

Swan Defined Risk Strategy Performance Summary (as of June 30, 2018)

Select Composite

Following the chaos of the first quarter, the second quarter of 2018 offered investors a bit of a reprieve. The S&P was range-bound during April and picked up a bit of momentum in May and the first half of June. However, the quarter ended on a down note as global trade disputes escalated from rhetoric to action and then counter-actions. For the quarter, the S&P 500 was up 3.43% and sits at 2.65% year-to-date. Volatility trended down as the closely-watched VIX index descended from its peak of 37.32 on February 5th to stabilize in the 12-15 range.

The Defined Risk Strategy Select Composite did well during the second quarter, up 2.65%. This represents a capture rate of over three-quarters of the S&P 500's 3.43% upward move. With the market trending up, the equity portion did well, up 3.16%. The equally-weighted sector approach performed in-line with the capitalization-weighted S&P 500, neither helping or hurting performance in a significant way. Technology stocks were again a market leader, but the equal weight approach benefitted from an overweighting to Energy, as Energy led all sectors with double-digit return. As expected, the hedge decreased in value with a rising market and the passing of time. The hedge was down -2.01% on the quarter.

The big story was that income was good for the DRS during the second quarter, posting a 1.66% return. One of the most profitable times to collect premium is after a volatility spike. Premiums are "rich" in a high-fear environment, and as markets stabilize and realized volatility comes in much lower than the implied volatility at the height of a scare. This is the "claw-back" period Swan often talks about when explaining the design of the DRS. For most of the second quarter, the VIX traded in the "sweet spot", between 12 and 20 for the DRS. This and the market's more normalized range-bound monthly movements helped contribute to decent income returns in the second quarter.

As of June 30, 2018	Swan Defined Risk Strategy Select Composite					Benchmark		Over / Under Performance
	Core Equity	Hedge	Income	Fees / Other	Total Portfolio (Net)	S&P 500		
Defined Risk Strategy Select Composite (Net) 1st Quarter 2018	-2.19%	0.66%	-2.90%	-0.11%	-4.50%		-0.76%	-3.74%
Defined Risk Strategy Select Composite (Net) 2nd Quarter 2018	3.16%	-2.02%	1.66%	-0.11%	2.64%		3.43%	-0.78%
Defined Risk Strategy Select Composite (Net) 3rd Quarter 2018								
Defined Risk Strategy Select Composite (Net) 4th Quarter 2018								
Defined Risk Strategy Select Composite (Net) Year-to-Date	0.90%	-1.37%	-1.28%	-0.22%	-1.98%		2.65%	-4.63%
Defined Risk Strategy Select Composite (Net) 1 Year	10.87%	-4.00%	-0.53%	-0.47%	5.41%		14.37%	-8.96%

Source: Zephyr StyleADVISOR and Swan Global Investments



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The Swan Defined Risk Strategy Contribution data is derived from the performance data of the Swan Defined Risk Strategy Select 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 income) 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.

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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.

This and other information is contained in the prospectus and should be read carefully before investing. For a prospectus please call Swan Defined Risk Funds at (877) 896-2590 or Swan Global Investments at (970) 382-8901. Further information can be obtained at www.swandefinedriskfunds.com. 309-SGI-072618

