Swan's Monthly

For Advisor and Platform Clients

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All results included in this newsletter are as of ***December 31, 2014*** *unless otherwise indicated.*

2014 Taxes Related to Swan DRS

While Swan is not in the business of providing tax advice, we wanted to share some insight on tax consequences for Swan DRS investors in 2014, which were relatively low, consistent with the historical tax efficiency of the strategy. Income trades were somewhat flat for the year, resulting in minimal realized gains, giving Swan the chance to hold off on re-hedging accounts until early 2015. As a result, any taxes owed for 2014 will mostly relate from dividends received from ETFs, despite the net return of the Swan DRS of 6.52%.

For mutual funds, an annual distribution which resulted from dividends received from ETFs held in the funds will be included in the 1099 received from the custodian where the funds are held.

Swan DRS SMA investors should be receiving tax documents from TDAmeritrade soon. The tax documents will also be available online through clients' logins in the Documents tab of the Account Center. If you do not have a login to your TD Ameritrade account, please reach out to your advisor to help set one up.

The tax documents that TD Ameritrade distributes for qualified accounts (e.g., IRA) include Form 5498 for qualified contributions that were made during the year and Form 1099-R for distributions, if applicable. The tax document that TD Ameritrade distributes for non-qualified accounts is the 1099 which lists dividends and distributions, interest income, and realized gains/losses from closed positions, along with other miscellaneous information. However, certain types of transactions sometimes fall under a category that is not reported in the 1099 and must be referenced in Boxes C and F on Form 8949.

Form 8949 can be downloaded online at TD Ameritrade by accessing GainsKeeper through the "Track your cost basis" link found by the positions summary.

Please consult a tax professional for more information.

Swan Defined Risk Strategy - AUM

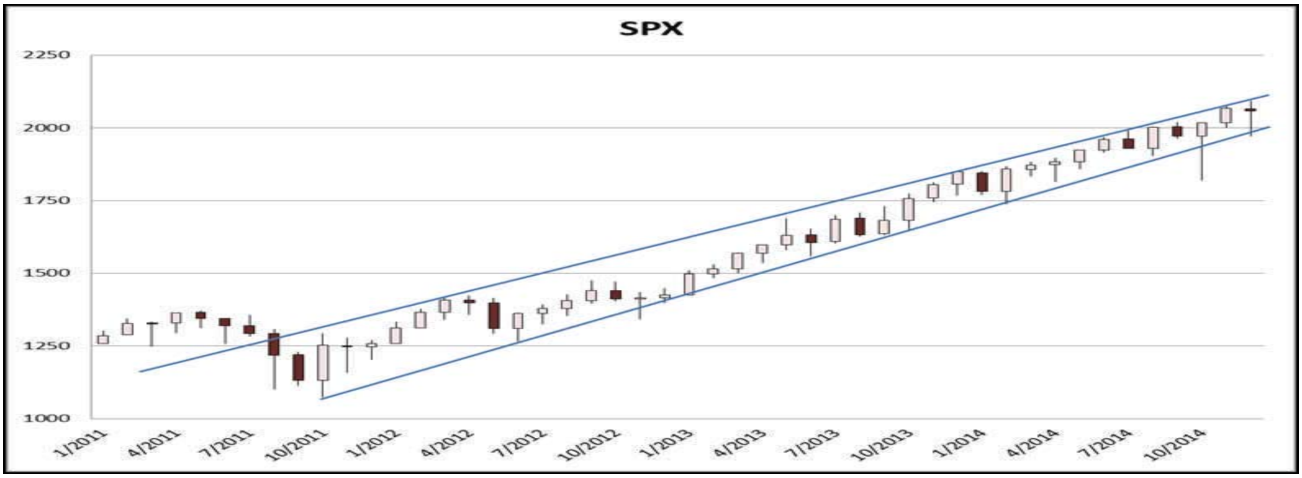
Assets Under Management	Total (Millions)	December Fund Flows (Millions)
Premier	$776.11	$17.25
Overlay	$80.58	$2.35
Institutional	$975.90	$33.21
Total	**$1,832.59**	**$52.81**

