DISCLOSURE
EXCHANGE TRADED PRODUCTS (ETPs)

Exchange Traded Products ("ETPs") are types of securities that derive their value from a basket of securities such as stocks, bonds, commodities or indices, and trade intra-day on a national securities exchange. Generally, ETPs take the form of Exchange-Traded Funds ("ETFs") or Exchange-Traded Notes ("ETNs"). Both ETFs and ETNs have risks that all investors should consider before they make their investment decision.

Investors should consider an ETP's investment objective, risks, charges, and expenses carefully before investing. Investors are encouraged to thoroughly review each ETP's prospectus and other official filing statements before making an investment decision. These documents can generally be found at the sponsoring financial institution's website or with the appropriate regulatory agency.

Important information to know about ETFs

ETFs are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value.

ETFs may have underlying investment strategy risks similar to investing in commodities, bonds, real estate, international markets or currencies, emerging growth companies, or specific sectors.

All ETFs have a sponsor, or a financial institution which created and administers the ETF. ETFs may have counterparty risk in situations where the sponsor becomes insolvent. In addition, the ETF may be involved with swap transactions with multiple financial institutions, thus, subjecting the ETF owners to 3rd party risk.

Important information to know about ETNs

ETNs are not the same as ETFs. ETNs have characteristics and risks which are different from ETFs. ETNs are senior unsecured promissory obligations, typically issued by a bank or another financial institution; however, ETNs are not categorized as typical fixed income products. ETN holders are directly exposed to the issuer's credit or default risk. If the issuer defaults, an ETN's investors may receive only pennies on the dollar or nothing at all, and investors should remember that credit risk can change quickly.

The Difference between an ETF and an ETN

An ETF is a basket of securities such as stocks, bonds, or commodities. It's similar in many ways to a mutual fund, but it trades on an exchange like a stock. An important characteristic of ETFs and mutual funds is that they're legally separate from the company that manages them. ETFs are structured as "investment companies" where the assets of the fund are held separately from the parent company behind the ETF.

ETNs are unsecured, unsubordinated debt obligations of the company that issues them and have no principal protection. ETNs are complex products subject to significant risks and may not be suitable for all investors. Although an ETN's performance is contractually tied to the market index it is designed to track, ETNs do not hold any assets. Therefore, unlike investors in ETFs, which hold assets that could be liquidated in the event of a failure of the ETF issuer, ETN investors would only have an unsecured claim for payment against the ETN issuer in the event of the issuer's failure.

Risks Associated with ETNs

Before investing, please carefully consider the credit worthiness of the ETN issuer and the ETNs investment objectives, risks, fees, and charges.

- **Liquidity Risk**

  The trading activity of ETNs varies widely. For ETNs with very low trading volume, bid-ask spreads can be exceptionally wide, which may impact pricing you receive when buying or selling shares.

- **Issuance Risk (aka Volatile Premiums)**

  Unlike ETFs where the supply of shares outstanding fluctuates in response to investor demand, the supply of ETNs is controlled entirely by their issuers. This can include risks of the issuer halting the issue of new shares, or issuing new shares, which may affect supply and demand.

- **Fund Closure Risk**

  Although an issuer may call the note through a process called an “accelerated redemption” by returning the value of the note less fees, issuers may also delist the note from national exchanges and suspend new issuance. When this happens, ETN investors can either hold the note until it matures, which could be up to 40 years away, or trade the ETN in the over-the-counter (“OTC”) market where spreads can be even wider than on national exchanges.

Non-Traditional Exchange-Traded Products

Non-traditional ETPs employ sophisticated financial strategies and instruments, such as leverage, futures, and derivatives, in pursuit of their investment objectives. Leveraged and inverse ETPs are considered risky. The use of leverage and inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Non-traditional ETPs are generally categorized as leveraged, inverse, or leveraged-inverse.

- **Leveraged ETPs**

  Leveraged ETPs use financial derivatives and debt to multiply the returns of an underlying index, commodity, currency, or basket of assets. Leveraged ETPs may include the terms "double," "ultra," "triple," or similar language in their security name/description. Leveraged ETPs are designed to achieve their investment objective daily and are not designed to, and will not necessarily, track the underlying index or benchmark over a longer period of time.

