Product & Investment Risk Disclosure

DAVENPORT 1863
BUILDING WEALTH TOGETHER

Davenport & Company ("Davenport") has provided sound investment advice and wealth management solutions to generations of investors for more than 155 years. We know that there is more to our business than delivering high-quality financial services; it is about building meaningful relationships. Prior to investing, your Davenport Financial Advisor will review your overall investment objective and risk tolerance. The more you understand the nature of investment risk and your tolerance for risk exposure, the better you are positioned to meet your financial goals.

TYPES OF RISK

The risks listed below are not all-inclusive and each investment may have a combination of the risks below as well as additional risks to consider. Please consult your Financial Advisor if you have questions.

Market/Volatility Risk

The day to day risk of an investment declining in value due to events that affect the securities market. The four major market risks are defined below.

- **Equity Risk** – The risk of loss due to a drop in the market price of shares.
- **Interest Rate Risk** – The risk of losing value due to a change in interest rates. This risk generally applies to debt investments such as bonds (municipal or corporate), but may also effect securities or strategies that invest in debt instruments. Market price and interest rates have an inverse relationship. For example, if interest rates go up, the market value of bonds may drop. The value of securities with longer maturity dates tend to fluctuate more than shorter term securities.
- **Currency Risk** – The risk of losing money due to a movement in the exchange rate when an investor has exposure to foreign currency or in foreign currency investment instruments.
- **Liquidity Risk** – The risk a market will not be available for securities transactions, thereby preventing an investor from buying or selling their security quickly and at a reasonable price. Investments not traded in a public market or exchange (private placements, limited partnerships, hedge funds, etc.) may have a higher liquidity risk.

Concentration Risk

The risk of loss due to a concentration in one position, sector or one type of investment; for example, an investor investing in the energy or healthcare sector, rather than in multiple sectors. A diversified portfolio will help spread risk over different industry sectors, geographic locations and investment types.

Credit Risk

The risk an entity (government or private sector) issuing debt-instruments will face financial difficulties and will be unable to pay interest or repay the principal at maturity.

Inflation Risk

The risk of purchasing power loss. Inflation is a general upward movement in prices, which reduces purchasing power, meaning over time, the same amount of money will buy fewer goods and services. Inflation is a primary risk for individuals that hold cash or invest in fixed debt instruments.

Leverage Risk

Leveraging is an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment. This is a high-risk strategy often used in higher risk investments and funds.

Foreign Investment Risk

Foreign securities may involve a higher degree of risk due to changes in currency or foreign exchange rates, governmental regulation, taxation, and political, social, and economic instabilities. This risk will be more pronounced in emerging markets.

Management Risk

Investment strategies that are actively or passively managed are subject to management risk. In managing the fund's portfolio of securities, a Financial Advisor will apply investment techniques and risk analyses in making investment decisions for the fund, but there can be no guarantee that these will produce the desired results.

PRODUCT RISKS

Investment products involve risks including possible loss of principal and fluctuation in value. Many securities are sold with a prospectus containing complete security details, including risks, charges, and expenses. Please read the prospectus or any other security information provided carefully before investing. Limited information may be available for some securities and not all securities are available for purchase through Davenport.

Money Markets

While money market funds seek to preserve the value of your investments, these funds are not insured or guaranteed by the FDIC or any other government agency; it is possible to lose money investing in a money market fund. Money Markets are sold by prospectus, which contain complete details about the fund, including risks, charges and expenses.

Bonds

A bond is an investment product issued by corporations and governments (known as the issuer) to raise funds in order to finance projects and fund operations. Bonds are mostly comprised of corporate, municipal and government bonds. Corporate and government bonds may trade on major exchanges and are usually issued in $1,000 increments; municipal bonds generally trade over-the-counter (OTC) and are usually issued in increments of $5,000. These bonds have various maturities and face – known as par values. The par value is the amount the investor will receive when the bond matures.

