



# S-Network BlackSwan Core Index (SWANXT)

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Q4 2019



# Index Description



- A Black Swan event is one that is rare, unpredictable, impactful and difficult to attribute to reason, even after its occurrence.
- The index is designed to help protect capital against Black Swan events.
- With the majority of assets in historically low-volatility Treasuries, remaining assets are used to purchase “in-the-money” calls (options with a strike price below the market price on the S&P 500 ETF Trust).
- The goal is to achieve capital appreciation above inflation while minimizing volatility as compared to standard asset-allocated investments.

# Index Rationale



## Allocation:

- 90% Treasury bond ladder targeting near 10-year Treasury's modified duration (rebalanced twice per year)
- 5% June 70 delta SPY option target (rebalanced once per year)
- 5% December 70 delta SPY option target (rebalanced once per year)

## Rebalancing of options:

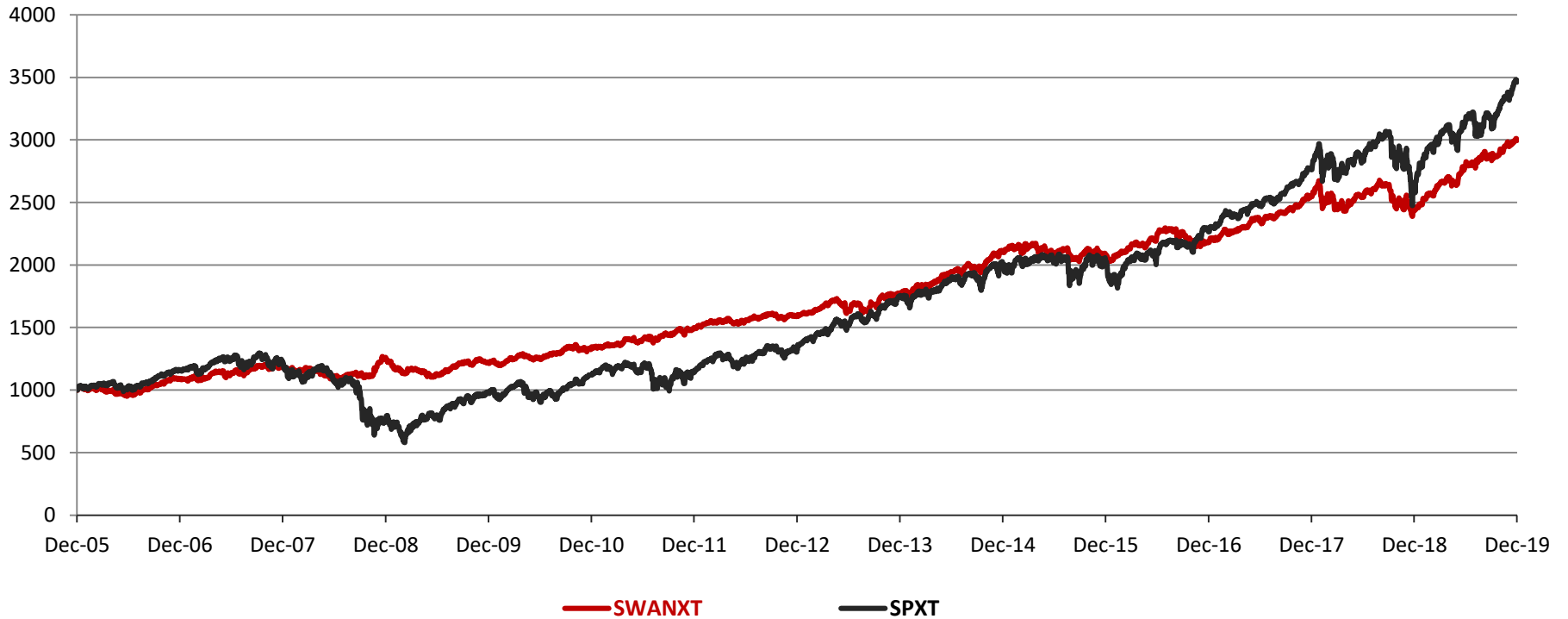
- Every 6 months, either the June option or the December option will be rolled to the following year.
- If options are at a net loss on the first trading day of rebalance month, the index is rebalanced on the first business day of trading of that rebalance month (June or December).
- If options are at a gain, rebalance occurs at 365+1 trading days for the option to make the gain long-term.



