



Item 1 – Cover Page

**Part 2A of Form ADV: Firm Brochure**

Exchange Traded Concepts, LLC

<https://exchangetradedconcepts.com/>

March 1, 2021

**Main Office**

10900 Hefner Pointe Drive, Suite 401

Oklahoma City, OK 73120

Phone: 1-405-778-8377

Toll-Free: 1-844-880-ETFS (3837)

**New York Office**

295 Madison Avenue, 26th Floor

New York, NY 10017

Contact: Dennis Lowenfels

Email: [Dennis@ExchangeTradedConcepts.com](mailto:Dennis@ExchangeTradedConcepts.com)

Phone: 1-405-778-8377

This brochure provides information about the qualifications and business practices of Exchange Traded Concepts, LLC. If you have any questions about the contents of this brochure, please contact us at 1-844-880-ETFS (3837) or [Info@ExchangeTradedConcepts.com](mailto:Info@ExchangeTradedConcepts.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Exchange Traded Concepts also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This summary of material changes describes only the material changes to Part 2A of Exchange Traded Concepts LLC's Form ADV since ETC's most recent Form ADV (Part 1) update dated July 28, 2020.

There have been no material changes to Part 2A of Exchange Traded Concepts Form ADV since ETC's most recent Form ADV update in July 2020.

### Item 3 – Table of Contents

Item 1 COVER PAGE .....	1
Item 2 MATERIAL CHANGES.....	2
Item 3 TABLE OF CONTENTS.....	3
Item 4 ADVISORY BUSINESS.....	4
Item 5 FEES AND COMPENSATION.....	5
Item 6 PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT.....	7
Item 7 TYPES OF CLIENTS.....	7
Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
Item 9 DISCIPLINARY INFORMATION.....	19
Item 10 OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS.....	19
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	20
Item 12 BROKERAGE PRACTICES.....	22
Item 13 REVIEW OF ACCOUNTS.....	23
Item 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	24
Item 15 CUSTODY.....	24
Item 16 INVESTMENT DISCRETION.....	24
Item 17 VOTING CLIENT SECURITIES.....	25
Item 18 FINANCIAL INFORMATION.....	26
Item 19 REQUIREMENTS FOR STATATE REGISTERED ADVISERS.....	26

## Item 4 – Advisory Business

### A. General Description of Advisory Firm

Exchange Traded Concepts, LLC (“ETC” or the “Adviser”) is organized as a limited liability company under the laws of the State of Oklahoma and is principally owned by Cottonwood ETF Holdings, LLC. ETC became a registered investment adviser with the Securities Exchange Commission (“SEC”) on August 18, 2009 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and became a registered commodity pool operator (a “CPO”) with the National Futures Association (the “NFA”) on April 15, 2016. ETC serves its clients through its offices located in Oklahoma City, Oklahoma and New York City, New York.

### B. Types of Advisory Services

Exchange Traded Concepts specializes in Private Label ETF's. ETC helps clients launch and operate custom domestic and international equity and fixed income exchange traded funds (“ETFs” or “Funds”) through a complete turnkey solution, ETC's ETF-In-A-Box™

#### Adviser to the Funds

ETC has been appointed to act as an investment adviser to some or all of the separate series of three multiple series trusts; Exchange Traded Concepts Trust 1, Exchange Listed Funds Trust and ETF Series Solutions Trust, collectively (the “Trusts”). Each of the Trusts is a Delaware statutory trust registered under the Investment Company Act of 1940 (the “Act”) as an open-end management investment company with multiple series. Each series advised by ETC is an exchange traded fund (each an “ETF”), meaning that the shares of the ETFs are listed on a national securities exchange, such as the NYSE Arca, Inc., NASDAQ or CBOE BZX Exchange, Inc., and trade in the secondary market at market prices.

#### **SPECIFIC INVESTMENT STRATEGIES**

EQUITY AND FETC serves as adviser to broad-based and thematic index-based and actively managed equity ETFs as well as an actively managed fixed income ETF, designed to provide exposure to U.S. and global equity markets. ETC engages unaffiliated third parties to calculate the indexes, and to calculate and disseminate the index values. In cases where ETC does not act as the portfolio manager, ETC works with unaffiliated third-party sub-advisers to facilitate portfolio management of such ETFs. Funds pursuing an index strategy may be referred to as “Index Funds.”