Bond yields may be higher or lower depending on the coupon (or interest rate), are inclusive of fees (mark-up/down), and represent a yield to worst – the measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its indenture without defaulting (yield-to-maturity, yield-to-worst call, or yield to-a-mandatory put) – as indicated on the trade confirmation. Some bonds may be callable, meaning the issuer can pay back the bond on a set date; or non-callable, meaning the issuer will only payback the bonds at the date of maturity. Corporate and municipal bonds may be subject to various redemption methods (optional redemption, sinking fund redemption, and mandatory redemption) prior to maturity.

All bonds have credit risk or default risk associated with them since the securities are tied to the issuer's financial viability. If the issuer struggles financially, investors are at risk of default on the security. Bonds issued by a high-risk company or municipality have a higher risk of default, resulting in loss of principal and interest. Investing in international bonds can increase the risk of default if the country is economically or politically unstable. Bonds are subject to market and interest risk as outlined in the above. Values will increase or decrease based on interest rate changes and/or credit risk.

Certificate of Deposit (CD)

A CD is a deposit obligation of a depository institution (such as a bank, savings and loan association, credit union or industrial loan company). Brokered CDs are FDIC insured up to applicable limits. Redeeming CDs prior to maturity may result in loss of principal due to fluctuations in the interest rate, lack of liquidity, or transaction costs. CDs generally contain the following features:

- A rate of interest that may be fixed or variable (such as a rate linked to a market index, the inflation rate or other underlying benchmark) or a stepped rate that either moves upward or downward from the initial rate; some CDs, known as "zero coupon" CDs, are issued at a discount from their stated par value, do not pay interest and mature at par value.
- A set maturity date.
- CDs may be callable or non-callable as issued by the depository institution.
- Federal insurance protection (FDIC), up to applicable limits.
- Brokered CDs do not have an interest penalty for early withdrawal, rather they sell back into the market similar to a corporate bond. There is no guarantee of a secondary market for the resale of brokered CDs.

The features of any CD investment and the issuing institutions increase or decrease the associated investment risks. Please refer to all publicly available information provided to you and discuss this investment with your Financial Advisor.

Stocks

Stocks are securities that represent an ownership share in a company. For companies, issuing stock is a way to raise money to grow and invest in their business. For investors, stocks are a way to grow their money and outpace inflation over time. Stock prices move up or down based on a variety of factors including events inside the company (change in management, faulty product, etc.) or outside of the company (market or political events). While some stocks may have less overall risk, other stocks are more speculative in nature and carry a higher associated risk. It is important to know that there is no guarantee any stock will grow in value and you can lose money if you invest in stocks.

Mutual Funds

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors, operate mutual funds. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual funds allow greater investment diversification however all funds have risks similar to the level of risk with stocks. You may lose some or all of the money you invest because the securities held by the fund may decrease in value. Mutual funds charge annual fees (called expense ratios) and, in some cases, commissions, which can affect their overall returns. Mutual funds are sold by prospectus; please read the mutual fund prospectus and consider the fund's investment objectives, risks, charges and expenses carefully before investing.

Index Funds

An index fund is a type of mutual fund with a portfolio constructed to match or track the components of a financial market index, such as the Standard & Poor's 500 Index (S&P 500®). An index mutual fund is said to provide broad market exposure, low operating expenses and low portfolio turnover. These funds follow their benchmark index no matter the state of the markets. An index fund is subject to the same risks as the securities the fund tracks. The funds are also subject to additional risks, such as lack of flexibility (an index fund has less flexibility to react to price declines of the securities in the index) and underperformance (an index fund may not perform as well as the index it is tracking due to fees/expenses, trading costs and tracking errors).

The S&P 500® is comprised of 500 U.S. stocks and is an indicator of the performance of the overall U.S. stock market. An index is not available for direct investment; therefore its performance does not reflect the expenses, fees and taxes generally paid with the active management of an actual portfolio. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index.

