EQUITABLE

# Risks of investing with investment advisory programs

**Equitable Advisors, LLC offers various types of advisory services and programs, including mutual fund asset allocation programs, advisory programs offered by third-party investment adviser firms, financial planning services, portfolio management and retirement plan consulting services. If you invest through Equitable Advisors' investment advisory programs, you may be exposed to many different types of securities, including stocks and bonds, registered investment companies like mutual funds and exchange-traded funds (ETFs), alternative investment products and other types of investments. Investing involves the risk of loss that investors should be prepared to bear.**

The advisory service or program being offered to you may include exposure to the following asset classes and risks. You should discuss with your Equitable Advisors Financial Professional the investments and programs available to you and the risks associated with those investments. You should also closely review Equitable Advisors' Form ADV Form 2A, the Program Brochure of the program or service being offered to you, and the Form ADV Part 2A.

### Alternative strategy mutual funds and ETFs

Certain mutual funds and/or exchange-traded funds (ETFs) invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be appropriate for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. Clients should be aware that alternative investments and/or strategies are generally considered speculative in nature and involve a high degree of risk, particularly if concentrating investments. There are special risks associated with ETFs and mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds and ETFs tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.

### Business development companies (BDCs)

BDCs are a special type of closed-end investment companies that are available to investors in Equitable Advisors' advisory programs who meet certain qualification standards. Generally, BDCs invest primarily in the debt and equity of private and/or small U.S. companies, and may offer distribution rates generated through potentially significant credit and liquidity risk exposures amplified through leverage. As with other high-yield investments, such as floating-rate/leveraged loan funds, private real estate investment trusts (REITs) and limited partnerships, investors are exposed to significant market, credit, interest rate and liquidity risks. In addition, BDCs run the risk of overleveraging their relatively illiquid portfolios. Some BDCs are not traded on national securities exchanges. Due to the illiquid nature of non-traded BDCs, investors' exit opportunities may be limited to only periodic share repurchases by the BDC. A tender offer pursuant to a share redemption program may be oversubscribed so that the BDC accepts only a pro rata portion of the shares an investor tenders during a redemption program. In such cases, an investor may experience significant delays (potentially including indefinite delays) to exit from the investment. In addition, share redemption programs may be shut down at any time at the discretion of the issuer's board. Also, BDCs may fund distributions from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to make investments. In some cases, there may be an additional cost to investors who redeem before holding the shares for a specified number of years.

**Closed-end/ interval funds**

Closed-end funds are investment companies that raise a fixed amount of capital through issuing a fixed number of shares. Closed-end funds may be traded on securities exchanges, but some closed-end funds may not give investors the right to redeem their shares, and a secondary market may not exist. Therefore, investors may be unable to liquidate all or a portion of their shares in these types of funds. While the fund may from time to time offer to repurchase shares, it is not obligated to do so (unless it has been structured as an **interval fund**). In the case of interval funds, the fund will provide limited liquidity to shareholders by offering to repurchase a limited number or percentage of shares on a periodic basis, but there is no guarantee that investors will be able to redeem all of their shares in any particular repurchase offer. In some cases, there may be an additional cost to investors who redeem before holding shares for a specified amount of time. The repurchase offer program may be suspended by the fund under certain circumstances.

**Concentration risk**

When an investment account concentrates its investments by investing a significant portion of its assets in the securities of a single issuer or in a single-industry, sector, country or region, the overall adverse impact on the investor due to adverse developments affecting the issuer, industry, sector, country or region would be greater, perhaps considerably so, than if the investor were more diversified (i.e., did not concentrate investments to such an extent or in such manner).

**Credit risk**

This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

**Exchange-traded funds (ETFs)**

ETFs are typically investment companies that are legally classified as open-end mutual funds or unit investment trusts (UITs). However, they differ from traditional mutual funds; in particular, ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the **spread**. The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has significant trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as investment companies under the Investment Company Act of 1940, as amended, like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as investment companies. ETFs may be closed and liquidated at the discretion of the issuing fund.

