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FINRA Investor Alert: Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors

The following comes from ASEC Partners FINRA Investor Education Foundation and the Securities and Exchange Commission.

The Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC) have issued an Investor Alert called *Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors* warning retail investors of the risks associated with investing in these highly complex financial products.

Traditional ETFs are designed to track an index, such as the S&P 500, or the price of an individual asset. Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark (such as commodities or currencies) they track. Inverse ETFs (also called "short" funds) seek to deliver the opposite of the performance of the index or benchmark they track and are often marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets. Both leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts and other derivative instruments.

Leveraged and inverse ETFs typically are designed to achieve their stated performance objectives on a daily basis. Some investors might invest in these ETFs with the expectation that the ETFs may meet their stated daily performance objectives over the long term as well. Investors should be aware that performance of these ETFs over a period longer than one day can differ significantly from their stated daily performance objectives.