

# Client Product Description and Risk

## Disclosure

### Introduction

Insigneo Securities, LLC<sup>1</sup> (“Insigneo,” “We” or “the firm”) and its affiliates work with its associated persons to ensure clients have access to full, fair, and clear disclosures necessary to accurately assess their portfolio and investment alternatives. As part of that effort, this page contains external documents and/or external links that provide regulatory and educational information related to specific product types, which may be provided to Insigneo’s customers in hard copy as requested. External documents and links are being provided as a convenience and for informational purposes only, they do not constitute an endorsement or an approval by Insigneo and we are not responsible for the accuracy, legality or content of the external document and site. In addition to this document, before investing, please read product description, benefits, and risk information available in the Prospectus, Term Sheets and other available documentation.

Asset allocation and diversification do not ensure a profit or protect against a loss. Investment suitability must be determined for each individual investor. For additional product information and to review if these products are suitable for you, please contact your Investment Professional.

### Bond Disclosures

Bond (also referred to as “fixed income securities”) represent an asset class of securities offering investor defined cash flow and a specific timeline for return of principal dollars invested. In general, specific characteristics define bonds as one of the most predictable asset classes and this more conservative means to protect an investor’s wealth and/or provide steady income. There are risks and benefits associated with any investment which need to be understood in order to meet individual

---

<sup>1</sup> Insigneo Financial Group, LLC comprises a number of operating businesses engaged in the offering of brokerage and advisory products and services in various jurisdictions, principally in Latin America. Brokerage products and services are offered through Insigneo Securities, LLC, headquartered in Miami, member of the Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC) <https://www.sipc.org/>. Investment advisory products and services are offered through Insigneo Advisory Services, LLC, an investment adviser registered with the Securities and Exchange Commission. In Uruguay, advisory services are offered through Insigneo Asesor Internacional S.A., Insigneo Gestor Internacional S.A., Insigneo Asesor Latam S.A., and Insigneo Asesores de Inversion de Uruguay, SRL, in Argentina through Insigneo Argentina, SAU and in Chile through Insigneo Asesorias Financieras, SPA. Collectively, these eight operating businesses make up the Insigneo Financial Group. To learn more about the Broker Dealer including its conflicts of interest and compensation practices, please go to <https://insigneo.com/disclosures/> or [www.finra.org](http://www.finra.org). To learn about Insigneo Advisory Services, LLC and any conflicts related to its advisory services, please see its Form ADV and brochure which can be found at Investment Advisor Public Disclosure website <https://adviserinfo.sec.gov/>.

needs and investment suitability. Prior to investing in bonds, investors should consider the following:

- What are bonds?
- Why invest in bonds?
- What are key investment considerations?
- What are the risks associated with various types of bonds?
- How does the bond market directly link to economic cycles and inflation?

Market prices of fixed income securities may be affected by several types of risk, including, but not limited to credit risk, interest rate risk, reinvestment risk, and liquidity risk. Investing involves risk and investors may incur a profit or loss. Depending on the type of fixed income security such market instruments are subject to several types of risk, including but not limited to:

- *Interest rate risk*

The basic relationship that holds true for most fixed-income securities is that price moves in the opposite direction of interest rates. For example, when interest rates rise, the price of the security will fall. Conversely, when interest rates decline, the price of the security will rise. This risk is commonly referred to as market, or interest rate risk. The price sensitivity for a particular security to a change in interest rates depends largely on characteristics such as the coupon, the maturity date, and all call features.

- *Duration risk*

The duration of a bond is a measure of its price sensitivity to interest rates movements, based on the average time to maturity of its interest and principal cash flows. Duration enables investors to compare bonds more easily with different maturities and coupon rates by creating a simple rule: with every percentage change in interest rates, the bond's value will decline by its modified duration, stated as a percentage. For example, an investment with a modified duration of 5 years will rise 5% in value for every 1% decline in interest rates and fall 5% in value for every 1% increase in interest rates.

