Exchange Traded Fund (ETF) Risk Disclosure

Overview of ETFs

Exchange-Traded Funds ("ETFs") are pooled investment vehicles that hold baskets of securities and trade throughout the day on national securities exchanges. ETF prices fluctuate during market hours, and shares may trade at a premium or discount to the value of the underlying securities ("NAV"). ETFs are subject to market risk, tracking risk, liquidity risk, and the risks associated with their underlying holdings.

Investments in ETFs are not bank deposits, are not insured by the FDIC or any bank, and may lose value.

ETF Structure and Creation/Redemption Mechanism

ETFs rely on a unique creation and redemption process involving Authorized Participants ("APs"), typically large broker-dealers. APs assemble the underlying securities and exchange them for ETF shares ("creation units") or return ETF shares in exchange for the underlying securities ("redemption units"). Retail investors do not directly participate in creation/redemption. This mechanism helps keep ETF market prices aligned with NAV but does not eliminate dislocations during times of stress.

Intraday Pricing, Premiums, and Discounts

ETF shares may trade at prices above (premium) or below (discount) the ETF's NAV. Premiums or discounts may occur due to market volatility, market maker inventory constraints, disruptions in arbitrage mechanisms, thinly traded underlying securities, and international ETFs where foreign markets are closed. Investors should consider monitoring ETF market prices relative to NAV, particularly during periods of market volatility.

ETF Trading Risks

1. Market Risk

ETF share prices fluctuate and may be affected by general market conditions, issuer-specific risks, interest rates, geopolitical events, or sector-specific developments.

2. Liquidity Risk

Liquidity varies across ETFs. Some ETFs have limited trading volume, which can result in wider bid-ask spreads, difficulty executing large orders, and potentially significant trading costs. There is no guarantee that an active trading market for ETF shares will be maintained.

3. Trading Halts

ETFs may be halted due to exchange-level circuit breakers, trading halts in underlying securities, and regulatory or market-wide halts. During halts, orders may not be completed or cancelled.

4. ETF Shutdown or Liquidation

ETF may close or liquidate due to lack of assets, poor performance, or sponsor decisions. ETF closure may cause forced liquidations, tax events, or tracking deviations.

5. Tracking Error

ETFs may not perfectly track their benchmark indices due to fees and expenses, rebalancing schedules, sampling methodologies, cash drag, operational constraints, and costs of portfolio transactions. Tracking error may harm performance relative to the benchmark.

6. Leveraged and Inverse ETFs (High Risk)

These ETFs seek to deliver multiples of the daily performance (e.g., +2x, –2x) or inverse performance of an index. They are designed for short-term trading, typically daily, and not long-term investing. ETF risks may include: (i) compounding effects, which may cause large divergences from expected returns, (ii) heightened volatility, (iii) rapid loss of invested capital, (iv) path dependency, and (v) increased costs and financing charges. These products are typically intended for short-term trading and may not be suitable for investors who plan to hold positions for extended periods.

7. Commodity, Futures-Based, and Synthetic ETFs

Some ETFs provide exposure through derivatives, including futures, swaps, or structured notes. ETF risks may include: (i) roll costs, (ii) contango or backwardation, (iii) counterparty risk, (iv) regulatory limits on derivatives usage, and (v) complex tax treatment (e.g., Section 1256 contracts). These ETFs may behave differently from physical commodity markets and may experience unexpected performance outcomes.

8. Bond ETFs and Fixed-Income Risks

Bond ETFs face risks associated with interest rate sensitivity, credit quality of holdings, liquidity mismatches between ETFs and underlying bonds, widening spreads in stressed markets, and price dislocations during periods of low market making. Bond ETFs may trade at significant discounts during illiquid market conditions even when underlying bonds have stale pricing.

9. International and Emerging Markets ETFs

ETF risks may include: (i) foreign exchange fluctuations, (ii) political instability, (iii) lower liquidity, (iv) foreign market holidays, (v) custodial risks, and (vi) less transparent financial reporting. When foreign markets are closed, ETF prices may move without real-time price updates from underlying securities.

10. Sector, Thematic, and Narrow ETFs

These ETFs concentrate on holdings in specific industries or themes. They may have higher volatility, greater sensitivity to sector-specific events, greater correlation risk, and higher turnover. Investors should understand the underlying index methodology.

11. Order Types and Best Execution Considerations

When trading ETFs, consider using limit orders to control execution price and understand bid-ask spreads. Market orders may execute at prices significantly different from the last trade print, especially during volatile conditions. Spreads can widen materially. Avoid trading at market open or close, when spreads are unfavorable. Recognize that large orders may require multiple fills. Adelphi seeks to obtain best execution for customer orders consistent with FINRA Rule 5310.

12. Costs, Fees, and Expenses

ETF investors may incur commissions (if applicable), bid-ask spread costs, ETF expense ratios and other operational expenses disclosed in the ETF's prospectus. Expense ratios reduce ETF returns over time.

13. Prospectus and Ongoing Disclosures

Before investing in an ETF, you should review the ETF's prospectus, summary prospectus, statement of additional information (SAI), annual and semiannual reports, portfolio holdings disclosures. These documents provide detailed information on investment strategy, risks, fees, tax considerations, and ETF structure. These documents are available upon request or through the Adelphi platform.

14. Tax Treatment

ETF tax treatment varies based on asset class (equities, fixed income, commodities); derivatives exposure; in-kind creation/redemption activity; distribution classifications. ETFs may distribute capital gains and income that are taxable to investors. Certain ETFs, particularly those with derivatives exposure, may be subject to special tax rules (including Section 1256 of the Internal Revenue Code) and may generate capital gains or other taxable distributions to investors. Investors remain responsible for all tax obligations. The firm does not provide tax advice.

15. Suitability and Reg BI Disclosures

If the firm provides recommendations, it will do so in accordance with Regulation Best Interest. For self-directed accounts, you are solely responsible for your investment decisions. Certain ETFs leveraged, inverse, futures-based, and synthetic pose significant risks and may be inappropriate for many investors.

16. Contact Information

Questions regarding ETF risks or your Account may be directed to:

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