Long December

Following a notably quiet November, volatility returned to the U.S. equity markets in December. The sustained fall in oil prices, deflationary signs re-emerging across Europe and the Federal Reserve statement on monetary policy were the primary drivers behind the market movements. The spot price of WTI crude oil declined another 16% to $54.06 as active rigs in the US fell modestly. The combination of increased supply and a modest downtick in worldwide demand has weighed heavily on oil prices. One source of reduced demand was Europe. The continent's continued economic malaise has prompted more promises of quantitative easing from the European Central Bank head, Mario Draghi. Conversely, the Swiss National Bank took action on December 18th, introducing a -0.25% negative interest rate in an attempt to peg the EUR/CHF exchange rate at 1.20. Finally, the Federal Reserve left rates unchanged as widely expected. However, the Committee indicated it would remain "patient" when deciding to raise interest rates for the first time in nearly a decade. As a result, the S&P 500 jumped approximately 2% on the day of the Fed announcement, December 17th, after being down approximately 4.69% in December before the Fed statement. This market reaction echoed the prior year S&P 500 advance of 1.66% when former Fed Chairman Ben Bernanke signaled a gradual end to quantitative easing on December 18, 2013. Unlike the prior year, the S&P 500 actually fell 1.53% during the last two days of the year, closing out December with an atypical -0.25% loss. This was the weakest year-end close since 2001.

Overall, the S&P 500 closed out 2014 up 13.69% with dividends included. Since the bear market of 2008, the S&P 500 has posted six positive years in a row, which has only happened once before from 1898-1903; seven positive years in a row has not happened before. 2014 witnessed four down months, averaging -1.62%. However, the S&P 500 did not post any consecutive down months in 2014 as each successive downturn was met with a quicker rebound as the year progressed. If the S&P 500 does post consecutive down months in the future, it could be a signal of more weakness to come. What else could indicate the monthly trend higher is over, or coming to an end? A month-end close below its uptrend line which began in October 2011. This all-important up-trend line is at approximately 1985.

SPX Performance: 2011 - 2014



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Disclosures: Performance results are presented in U.S. dollars, net of management fees, and include reinvestment of dividends and capital gains. Fees may vary based on account size, custodial relationship and other factors. No current or prospective client should assume future performance of any specific investment strategy will be profitable or equal to past performance. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may cause client portfolio performance results to differ from the composite. Different types of investments involve different degrees of risk; we make no assurance that a specific investment will be suitable or profitable for a client's portfolio. Historical performance results for market indices and categories do not reflect the deduction of transaction fees, custodial charges, or management fees, the incurrence of which would have the effect of diminishing historical performance. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurance that it will match or outperform any particular benchmark.

Swan Global Investments, LLC ("Swan") is an independent Investment Advisory headquartered in Durango, Colo. registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act or 1940. Being an SEC-registered advisor implies no special qualification or training. Swan offers and manages its Defined Risk Strategy to individuals, institutions and other advisory firms. There are three Defined Risk Strategy composites offered: 1) The Defined Risk Strategy Composite which includes all accounts. 2) The Defined Risk Strategy IRA Composite which includes IRA assets under management. 3) The Defined Risk Strategy Select Composite which includes all non-qualified accounts. Additional information regarding Swan's policies and procedures for calculating and reporting performance returns is available upon request. Swan claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with GIPS standard. Swan's compliance with GIPS has been independently verified from its inception on July 1, 1997 through December 31, 2013. A copy of the verification report is available upon request. To receive copies of the report please call 970.382.8901 or email operations@swanglobalinvestments.com. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Defined Risk Strategy Select Composite demonstrates the performance of all non-qualified assets managed by Swan Global Investments, LLC. since inception. It includes discretionary individual accounts whose account holders seek the upside potential of owing stock, and the desire to eliminate 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, LEAPS associated with the ETFs, as well as option strategies based on other widely traded indices. The Defined Risk Strategy Select Composite includes all non-qualified discretionary accounts which are solely invested in the Defined Risk Strategy. 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. The performance benchmark used for the Defined Risk Strategy is the S&P 500 Index comprised of 500 large-capitalization stocks, and which does not charge fees. One cannot invest directly in an index.

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Annualized Returns as of December 31, 2014	1 Month (Not Annualized)	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Swan DRS Premier	0.43%	6.52%	6.52%	9.91%	6.31%	8.40%	9.16%
Swan DRS Institutional	0.38%	6.18%	6.18%	-	-	-	8.31%
S&P 500 (Total Return)	-0.25%	13.69%	13.69%	20.41%	15.45%	7.67%	6.89%