

# **Swan Capital, LLC**

**107 West Gregory Street**

**Pensacola, FL 32502**

**(850) 380-9558**

**March 26, 2024**

This Brochure provides information about the qualifications and business practices of Swan Capital, LLC (“Swan Capital”, “us”, “we”, “our”). If you have any questions about the contents of this Brochure, please contact us at (850) 380-9558 or via email at [andrew@swan-capital.com](mailto:andrew@swan-capital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Swan Capital is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Swan Capital is 305793. The SEC’s web site also provides information about any persons affiliated with Swan Capital who are registered, or are required to be registered, as Investment Adviser Representatives of Swan Capital.

Swan Capital is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them.

## **Item 2    Material Changes**

Since our last annual amendment filing in December 2023, there have been no material changes.

In the future, this section of the Brochure will discuss only the specific material changes that were made to the Brochure and will provide you with a summary of all material changes that have occurred since the last filing of this Brochure. This section will also identify the date of our last annual Brochure update.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 90 days of the close of our business' fiscal year end which is December 31. We will provide other ongoing disclosure information about material changes as they occur. We will also provide you with information on how to obtain the complete brochure. Currently, our Brochure may be requested at any time, without charge, by contacting Andrew McNair at (850) 380-9558.

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## Item 4 – Advisory Business Introduction

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### **Our Advisory Business**

Swan Capital is a Florida domiciled investment adviser, currently registered with the States of Florida and Alabama. The Adviser was founded in 2012 by its principal owner, Andrew McNair, and registered in 2019.

### **Services**

Swan Capital offers asset management, financial planning, private placement consulting, and consulting services, with an emphasis on building portfolios designed to meet the needs of our clients. Our focus is on helping you develop and execute plans that are designed to build and preserve your wealth. We are available during normal business hours either by telephone, fax, email, or in person by appointment to answer your questions.

### **Active Asset Management**

#### ***Model Portfolios***

We will meet with you to discuss your financial circumstances, investment goals and objectives, and to determine your risk tolerance. We will ask you to provide statements summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, and other pertinent information.

Based on the information you share with us, we will analyze your situation and will recommend one or more of our model portfolios. Please note that due to our investment strategies in our models, you shall not have the ability to impose restrictions on the management of your account. Refer to Item 8 below for a description of each model and the risks associated with the analysis methods and products involved with the models.

Under certain conditions, securities from outside accounts may be transferred into your advisory account; however, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. Additionally, trading may be required to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position.

Periodically, your account will need to be rebalanced or reallocated in order to reestablish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur as dictated by the model.

You will be responsible for all tax consequences resulting from the sale of any security, rebalancing or reallocation of the account. You are responsible for any taxable events in these instances. We are not tax professionals and do not give tax advice. However, we will work with your tax professionals to assist you with tax planning.

You will be notified of any purchases or sales through trade confirmations and statements that are provided by the custodian. These statements list the total value of the account, itemize all transaction

activity, and list the types, amounts, and total value of securities held. You will at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

Your custodian will provide you with quarterly performance statements. These statements give you additional feedback regarding performance, educate you about our long-term investment philosophy, and describe any changes in current strategy and allocation along with the reasons for making these changes.

### ***Tailored Portfolio Services***

As part of the active asset management process, we do not offer tailored portfolios.

## **Financial Planning and Consulting**

### ***Financial Planning***

Swan Capital also offers comprehensive and modular financial planning. Comprehensive and modular financial planning may cover one or all of the following:

- a. Retirement Income Planning;
- b. Legacy Planning with beneficiary review;
- c. Tax Planning in regard to investment decisions;
- d. Review of their insurance needs (life insurance and long-term care);
- e. Review of client's investment allocations and diversification among asset classes.

Fee based financial planning is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that meets your goals and objectives. The financial planning relationship consists of face-to-face meetings and ad hoc meetings with you and/or your other advisors (attorneys, accountants, etc.) as necessary.

In performing financial planning services, we typically examine and analyze your overall financial situation, which may include issues such as taxes, insurance needs, overall debt, credit, business planning, retirement savings and reviewing your current investment program. Our services may focus on all or only one of these areas depending upon the scope of our engagement with you.

It is essential that you provide the information and documentation we request regarding your income, investments, taxes, insurance, estate plan, etc. We will discuss your investment objectives, needs and goals, but you are obligated to inform us of any changes. We do not verify any information obtained from you, your attorney, accountant or other professionals.