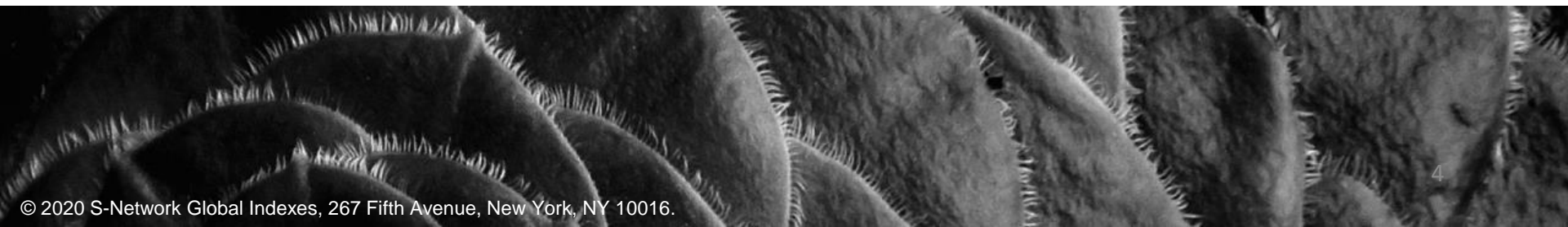
# Historical Performance



**S-Network BlackSwan Core TR vs. S&P 500 TR**  
(12/6/2005-12/31/2019)



Source: Bloomberg, as of 12/31/2019



# Return Statistics



Calendar Year Returns		
	S-Network BlackSwan Core TR	S&P 500 TR
12/31/2006	8.54%	15.79%
12/31/2007	9.65%	5.49%
12/31/2008	5.26%	-37.00%
12/31/2009	-3.12%	26.46%
12/31/2010	10.79%	15.06%
12/31/2011	11.37%	2.11%
12/31/2012	6.27%	16.00%
12/31/2013	11.71%	32.39%
12/31/2014	18.18%	13.69%
12/31/2015	-1.07%	1.38%
12/31/2016	4.91%	11.96%
12/31/2017	16.71%	21.83%
12/31/2018	-4.09%	-4.38%
12/31/2019	22.76%	31.49%

Source: Bloomberg, as of 12/31/2019



# Max Drawdown



**S-Network BlackSwan Core TR Max Drawdown  
(Since Inception)**

<b>Peak</b>	12/18/2008	1268.92	
<b>Trough</b>	6/10/2009	1102.861	-13.09%
<b>Recovery</b>	4/13/2010	1269.76	15.13%

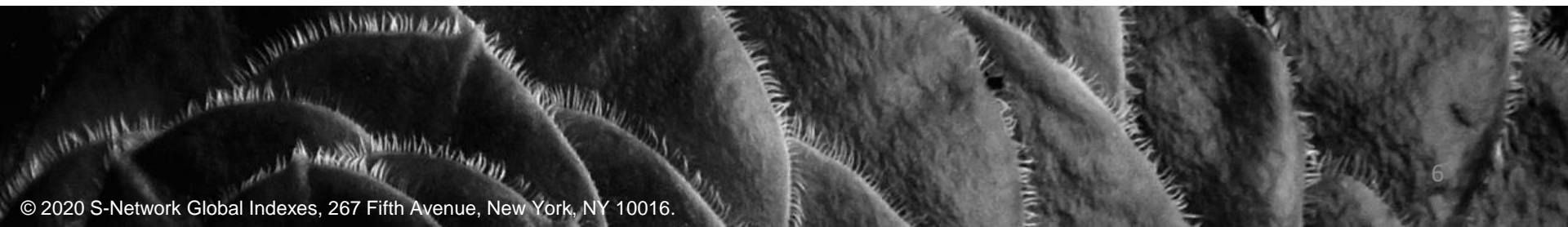
<b>Drawdown Period</b>	174 Days
<b>Recapture Period</b>	307 Days
	481