**Exchange-traded notes (ETNs)**

An exchange-traded note (ETN) is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and typically can be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value based on the value of its underlying holdings — the ETN trades at the prevailing market price. Some of the more common risks of an ETN are:

- The repayment of the principal and interest, if any, and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay.
- The trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded or its ability to repay comes into doubt.
- The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country, and may therefore carry specific risks associated with such sector, asset class, or country, and concentration risk generally.
- ETNs may be closed and liquidated at the discretion of the issuing company.

**Hedge funds and managed futures**

Hedge and managed futures funds may now or in the future be purchased by investors meeting certain qualification standards in some of Equitable Advisors' programs. Hedge fund managers generally are registered investment advisers, regulated by the SEC or state agencies. Managed futures fund advisers generally are commodity trading advisors regulated by the Commodity Futures Trading Commission. Investing in these funds involves additional risks, including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices, lack of liquidity, and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Investors should be aware that these funds are not liquid, as generally there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain opportunities to redeem fund interests on a periodic basis. However, there is no guarantee that an investor will be able to redeem its interest in the fund. Issuers typically accept redemption requests only periodically (monthly or quarterly), and often have the discretion to suspend redemptions in times of market stress or when redemption requests exceed certain levels. Even after a redemption request is accepted, the redemption proceeds may not be available for a significant period of time following the effective date of the redemption. Also, a portion of the redemption proceeds may be withheld until after the fund's annual audit to account for potential future adjustments to the valuation of the funds interests. Hedge fund expenses and allocations made to the third-party managers of such funds are higher than in mutual funds or ETFs. Such funds generally pay an annual asset-based fee and make an incentive allocation, meaning an outsized allocation of profits to the funds' adviser (traditionally 20%). In addition, investors in hedge funds indirectly pay certain expenses of the fund and, potentially, the adviser. In addition, fund of hedge funds are hedge funds that invest in a pool of underlying hedge funds. Expenses in fund of hedge funds may be higher than hedge funds generally, as the fund itself as well as each underlying fund charges an asset-based fee and makes an incentive allocation of profits. Funds-of-funds also bear a part of the fees and expenses of any underlying hedge funds.

**High-yield debt**

High-yield debt is issued by companies or municipalities that do not qualify for **investment grade** ratings by one or more rating agencies. The below-investment-grade designation is based on the rating agency's opinion of an issuer, finding that it has a greater risk of inability to repay both principal and interest and a greater risk of default than investment-grade issuers. High-yield debt carries greater risk than investment grade debt. Potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default and decline in the value of the debt instrument, as well as potential default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.

**Interest rate risk**

An increase in interest rates may cause fixed-income securities to decline in value. As interest rates rise, debt issued at lower rates is less attractive on the secondary market. A bond or a fund that invests in fixed-income securities with a longer duration will be more sensitive to changes in interest rates than a fixed income security or fund investing in fixed income securities with shorter duration.

**Investment company risk**

When an investor invests in investment companies, such as ETFs, mutual funds, closed-end funds, UITs, and others, the investor's account performance will be determined by the performance of those investment companies' investments and assets. Investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses and fees. If an investor invests in investment companies, the investor's account may receive distributions of taxable gains from portfolio transactions by that investment company and may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.

**Issuer-specific risk**

This is the risk that the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

### Leveraged and inverse ETFs, ETNs and mutual funds

Leveraged ETFs, ETNs and mutual funds, sometimes labeled **ultra** or **2x,** for example, are designed to provide a multiple of the fund's underlying benchmark index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the fund's underlying benchmark index, typically on a daily basis. These products are different from, and can be riskier than, traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the fund's underlying benchmark index, they may not be able to exactly replicate the performance of the index because of fund expenses, fees, variances in holdings versus the composition of the index, and other factors. This is referred to as tracking error. Continual resetting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective and cause their performance to vary from the benchmark index. In addition, compounding of the returns can produce a divergence from the fund's underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives are possible, positive or negative, and may or may not correct over time. To accomplish their objectives, these funds and products use a range of strategies, including swaps, futures contracts, and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.