Bond portfolio managers increase average duration when they expect rates to decline, to get the most benefit, and decrease average duration when they expect rates to rise, so minimize the negative impact. If rates move in a direction contrary to their expectations, they lose.

- *Liquidity (or Market) risk*

Liquidity risk refers to the risk that an investor may not be able to sell a security quickly at its fair value. Investors should be aware of the liquidity risk of the market as a whole, in addition to the liquidity risk of particular securities. Even though the liquidity of a particular issue may be high, at times the market itself may be less liquid.

- *Financial (or Credit) risk*

A bonds issuer's ability to pay its debts – that is, make all interest and principal payments in full and on schedule— is an important influence on the value of its fixed-income securities. The credit ratings assigned by the major rating agencies, such as Moody's Investors Services, Standard & Poor's Corp., and Fitch Ratings are widely accepted measures of the credit risk of a particular security. Accordingly, a change in the credit rating of an issuer (or the expectation of a change) would generally affect the price of its bonds. A credit downgrade would be viewed as a negative and would tend to decrease the price of a bond; similarly, a credit upgrade would tend to raise the price of the bond. Determining the appropriate level of credit risk for a portfolio

depends largely on the situation of the particular investor. Generally, for an investor who is concerned with preservation of capital, high credit quality should be a priority.

- *Call risk*

Fixed-income securities are often issued with a call provision. From the investor's perspective, there are three major disadvantages associated with a call provision. First, the cash flow stream is not known with certainty. From the investment strategy standpoint, this creates a problem with identifying the proper time horizon. Since a security is callable before maturity, the actual duration of it is less than its duration to maturity, but more than its duration to call. Another disadvantage associated with callable securities is that the issuer will generally call bonds when interest rates have declined, leaving the investor to reinvest the proceeds at an inopportune time. Finally, the price appreciation of "callables" is limited since the price of a callable issue does not rise much above its call price. Unfortunately, the same is not true for the downside price risk. The price of a callable issue can fall far below its call price given a substantial rise in interest rates.

- *Re-investment risk*

Re-investment risk refers to the risk that interest payments and re-payment of principal would need to be re-invested in a low interest-rate environment, and, therefore, give the investor a lower total rate of return than might have been expected when the security was originally purchased. The income received from the re-investment of coupon payments can be an important element in the total return from a security, particularly long-term issues.

- *Inflation (or purchasing power) risk*

Most fixed-income securities are designed to provide a stream of interest payments over time, plus the return of your principal at maturity. The drawback, however, is that you do not know what the purchasing power of those payments will be in the future. This risk is commonly referred to as inflation risk. Inflation risk is the likelihood that inflation will erode the value of those payments over time. A rise in inflation would generally push up yields and reduce the price of the security. Inflation risk is higher the longer the maturity of the fixed-income security. One way to counteract inflation risk is to stagger maturities or build a portfolio ladder. With a ladder, maturing funds can be re-invested as they mature. If inflation rises, yields are likely to rise as well, so the maturing funds can be re-invested at higher yields.

- *Event risk*

The risk that a bond issuer undertakes a leveraged buyout, debt restructuring, merger or recapitalization that increases its debt load, causing its bonds' values to fall, or interferes with its ability to make timely payments of interest and principal. Event risk can also occur due to natural or industrial accidents or regulatory change. (This risk applies more to corporate bonds than municipal bonds.)

- *Legislative risk*

The risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

- *Early amortization risk*

Early amortization of asset-backed securities can be triggered by events including but not limited to insufficient payments by underlying borrowers and bankruptcy on the part of the

sponsor or servicer. In early amortization, all principal and interest payments on the underlying assets are used to pay the investors, typically on a monthly basis, regardless of the expected schedule for return of principal.

- *Market risk*

The risk that the bond market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental characteristics.

