

**Leveraged or Inverse Exchange Traded Product
(Including ETFs and Mutual Funds)**

Non-Managed/Non Discretion Accounts

The products discussed below are complex and subject to significant risks and are not suitable for many investors. They are intended for highly experienced investors who actively manage and monitor their investments. Please read the prospectus carefully before making your final investment decision.

Trade Date _____

Account Number _____ Rep Number _____

Symbol _____

Investment Objective/Risk Tolerance of Account _____

Due to the complexity and risks involved with this type of trading, Growth and Speculation would likely be the best choice for this type of trading. If the account is coded with something other than Growth and Speculation, please explain why you believe the account shouldn't be coded as such.

Anticipated Holding Period _____

Percentage of Client's Liquid Net Worth in Leveraged or Inverse ETPs? ____%.
(Should not be more than 10% of liquid net worth)

ETPs are sold by Prospectus only. Has the client received one for this product?
Yes or No **(please check box)**

Other products considered/offered to client _____

I have carefully read, understand and taken into consideration the following statements regarding Leveraged and Inverse Exchange Traded Products.

Market Risk - One of the biggest risks of ETFs is market risk. Like a mutual fund or a closed-end fund, ETFs are only an investment vehicle—a wrapper for their underlying investment.
____ **(Client's initials)** if joint account ____ **(Client's initials)**

Costs - A disadvantage of leveraged ETPs is that **the portfolio is continually rebalanced, which comes with added costs.** Experienced investors who are comfortable managing their portfolios are better served by controlling their index exposure and leverage ratio directly, rather than through leveraged ETFs. When compared to traditional ETFs, leveraged ETFs generally have higher expenses. For example, the average expense ratio for a traditional ETF is 0.45%, whereas average expenses for leveraged ETFs are 0.95%. Because these expenses are taken from the fund, they reduce the net return to the investor. *Source: Seeking Alpha Jul.29,2022.*

____ **(Client's initials)** if joint account ____ **(Client's initials)**

Leveraged ETPs may increase volatility. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Even though an **ETP** may be designed to track a particular index in a positive or an inverse way, it may not track the index at all. The ETP is still subject to the supply and demand forces of the market and may not track the index in the intended manner. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Leveraged ETPs are rebalanced daily so they are not generally suitable for holding periods longer than one day unless part of a strategic trading strategy closely monitored by the RR and client. For this and other reasons outlined in the prospectus, it is recommended that most leveraged and inverse ETPs are to be held for ONE DAY only. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Leveraged ETFs are designed to achieve their investment objective on a daily basis meaning that they are not designed to track the underlying index, benchmark, or single security over an extended period of time. Leverage can increase volatility. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Leveraged ETFs amplify daily returns and can help traders generate outsized returns and hedge against potential losses. A leveraged ETF's amplified daily returns can trigger steep losses in short periods of time, and **a leveraged ETF can lose most or all of its value.** ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Inverse ETFs attempt to deliver returns that are the opposite of the returns of the underlying benchmark, index, or single security. Typically, the longer you hold a leveraged or inverse ETF, the greater your potential loss. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Inverse ETFs are designed to produce positive returns when a benchmark index declines. Inverse leveraged ETFs are thus designed to have a 2x or 3x move in the opposite, or "inverse", direction as the benchmark index. For example, if the benchmark index falls in price by -1% in a day, the 2x inverse leveraged ETF would theoretically produce a price increase of 2%. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Inverse leveraged ETFs have a similar effect as [Short Selling](#), although would still suffer from value erosion over time due to their leveraged nature. ____ **(Client's initials)** if joint account ____ **(Client's initials)**

Client's Signature _____

Date _____

Client's Signature (Jt. Owner) _____

Date _____

Registered Representative Signature _____

Date _____

Compliance Officer Signature _____

Date _____

Things to Consider

Some Exchange Traded Products, such as Leveraged and/or Inverse Exchange Traded Products, can be complicated. Before investing, be sure to ask:

- **How does the Exchange Traded Product achieve its stated objectives?** And what are the risks? Ask about—and be sure you understand—what the products are designed to do and how they may behave in different market environments (for example, in a volatile market), as well as the techniques the ETP uses to achieve its goals and the risks they involve.
- **What happens if I hold a Leveraged and/or Inverse Exchange Traded Product longer than one trading day?** While there may be trading and hedging strategies that justify holding leveraged and inverse ETPs longer than a day, investors with an intermediate or long-term time horizon should carefully consider whether these products are appropriate for their portfolio. You could suffer losses even if the longer-term performance of the underlying index is up for a leveraged ETP or down for an inverse ETP.
- **Is there a risk that a Leveraged and/or Inverse Exchange Traded Product will not meet its stated daily objective?** There is always a risk that not every leveraged or inverse ETP will meet its stated objective on any given trading day. Be sure you understand the impact this could have on the performance of your portfolio, taking into consideration your goals and your risk tolerance.
- **What are the fees and expenses?** Leveraged or inverse Exchange Traded Products may be more costly than traditional ETPs. Use FINRA's [Fund Analyzer](#) to estimate the impact of fees and expenses on your investment.
- **What are the tax consequences?** Leveraged or inverse Exchange Traded Products may be less tax-efficient than traditional Exchange Traded Funds, in part because daily resets can cause the ETP to realize significant short-term

capital gains that may not be offset by a loss. There may be additional tax-related issues, so it is important to check with your tax advisor about the consequences of investing in these products.

Pros of Leveraged ETFs

- **Access to derivatives:** Leveraged ETFs offer indirect access to financial derivatives, such as options and futures contracts, that may otherwise be inaccessible to everyday investors, or more expensive to trade.
- **Easily tradeable:** Like traditional ETFs, shares of leveraged ETFs trade in the open market like stocks.
- **Potential for outsized returns:** Leveraged ETFs amplify the daily returns of an underlying benchmark index, providing the potential for larger gains than traditional ETFs.

Cons of Leveraged ETFs

- **Excessive market risk:** The potential for outsized gains brings with it the potential for outsized declines in value. Unless the market is constantly moving in the same direction, which is not typical, leveraged ETFs will generally see value erosion over time.
- **High fees:** Leveraged ETFs cost more to manage than traditional ETFs because of the additional expenses associated with trading financial derivatives.
- **Poor long-term holdings:** Since leveraged ETFs are intended to amplify the daily returns of a benchmark index, they should only be used as short-term holdings. Leveraged ETFs see long-term returns that do not track the index, generally experience value erosion over time, and do not amplify returns in equal measure.

FINRA Regulatory Notice 09-31: *“Exchange-traded funds (ETFs) that offer leverage or that are designed to perform inversely to the index or benchmark they track—or both—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 on a daily basis. Due to the effects of compounding, their performance over longer periods of time can differ significantly from their stated daily objective. Therefore, inverse and leveraged ETFs that are reset daily typically are unsuitable for retail investors who plan to hold them for longer than one trading session, particularly in volatile markets.*”