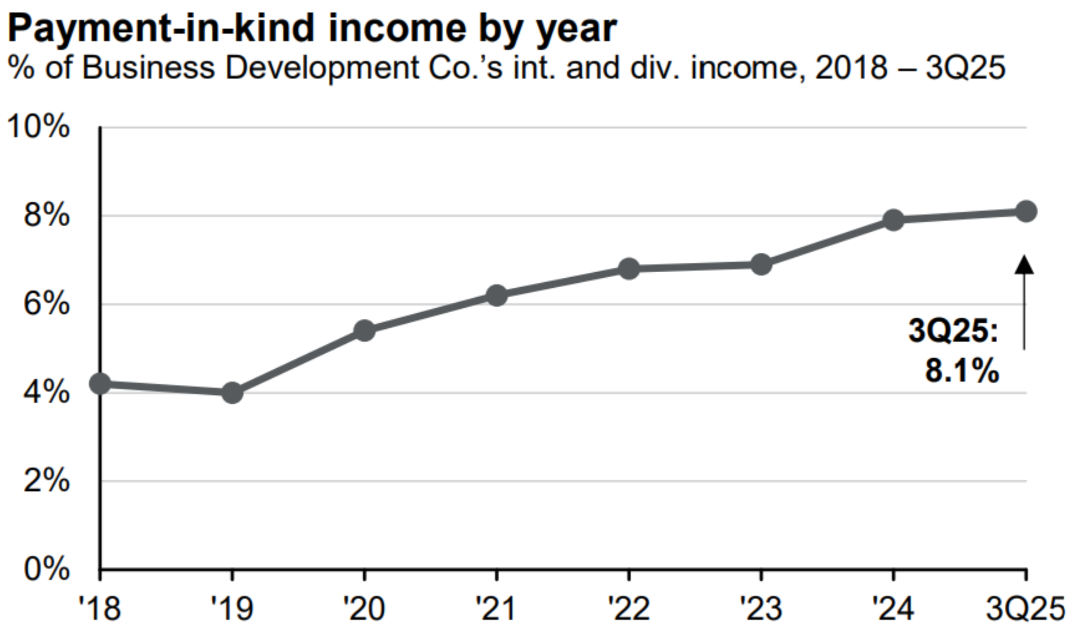
7 "What if the $3trn AI Investment Boom Goes Wrong?" The Economist, Sept 11th, 2025

8 The Bear Stearns High-Grade Structured Credit Fund and The Bear Stearns High-Grade Structured Credit Enhanced Leverage Fund.

Adding to the Debt Pile

One of the more notorious developments during the subprime mortgage crisis was allowing borrowers to "pick a payment plan." Borrowers could pay only the interest amount and forego principal repayments or were given the option to choose other lenient monthly payment plans. Of course, this means over time the principal owed grows rather than decreases. A growing debt burden coupled with falling house prices left many homebuyers underwater and subject to foreclosure. Anyone who has gotten in trouble with credit card debt or student loan debt should recognize the dangers of growing, rather than decreasing the principal value of debt.

In today's private credit market, one should closely track "payment in kind" (PIK) contingencies. If a borrower is lacking the cash flow to make their scheduled payments, some borrowers will "extend-and-pretend" and allow borrowers to postpone scheduled cash payments. While PIK can take many forms, the most common is to add the missed interest payments to the principal value of the loan. If the borrower can rally, having the flexibility of PIK allows them to avoid an early default. If the borrower's fortunes don't improve, the eventual reckoning is made worse.



Source: J.P. Morgan Asset Management, "Guide to Alternatives", 1Q 2026

PIK can be seen as a leading indicator of future problems. According to J.P. Morgan research, PIK usage has doubled since 2018. Given the fact that many private credit investors lent money with the expectation of higher yields, having enough cash flow through the system is essential.

Fear of the Unknown

Liquidity crises are often caused by fear of the unknown. An institution might be perfectly solvent, but illiquid during a crisis if no one is willing to trade with them. This was the situation during the depths of the GFC when no one knew how bad everyone else's exposure was to the toxic securities. Firms that relied heavily on overnight funding lines, like Bear Stearns or Lehman Brothers, collapsed due more to a lack of liquidity than insolvency.