  ETPs that offer leverage or that are designed to perform inversely to the index or benchmark they track are growing in number and popularity. While such products may be useful in some sophisticated trading strategies, they are highly complex financial instruments that are typically designed to achieve their stated objectives daily. Due to the effects of compounding, their performance over longer periods of time can differ significantly from their stated daily objective. ETPs that are reset daily may not be suitable for investors who plan to hold them for longer than one trading session, particularly in volatile markets.

- **Inverse ETPs**

  Inverse ETPs use various derivatives to seek to profit from the decline in the value of an underlying index, commodity, currency, or basket of assets; used typically to hedge exposure to downward markets. Inverse ETPs may include the term "contra," "short," or similar language in their security name/description.

  Like traditional ETPs, some inverse ETPs track broad indices, some are sector-specific, and still others are linked to commodities or currencies. Inverse ETPs are often marketed as a way for investors to profit from, or at least hedge their exposure to, downward- moving markets. Some funds are both short and leveraged, meaning that they seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETF that tracks the S&P 500, for example, seeks to deliver the inverse of the performance of the S&P 500, while a 2x leveraged inverse S&P 500 ETF seeks to deliver twice the opposite of that index's performance. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies.

- **Volatility ETPs**

  Volatility linked ETPs pose special risks tied to market volatility that can significantly impact the pricing of the product and your ability to trade them during times of extreme market volatility.

Effects of Leverage and Compounding

Most leveraged and inverse ETPs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

Examples of the impact on these products in trading markets can be found at the following website: https://www.finra.org/investors/insights/lowdown-leveraged-and-inverse-exchange-traded-products.

Investors who choose to invest in non-traditional ETPs should be aware of the following risks:

- Non-traditional ETPs are complex products that have the potential for significant loss of principal and are not appropriate for all investors. Investors should consider their financial ability to afford the potential for a significant loss.

- Non-traditional ETPs seek investment results for a single day only. The effect of compounding and market volatility could have a significant impact upon the investment returns. Investors may lose a significant amount of principal rapidly in these securities.

- Non-traditional ETPs may be volatile under certain market conditions. Investors holding non-traditional ETPs over longer periods of time should monitor those positions closely due to the risk of volatility.

- Non-traditional ETPs are focused on daily investment returns, and their performance over longer periods of time can differ significantly from their stated daily objective. Investors may incur a significant loss even if the index shows a gain over the long term.

- Non-traditional ETPs use a variety of derivative products in order to seek their performance objectives. The use of leverage in ETPs can magnify any price movements, resulting in high volatility and potentially significant loss of principal.

- Non-traditional ETPs may suffer losses even though the benchmark currency, commodity, or index has increased in value. Investment returns of non-traditional ETPs may not correlate to price movements in the benchmark currency, commodity, or index the ETP seeks to track.

- Some non-traditional ETPs may have a low trading volume, which could impact an investor's ability to sell shares quickly.

- Non-traditional ETPs may be less tax efficient than other ETPs. As with any potential investment, an investor should consult with his or her tax advisor and carefully read the prospectus to understand the tax consequences of non-traditional ETPs.

Summary

This disclosure is intended to summarize some of the risks associated with trading in certain ETPs. The specific risks associated with a particular ETP are detailed in the fund's prospectus. Investors should refer to the ETP's prospectus to obtain a complete discussion of the risks involved in that ETP before investing.

Other Resources

- FINRA Non-Traditional ETFs FAQ
  https://www.finra.org/rules-guidance/key-topics/etf/non-traditional-etf-faq

- SEC Investor Bulletin Exchange-Traded Funds (ETFs)
  https://www.sec.gov/investor/alerts/etfs.pdf

- SEC Fast Answers, Exchange-Traded Funds
  https://www.investor.gov/introduction-investing/investing-basics/glossary/exchange-traded-fund-etf

  http://sec.gov/investor/pubs/leveragedetfs-alert.htm

  https://www.finra.org/rules-guidance/notices/09-31