Furthermore, Insigneo provides links to various products brochures below that describe the unique risks and characteristics associated with Corporate Bonds, and Treasury Securities. Insigneo has provided this information for informational purposes and encourages all investors to review such documents prior to making an investment decision in these securities.

- [An Investor Guide to Corporate Bonds](#) : Information from the Securities Industry and Financial Markets Association to help investors understand corporate bonds.
- [What are Bonds?](#) : Information to understand the bond instrument, the different types, benefits, and risks.
- [The Basic of Treasury Securities](#) : An introduction to treasury bills, notes, and bonds and U.S. Savings Bonds, brought to you by the U.S. Department of the Treasury, Bureau of the Public Debt.

## **Money Market Instruments – Risk Disclosure**

Money Market Instruments are debt instruments issued by private organizations, governments, and government agencies. The money market is a highly liquid professional dealer market that facilitates the transfer of funds (generally in large denominations) between borrowers and lenders. It generally relates to those instruments that allow for borrowing and lending periods ranging from one day to one year. Although money market instruments carry less risk than long-term debt they are not completely without risk. Different instruments carry varying degrees of risk depending on the nature of the lending agreement and the identity of the lender. Potential investors should be aware of such details prior to entering into any money market transactions. Common money market instruments include: Exchequer Notes, Commercial Paper, Treasury Bills, Repurchase Agreements and Bankers Acceptances. In general, other than the cost of acquiring money market instruments, investors are not subject to any margin requirements or financial commitments/liabilities. The value of money market instruments may fall as well as rise and therefore when investing in such instruments there is a risk that you may lose some or all of your original investment.

## **Investment Company (Mutual Fund) Risk Disclosures**

Investment companies are companies that issue and invest in securities. The three types of investment companies are mutual funds, close-end funds, and unit investment trusts. A mutual fund is an open-end fund, and a mutual fund continuously pools money from many investors and invests the money in stocks, bonds, money market instruments, other securities or even cash.

There are many varieties of mutual funds, including stock funds, bond funds, and money market funds. Some mutual funds are index funds and others are actively managed. Each may have a different investment objective and strategy and a different investment portfolio. Different mutual funds may also be subject to different risks,

volatility, and fees and expenses. Fees reduce returns on fund investments and are an important factor that investors should consider when buying mutual fund shares.

For more information on mutual funds, please read the following related information and disclosures. In addition, you should carefully read a fund's prospectus before investing in mutual fund shares.

- [Mutual Funds and ETFs - A Guide For Investors](#) : publication from the ICI that explains mutual funds, describes how to establish realistic goals, and suggests questions to ask before you invest.
- [Invest Wisley](#) : An Introduction to Mutual Funds – Advice from the SEC about mutual funds and the impact of fees and commissions.
- [Mutual Fund Investing](#) : To get the whole picture before investing in a mutual fund, the SEC suggests that you look beyond a fund's past performance and consider other factors.
- [Mutual Funds - Share Classes](#) : Explain the different type of mutual fund share classes, their fees and expenses.

## Equity Securities Risk Disclosure

Equity securities include common stocks, preferred stocks, convertible securities, and mutual funds that invest in these securities. Equity markets can be volatile and involve varying degrees of risks. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions amongst other factors. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments. For further general information related to this product class and risks associated with trading strategies, Insigneo is providing the following regulatory links:

- [Getting Information About Companies](#) : To invest successfully, you need to know a lot about the companies you invest in.
- [What are Stocks?](#) : Explains the different type of stocks, their benefits and risks.
- [Day Trading - Your Dollars at Risk](#) : Before you day trade, learn the risks and how difficult it is to profit from this trading strategy.
- [Tips for Online Investing - Trading In Fast Moving Markets](#) : Limit your losses in fast-moving markets with this timely advice.
- [Insigneo Penny Stock Disclosure](#): This document contains important information on penny stocks. Please read it before making a purchase or sale.

