Long-Term Hedge for Long-Term Investing

Unpredictable markets can make growing wealth and avoiding losses difficult.

Incorporating an investment approach that utilizes put option LEAPS as a long-term hedge, like our Defined Risk Strategy, may provide the long-term defense investors need to reach their goals.

What are LEAPS?

Long-term Equity Anticipation Securities, also known as LEAPS, are options with expiration dates longer than 12 months. Put option LEAPS offer risk mitigation for a longer time horizon without capping potential upside.

Benefits of Long-Term Puts for Long-Term Investors

Defense
Direct way to mitigate undiversifiable market risk.

Keep Calm
Helps investors avoid big losses and emotional reactions.

Reliable Hedge
A reliable hedge during long bear markets.

Acquire More Equity
As it gains value during a market selloff, the put option LEAP can be sold at a profit to buy more equity at a market low.

Long-Term Defense with Long-Term LEAPS

Shorter-term methods to hedge a portfolio may leave investors unhedged when they need it most.

A put option LEAP, with a one-to-two year expiration, may offer investors portfolio defense by mitigating risk before, during, and after a bear market.

Hedging with a LEAP may allow investors to remain always invested and always hedged.

On average, bear markets:

- ***last over 10 months***
- ***require 3.5 years to recover***

Source: Bank of America Merrill Lynch, Global Research, Bloomberg. Returns based on S&P 500.

HEDGE IS NOT INSURANCE, MAY LOSE VALUE

Why the Long Hedge?

For long-term investors there are distinct benefits to using strategy with a long-term hedge instead of a short-term hedge.

Long-Term Hedging

- Duration can be longer than bear markets keeping investors always hedged
- Not under duress to rehedge during crisis
- Opportunity to acquire more equity during major market sell-offs
- Less frequent adjustments, less market timing risk

Short-Term Hedging

- May expire during a bear market leaving investors unhedged
- Possibly cost prohibitive during crisis
- Harder to monetize the hedge to buy more equity when market sells off
- Shorter adjustment periods means more timing risk

The Defined Risk Strategy

The Defined Risk Strategy is a proven goals-based approach that is always hedged with one-to-two year put option LEAPS. We believe this is one of the best ways to manage risk against life-altering losses.

Losing less money and acquiring more equity can better position investors when the market rebounds. This may reduce recovery time and increase long-term return potential.

→ Read more about the strategy at swanglobalinvestments.com

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