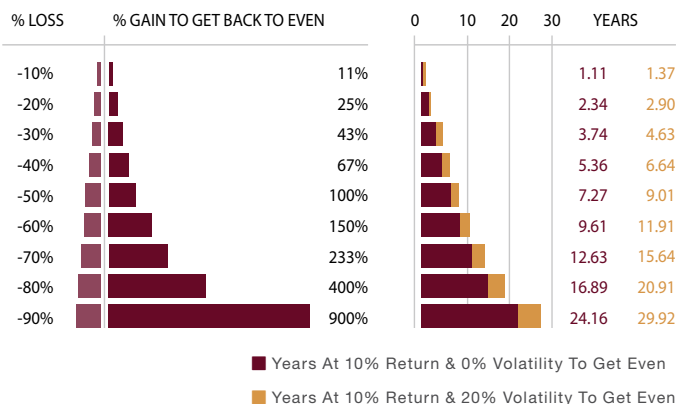## Why Swan Overlay Strategies

The risks to capital are always present. Large drawdowns may impact spending rates and create long recovery times.

% LOSS	% GAIN TO GET BACK TO EVEN	Years At 10% Return & 0% Volatility To Get Even	Years At 10% Return & 20% Volatility To Get Even
-10%	11%	1.11	1.37
-20%	25%	2.34	2.90
-30%	43%	3.74	4.63
-40%	67%	5.36	6.64
-50%	100%	7.27	9.01
-60%	150%	9.61	11.91
-70%	233%	12.63	15.64
-80%	400%	16.89	20.91
-90%	900%	24.16	29.92

(Right chart axis: 0 10 20 30 YEARS)

■ Years At 10% Return & 0% Volatility To Get Even
■ Years At 10% Return & 20% Volatility To Get Even

Source: Zephyr StyleADVISOR and Swan Global Investments

Utilizing Swan Overlay Strategies

Differentiate and grow your business across market cycles.

Overlay strategies may be used to:
- Manage volatility in underlying portfolios
- Hedge concentrated positions
- Reduce impact of market drawdowns
- Enhance portfolio returns

Client Portfolio — Alternatives / Fixed Income / Equity / Overlay
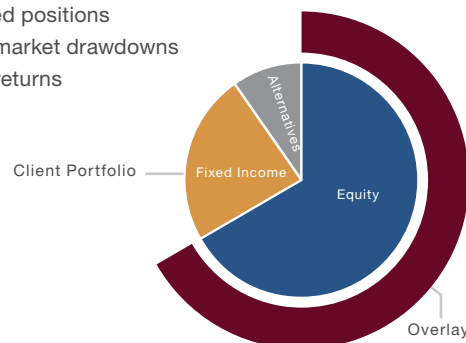
Company at a Glance

- Founded in 1997 in Durango, CO
- Uses an actively managed quantitative rules-based process
- Managing listed option hedging and income strategies since inception

Swan is large enough in size to have substantial expertise and resources, yet small enough to be nimble in executing its strategies.

We have over 80 years of combined experience in options trading, hedging strategies, consistent investment management, and software development.

About Swan

- An SEC-registered investment adviser
- Quantitative global investment strategies
- Employee ownership

Assets Under Management

$5.03 Billion (as of 12/31/17)

Investment Professionals

Investment Management	6
Trading	4
Total Firm Headcount	42

Swan Overlay Offerings

Swan Overlay is offered for the following indices and ETF's:
- S&P 500 Index
- Russell 2000 Index
- MSCI EAFE Index Fund (ETF)
- MSCI EEM INdex Fund (ETF)
- iShares iBoxx $ High Yld Corp Bond ETF (HYG)

Also available:
- Swan Customized Overlay
- Swan Option Premium Overlay

Swan Overlay Advantages

The Swan Overlay
- 20-year track record
  - Access to Portfolio Managers
  - Liquidity
- Active Risk Management
  - Rules-Based Process

Swan Investment Philosophy

The biggest risk an investor faces is systemic risk, and yet by definition, this risk cannot be diversified away. We believe that if systemic risk cannot be diversified away, then it must be hedged away.