**S&P 500 TR Index Max Drawdown  
(Since Inception)**

<b>Peak</b>	10/9/2007	1296.138	
<b>Trough</b>	3/9/2009	580.0184	-55.25%
<b>Recovery</b>	4/2/2012	1297.223	123.65%

<b>Drawdown Period</b>	517 Days
<b>Recapture Period</b>	1120 Days
	1637

Source: Bloomberg, as of 12/31/2019



# Statistical Profile I



Total Return Appreciation		
	S-Network BlackSwan Core TR	S&P 500 TR
Since Inception*	199.65%	247.13%
10 Year	146.89%	256.66%
5 Year	42.62%	73.86%
3 Year	37.42%	53.17%
1 Year	22.76%	31.49%

Compound Annual Growth Rate		
	S-Network BlackSwan Core TR	S&P 500 TR
Since Inception*	8.15%	9.30%
10 Year	9.46%	13.56%
5 Year	7.36%	11.70%
3 Year	11.18%	15.27%
1 Year	22.76%	31.49%

\*Since first month's end, 12/31/2005

Source: Bloomberg, as of 12/31/2019



# Statistical Profile II



Annualized Standard Deviation		
	S-Network BlackSwan Core TR	S&P 500 TR
Since Inception*	7.32%	14.14%
10 Year	6.79%	12.46%
5 Year	7.63%	11.98%
3 Year	8.12%	12.10%
1 Year	6.94%	12.89%

Sharpe Ratio		
	S-Network BlackSwan Core TR	S&P 500 TR
Since Inception*	0.9462	0.6176
10 Year	1.2834	1.0414
5 Year	0.8285	0.8960
3 Year	1.1436	1.1019
1 Year	2.7089	2.0426

\*Since first month's end, 12/31/2003

Source: Bloomberg, as of 12/31/2019



# Statistical Profile III



## Upside Capture Ratio (vs. S&P 500 TR)

	S-Network BlackSwan Core TR
Since Inception*	48.17%
10 Year	51.53%
5 Year	54.60%
3 Year	64.41%
1 Year	56.24%

## Downside Capture Ratio (vs. S&P 500 TR)

	S-Network BlackSwan Core TR
Since Inception*	24.05%
10 Year	29.94%
5 Year	45.18%
3 Year	50.92%
1 Year	-4.62%

\*Since first month's end, 12/31/2005

Source: Bloomberg, as of 12/31/2019

# Statistical Profile IV



Correlation (vs. S&P 500 TR)	
	S-Network BlackSwan Core TR
Since Inception*	0.5673
10 Year	0.6861
5 Year	0.7775
3 Year	0.8630
1 Year	0.7549

Beta (vs. S&P 500 TR)	
	S-Network BlackSwan Core TR
Since Inception*	0.2938
10 Year	0.3743
5 Year	0.4951
3 Year	0.5788
1 Year	0.4061

\*Since first month's end, 12/31/2003

Source: Bloomberg, as of 12/31/2019

# Statistical Profile V



R-Squared (vs. S&P 500 TR)	
	S-Network BlackSwan Core TR
Since Inception*	0.3219
10 Year	0.4708
5 Year	0.6045
3 Year	0.7448
1 Year	0.5698

Source: Bloomberg, as of 12/31/2019

\*Since first month's end, 12/31/2005

# Key Highlights

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- Goal is to achieve capital appreciation above inflation while minimizing volatility
- Stable long-term annualized returns create lowered standard deviation
- Since inception, Sharpe ratio greater than that of S&P 500
- Favorable upside-to-downside capture ratios
- Low Correlation, R-Squared, and Beta to S&P 500

