Leveraged and Inverse Fund/ETF Trading Disclosure

Background:

One or more of the strategies proposed may employ the use of leveraged and inverse funds or ETFs. It is important that investors understand the performance objectives of leveraged and inverse exchange-traded funds (ETFs)/mutual funds. Leveraged and inverse ETFs/Funds typically are designed to achieve their stated performance objectives on a daily basis. Some investors might invest in these ETFs with the expectation that the ETFs may meet their stated daily performance objectives over the long term as well. Investors should be aware that performance of these ETFs/Funds over a period longer than one day can differ significantly from their stated daily performance objectives. The entire alert can be read here:
http://www.sec.gov/investor/pubs/leveragedetfs-alert.htm

What are Leveraged and Inverse ETFs?
Leveraged ETFs/Funds seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs/Funds (also called "short" funds) seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs/Funds, some leveraged and inverse ETFs/Funds track broad indices, some are sector-specific, and others are linked to commodities, currencies, or some other benchmark. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets.
Leveraged inverse ETFs/Funds (also known as "ultra short" funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETFs/Funds that tracks a particular index, for example, seeks to deliver the inverse of the performance of that index, while a 2x (two times) leveraged inverse ETFs/Funds seeks to deliver double the opposite of that index's performance. To accomplish their objectives, leveraged and inverse ETFs/Funds pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments. Most leveraged and inverse ETFs/Funds "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time -- over weeks or months or years -- can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets. As the examples below demonstrate, an ETF that is set up to deliver twice the performance of a benchmark from the close of trading on Day 1 to the close of trading on Day 2 will not necessarily achieve that goal over weeks, months, or years.

Things to Consider Before Investing
The best form of investor protection is to clearly understand leveraged or inverse ETFs/Funds before investing in them. No matter how you initially hear about them, it's important to read the prospectus, which provides detailed information related to the ETFs/Funds' investment objectives, principal investment strategies, risks, and costs. The SEC's EDGAR system, as well as search engines, can help you locate a specific ETFs/Funds prospectus. You can also find the prospectuses on the websites of the financial firms that issue a given ETFs/Funds, as well as through your broker.

How do the ETFs/Funds **achieve their stated objectives? And what are the risks?** Ask about—and be sure you understand—the techniques the ETFs/Funds uses to achieve its goals. For example, engaging in short sales and using swaps, futures contracts, and other derivatives can expose the ETFs/Funds —and by extension ETFs/Funds investors—to a host of risks.

What happens if I hold longer than one trading day? While there may be trading and hedging strategies that justify holding these investments longer than a day, buy-and-hold investors with an intermediate or long-term time horizon should carefully consider whether these ETFs/Funds are appropriate for their portfolio. As discussed above, because leveraged and inverse ETFs/Funds reset each day, their performance can quickly diverge from the performance of the underlying index or benchmark. In other words, it is possible that you could suffer significant losses even if the long-term performance of the index showed a gain.

Is there a risk that these ETFs/Funds **will not meet their stated daily objective?** There is always a risk that not every leveraged or inverse ETF will meet its stated objective on any given trading day. Be sure you understand the impact an investment in the ETF could have on the performance of your portfolio, taking into consideration your goals and your tolerance for risk.

What are the costs? Leveraged or inverse ETFs/Funds may be more costly than traditional ETFs. Use FINRA's Fund Analyzer https://www.sec.gov/cgibin/goodbye.cgi?apps.finra.org/fundanalyzer/1/fa.aspx to estimate the impact of fees and expenses on your investment. The SEC's Mutual Fund Cost Calculator (https://www.sec.gov/investor/tools/mfcc/mfcc-intsec.htm) can also help you estimate and compare costs of owning mutual funds.

What are the tax consequences? Leveraged or inverse ETFs/Funds may be less tax-efficient than traditional ETFs/Funds, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss. Be sure to check with your tax advisor about the consequences of investing in a leveraged or inverse ETF.
As with all investments, it pays to do your own homework. Only invest if you are confident the product can help you meet your investment objectives and you are knowledgeable and comfortable with the risks associated with these specialized ETFs.