### Liquidity risk

This is the risk that an investor would not be able to sell or redeem an investment quickly, or would not be able to sell or redeem an investment quickly without significantly affecting the price. Liquidity risk is heightened when markets are distressed. Generally, alternative investments have higher liquidity risk than equities, fixed income securities, mutual funds or ETFs.

### Margin accounts

Some advisory programs offered through Equitable Advisors may allow an investor to borrow on margin. Investors should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account goes up, but will result in increased losses if the value of the securities in the account goes down. Equitable Advisors and LPL (which serves as an investment adviser, broker/dealer and clearing firm for certain advisory programs we offer) or other product sponsor, acting as the investor's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the investor. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact performance reports.

### Market risk

This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries. Market disruptions can be caused by economic, financial or political events and factors, including war or other armed conflicts, geopolitical developments (including trading and tariff arrangements, sanctions and cybersecurity attacks), instability in developing regions, terrorism, natural disasters, economic recessions and public health epidemics. The extent and duration of these events and resulting market disruptions cannot be predicted, but could be substantial. Global events can adversely affect both the U.S. and foreign financial markets and lead to increased volatility, reduced liquidity and other negative effects on securities markets.

### Non-traded products

Non-traded products do not trade on a securities exchange and are not publicly traded. Consequently, non-traded products can be riskier than products that are publicly traded because the product cannot be sold readily in a secondary market by the investor. A non-traded fund vehicle may offer to redeem shares or interests from investors, but such redemptions are typically subject to limitations. Share redemptions may also require that shares be redeemed at a discount if made prior to certain time frames, and there is no guarantee an investor will be able to redeem the security during the repurchase offer. In addition, non-traded products may lack share value transparency because there is no market price readily available. Without share value transparency, investors may not be able to assess the value or performance of the non-traded product.

**Comparable products**

Equitable Advisors and the programs it offers include various mutual funds, ETFs, and other investment products that have similar or identical investment strategies but different fee and expense arrangements. This includes, for example, mutual funds and ETFs that are designed to track an index of securities, such as the S&P 500 Index. A mutual fund and an ETF following an identical strategy have different fees and expenses that affect your investment return. Those fees and expenses include direct costs like sales loads, commissions, and other transaction costs, and indirect costs at the product level like advisory or management fees, distribution expenses (12b-1 fees), and other administrative, shareholder servicing and transfer agent fees. The impact of those fee and expenses on your investment returns also varies based on the size of your initial investment, the length of time you hold the investment, and other factors.

**Foreign securities risk**

Foreign investments involve special risks not present in U.S. investments that increase an investor's potential to lose money. Among other issues, custody of securities in foreign markets, changes in foreign currency exchange rates, foreign economic and market conditions, actions adverse to investors taken by foreign governments, lack of governmental oversight or regulation of securities markets, underdeveloped settlement and clearing services, and foreign withholding taxes may negatively affect the value of investments in foreign securities.

**Cybersecurity risk**

Failures or breaches of the electronic systems of LPL, its service providers, securities market participants or the issuers of securities can cause significant losses for investors. Unintentional cyber events, such as the inadvertent release of confidential information, could also adversely impact investor account. Any cyber event could cause result in the loss or theft of investor data or cause investors financial loss and expense.

**Options**

Option trading is permitted in some Equitable Advisors' advisory program. Investors should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such cases, the security may be called away and an investor will no longer hold the security. When purchasing options, there is the risk the entire premium paid (the purchase price) for the option can be lost if the option is not exercised, or is otherwise sold, prior to the option's expiration date. When selling (or **writing**) options, the risk of loss can be much greater if the options are written uncovered (**naked**). The risk of loss can far exceed the amount of the premium received for an uncovered option and, in the case of an uncovered call option, the potential loss is unlimited.