Unit Investment Trusts (UIT) and Closed-End Funds

- **Unit Investment Trusts (UIT) –** A UIT is a professionally selected pooled investment vehicle. The fundamentals of the trust are a fixed portfolio of securities designed to follow an investment objective for a specific period of time (13 months to 30 years depending on the investment objective). There is no guarantee that the UIT will meet the investment objective. UIT investments are subject to passive management risk since the investment trust are passively managed (known as a "buy and hold" strategy), meaning the investment portfolio will not be modified based on market conditions even if such action may be warranted.

  Units sold to investors cover the purchase of the fixed portfolio and represent the share of ownership in the UIT. These units, like mutual fund shares, are redeemable at the investor's request, at their approximate net asset value or "NAV." In some cases, a creation or development fee or deferred sales charge may apply. Some UIT sponsors may maintain a secondary market, which allows owners of UIT units to sell them back to the sponsor and allows other investors to buy UIT units from the sponsor during the life of the UIT.

- **Closed-End Funds –** A Closed-End Fund is a portfolio of pooled assets that raises a fixed amount of capital through an initial public offering (IPO) and then lists shares for trade on a stock exchange. Closed-End Funds raise money by selling a fixed number of shares in a single, one-time offering. After its IPO, the fund's parent company issues no additional shares. Nor will the fund itself redeem, or buy back, shares. Instead, like individual stock shares, the fund can only be bought or sold on the secondary market by investors. Investment risks in in these funds include valuation risk and distribution risk as defined below.

- **Valuation Risk** – Shares of a Closed-End Fund may trade above or below NAV, which can dilute positive performance or compound negative performance, and there is no guarantee a discounted fund will appreciate.
- **Distribution Risk** – Distributions may be inconsistent. Some funds seek to make regular distributions but no assurances can be given that funds will do so and since distributions are taxable, they may increase an investor's taxable income without warning.

- **Additional Associated Risks for UIT and Closed-End Funds** – Risk factors pertaining to Closed-End Funds and UITs vary based on the fund or trust investment objective and strategy. Refer to the investment prospectus for additional information. UIT and Closed-End Funds are subject to the risks listed in the previous section, but are also subject to additional inherent risk based on the UIT or Fund investments. Please be aware that these investments are permitted to invest a greater percentage of assets in illiquid securities that may be difficult to value or sell. Additionally, they may utilize higher risk investment strategies to meet the objective. Illiquid securities and the use of high-risk leveraging and options strategies may cause share or unit values to be volatile and to decline.

529 Plans

Created in 1996, the 529 College Savings Plan is a state-sponsored savings program that allows an individual donor (most often a parent or a grandparent) to save for the higher education expenses of a beneficiary (usually a child or grandchild). However, a donor is not required to be a relative of the beneficiary and the beneficiary usually can be any age. In a 529 Plan, after-tax dollars are invested for the sole purpose of funding K-12 and post-secondary education expenses and grow free of federal and state taxes. In addition, all income earned in the 529 Plan, including capital gains, interest, and dividends, may be withdrawn free of federal and most state taxes when used for Qualified Higher Education Expenses.

- Contributions are invested in professionally managed portfolios consisting of stocks, bonds and other securities. Most Plans offer multiple investment choices with varying degrees of exposure to the stock market. Some Plans offer age-based portfolios featuring asset allocation that change as the beneficiary's college start date nears.
- Depending on the laws of the home state of the donor or designated beneficiary, favorable state tax treatment or other benefits offered by such home state may be available only if the donor invests in the home state's 529 Plan. State-based benefits should be one of many appropriately weighted factors to be considered in making an investment decision. The donor should consult with his or her financial, tax and other advisors about how such state-based benefits would apply to the donor's specific circumstances.
- The donor may wish to consult his or her home state or any other 529 Plan to learn more about their features.
- 529 Plans are subject to enrollment, maintenance, administration management fees and expenses. Plans are subject to market risk and may lose value. This and other important information regarding the plan are contained in the Participant Agreement, disclosure document and prospectuses.