If you engage us to perform these services, you will receive a written agreement detailing the services, fees, terms and conditions of the relationship. You will also receive this Brochure. You are under no obligation to implement recommendations through us. You may implement your financial plan through any financial organization of your choice.

We obtain information from a wide variety of publicly available sources. We do not have any inside private information about any investments that are recommended. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations. Choosing which advice to follow is your decision.

### ***Consulting***

We can also work with you in a project based or ongoing consulting capacity. Based upon your needs, we may also provide consultations throughout the year to advise and counsel you about other financial issues. Financial consulting services can include any or a combination of the following:

- Review of current portfolio
- Income tax planning
- Life and disability insurance needs
- Budgeting
- Retirement needs
- Estate planning needs

Project based consulting may include but is not limited to the purchase of a new home, household budgeting, business transition, etc. Ongoing consulting may include but is not restricted to ongoing reviews of portfolio held away from Swan Capital, ongoing reviews of household budgeting and spending, educational savings, etc.

Consulting services will be provided on an ongoing basis for a period of time determined between Swan Capital and the client. Some consulting services will result in a written report while others will be handled through ongoing consultations between the Adviser and Client.

### ***Educational Seminars***

We offer no charge educational seminars which go over the importance of preparing for the financial future. Our seminars focus on common retirement topics, including how to prepare for unexpected medical expenses and ways to create income to help support your desired lifestyle.

### ***Recommendations***

If you decide to implement our recommendations, we will help you open a custodial account(s). The funds in your account will generally be held in a separate account, in your name, at an independent custodian, and not with us.

While Swan Capital endeavors at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving additional compensation based on the recommendations made creates a conflict of interest and may affect Swan Capital's judgment when making recommendations. We require that all investment adviser representatives disclose this conflict of interest when such recommendations

are made, and that the client is not obligated to implement the recommendations made within the plan through Swan Capital.

## **Private Equity Real Estate Fund Management**

Swan Capital is the general partner and investment adviser for Cygnet Fund, LP, a limited partnership formed as a private fund ("Cygnet"). Cygnet operates as a private equity real estate fund in accordance with the investment objective and investment strategy described in the fund's offering documents. Cygnet currently relies on an exemption from registration under the Investment Company Act of 1940, as amended. Swan Capital does not receive any compensation (outside of its management and performance fee as set forth in Item 5) if a client invests in Cygnet. While Cygnet is generally Swan Capital's client, the term "client(s)" sometimes refers to the investors in Cygnet. Participation as an investor in the Cygnet Fund is restricted to investors who are "qualified clients" pursuant to Rule 205-3 under the Advisers Act, as well as those who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, and "qualified purchasers" as defined under the Investment Company Act of 1940, as amended. To the extent certain of Swan Capital's individual wealth management clients qualify, they will be eligible to participate as limited partners of Cygnet. Investment in Cygnet as a limited partner involves a significant degree of risk. Investors should review relevant information, terms and conditions relative to Cygnet, including but not limited to suitability, limited rights of redemption, risk factors and potential conflicts of interest, which are set forth in the confidential private placement memorandum, Partnership Agreement, and Subscription Agreement (together, the "Offering Documents"), which each investor is required to receive and/or execute prior to being accepted as an investor in Cygnet. For additional information regarding the Cygnet Fund, please refer to the Offering Documents.

## **Wrap Fee**

The Adviser does not sponsor or participate in a third-party sponsored wrap fee program.

## **Assets Under Management**

As of December 31, 2023, we have \$190,671,290 in discretionary assets under management.

## **Item 5 – Fees and Compensation**

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### **Asset Management Fee Schedule**

Swan Capital does not impose a minimum account balance for the opening of an account with the Adviser. Clients will pay 1.2% annually. Fees are charged monthly in arrears based on average daily balance, i.e.  $\text{Average Daily Balance} \times (\text{Fee}\%) / \# \text{ of Days in year} \times \# \text{ of Invested Days in Month}$ .

The fees shown above are annual fees. The fee paid to Swan Capital may be negotiable based upon certain circumstances. No increase in the annual fee shall be effective without prior written notification. Swan Capital believes the advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

## **Automatic Payment of Fee**

The Client agrees to authorize the Custodian to pay directly to Swan Capital upon receipt of notice, the Account's investment advisory services fee. Fee withdrawals will occur no more frequently than monthly from the Client's Account, unless specifically instructed otherwise by the Client.

