Exchange-Traded Fund (ETF) Investing:
Important Disclosures for D.A. Davidson & Co. Clients

The following is important information regarding exchange-traded funds (“ETFs”), including information about the compensation that D.A. Davidson & Co. (“D.A. Davidson”) and our financial professionals (together, “we,” “us” or “our”) receive for buying and selling ETFs, and the conflicts of interest those payments create.

If you have any questions about any of the topics discussed below, or ETF investing generally, we encourage you to reach out to your D.A. Davidson financial professional.

**Overview of ETFs**

ETFs, like mutual funds, are investments that allow investors to indirectly own a basket of securities with one single purchase, rather than trying to select individual stocks, bonds or other securities that meet their objectives. Investors purchase shares in ETFs (again, similar to mutual funds), but a key difference is that ETFs are bought and sold on exchanges all day, like stocks. Mutual funds only trade once per day after market close.

Various ETFs are designed to fill a variety of investment needs and risk tolerance levels, and may be appropriate for a number of reasons such as long-term growth, risk hedging, liquidity, and diversification. Some ETFs only invest in stocks or bonds, but others invest in currencies, commodities and other types of assets. Likewise, some ETFs hold very large numbers of diverse, underlying investments, while others concentrate on particular industries or sectors, or specific geographic areas.

As is true of investment funds generally, passive (index-tracking) ETFs generally have lower expense ratios (that is, lower management fees and other expenses) than actively-managed ETFs.

If your D.A. Davidson financial professional recommends an ETF for your account, you will be provided with a prospectus for the ETF, and he or she will discuss the fees and costs, strategies and primary risks with you.

**ETFs – Our Compensation and Conflicts of Interest**

**ETFs in Brokerage Accounts.** D.A. Davidson charges commissions to your brokerage account when ETFs are bought and sold. A percentage of those brokerage commissions are paid by D.A. Davidson to your financial professional, according to his or her “production” and our commission grid.

The maximum commission rates we generally charge on ETF trades, which depend on the dollar amount of the trade, are as follows. Please note that these rates are current as of the effective date set forth on the last page of this disclosure, and D.A Davidson reserves the right to change these commission rates at any time:

<table>
<thead>
<tr>
<th>Trade Principal (Amount)</th>
<th>Commission Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $5,000</td>
<td>2.95%</td>
</tr>
<tr>
<td>Next $5,000 ($5,000.01 - $10,000)</td>
<td>2.10%</td>
</tr>
<tr>
<td>Next $5,000 ($10,000.01 - $15,000)</td>
<td>1.80%</td>
</tr>
<tr>
<td>Next $10,000 ($15,000.01 - $25,000)</td>
<td>1.60%</td>
</tr>
<tr>
<td>Next $25,000 ($25,000.01 - $50,000)</td>
<td>1.20%</td>
</tr>
<tr>
<td>Next $50,000 ($50,000.01 - $100,000)</td>
<td>0.85%</td>
</tr>
<tr>
<td>All additional amounts (above $100,000)</td>
<td>0.70%</td>
</tr>
</tbody>
</table>
For a single ETF trade, the minimum commission we will generally charge under the above rate schedule is $75. However, there is an exception: If for some reason it were necessary to process a sale transaction from your account which is so small that the $75 commission would be more than the amount of the trade, we would reduce our commission as necessary to ensure that this would not occur.

Also, where the total commission amount on a trade would be less than $75, your financial professional receives only a reduced percentage (as compared to our commission grid), or no share of the commission at all.

These payments (brokerage commissions) create conflicts of interest for us. In particular:

- **Volume of ETF Trades.** Because we charge brokerage commissions for each trade, we have a financial incentive to recommend that you buy and sell ETFs frequently. Likewise, the amount of the commission we will receive for a particular ETF purchase or sale will increase the larger the trade is. Generally, this means that we have a financial incentive to recommend larger trades over smaller trades. On the other hand, even though our total commission amount increases with the size of each trade, the incremental commission rate (in other words, the percentage rate charged for a portion of the trade) decreases. So, we have a financial incentive to recommend higher numbers of smaller trades over fewer numbers of larger trades.

- **Differential Compensation (ETFs vs. Other Investments).** The compensation we receive for buying and selling ETFs will be more or less than we would receive for selling different investments, such as mutual funds or other products. This creates an incentive for us to recommend investments that pay us more compensation over those that pay us less compensation, or no compensation.