Exchange Traded Products (ETP)

ETPs are types of securities that track underlying securities, an index, or other financial instruments. ETPs trade on exchanges similar to stocks meaning their prices can fluctuate from day-to-day and intraday; however, the prices of ETPs are derived from the underlying investments that they track. An ETP generally carries the same investment risk as the portfolio of securities that comprises the index tracked within the ETP. Securities in a portfolio may depreciate, and the ETP may not achieve its intended objective. In addition, each ETP is subject to specific risks that vary depending on each ETP's investment objectives and portfolio composition. ETPs may be complex investments and could involve significant risk. As a result, some ETPs may not be suitable for all investors.

Selecting an ETP for your investment objectives involves a number of factors: fund strategies, fund performance history, risks, and investment time horizon. Review all disclosure documents and the fund prospectus to evaluate your investment options. You should also talk with your Financial Advisor so that, together, you can make the choices suitable for you.

Exchange-Traded Funds (ETFs)

An ETF is a security that involves a collection of securities—such as stocks—that often tracks an underlying index, although they can invest in any number of industry sectors or use various strategies. ETFs are listed on exchanges and trade throughout the day just like ordinary stock. These products are the most common type of ETP, and typically hold a basket of equity or fixed income securities constructed to track an index.

ETFs invest in and hold securities and other assets, such as stocks, bonds, commodities and currencies, and have stated investment objectives and principal strategies. Certain ETFs may engage in short selling, futures, options transactions, derivatives, and use leverage, subject to limits imposed under the Investment Company Act of 1940.

Exchange Traded Notes (ETN)

An ETN is a common name for a senior unsecured debt obligation designed to track the total return of an underlying index or benchmark, minus investor fees. ETNs are not registered under the Investment Company Act of 1940. Holders of ETNs do not have the protections associated with the ownership of shares in a registered investment company. ETNs are listed on an Exchange and can be sold throughout the day. ETNs do not generally offer principal protection unless specifically stated in the prospectus. The repayment of principal, interest (if any) and the payment of any returns at maturity or upon redemption are dependent on the issuer's ability to pay.

Some non-traditional ETNs seek to track the leveraged or inverse performance of an index. Similarly, commodity futures-linked ETNs seek to track a commodity or currency index. ETNs typically calculate and publish an "intraday indicative value" every 15 seconds during the trading day. An ETN's indicative value is distinct from its market price, which is the price at which the ETN trades in the secondary market. Significant premiums or discounts in the price of an ETN compared to its indicative value should be a cause for investor caution.

Non-Traditional and Leveraged ETPs

Non-traditional and leverage or inverse ETPs are designed to meet daily (in a few cases, monthly) objectives; results over longer periods may differ, as they are not designed for a long-term strategy. These ETPs may entail certain additional risks, including inverse correlation, leverage, market price variance and short sales risks. These risks can increase volatility and decrease performance. Short ETPs should lose money when their benchmarks or indexes rise – a result that is opposite from traditional ETPs. Holding leveraged, inverse, and leveraged inverse ETPs for longer periods potentially increases the risk due to the effects of compounding and the inherent difficulty in market timing. These ETPs are not diversified investments and should only be considered by sophisticated investors able to understand the product characteristics as described in the prospectus and withstand the potential of loss of all invested principal. Carefully consider an ETP's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in their prospectus, which may be obtained by calling the telephone number of sponsoring company or your Financial Advisor.

Commodity Linked Securities

Commodity linked securities are investment instruments or securities that are linked to one or more commodity prices. Unlike commodities, which provide no income to the owner, commodity linked securities usually give some payout to holders. Many of these commodity linked securities use commodity futures as the investment strategy and can better be described as Commodity Futures-Linked Securities. They can take many forms, but most commonly include ETFs, ETNs, Closed-End Funds, and Open-End Funds. The investment risk is based on the structure of the investment product and you should review all disclosure documents to evaluate your investment options.