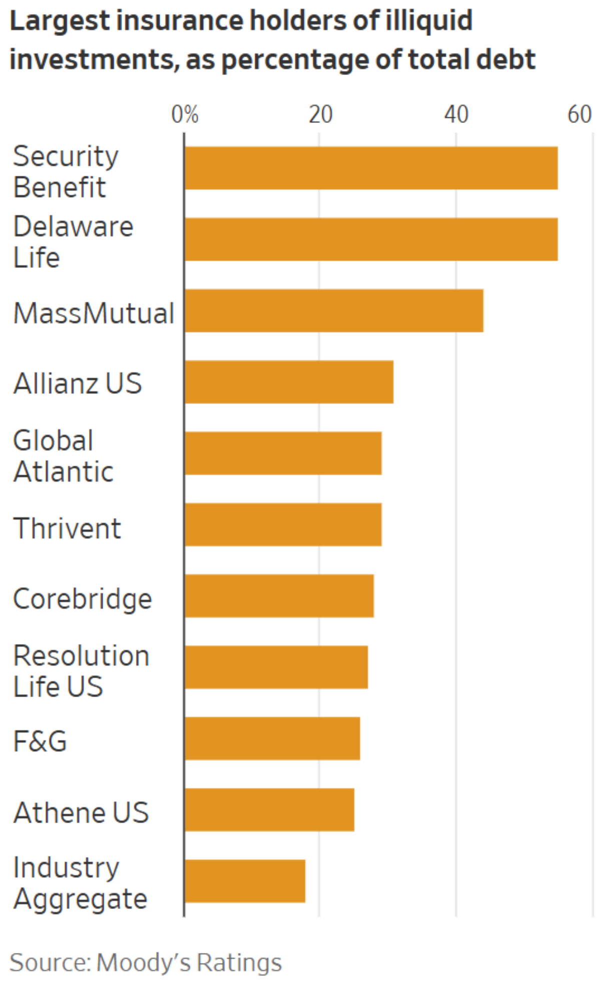
It is fair to say that private credit has not yet been tested by a liquidity crisis. Even investment grade corporate bonds tend to see their bid-ask spreads widen significantly during market panics, as no one trades them. Private credit, which rarely if ever changes hands, will be extremely hard to value during a credit rout unless one has clear insight into the ability of borrowers to continue to make payments. It seems likely that anyone forced to liquidate private credit holdings during a market panic will face a brutal haircut.

Who is Left Holding the Bag?

Another theoretical advantage to the idea of securitization is that risk can be chopped up, parsed out, and held by those whose desired risk/return characteristics and time horizons sync up with those offered by the issues. Most of the time this works out well. However, during times of crisis certain entities might have exposure to toxic assets well beyond their risk limits.

During the Global Financial Crisis firms like Bank of America (via Countrywide) or Washington Mutual discovered that they billions of dollars of unintended exposure to subprime mortgages worth a fraction of their face value. While it was the intention of these banks to offload these loans, it turns out there were billions of dollars of exposure sitting in their "warehousing" facilities when the music stopped.

Today similar claims are made about aligning borrowers and lenders via private credit. Insurance companies have become major players in this space. With long investment horizons, insurance companies seem like ideal candidates for the longer maturity exposure of private credit. However, this duration matching assumes that the privately issued debt does not default. Insurance companies have obligations to their policyholders, and it is unclear how their balance sheets might be impacted by a significant impairment event.



Source: The Wall Street Journal, "U.S. Insurers Are Binging on Private Credit."

Another more controversial source of funding is retail investors. The industry has been pushing hard to "democratize" private credit by offering exposure to the asset class via interval funds, business development companies, and exchange traded funds. While this push is in its early stages, some industry-watchers think there is a mismatch between the nature of private credit lending and the needs and expectations of retail investors. Retail investors are not used to lock-ups (outside of insurance products and CDs) and during a market meltdown might not realize they don't have access to their investments. Moreover, if more nimble institutional investors are able to exit their investments while retail investors are left holding the bag, it could fuel the kind of populist outrage that spawned the Occupy Wall Street movement following the Troubled Asset Relief Program.

Summary

The economist Hymen Minsky is famous for describing the cycle of financial crises. Long periods of growth and benign economic conditions set the stage for the next financial crisis. As the memory of the previous crisis fades further in history, investors fail to remember its lessons. Complacency regarding risks leads to increased leverage and speculative investments. These investments have little margin for error, and when the bets sour, the next financial crisis is set in motion.

