

Exchange Traded Products Risk Disclosure

Exchange Traded Funds (“ETFs”) are subject to market risk, including the possible loss of principal. The value of the ETFs 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.

Investors should consider an ETF’s investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Institution and should be read carefully before investing.

Diversification does not ensure a profit and may not protect against loss in declining markets. Investors should refer to the individual ETF prospectus for a more detailed discussion of the specific risks and considerations for an individual ETF.

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. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. Due to their narrow focus, sector-based investments typically exhibit greater volatility. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. When investing in real estate companies, property values can fall due to environmental, economic or other reasons, and changes in interest rates can negatively impact the performance. The risk of loss in trading commodities and futures can be substantial. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. Single-Stock levered and/or inverse exchange-traded funds lack diversification and the highly volatile price fluctuations promote a single day holding period. If you already own these investments, you should therefore carefully consider whether such a holding in ETFs is suitable for you in light of your financial condition. You can continue to hold them or choose to sell them. You'll pay the same commission as you would to sell other equity positions. You may also be able to transfer them in kind from or to other institutions.

ETFs are one form of Exchange Traded Products, not to be confused with other forms, as more fully explained below.

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 ETFs or Exchange Traded Notes (“ETNs”).

- **ETFs** are open-end investment companies or unit investment trusts (“UITs”) whose shares represent an interest in a portfolio of securities.
- **ETNs** are senior unsecured debt obligations of an issuer, typically a bank or another financial institution; however, ETNs are not categorized as typical fixed income products.

Non-Traditional ETPs

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** - Uses 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.

- **Inverse** - Uses 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.
- **Leveraged-Inverse** - Uses swaps, futures contracts, options and other derivative instruments to seek to achieve a return that is a multiple of the opposite performance of the underlying benchmark or index. Leveraged-inverse ETPs may include a combination of leveraged and inverse terms such as “ultra short” in their security name/description.
- The Financial Industry Regulatory Authority ([FINRA](#)) and the Securities and Exchange Commission ([SEC](#)) seek to warn retail investors of the risks associated with investing in non-traditional ETFs and issued an Investor Alert entitled “Leveraged and Inverse ETFs: Specialized Products With Extra Risks for Buy-and-Hold Investors,” which is available on FINRA’s and the SEC’s web sites.

Investors who choose to invest in non-traditional ETPs should be aware of the risks, some of which are outlined below:

- 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 nontraditional ETPs.**

The specific risks associated with a particular ETP are detailed in the fund’s prospectus. Additional risks may include adverse market condition risks, investment strategy risk, aggressive investment techniques risk, concentration risk, correlation risk, counterparty risk, credit risk and lower-quality debt securities risk, energy securities risk, equity securities risk, financial services companies risks, interest rate risk, inverse correlation risk, leverage risk, market risk, non-diversification risk, shorting risk, small and mid cap company risk, tracking error risk, and special risks of exchange traded funds, among others. Investors should refer to the ETP’s prospectus to obtain a complete discussion of the risks involved in that ETP before investing.

Single-Stock Levered and/or Inverse ETFs

A new type of complex exchange-traded product has become available to investors in the U.S.: single-stock levered and/or inverse exchange-traded funds. Complex products present several risks to investors. These new products are no exception, as they provide levered and/or inverse exposure to a single security, which can present risks for investors.

- Though these products will be listed and traded on an exchange, they are not right for every investor.
- Holding a levered and/or inverse single-stock ETF is not the same as holding the underlying stock, a traditional ETF, or even a non-single stock levered and/or inverse ETF.

- It is riskier for several reasons:
 - Like many other complex exchange-traded products, levered and/or inverse single-stock ETFs aim to provide returns over extremely short time periods (in some cases even a single day). New risks may emerge for investors who hold these products for longer than that.
 - Investors should be aware that if they were to hold these funds for longer than a day, the performance of these funds may differ significantly from the levered and/or inverse performance of the underlying stock during the same period of time.
- Unlike traditional ETFs, or even other levered and/or inverse ETFs, these levered and/or inverse single-stock ETFs track the price of a single stock rather than an index, eliminating the benefits of diversification.
- Because levered single-stock ETFs in particular amplify the effect of price movements of the underlying individual stocks, investors holding these funds will experience even greater volatility and risk than investors who hold the underlying stock itself.
- Levered and/or inverse single-stock ETFs pose risks that are unique and complex. We encourage all investors to consider these risks carefully before deciding to invest in levered and/or inverse single-stock ETFs.

Other resources:

[FINRA Non-Traditional ETFs FAQ](#)

[FINRA, SEC Warn Retail Investors About Investing in Leveraged or Inverse ETFs](#)

[SEC Investor Bulletin: Exchange-Traded Funds \(ETFs\)](#)

[SEC Fast Answers, Exchange-Traded Funds](#)

[Investor.gov Exchange-Traded Funds](#)

[NYSE Exchange Traded Funds](#)

[SEC.gov | Statement on Single-Stock Levered and/or Inverse ETFs](#)

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