Annuities

As a long-term investment vehicle, annuities may offer valuable retirement benefits; however, it is important to consider these benefits compared to those of other investment vehicles before an annuity is purchased. Annuities may be purchased with pre-tax (qualified) or after-tax (non-qualified) funds, but it is important to note that annuities offer no additional tax benefits if purchased using qualified funds. After determining that an annuity is appropriate, you should invest only in one that meets your specific needs and make sure you completely understand your annuity purchase.

To assist you, Davenport has prepared a general annuity primer. Although we cover some of the more common features, please keep in mind this information is not all-inclusive. An annuity prospectus is a valuable resource since it contains a complete description of the annuity, as well as the specific features and costs. If a prospectus is available for the product being recommended, your Davenport Financial Advisor will provide a copy to you for review. Read the prospectus carefully before investing to ensure you understand all benefits and limitations before investing.

- **Deferred Annuity –** Deferred annuities typically have a contingent deferred sales charge that may limit your access to funds without a penalty for a period of years. Additionally, withdrawals prior to age 59½

are subject to premature withdrawal penalties. Investments in deferred annuities should be considered long-term and planning should be done to ensure you have adequate liquidity in your portfolio.

Non-qualified or after-tax investments accumulate tax-deferred until you take withdrawals. Contributions of after-tax dollars to a non-qualified annuity are typically not limited; therefore, a deferred annuity may be attractive to an investor who is maximizing their contributions to other tax-deferred vehicles, such as a 401(k) and IRA, and are interested in additional tax-deferred investments. Qualified investments in annuities already receive tax-deferral; therefore, no additional tax benefits are gained by purchasing an annuity.

Below is a brief overview of the types of annuity contracts available for purchase at Davenport.

- **Fixed Annuity –** Offers a set rate of return over a specified number of years. The principal is usually guaranteed at maturity.
- **Variable Annuity –** Provides a variety of investment portfolios in various asset classes. Generally, you may transfer among the available choices without tax implications; however, the insurance company may limit the number of exchanges. Due to market fluctuation, variable annuities involve investment risks and may be worth less than your original investment.
- **Deferred Income Annuity –** Provides a fixed, annuitized income stream in the future based upon parameters selected by the contract owner. These contracts typically offer very little flexibility and may not allow for additional withdrawals or surrenders.
- **Immediate Annuity –** Purchases are made in a lump-sum payment to provide an income stream over an established length of time. Payments may be based on your life expectancy, joint life expectancy or a specified number of years. Non-qualified immediate annuity payments generally include a return of principal and interest, which may provide a more tax-efficient way to distribute income from an annuity contract. These products are often less flexible than other annuity contracts and may not allow for additional withdrawals or surrenders.

  Guaranteed rates and benefits are obligations of the issuing insurance company. It is important to consider the financial strength of the company and the likelihood of its ability to fulfill future obligations. Several third party rating agencies offer ratings of an insurance company's financial stability. Your Davenport Financial Advisor would be happy to provide you with these ratings. Annuities are not guaranteed by a bank or insured the by FDIC/NCUA or any federal government agency.

Real Estate Investment Trusts (REITS)

A REIT is a corporation, trust or association that owns and typically operates income producing real estate or real estate related assets. Some REITs are registered with the SEC and their common stock and preferred stock are publicly traded on a stock exchange (publicly traded REITs), others may be registered with the SEC but are not publicly traded (non-traded REITs or non-exchange traded REITs). This is one of the most important distinctions among the various kinds of REITs. Before investing in a REIT, you should understand whether it is publicly traded and how this could affect the benefits and risks to you. Non-Traded REITs offer limited price transparency to investors and may be illiquid. Financial information may be unclear to the investor, which makes the true associated risks and value difficult to ascertain. If buying such investments in an offering, you should obtain and read the prospectus. If buying such securities in the secondary market, you should review the issuer's publicly available financial and other information (such as recent annual, quarterly and current reports).