The Custodian will send to the Client a statement, at least monthly, indicating all amounts disbursed from the Account, including the fee paid directly to Swan Capital. Swan Capital's access to the Assets of the Account will be limited to trading and the withdrawals authorized above. Additionally, Swan Capital will send to the Client an invoice reflecting the amount of the fee, the [previous month/quarter average daily, quarter or month ending balance] for the Client's Account on which the fee was based, and the specific manner in which the fee was calculated.

## **Financial Planning**

Swan Capital charges \$250 per hour for financial planning services. Please refer to the Consulting Agreement for the fee you will pay for the services to be provided. All fees are negotiable at the Adviser's discretion.

Under no circumstances will we accept prepayment of more than \$1,200 in fees per client, six months or more in advance. The financial planning agreement will terminate once you receive the final plan.

If the plan is implemented through us, we may receive compensation from the sale of insurance products or advisory services recommended in the financial plan. This compensation would be in addition to the financial planning fee you pay. The fees and expenses you pay for the purchase of these products may be more or less than the expenses you would pay should you decide to implement our recommendations through another investment advisory firm or broker-dealer and are typically determined by the broker-dealer or investment company sponsoring the product. Therefore, a conflict of interest may exist between our interests and your interests since we may recommend products that pay us compensation. We may have an incentive to recommend particular products based upon the potential compensation rather than your needs. This potential conflict is addressed in our Code of Ethics.

## **Consulting**

Consulting services will be billed at a rate of \$250 per hour. Please refer to the Consulting Agreement for the fee you will pay for the services to be provided. All fees are negotiable at the Adviser's discretion.

We do not accept prepayment of more than \$1,200 in fees per client, six months or more in advance. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

## **Third-party Fees**

You may incur certain charges imposed by custodians and other third parties. These include custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds, money market funds and exchange-traded funds (ETFs) also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. Certain strategies offered by us may involve investment in mutual funds and/or ETFs. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as "12(b)(1) fees". These 12(b)(1) fees come from fund assets, and thus indirectly from clients' assets. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge. Our brokerage practices are discussed in more detail under Item 12 – Brokerage Practices.

## **Cygnnet Fund, LP**

For our services as investment adviser to Cygnnet Fund LP, we charge between 1.00% and 3.00% per annum of the value of the fund's assets, depending upon the share class of investor. We are also entitled to receive a performance fee of up to 40% (forty percent) from investors who qualify as "Qualified Clients" if such investor's capital accounts exceed the performance high water mark, as described in the fund's Offering Documents. Please refer to the Offering Documents for a more complete discussion of the fee for Cygnnet Fund LP. We do not include the value of any assets invested in this fund when calculating our separately managed account fee.

## **Other Compensation**

Andrew McNair may receive additional compensation from sales of insurance products. Andrew McNair may be eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that he recommends.

While Mr. McNair endeavors at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest and may affect [his] judgment when making recommendations. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require IARs to disclose that Clients may purchase recommended insurance products from other insurance agents not affiliated with us.

## **Item 6 – Performance Based Fee and Side by Side Management**

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Performance based fees can only be assessed to "Qualified Clients" with at least \$1,100,000 under management with our firm or a net worth of at least \$2,200,000. A performance fee is a fee based on a share of capital gains on or capital appreciation of the managed assets of a client.

In connection with Swan Capital's management of the private fund Cygnnet Fund, LP, Swan may charge investors who satisfy the "Qualified Client" definition stated above a performance fee in addition to the advisory fee charged in Item 5 of this brochure. Swan Capital charges up to 40% of the net profits (i.e., profits after our management fee have been deducted) achieved for the previous year. The performance fee is payable only if the net profits in the Cygnnet investor's capital account(s) exceed the performance

calculation of the previous year (a “high water mark”). At our discretion, Swan Capital may waive all or any portion of the performance fee or may agree with a client to other changes to the performance fee by written agreement only.

In charging performance fees to some Cygnet investor’s capital accounts, Swan Capital faces a conflict of interest as our firm can potentially receive greater fees from client accounts having a performance-based compensation structure than from accounts only charged an advisory fee. As a result, there exists an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. Our firm has taken important steps to ensure that our performance-based accounts are not favored over our client’s non-performance fee-based accounts. Moreover, Cygnet’s investment objectives are primarily real estate and other private funds and are not in competition with the investments selected for separately managed account customers.

