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A Notice for Clients Who Purchased or Who Anticipate Purchasing Managed Futures Funds

Managed Futures funds have little or no correlation with stock and bond returns. That has made them a popular way to try to enhance portfolio returns while reducing portfolio volatility. In the past, one big obstacle to establishing Managed Futures exposure had been the paper-intensive subscription process. Until recently, all Managed Futures funds had been in the form of Limited Partnerships (LP). Most of those funds are suitable only for institutional investors or accredited, high net worth individuals because of the funds' complex nature and relative lack of liquidity. The LP structure required the investor to complete a detailed subscription agreement, commit to a high minimum investment and forced them to find a way to cope with K-1 tax reporting. In recent years, sponsors found a way to package Managed Futures exposure in a mutual fund package. These mutual fund structures make the product available in a simpler form with the side benefits of lowering investment minimums and simplifying tax reporting (Form 1099).

Suitability/Best Interest

While managed futures funds, in moderation, may be appropriate holdings in many investors' portfolios, they are likely not suitable or in the best interest of investors who have short time horizons or very limited capital.

Benefits and Risks of Managed Future Mutual Funds

It is important to understand both the upsides and the downsides of Managed Futures investing. Some benefits include:

- Affordability - Some Managed Futures mutual funds accommodate investors who don't have a lot of money to invest by setting a low dollar amount for initial purchases versus a traditional LP Managed Future fund that may require a heftier initial minimum investment.
- Diversification - Improved diversification benefits compared to a portfolio consisting solely of stocks and bonds.
- Liquidity - Generally, you can easily redeem your shares. You can buy and sell Managed Futures mutual funds on any business day. The transaction price will be based on the value of the funds' holdings which is calculated after the major U.S. exchanges close.
- Professional Investment Management - Managed Futures professionals use highly disciplined trading models to allocate assets and limit risk.
- Paperwork - No subscription agreement required.
- Tax Reporting – The Managed Futures Mutual Funds also have the convenience of a traditional, Form 1099 tax reporting. If you held a traditional LP Managed Futures fund, a Schedule K-1 would be used for tax reporting. In addition, it's important to note that a Schedule K-1 would likely have been received later than a Form 1099.
- Managed futures strategies are complex and uncorrelated to stock and bond returns. That can make this investment more difficult to understand, including their performance.

Changing market conditions can create fluctuations in the value of a mutual fund investment. Some of the risks of investing in mutual funds include:

- Fees and Expenses - Investors must pay sales charges (if purchased outside of an advisory account), annual fees, and other expenses regardless of how the funds perform.
- Loss of Control - Mutual fund managers make all the decisions about which securities to buy and sell and when to do so. This can make it difficult when trying to manage your portfolio.
- Price Uncertainty - With a mutual fund, the price at which you purchase or redeem shares will typically depend on the fund's net asset value (NAV), which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.
- No Insurance - Mutual funds, although regulated by the government, are not insured against losses.

Managed Futures are complex products and are not suitable for all investors. The risks identified above are not exhaustive. There are a wide variety of managed futures, 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 before investing in this product. This and other important information are 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.