**Other complex exchange-traded products**

Certain investors in Equitable Advisors' advisory programs meeting qualification standards may also purchase other complex exchange-traded products, which may be structured as ETFs, ETNs or other types of securities. Similar to leveraged and inverse products, these other complex products differ, often significantly, from traditional ETFs, ETNs and mutual funds, and can be significantly more speculative and volatile. Other complex exchange-traded products are often designed to not be held long term. These products include, for example, futures-linked exchange traded products (**Futures-linked ETPs**) and cryptocurrency-related exchange-traded products (**Cryptocurrency ETPs**). Futures-linked ETPs are intended to provide exposure to reference assets like commodities. However, Futures-linked ETPs are not designed to track the spot price of the referenced asset, but instead track the price of futures contracts. The performance of a Futures-linked ETP may deviate significantly from the performance of the spot price of the reference asset, especially over longer periods. Cryptocurrency ETPs are exposed to cryptocurrency, which are decentralized digitized assets that often rely on blockchain technology. Cryptocurrency ETPs are highly speculative and extremely volatile. Cryptocurrency is part of a new and evolving industry, and neither the technology nor regulatory regime for cryptocurrency is settled. Cryptocurrency ETPs may trade in over-the-counter markets and may not be afforded all of the investor protections of other exchange-traded products. Certain Futures-linked ETPs invest in cryptocurrency futures, which could magnify the risks described above.

## Sector risk

When an investor invests more heavily in particular sectors, industries or subsectors of the market, the investor's investment performance will be especially sensitive to developments that significantly affect those sectors, industries or subsectors. An individual sector, industry or subsector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events. An account's performance could be affected if the sectors, industries or subsectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance. This is a component of concentration risk, described above.

## Structured products

Structured products are securities the value of which is derived from another reference asset, such as a security or a basket of securities, an index, a commodity, a debt issuance or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuer and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested; others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond or option. There may be little or no secondary market for the securities, and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

## Variable annuities

A variable annuity is a long-term, tax-deferred accumulation product. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income at a later date. There are contract limitations and fees and charges associated with annuities, which include, but are not limited to, mortality and expense risk charges, sales and withdrawal charges, administrative fees and charges for optional benefits. Amounts in a variable annuity's investment portfolios are subject to fluctuation in value and market risk, including loss of principal, and all guarantees provided by variable annuities are based on the claims-paying ability of the issuing life insurance company.

If an investor purchases a variable annuity, the investor will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions and other important detailed information about the variable annuity, including investment objectives, risks, charges and expenses. Investors can obtain the variable annuity's prospectus from their financial professional or the issuing life insurance company, and they should read it and consider this information carefully before purchasing a variable annuity contract. Investors should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts. Some products may charge a recapture or redemption fee for contracts or benefits not held for a specified period of time or that do not follow stated withdrawal terms.

**Private equity funds**

Private equity investments may now or in the future be made available to Equitable Advisors clients. They are speculative and involve significant risks. It is possible investors may lose some or all of their investment. The risks associated with private equity include limited diversification, the use of leverage and limited liquidity. The investment timeline for private equity can be a decade or more. Some issuers or general partners may penalize limited partners who redeem before holding units for a specified amount of time, or may disallow such early redemptions entirely.

**Real estate investment trusts (REITs)**

REITs invest in real estate or real estate-related investments, and there are special risks associated with investing in real estate, including, but not limited to, sensitivity to changes in real estate values, the risk of investment loss due to the use of leveraging and other speculative investment practices, interest rate risk, lack of liquidity and performance volatility. Non-traded REITs are not required to provide annual valuations until 2 years and 150 days after raising the minimum capital required to begin purchasing properties. This threshold is generally outlined in the REIT's prospectus. Non-traded REITs, which are available to investors in Equitable Advisors' advisory programs who meet certain qualification standards, may fund distributions from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to invest in new assets. Investors should be aware these securities may not be liquid, as there is no secondary trading market available. At the absolute discretion of the issuer, there may be certain repurchase offers made from time to time. However, there is no guarantee the investor will be able to redeem the security during the repurchase offer. Issuers may repurchase shares at a price below net asset value. The repurchase program may also be suspended under certain circumstances.



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