Performance based and non-performance based accounts are periodically reviewed and compared. In the event that our firm finds performance-based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, our firm would take action to address the situation on a case-by-case basis. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.

## **Item 7 – Types of Client(s)**

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We provide investment advisory services to individuals, high net worth individuals, trusts, estates, and private equity real estate funds and pooled investment vehicles.

We generally have no minimum account opening balance.

- Our firm requires a minimum account balance of \$1,100,000 for our performance-based fee services. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client’s relationship with our firm.

For private equity real estate funds and pooled investment vehicles, the investment minimum is \$100,000, however, at its sole discretion, Swan may accept lower investment amounts. Nonetheless, all investors in private funds, including Cygnet Fund LP, must be at least “accredited investors” as defined above in Item 4.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

We use fundamental analysis methods as part of our overall investment management discipline:

## **Fundamental Analysis**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

In order to perform this analysis, we use many resources, such as:

- Financial newspapers and magazines (e.g., Wall Street Journal, Forbes, etc.)
- Annual reports
- Prospectuses, filings
- Company press releases and websites

## **Investment Strategies**

We employ four (4) model portfolios in the management of our client accounts. The models are made up of mutual funds, Exchange traded funds (ETF), Stocks and Bonds:

- Aggressive Model Portfolio - 100% equity makeup with a focus for long term growth;
- Growth Model Portfolio - Majority of equities with broad diversification that are focused for long term growth;
- Balanced Model Portfolio - Mix of bond and equity ETFs that is focused on growth
- Dividend Model Portfolio - Mix of dividend and dividend appreciation ETFs and bonds focused on income generation

## **Risk of Loss**

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to bear. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance.

## **Analysis Methods**

### *Fundamental Analysis Risk*

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.

- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.

### *Product Risk*

#### ***Equity Securities Risk***

Equity securities include common stocks, preferred stocks, convertible securities and mutual funds that invest in these securities. Equity markets can be volatile. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

#### ***Fixed Income Risk***

Fixed income securities include corporate bonds, municipal bonds, other debt instruments and mutual funds that invest in these securities. Issuers generally pay a fixed, variable, or floating interest rate, and must repay the amount borrowed at maturity. Some debt instruments, such as zero-coupon bonds, do not pay current interest, but are sold at a discount from their face value. Prices of fixed income securities generally decline when interest rates rise and rise when interest rates fall. Longer-term debt and zero-coupon bonds are more sensitive to interest rate changes than debt instruments with shorter maturities.

Fixed income securities are also subject to credit risk, which is the chance that an issuer will fail to pay interest or principal on time. Many fixed income securities receive credit ratings from Nationally Recognized Statistical Rating Organizations (NRSROs). These NRSROs assign ratings to securities by assessing the likelihood of issuer default. Changes in the credit strength of an issuer may reduce the credit rating of its debt investments and may affect their value. High-quality debt instruments are rated at least AA or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Issuers of high-grade debt instruments are considered to have a very strong capacity to pay principal and interest. Investment grade debt instruments are rated at least Baa or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Baa rated securities are considered to have adequate capacity to pay principal and interest, although they also have speculative characteristics. Lower rated debt securities are more likely to be adversely affected by changes in economic conditions than higher rated debt securities.

U.S. Government securities include securities issued or guaranteed by the U.S. Treasury; issued by a U.S. Government agency; or issued by a Government-Sponsored Enterprise (GSE). U.S. Treasury securities include direct obligations of the U.S. Treasury, (i.e., Treasury bills, notes and bonds). U.S. Government agency bonds are backed by the full faith and credit of the U.S. Government or guaranteed by the U.S. Treasury (such as securities of the Government National Mortgage Association (GNMA or Ginnie Mae)). GSE bonds are issued by certain federally chartered but privately-owned corporations, but are neither direct obligations of, nor backed by the full faith and credit of, the U.S.

Government. GSE bonds include bonds issued by Federal Home Loan Banks (FHLB), Federal Farm Credit Banks (FCS), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and the Federal National Mortgage Association (FNMA or Fannie Mae).