## Options Risk Disclosure

An option is the right to buy or sell a specified amount of value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date. An option that gives the right to buy is a call option, and an option that gives a right to sell is a put option. Calls and puts are distinct types of options and buying or selling of one type does not involve the other. Certain special kinds of options may give the right to receive a cash payment if certain criteria are met.

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of options (i.e., put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of options must increase for your position to become profitable, considering the premium and all transaction costs. The purchase of options may offset or exercise or allow the options to expire. Options are not suitable for all investors, there are risks involved in any option strategy. Individuals should not enter into option transactions until they have read and understood the option disclosure document titled "Characteristics and Risks of Standardized Options," which outlines the purposes and risks of option transactions. This booklet is available from your Insigneo Securities registered representative or at [OCC - Characteristics & Risks of Standards Options](#). Supporting documentation of claims will be supplied upon request. Further information and tools to assist in analyzing options risks are also available via the following regulatory link:

[Investor Education](#) : Tips, tools, and an interactive learning center for both beginning and experienced investors, brought to you by the Options Industry Council.

## Foreign Securities Risk Disclosure

Investments in foreign securities is one way to diversify your portfolio in overseas instruments. Foreign markets may respond differently to economic conditions than U.S. markets. Investing internationally carries the same risk associated with all investing – market conditions can change, causing your investments to lose value. Also, these securities involve certain risks that differ from the risks of investing in domestic securities, such as: adverse political, economic, social, or other conditions in a foreign country may make the stocks of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets. Investments in foreign securities also are subject to currency fluctuations.

We seek to reduce these risks by investing in foreign securities typically through American Depositary Receipts ("ADRs"). ADRs are certificates deposited with a U.S. bank that represent the right to own a foreign security. Since ADRs are traded in U.S. markets and the issuers are subject to the same auditing, accounting, and financial reporting standards as domestic securities, owning ADRs has advantages over owning other foreign securities.

- [Internation Investing](#) : Read this document for more information on the basics of international investing, including the risks of investing internationally and how to get more information about foreign companies and market.
- [Investor Bulletin : American Depositary Receipts](#) : Learn more about investing in ADRs.

## Structured Product – Risk Disclosure

Purchasing structured products involves derivatives and a higher degree of risk factors that may not be suitable for all investors. This product involves certain risks, which can also apply to each of the underlying components of the product and is intended for investors who have knowledge and experience sufficient to evaluate and assess such risks. The strategies employed by certain structured products may experience extreme volatility in certain market conditions and may pose liquidity problems at or prior to maturity/redemption.

In addition, structured product may carry the following risks, as well as other specialized risks that may not be explicitly set forth herein: Risk of loss, Complex Payout Structures, Secondary Market Risks, Legal and Tax Considerations, Credit Risk, Bankruptcy Risk, Market Risk, Income Risk and Foreign Currency Risks.

Depending upon the structure of the product, the structured investment may contain language regarding principal protection. Principal protection, if offered in connection with a structured investment, is always subject to the ability of the issuer to meet its obligations. Investors should refer to the respective offering documents for the amount of principal protection that a product may offer. Depending upon a product's structure, returns at maturity may be in the form of a pre-determined number of shares in the underlying stock, rather than cash, and maybe based on the performance of the underlying security(ies) or index. The market value of those shares may be substantially less than the principal amount of the notes and in certain cases may be zero. In some structures, investors may not participate in all or even a portion of any increase in value of the underlying security. The customer understands should review the offering documents to determine how the return on the structure is calculated. Structured notes may have early redemption rights for the issuer of the security, which if exercised would result in a required redemption prior to maturity and loss of any remaining coupon payments. In certain structures the call may occur automatically based on the performance of the underlying index or security. Past performance is not indicative of future results. An underlying index (or security(ies)) can fall as well as rise.

Structured products are complex financial instruments and products may greatly vary from product to product. As such, prior to investing in any structured product investors should ensure they have received, reviewed, and understood the offering documents for official details on all offerings, including risks involved and product features. As with any type of investment, prudent investors should diversify their portfolios with the assistance of a qualified investment professional.