REIT investors should have a high tolerance for risk, including the willingness and ability to accept significant price volatility and volatility of regular distribution amounts. Additionally, there is the potential lack of liquidity and loss of their investment. REIT investments are subject to Real Estate Investment Risk. The success or failure of a REIT is based on the success or failure of its real estate holdings. Real estate investments are affected by changes in the general economy, prevailing interest rates, local economic and market conditions, competition for tenants, declining occupancy rates, oversupply or reduced demand for space where the properties are located, tenant defaults, increased operating, insurance, maintenance and improvement costs.

Options

Options are financial instruments that are derivatives based on the value of underlying securities such as stocks. An options contract offers the buyer the opportunity to buy or sell—depending on the type of contract they hold—the underlying asset. Unlike futures, the holder is not required to buy or sell the asset if they choose not to. Options and option strategies are not suitable for all investors. When investing in options, you are

subject to the potential loss of your entire investment. This loss can occur in a relatively short period. Prior to transacting in listed options, you should consult with your Financial Advisor about all of the potential risks and benefits of such a strategy and you must receive a copy of the Characteristics and Risks of Standard Options. Please read this document carefully and consult your Financial Advisor prior to trading.

Alternative Investments

Alternative investments are generally sold only to qualified investors through an Offering Memorandum or Prospectus. These investments provide limited liquidity and are speculative in nature, involve substantial risk, may be highly leveraged, and should not constitute a complete investment program. Alternative investments may not be subject to the same regulatory requirements as other investments and may incur higher fees and expenses.

- **Special Purpose Acquisition Funds (SPAC) –** A SPAC is a corporation that has no commercial operations and is formed for the sole purpose of raising investment capital through and initial public offering (IPO), for the purpose of acquiring or margining with an existing company. SPACS are also referred to as "blank check companies". Investors should understand how to evaluate SPAC investments, including the financial interests and motivations of SPAC sponsors and related persons. Before investing in a SPAC, you should carefully read the prospectus. For more information on SPACs refer to the SEC's Investor Alert. SEC.gov/oiea/investor-alerts-and-bulletins.
- **Hedge Funds –** Hedge Funds are private investment funds. Equity interests are offered to a limited number of "accredited investors", defined by the SEC as natural persons with a net worth of more than $1 million, excluding the value of primary residences, and entities and institutions that are not formed for the purpose of investing in the fund with total assets of more than $5 million. In order to be considered a private placement, an offering of interest in a Hedge Fund is generally made without any form of solicitation or advertising. Hedge Funds are largely unregulated; the offer and sale of interests in a Hedge Fund are not registered under federal or state securities laws, and a prospectus does not need to be delivered to potential investors. Hedge Funds typically provide a confidential private placement memorandum (PPM) and a subscription booklet to potential investors. While the risks will vary from fund to fund, and a Hedge Fund's PPM will generally describe the primary risks. If you meet the qualifications to invest in a Hedge Fund, please read the PPM carefully.
- **Private Equity Funds –** Private Equity Funds are pools of actively-managed capital that invest primarily in private companies with the intent of creating value in the companies in which they invest by, among other things, improving operations, reducing costs, selling non-core assets and maximizing cash flow. Through a Private Equity Fund, investors combine or pool their capital that enables the manager of the fund to make investments in various companies.

  Unlike mutual funds, Private Equity Funds are generally exempt from registration, although some may be registered, and commonly issued in private placements. In order to rely on such exemptions, Private Equity Funds often limit the number and type of persons that may invest in them. Limited partner or other equity interests in a Private Equity Fund are not listed on an exchange or otherwise transferable. Unless otherwise specified, an investment in a Private Equity Fund is regarded as illiquid. Some Private Equity Funds are structured as funds of other Private Equity Funds. These funds are often more widely distributed and registered as investment companies. A fund of Private Equity Funds invests in other Private Equity Funds with different strategies rather than investing directly in individual companies, but may also make co-investments in portfolio companies and investments in listed private equity firms.