### ***Bond Fund Risk***

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- **Call Risk** - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- **Credit Risk** — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- **Interest Rate Risk** — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- **Prepayment Risk** — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### ***Exchange Traded Fund ("ETF") Risk***

Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. ETFs are subject to the following risks that do not apply to conventional funds:

- The market price of the ETF's shares may trade at a premium or a discount to their net asset value;
- An active trading market for an ETF's shares may not develop or be maintained; and
- There is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged

### ***Insurance Product Risk***

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- **Liquidity and Early Withdrawal Risk** – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before

a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.

- **Sales and Surrender Charges** – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- **Fees and Expenses** – There are a variety of fees and expenses which can reach 2% and more such as:
  - Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses
  - Charges for any special features or riders.
- **Bonus Credits** – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
- **Guarantees** – Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- **Market Risk** – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Mutual Funds Risk***

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.

- **Manager Risk** -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Stock Fund Risk***

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

### ***Overall Risks***

Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## **Item 9 – Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We do not have any information to disclose concerning Swan Capital or any of our IARs. We adhere to high ethical standards for all IARs and associates.

## **Item 10 – Other Financial Industry Activities and Affiliations**

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Neither Swan Capital nor any of its management persons are registered as a broker-dealer or registered as a representative of a broker-dealer, nor does it have any pending application to register. In addition, neither Swan Capital nor its management persons are affiliated with any broker-dealer.

Swan Capital and its management persons are not registering as a commodity pool operator, futures commission merchant, or commodity trading advisor.

### **Other Financial Industry Affiliations**

Andrew McNair, the Managing Member and Chief Compliance Officer for Swan Capital, is a licensed insurance agent/broker with various companies. In this capacity he may recommend insurance products and may also, as independent insurance agent, sell those recommended insurance products to clients. When such recommendations or sales are made, a conflict of interest exists as the insurance licensed IARs earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require IARs to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with us.

Swan Capital, LLC is the investment adviser and general partner of Cygnet Fund, LP, a private pool established to invest in real estate, operating companies and other private pools. A conflict of interest arises where Swan Capital recommends clients invest in Cygnet Fund, which may provide Swan Capital and its principals higher management fees, performance fees and capital gains than would be available from servicing separately managed accounts. In such situation, Swan Capital is obligated to act in its client's best interest and only recommend investments that are suitable for the client given the client's investment profile regardless of the financial interests of Swan Capital and its supervised persons.

## **Item 11 – Code of Ethics, Participation or Interest in Client Accounts and Personal Trading**

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### **General Information**

We have adopted a Code of Ethics for all IAR's of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our IAR's must acknowledge the terms of the Code of Ethics annually, or as amended.

## Participation or Interest in Client Accounts

Our Compliance policies and procedures prohibit anyone associated with Swan Capital from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting the CCO.

## Personal Trading

We may recommend securities to you that we will purchase for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

Neither Swan Capital nor any of its related persons recommend securities (or other investment products) to advisory clients in which we or any related person has some other proprietary (ownership) interest, other than those mentioned above.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade Order (specifying each participating account) and its allocation. Completed Orders will be allocated as specified in the initial trade order. Partially filled Orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Swan Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of "Access Persons". The policy requires that an Access Person of the firm provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Adviser selects; provided, however that at any time that the Adviser has only one Access Person, he or she shall not be required to submit any securities report described above.

We have established the following restrictions in order to ensure our fiduciary responsibilities regarding insider trading are met:

- No securities for our personal portfolio(s) shall be bought or sold where this decision is substantially derived, in whole or in part, from the role of IARs of Swan Capital, unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.

## **Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

## **Conflicts of Interest**

Swan Capital's IARs may employ the same strategy for their personal investment accounts as it does for its clients. However, IARs may not place their orders in a way to benefit from the purchase or sale of a security.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interests of all the accounts we advise.

## **Item 12 – Brokerage Practices**

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### **Factors Used to Select Custodians**

We typically recommend Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian.

Swan Capital is independently owned and operated and is not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as a custodian, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

### **Products and services available to the Firm from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. Schwab provides Swan Capital and our clients with access to institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support

services described below are generally available on an unsolicited basis (i.e., we do not have to request them) and at no charge to us. Here is a more detailed description of Schwab's support services:

#### *Services that Benefit Clients Directly*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit each client.

#### *Services that May Not Directly Benefit Clients*

Schwab also makes available to us other products and services that benefit us but may not directly benefit a specific client. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as trade confirmations and account statements);
- Facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- Provides pricing and other market data;
- Facilitates payment of our fees from our clients' accounts; and
- Assists with back-office functions, recordkeeping and client reporting.