Swan Overlay Objectives

The Swan Overlay Strategy is designed to protect against large drawdowns and enhance portfolio returns. The portfolio management methodology is based upon strategies applied by Swan in its flagship S&P 500 based Defined Risk Strategy since 1997.

The Swan Income Strategies are designed to provide additional portfolio income for separately managed client portfolios. Swan seeks to collect volatility risk premia through the sale of options spreads which are then actively managed consistent with our risk management methodology.

Risk Tolerance Spectrum

	Swan Overlay	Swan Income Strategies
Objective	Seeks to manage equity drawdown	Seeks to extract Volatility Risk Premia
Options Approach	Buys put options on global indices for hedge, writes index option spreads for income	Writes near term options spreads on the S&P 500 Index
Strategy Components	Hedge + Income	Income Only

Benefits of Swan Overlay Strategies

Our unique approach to defining and managing risk may provide enhanced return distributions.

Distribution of Rolling 10-Year Returns*

Legend:
- Swan Defined Risk Strategy Select Composite (Net-of-Fees)
- S&P 500 Index

Pursuing enhanced portfolio returns by actively seeking to not lose big.

Growth of $100,000 - July 1, 1997 to December 31, 2017**

$546,894
$443,796
$392,868

Legend:
- Swan Defined Risk Strategy Select Composite (Net-of-Fees)
- S&P 500 Index
- 60% S&P 500 Index / 40% Barclays U.S. Aggregate
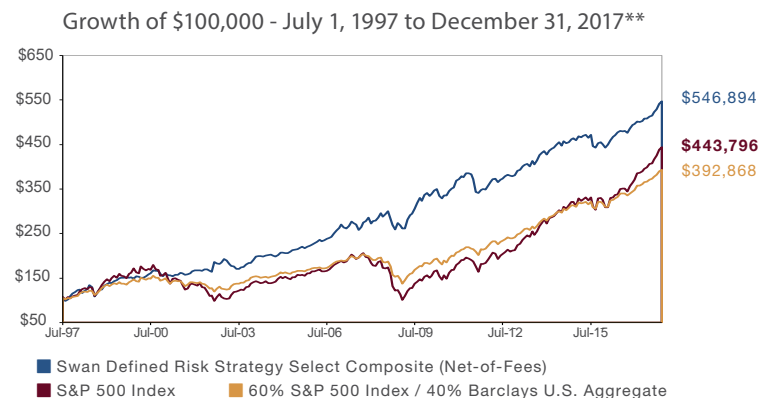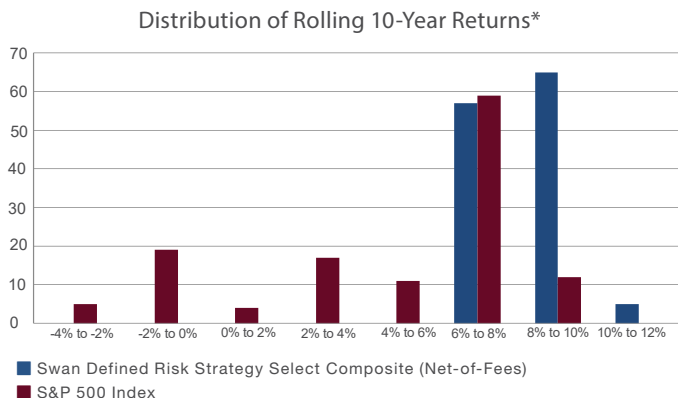
* Source: Zephyr StyleADVISOR and Swan Global Investments

** Source: Swan Global Investments and Morningstar; the Barclays U.S. Aggregate Bond Index and the S&P 500 Index are unmanaged indices, and cannot be invested into directly. Past performance is no guarantee of future results. DRS results are from the Swan DRS Select Composite, net of fees, as of 12/31/2017, a strategy in which Swan controlled the underlying equity portfolio.

Team Leadership

Rob Swan
COO & Portfolio Manager

Micah Wakefield, CAIA®
Director of Research and Product Development

Chris Hausman, CMT®
Director of Risk Management and Chief Technical Strategist

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