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**Understanding Commodity Futures-Based Exchange Traded Products (ETPs):**

A Notice for Clients Who Trade or Who Anticipate Trading Commodity Futures-Based ETPs

The first ETF based on the price of gold debuted nearly 20 years ago. A crude oil-based ETF began trading about a year later. Many other variations on that theme emerged in the following years. So, commodity-based exchange-traded products (ETPs) are neither a necessarily new nor exotic product category. However, a subset of these commodity-based products, futures-based ETPs, expose holders to some unique risks.

One of those is "rolling risk," the risk that the value of the fund underlying the ETP is likely to lose value over time as the result of the fund's need to roll out the futures contracts it holds. While some commodity ETPs own the physical commodity (gold, silver, platinum, …) many others buy futures contracts as their method of getting exposure to the underlying commodity or commodities. Those futures-based ETPs generally hold short-term futures contracts, which they will need to replace with longer-dated contracts as the short-term contracts are about to expire. In many markets, under most circumstances, that roll is likely to create a loss. The longer-dated contracts that need to be purchased will likely cost more than will be realized from the sale of the short-term contracts.

For short-term holders of futures-based ETPs, the risk of exposure to losses from rolling the underlying futures contracts is a minor concern. However, anyone who holds a futures-based ETP for several months or more will need to expect, and hopefully realize, enough appreciation in the underlying commodity's price to offset the effects of any rolling loss realized over that time.

A second risk is tracking error. The price performance of a futures-based fund designed to track the spot price of a commodity or basket of commodities is likely to differ to some degree from the performance of the actual commodity over time. In other words, the performance of a commodity- based ETP that uses futures contracts should be expected to deviate to some degree from the value of the underlying commodity's spot market.

Individual ETP sponsors all provide a wealth of information on their respective websites and in their prospectuses or product descriptions. In addition to information about portfolio composition, these resources contain detailed information about the risks of both the ETP itself and of the underlying investment and/or strategy. Another source of information that you may find helpful is www.understandetfs.org. This site was created by ETP sponsors.

Commodity Futures Linked ETPs are relatively specialized tools for investors and come with unique risks. Because of the potential erosion of value caused by the periodic roll of the underlying futures, these products should be expected to lag the actual commodity's performance over time. These products are probably not appropriate for a long-term or a buy and hold investment strategy.

***Commodity Futures-Based Exchanged Traded Products are complex products and are not suitable for all investors. The risks identified above are not exhaustive. There are a wide variety of Commodity Futures-Based Exchanged Traded Products available, with attributes which affect their risks and potential rewards. Before making any investment decision, you should carefully consider the investment objectives, risks, charges, and expenses in the product. This and other important information is included in the offering documents, which can be obtained from your Financial Advisor and should be read carefully. Benjamin F. Edwards & Co.® does not provide tax advice. You should obtain advice from your financial, legal and tax advisers for information about and analysis of the investment, its risks and its suitability in your particular circumstances.***

2022-3261 Exp. 10/31/2025