There are a lot of unknowns about the growth of the private credit industry. It is entirely possible that all the fears described here turned out to be unfounded, and the industry continues to grow and provide lenders with positive returns. Also, no two crises are ever the same, so it is possible that private credit suffers a few growing pains but never becomes a systemic threat like the subprime mortgages causing the Global Financial Crisis.

However, it doesn't pay to worry about these kinds of things after, rather than before the music stops. In the wake of the GFC, many asked, "Why didn't anyone see this coming?" But by then, it was too late.

Always Invested, Always Hedged

Since 1997 Swan Global Investments has lived by the motto "Always Invested, Always Hedged." The investment philosophy is founded on the belief that you never know exactly what risks might tank the market or when they might manifest. However, it is best to be prepared for a sell-off before, rather than after they might occur. This philosophy has served Swan well during the Dot Com Bust, the Global Financial Crisis, the Covid-19 Pandemic, and 2022's inflation-related bear market. Whether or not the worst-case scenarios regarding private credit materialize, Swan is prepared for whatever might come.

Swan Global Investments

Swan Global Investments has been managing the options-based Defined Risk Strategy since July 1997. As options strategies have proliferated, it is fair to say that Swan is a pioneer in bringing option strategies to the broad investing public.

Swan manages strategies across all three categories- Equity Hedge, Defined Outcome, and Derivative Income. A common thread throughout all of Swan's strategies is an emphasis on active management. Swan is a firm believer that in the realm of options, active management can offer tangible benefits above and beyond passively managed, "set it and forget" strategies.

Disclosures

Swan Global Investments, LLC is a SEC registered Investment Advisor that specializes in managing money using the proprietary Defined Risk Strategy (“DRS”). SEC registration does not denote any special training or qualification conferred by the SEC. Swan offers and manages the DRS for investors including individuals, institutions and other investment advisor firms.

All data used herein; including the statistical information, verification and performance reports are available upon request. 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.

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.

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 adviser’s dependence on its DRS process and judgments about the attractiveness, value and potential appreciation of particular ETFs and options in which the adviser invests or writes may prove to be incorrect and may not produce the desired results.

There is no guarantee any investment or the DRS will meet its objectives. All investments involve the risk of potential investment losses as well as the potential for investment gains. Hypothetical performance analysis is not actual performance history. Actual results may materially vary and differ significantly from the suggested hypothetical analysis performance data. This analysis is not a guarantee or indication of future performance. Prior performance is not a guarantee of future results and there can be no assurance, and investors should not assume, that future performance will be comparable to past performance. Further information is available upon request by contacting the company directly at 970.382.8901 or visit swanglobalinvestments.com.

Global Investment Performance Standards (GIPS®) Report

Swan Global Investments, LLC DRS U.S. Large Cap Composite													S&P 500 ("The Benchmark")				
Year	Net-Of-Fee Return	Net-Of-Fee Cumulative Return	Net-Of-Fee Annualized Return	Gross-Of-Fee Return	Gross-Of-Fee Cumulative Return	Gross-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
2015	-2.23%	323.99%	8.12%	-1.64%	408.14%	9.18%	0.29	5.79%	0.61	766 / 473.21	2,446.11	1.36%	1.38%	225.36%	6.58%	10.47%	0.28
2016	8.90%	361.71%	8.16%	9.55%	456.68%	9.20%	0.29	5.38%	0.64	1,207 / 675.64	3,620.08	0.90%	11.96%	264.27%	6.85%	10.59%	0.31
2017	11.29%	413.84%	8.31%	11.96%	523.26%	9.34%	0.29	4.98%	0.67	1,630 / 982.45	4,975.33	0.78%	21.83%	343.79%	7.54%	9.92%	0.37
2018	-7.01%	377.83%	7.55%	-6.45%	483.07%	8.55%	0.31	6.23%	0.59	1,292 / 756.36	4,063.88	1.13%	-4.38%	324.34%	6.95%	10.80%	0.33
2019	14.69%	448.01%	7.85%	15.38%	572.73%	8.84%	0.31	7.01%	0.63	1,144 / 638.36	3,065.24	1.15%	31.49%	457.95%	7.94%	11.93%	0.40
2020	2.82%	463.45%	7.63%	3.44%	595.85%	8.61%	0.32	9.17%	0.61	893 / 501.09	2,236.86	1.75%	18.40%	560.60%	8.37%	18.53%	0.41
2021	15.38%	550.10%	7.94%	16.07%	707.68%	8.90%	0.33	8.07%	0.66	1,026 / 546.44	2,571.77	0.24%	28.71%	750.23%	9.13%	17.17%	0.47
2022	-10.98%	478.71%	7.13%	-10.45%	623.32%	8.07%	0.33	8.76%	0.57	818 / 414.59	2,202.24	0.40%	-18.11%	596.25%	7.91%	20.87%	0.38
2023	11.96%	547.94%	7.31%	12.64%	714.72%	8.24%	0.33	7.68%	0.58	736 / 403.99	2,105.95	0.42%	26.29%	779.27%	8.55%	17.29%	0.42
2024	14.01%	638.70%	7.54%	14.69%	834.43%	8.47%	0.34	7.91%	0.60	722 / 404.13	2,311.22	2.21%	25.02%	999.26%	9.11%	17.15%	0.45