To help manage these conflicts, D.A. Davidson has policies and procedures in place that prohibit our financial professionals from recommending a volume of trading (as to frequency, amount or both) that is excessive under the circumstances, as well as systems to help identify situations where this could be occurring. Recommending excessive trading volume in order to increase brokerage commissions is an abusive practice sometimes referred to as “churning.”

Likewise, D.A Davidson charges the same commission rates for all ETFs we offer. This is intended to mitigate any incentive we might have to recommend some ETFs over others.

We also charge the same commission rates for purchases and sales of ETFs as for other exchange-traded investments, including individual equities (stocks), exchange-traded notes (“ETNs”), traded REITs and closed-end funds. This is intended to mitigate any incentive we might have to recommend ETFs over certain other investments that trade in the same manner, or vice versa.

D.A. Davidson does not sponsor, issue or manage any ETFs.

Finally, D.A. Davidson generally does not solicit or recommend leveraged or inverse leveraged ETFs to our clients, with limited exception.

In short, there are conflicts between our interests and those of our brokerage clients relating to ETF investments (and the other investments we make available to our brokerage clients). The policies summarized above are intended to help mitigate those conflicts.

**ETFs in Advisory Accounts.** Neither D.A. Davidson nor our financial professionals receive any commissions, as described above, on ETFs purchased through our wrap fee programs or other investment advisory accounts (accounts in which the client pays an asset-based fee, as opposed to commissions and other amounts that apply to each transaction). The value of ETFs in an advisory account, like the value of other securities held in the account, is included in determining the asset-based fee.

**Gratuities and Other Compensation from ETF Sponsors.** Certain sponsors of ETFs contribute to or reimburse D.A. Davidson for the cost of educational and marketing events we hold for our clients and financial professionals. At these events, ETF investing, and the specific ETFs offered by the sponsors, are usually discussed. Sponsors of ETFs also pay for travel, meals, entertainment and attendance at conferences, training events and due diligence trips for our financial professionals. This creates an incentive for us to recommend
ETFs of sponsors who provide higher amounts of reimbursements and other payments over those who pay lower amounts, or none.

These types of expense reimbursements and other payments are subject to an internal approval process at D.A. Davidson, and are not paid directly to our financial professionals. And, unlike brokerage commissions, these payments are not tied to specific ETF purchases and sales. However, we receive more compensation and reimbursements of these types from some ETF sponsors than others. Generally, the more of a particular sponsor’s ETFs we sell, the greater amounts of such payments we are likely to receive.

If you have questions about the compensation D.A. Davidson or your D.A. Davidson financial professional receives from buying and selling ETFs, please contact your D.A. Davidson financial professional.

ETFs – Primary Risks

ETFs, like virtually all investments, carry certain risks. The risks associated with a particular ETF will depend on a number of factors, many of which relate to the underlying investments held by the ETF. Because there are many differences between ETFs and their investments, the potential categories of primary risks are extremely broad. Therefore, this discussion is not comprehensive, and we strongly encourage you to discuss the risks associated with ETF investments with your D.A. Davidson financial professional.

However, below are some examples of the most material risks associated with (i) ETF investing generally, and (ii) with investments in certain ETFs (depending on the underlying assets they invest in and other factors):

Risks of ETF Investments Generally (all ETFs):

- **Business Risk** is the risk that investments in a particular company will lose substantial value or default due to the company’s insolvency or bankruptcy, or fluctuations in the applicable business sector generally.
- **Management Risk (or Securities Selection Risk)** is the risk that the portfolio manager’s investment strategy, approach or specific securities selections may fail to produce the intended result, and the overall investment may under-perform its benchmark or the broader market indices.
- **Market Risk** is the risk that the value of investments may decline, at times sharply and unpredictably, because of economic changes or other events that affect individual companies or large portions of the market.

Risks of Leveraged ETFs:

- **Leverage Risk** is the risk that using leverage (borrowing or synthetic borrowing) to multiply exposure to particular investments or markets, with the goal of multiplying returns, will also multiply losses. Leveraged investments will lose more money from downturns than unleveraged investments. The greater the leverage rate (2x, 3x), the greater the risk.

Risks of ETFs Invested in Stocks (Equities):

- **Equity Risk** is the risk associated with investing in equity securities (stocks) issued by companies, which tend to be more volatile than investments in fixed-income securities.