## **Exchange Traded Products (ETPS)**

Exchange-traded products (ETPs), including exchange-traded funds (ETFs), exchange-traded notes (ETNs) and some other similar product types—are investment vehicles that are listed on an exchange and can be bought and sold throughout the trading day like a stock. ETPs track the performance of underlying assets or benchmarks. While some ETPs can provide cost-effective diversification, others do not. ETFs, the most common type of ETP, are pooled investment opportunities that typically include baskets of stocks, bonds and other assets grouped based on specified fund objectives. Unlike ETFs, ETNs do not hold assets—they are debt securities issued by a bank or other financial institution, similar to corporate bonds. All ETPs are regulated under the Securities Act of 1933 and Securities Exchange Act of 1934, but different ETPs may offer different levels of investor protection and be subject to different regulatory requirements and oversight. An ETPs prospectus and related documents, such as a pricing supplement, will include its investment objectives, investments, risks, fees and expenses and other important information. All ETPs have fees and expenses. Use FINRA's [Fund Analyzer](#) to analyze and compare the costs of owning specific funds. Investors should consider an ETFs investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your investment professional and should be read carefully before investing.

### **What are Leveraged and Inverse ETFs (Non-Traditional ETFs)?**

Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs (also called “short” funds) seek to deliver the opposite of the performance of the index or benchmark they track.

Like traditional ETFs, some leveraged and inverse ETFs track broad indices, some are sector-specific, and others are linked to commodities, currencies, or some other benchmark. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets. Leveraged inverse ETFs (also known as “ultra-short” funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETF that tracks a particular index, for example, seeks to deliver the inverse of the performance of that index, while a 2x (two times) leveraged inverse ETF seeks to deliver double the opposite of that index’s performance.

To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments. Most leveraged and inverse ETFs “reset” daily. This means that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time -- over weeks or months or years -- can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets. As the examples below demonstrate, an ETF that is set up to deliver twice the performance of a benchmark from the close of trading on Day 1 to the close of trading on Day 2 will not necessarily achieve that goal over weeks, months, or years.

#### **Crypto Asset ETFs:**

Bitcoin and ether futures ETFs invest in bitcoin futures or ether futures contracts as their underlying asset. Spot bitcoin ETFs, on the other hand, invest in spot bitcoin as their underlying asset. ETFs that invest in bitcoin or other crypto assets, whether in the “spot” or in futures, might face additional risks associated with crypto assets. Apart from significant volatility, these include risks related to the potential for fraud or manipulation in the underlying market, on crypto asset trading platforms and with the infrastructure of crypto asset markets.

The following resource provided additional information about investing in ETPs:

- [Know Before You invest : Volatility- Linked Exchange Trade Products](#)
- [Exchange - Traded Notes - Unpleasant Surprise](#)
- [Investor Bulletin : Exchange - Traded Funds \(ETFs\)](#)
- [Investor Bulletin : Exchange Traded Notes \(ETNs\)](#)
- [The Lowdown on Leveraged and Inverse Exchange - Traded Products](#)
- [FINRA - Investors Site Investment Products: Digital Assets](#)

#### **Margin Disclosure Statement**

A margin account is a type of brokerage account in which the broker-dealer lends the investor cash, using the account as collateral, to purchase securities. Margin increases investors’ purchasing power, but also exposes investors to the potential for larger losses. Additional information regarding margin characteristics and risk are available via the following links:

- [Investor Bulletin : Understanding Margin Accounts](#) : Learn more about the use of margin accounts to buy securities and their related risks.
- [Margin - Borrowing Money to Pay for Stocks](#) : Learn how margin trading works, the upsides and downsides, and the risks involved.

The Financial Industry Regulatory Authority (FINRA) Rule 2341 requires Applicants to post this document on a public section of their website. The document contains some basic information about the facts and risk associated with a margin account.

- [Margin Disclosure Statement](#)