Performance is presented for the past 10 calendar years as of December 31, 2024. The firm has a longer performance track record for this composite which is available upon request.

Annualized As Of 12/31/2024	Composite Gross Return	Composite Net Return	Benchmark
Since Inception	8.47%	7.54%	9.11%
10 Year	6.11%	5.47%	13.10%
5 Year	6.79%	6.15%	14.53%
3 Year	4.98%	4.35%	8.94%
1 Year	14.69%	14.01%	25.02%

Compliance Statement: Swan Global Investments, LLC ("Swan") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Swan has been independently verified by The Spaulding Group for the periods July 1, 1997 through December 31, 2023. The verification report is available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. To receive copies please call 970-382-8901 or email operations@swanglobalinvestments.com.

Global Investment Performance Standards (GIPS®) Report (Continued)

Definition of the Firm: Swan Global Investments, LLC is an SEC registered investment advisor providing asset management services utilizing the Swan Defined Risk Strategy ("DRS"), allowing its clients to grow wealth while protecting capital. Please note that registration of the adviser does not imply a certain level of skill or training. Swan Global Investments, LLC is affiliated with Swan Capital Management, LLC, Swan Global Management, LLC and Swan Wealth Management, LLC.

Firm Redefinition: Previously Swan offered and managed The Defined Risk Strategy for its clients which were individual investors. Swan redefined itself to include all client types, including individuals, institutions and sub-advised clients, as of January 1, 2010. This redefinition resulted in a change to Swan's 2009 performance numbers, due to adding all sub-advised clients beginning on June 30, 2009. Additionally, Swan created affiliated entity Swan Capital Management, Inc. on April 13, 2012 to be an advisor and distributor of the Swan Defined Risk Fund launched in July 2012. In December 2014, Swan Capital Management, Inc. converted to Swan Capital Management, LLC. Swan created affiliated entity Swan Wealth Management, LLC to serve as the portfolio manager of the DRS in 2014, and subsequently created affiliated entity Swan Global Management, LLC to serve as the portfolio manager of the DRS starting in 2015.

Name Changes: Swan Consulting, Inc. changed its name to Swan Wealth Advisors, Inc. on April 8, 2011 to better reflect that the Company is a money management firm. Investment consulting firms generally do not manage money. Swan Wealth Advisors, Inc. changed its name to Swan Global Investments, LLC on December 5, 2014 to better reflect that the Company is a money management firm rather than an advisor. Advisors are the Company's clients, and it does not want to give the impression that the Company is competing with other advisors. Instead, Swan Global Investments, LLC offers investment products and manages money for sub-advised clients and the mutual funds of its affiliate Swan Capital Management, LLC.

Composite Inception Date: The inception of the DRS U.S. Large Cap Composite was July 1, 1997.

Composite Creation Date: The DRS U.S. Large Cap Composite was defined on January 1, 2010.

Composite Description: The DRS U.S. Large Cap Composite demonstrates the performance of qualified and non-qualified assets invested in DRS U.S. Large Cap strategies 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 minimize the downside 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 trades 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. 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.

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