Risks of ETFs Invested in Smaller Company Stocks:

- **Small Cap Stock Risk** is the risk that stocks of smaller companies are often subject to more abrupt or erratic market movements than stocks of larger, more established companies. Small companies may have limited product lines or financial resources, or might be dependent upon a small or inexperienced management group, and their securities may trade less frequently and in lower volume than the securities of larger companies, which could lead to higher transaction costs. Generally, the smaller the company size, the greater the risk.
Risks of ETFs Invested In Fixed-Income Securities (Bonds):

- **Credit Risk (or Default Risk)** is the risk that issuer or guarantor of a fixed-income security will default on its obligations, for example due to its bankruptcy or insolvency. Changes in the credit rating of fixed-income securities could have a similar effect.

- **Debt Extension Risk** is the risk that the issuer of a fixed-income security will exercise its right to pay principal later than expected. Under these circumstances, the value of the security will decrease and the portfolio will suffer from the inability to invest in higher yielding securities.

- **High-Yield Risk** is the risk that non-investment grade fixed-income securities, sometimes known as "junk bonds," will be subject to greater credit risk, price volatility and risk of loss than investment grade securities, which can adversely impact a portfolio’s return and asset valuation. High yield securities are considered primarily speculative with respect to the issuer's continuing ability to make principal and interest payments.

- **Interest Rate Risk** is the risk that the value of fixed-income investments will decline because of rising interest rates. The magnitude of this decline will often be greater for longer-term fixed-income securities than shorter-term fixed-income securities.

- **Prepayment Risk (or Call Risk)** is the risk that the issuer of fixed-income investments will exercise its right to prepay its obligations prior to maturity, which can result in a decreased rate of return and a decline in value of those investments.

- **Real Interest Rate Risk (or Inflation Risk)** is the risk that the real rate of return paid on fixed-income investments will be less than the nominal return due to the effect of inflation.

- **Redeemable Bond Risk** is the risk that the issuer of fixed-income investments will redeem the bond upon the occurrence of certain enumerated events prior to maturity, which can result in a decreased rate of return and a decline in value of those investments.

- **Reinvestment Risk** is the risk that, in a declining interest rate environment, investors holding fixed-income securities may have to reinvest proceeds in other securities that do not pay comparable levels of income to those of the redeemed or called securities, leading either to a reduction in cash flows or the need to reinvest in securities with a higher credit (default) risk.

Risks of ETFs Invested In Non-U.S. and Less Developed Markets:

- **Currency Risk** is the risk that foreign currencies will fluctuate in value relative to the U.S. dollar, adversely affecting the value of investments in foreign currencies, or other investments denominated in foreign currencies. Due to this risk, an investor can lose money if the local currency of a foreign market depreciates against the U.S. dollar, even if the market value of the investments held in that market appreciates.

- **Emerging Markets Risk** is the risk that markets of emerging market countries are less developed and less liquid, subject to greater price volatility and generally subject to increased economic, political, regulatory and other uncertainties than more developed markets.

- **Foreign Investment Risk** is the risk that investing in foreign (non-U.S.) securities may cause more rapid and extreme changes in value than investments in securities of U.S. companies, due to less liquid markets, and/or adverse economic, political, diplomatic, financial, and regulatory factors. Foreign governments also may impose limits on investment and repatriation and impose taxes. Any of these events can trigger investment losses.

- **Geographic Investment Risk** is the risk that investments concentrated in a certain country or other geographical region will be adversely affected by events occurring in that region, including natural disasters, adverse governmental action, acts of God, war, insurrection or political upheaval, or instability as to markets or other economic and political structures.
Risks of Sector/Industry-Focused ETFs:

- **Sector Risk** is the risk that investments in a particular sector or industry will lose substantial value or default due to a downturn in that sector/industry, even if the investments are in well-managed companies.

Risks of Commodity ETFs:

- **Commodity Risk** is the risk that investing in commodities or commodity-related securities may subject the portfolio to greater volatility other investments. In addition to overall market movements, these investments can be adversely impacted by commodity index volatility, changes in interest rates, and factors affecting a particular industry or commodity, such as Acts of God, embargoes, acts of war or terrorism, or political and regulatory developments.

Information on a specific ETF and its policies regarding the above topics can be found in the prospectus available from the ETF’s sponsor, which we strongly encourage you to read.

If you have any further questions, please do not hesitate to ask your D.A. Davidson financial professional. More information about investing in ETFs, which we also encourage you to read, is also available from the U.S. Securities and Exchange Commission (SEC) at investor.gov.

June 30, 2020