  Investing in a Private Equity Fund or fund of funds involves considerable risks including significant capital requirements, illiquidity, multilayer fee structures, investment risk, leverage risk, lack of information, control, and regulation, as well as tax considerations. These and other risks are disclosed in the applicable PPM for the fund in which you may be considering. Before investing in a Private Equity Fund or a fund of Private Equity Funds, you should discuss the merits and risks of the investment with your Financial Advisor to make sure it is consistent with your investment objectives, financial needs, liquidity expectations and risk profile.
- **Managed Futures –** Managed Futures investments are speculative, involve a high degree of risk, have substantial charges and are suitable only for the investment of the risk capital portion of an investor's portfolio. Some or all Managed Futures investments may not be suitable for certain investors. An investor should not consider an alternative investment fund as a complete investment program and understand that the investment may be highly leveraged. Any past performance and information that may be referred to herein may not necessarily be representative of the experience of Managed Futures products or particular investors and are no guarantee of future results. There is no guarantee that the fund will achieve its objectives.

The term “managed futures” refers to a 30-year-old industry made up of professional money managers who are known as commodity trading advisors, or CTAs. CTAs are required to register with the U.S. government’s Commodity Futures Trading Commission (CTFC) before they can offer themselves to the public as money managers. CTAs are also required to go through an FBI deep background check, and provide rigorous disclosure documents (and independent audits of financial statements every year), which are reviewed by the National Futures Association (NFA), a self-regulatory watchdog organization. Carefully read the Disclosure Document provided by your Financial Advisor for an in-depth discussion of the risks associated with futures investments before investing.

- **Structured Products –** Structured products are securities derived from, based on or linked to a single security, a basket of securities, an index, a commodity or group of commodities, a foreign currency or group of foreign currencies, changes to prevailing interest rates, a debt issuance, or other underlying or reference asset. The returns on structured products are linked to the performance of the relevant underlying asset or index. Structured products generally do not represent ownership of any portfolio of assets but instead the product issuer’s promise to pay, which is linked to the performance of the underlying or reference asset.

  Structured products can be in the form of certificates of deposit issued by a bank and protected by FDIC insurance (subject to applicable limits), which are often called “structured CDs”, or in the form of a note or other debt security (“structured note”), which is not FDIC insured and may or may not otherwise offer any principal protection. It is important for investors to understand the features of a structured product and the underlying asset and its components since the structure of the product will reduce or enhance risks. Prior to purchasing structured products, you should consult with your Financial Advisor about all of the potential risks and benefits associated with the product.

- **Collateralized Mortgage Obligation (CMO) –** A CMO refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. In turn, CMOs distribute principal and interest payments to their investors based on predetermined rules and agreements. As complex financial instruments, tranches typically have different principal balances, interest rates, maturity dates, and potential of repayment defaults. Collateralized mortgage obligations are sensitive to interest rate changes as well as to changes in economic conditions, such as foreclosure rates, refinance rates, and the rates at which properties are sold.

- **Collateralized Debt Obligations (CDO) –** A CDO is a complex structured finance product that is backed by a pool of loans and other assets and are generally sold to institutional investors and other qualified investors. A CDO is a particular type of derivative because, as its name implies, its value is derived from another underlying asset. These assets become the collateral if the loan defaults. The assets are pooled together, split into pieces known as tranches, and then sold to investors. Tranches can vary significantly in their risk profile. Senior tranches have first priority when it comes to the collateral (the underlying loans) in the event of a default, and therefore are considered safer but pay lower interest rates than the junior tranches of the same CDO. Conversely, the junior debt offers a higher interest rate to compensate for their greater risk of default; but because they are riskier, they generally come with lower credit ratings.

  It is important for investors to understand the features and structure of collateralized obligations, the underlying asset and the components since these will reduce or enhance risks. Prior to purchasing a collateralized product, you should consult with your Financial Advisor about all of the potential risks and benefits associated with the product.

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