#### *Services that Generally Benefit Only Us*

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include (among others) the following:

- Educational conferences and events
- Technology, compliance, legal, and business consulting
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Schwab will provide some of these services itself or will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

#### **Our Interest in Schwab's Services**

The availability of the services described above from Schwab benefits us because we do not have to produce or purchase them. They are not contingent upon Swan Capital committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits

from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of Schwab as a custodian and broker is in the best interest of our clients. Our selection is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that benefit only us.

## **Best Execution**

We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, reputation and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

## **Brokerage for Client Referrals**

In selecting and recommending broker-dealers, we do not take into consideration whether or not we will receive client referrals from the broker-dealer or third-party.

## **Directed Brokerage**

Adviser does not accept directed brokerage. Clients must utilize Adviser's recommended custodian.

## **Trading**

Transactions for each client account generally will be affected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such Orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients' differences in prices and commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

# **Item 13 – Review of Accounts**

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## **Reviews**

### **Discretionary Portfolio Services**

Reviews are conducted at least biannually or as agreed to by Swan Capital and the client. Reviews will be conducted by our Chief Compliance Officer, Andrew McNair. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections.

### **Financial planning and consulting**

As part of the financial planning process, there will be an initial review of the information provided by the client for the purposes of preparing for the planning process. Subsequent reviews may be scheduled as needed by the client and/or Swan Capital up and until the final, written plan is provided to the client. Once the plan has been provided the agreement will terminate.

As stated under Item 4, ongoing consulting services may include ongoing reviews of portfolios held away from Swan Capital, ongoing reviews of household budgeting and spending, educational savings, etc.

### **Reports**

You will be provided with account summary statements reflecting the transactions occurring in the account and account performance on at least a monthly basis. These statements will be written or electronic depending upon what you selected when you opened the account. You will be provided with paper confirmations for each securities transaction executed in the account by the custodian. You are obligated to notify us of any discrepancies between the statements provided by Swan Capital and the custodian(s) or any concerns you have about the account(s).

### **Financial planning and consulting**

As part of the financial planning process a written plan will be provided. Outside of the written plan, no other report will be generated or provided to the client.

As stated under Item 4, some consulting services will result in a written report while others will be handled through ongoing consultations between the Adviser and Client. Any written reports to be provided will be dictated by the services needed by the client.

## **Item 14 – Client Referrals and Other Compensation**

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We do not receive any economic benefit from someone who is not a client for providing investment advice or other advisory services to our clients nor do we directly or indirectly pay any compensation to another person if they refer clients to us.

## **Item 15 – Custody**

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We do not have physical custody of any client's separately managed accounts or assets. However, we are be deemed to have constructive custody of your account(s) if we have the ability to instruct the custodian to deduct your advisory fees from your custodial account. You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare this official custodial record to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Swan Capital.

Additionally, where the adviser has the authority to hold or obtain possession of a client's funds or securities, Swan Capital will be deemed to have custody of such funds or securities. Because Swan Capital is the managing member of Cygnet Fund, LP, which fund has investors who are clients of Swan Capital, Swan Capital may be deemed to have custody of such client funds. Consequently, Swan Capital has engaged an independent certified public accountant to conduct an audit of Cygnet Fund on a no less than annual basis. The results of the audit will be distributed to investors in Cygnet Fund annually.

## **Item 16 – Investment Discretion**

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We manage assets on a discretionary basis. If you provide discretion authority, which will be evidenced via the written, discretionary agreement between the client and the Adviser, we will have the authority to determine the following without your consent:

- Securities to be bought or sold for your account
- Amount of securities to be bought or sold for your account

In all cases this discretion is exercised in a manner consistent with your stated investment objectives for your account [and in accordance with any restrictions placed on the account(s) (if restrictions allowed by the Adviser)].

When active asset management services are provided on a discretionary basis the client will enter into a separate custodial agreement with the custodian. The custodian agreement will include a limited power of attorney to trade in the client's account(s) which authorizes the custodian to take instructions from us regarding all investment decisions for your account.

## **Item 17 – Voting Client Securities**

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We do not vote proxies.

## **Item 18 – Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.