InteractiveBrokers

RISK DISCLOSURE REGARDING LEVERAGED AND INVERSE FUNDS AND VOLATILITY-LINKED PRODUCTS

Interactive Brokers ("IBKR") is furnishing this disclosure to clients in order to provide additional information regarding the characteristics and risks associated with: (1) leveraged and inverse mutual funds and exchange traded funds ("ETFs"); and (2) volatility-linked exchange traded products ("ETPs"), collectively ("Complex Products").

In addition to providing this disclosure, IBKR strongly encourages clients to carefully review the specific ETF's or ETP's prospectus before investing in that fund to understand its unique features, risks, fees, and tax treatment.

LEVERAGED FUNDS

As the name implies, leveraged mutual funds and ETFs seek to provide leveraged returns at multiples of the underlying benchmark or index they track. Leveraged funds generally seek to provide a multiple (i.e., 200%, 300%) of the daily return of an index or other benchmark for a *single day* excluding fees and other expenses. In addition to using leverage, these funds often use derivative products such as swaps, options, and futures contracts to accomplish their objectives. The use of leverage as well as derivative instruments can cause leveraged funds to be more volatile and subject to extreme price movements.

INVERSE FUNDS

Inverse mutual funds and ETFs, which are sometimes referred to as "short" funds, seek to provide the opposite of the single day performance of the index or benchmark they track. Inverse funds are often marketed as a way to profit from, or hedge exposure to, downward moving markets. Some inverse funds also use leverage, such that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark (i.e., -200%, -300%). In addition to leverage, these funds may also use derivative instruments to accomplish their objectives. As such, inverse funds are volatile and provide the potential for significant losses.

VOLATILITY-LINKED PRODUCTS

Volatility-linked ETPs are generally designed to track the Chicago Board Options Exchange Volatility Index (VIX) futures. The VIX is a measure of the expected volatility of the S&P 500 index as measured by the implied volatility of options on that index. Volatility ETPs gain exposure to market volatility through futures and/or options contracts on the VIX. Volatility-linked ETPs that seek to maintain a continuous, targeted maturity exposure to VIX futures will either track or hold VIX futures contracts on a rolling basis. They will sell shorter-term contracts or contracts about to expire with contracts that have more distant or deferred maturity dates in order to maintain the desired exposure. The performance of volatility-linked ETPs may be significantly different than the performance of the VIX and the actual realized volatility of the S&P 500 Index. VIX futures contracts are among the most volatile segments of all futures markets. Volatility-linked ETPs may be subject to extreme volatility and greater risk of loss than other traditional ETFs.

RISKS ASSOCIATED WITH COMPLEX PRODUCTS

Complex Products are complicated instruments that should only be used by sophisticated investors who fully understand the terms, investment strategy and risks associated with the funds. In particular, clients should be aware of certain specific risks involved in trading Complex Products. These risks include, but are not limited to:

Use of Leverage and/or Derivative Instruments: Many leveraged and inverse funds as well as volatility-linked products use leverage and derivative instruments, such as futures and options contracts, to achieve their stated investment objectives. As such, they can be extremely volatile and carry a high risk of substantial losses. Complex Products are considered speculative investments and should only be used by investors who fully understand the risks and are willing and able to absorb potentially significant losses.

Seek Daily Target Returns: Most Complex Products "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, the return for investors who invest for a period longer than one trading day may vary significantly from the stated goal as well as the target benchmark's performance. This is especially true in very volatile markets or if a Complex Product is tracking a very volatile underlying index. Investments in any Complex Product must be actively monitored on a daily basis and are typically not appropriate for a buy-and-hold strategy.

Higher Operating Expenses and Fees: Investors should be aware that these Complex Products typically rebalance their portfolios on a frequent basis, often daily, in order to compensate for anticipated changes in overall market conditions. For example, volatility-linked ETPs will rebalance their exposure to futures of different maturities to maintain the targeted maturity. This rebalancing can result in frequent trading and increased portfolio turnover. These Complex Products will therefore generally have higher operating expenses and investment management fees than other funds or products.

Tax Treatment May Vary: In many cases, Complex Products may generate their returns through the use of derivative instruments. Because derivatives are taxed differently from equity or fixed-income securities, investors should be aware that these Complex Products may not have the same tax efficiencies as other funds or products.