#### **SPECIFIC INVESTMENTS**

The Adviser invests in a wide range of investments in implementing the above strategies. These investments include, but are not limited to: Equity securities, fixed income securities, cash and cash equivalents, listed options, money market securities and money market funds and derivatives in general.

#### OVERSIGHT AND CONTROL OF THE FUNDS; ADVISER SERVICES

#### Adviser to the Funds

The ETFs are subject to the general supervision of the Board of Trustees of the ETF Trusts (the “ETF Boards”). The Adviser renders investment advice to the Funds. Under the Exchange Traded Concepts’ business model, day-to-day investment management activities, include, but are not limited to: (i) continuously reviewing, supervising and administering the investment programs of each series of the Trusts (each, a “Fund” and together, the “Funds”); (ii) providing investment advice regarding the investment and reinvestment of Fund assets; (iii) determining which investments shall be purchased, held, sold or exchanged for each Fund; (iv) trading portfolio securities on behalf of the Funds, (v) selection of broker dealers to execute purchase and sale transactions on behalf of the Funds or in connection with any rebalancing or reconstitution of the Funds’ portfolio for the Trusts (vi) providing the Trusts with records concerning the activities that each is required to maintain; and (vii) rendering reports to the ETF Trusts’ officers and the ETF Board, concerning the Adviser’s discharge of the foregoing responsibilities. In addition, the Adviser arranges for other necessary services, including custodial, transfer agency, fund accounting, distribution and administration, subject to approval by the ETF Board or the trustee, as applicable. The Adviser typically carries out its responsibilities directly. From time to time as requested by certain fund sponsors, ETC appoints one or more approved sub-advisers or other third parties to provide such services on behalf of the Adviser with respect to any of the Funds. In its role as adviser to the Trusts, Exchange Traded Concepts has outsourced multiple services to unaffiliated third-party service providers.

ETC also provides Marketing Consultation Services to Funds that the Firm does and does not advise. Certain marketing services are provided through unaffiliated third parties of ETC.

#### Subadviser to the Funds

ETC also acts as subadvisor to ETF’s created by third party issuers that are part of a different multiple series trust. As subadvisor, ETC renders investment advice to the Funds pursuant to a subadvisory agreement. Day-to-day investment management activities, include, but are not limited to: (i) continuously reviewing, supervising and administering the investment programs of each series of the Trusts (each, a “Fund” and together, the “Funds”); (ii) providing investment advice regarding the investment and reinvestment of Fund assets; (iii) determining which investments shall be purchased, held, sold or exchanged for each Fund; (iv) trading portfolio securities on behalf of the Funds, (v) selection of broker dealers to execute purchase and sale transactions on behalf of the Funds or in connection with any rebalancing or reconstitution of the Funds’ portfolio for the Trusts (vi) providing the Trusts with records concerning the activities that each is required to maintain; and (vii) rendering reports to the ETF Trusts’ officers and the ETF Board, concerning the Adviser’s discharge of the foregoing responsibilities.

#### Subadviser to Private Funds

ETC acts as a subadvisor to a Private Fund. Services provided to the Private Fund are outlined in a Tri-Party Sub-Advisory Agreement (the “Agreement”) in place between the General Partner of the Private Fund, the Private Fund and ETC. Although the Agreement gives ETC discretion, ETC shall only use its discretion under a limited set of circumstances.

#### C. Customized Services for Individual Clients

The Adviser will tailor its advisory services for each Fund or Private Fund only as set forth in a written advisory agreement and, if applicable, the registration statement or other governing document for such Fund. Any restrictions on the Adviser's investment discretion are set forth in the written advisory agreement.

#### D. Wrap Fee Programs

The Advisor does not sponsor or maintain any wrap fee programs.

#### E. Assets Under Management

As of February 28, 2021, ETC had approximately \$7,310,979,000 of regulatory assets under management on a discretionary basis.

### Item 5 – Fees and Compensation

#### A. Compensation for Advisory Services

ETC's fees vary depending on factors, including but not limited to, the type of service provided and complexity of the strategy. The ETFs and Private Funds charge an annual management fee that will vary by ETF and Private Fund. ETC's fee and fee-paying arrangements for providing investment management services will be negotiated with each client on a case-by-case basis.

Generally, for services provided under the applicable investment advisory agreement with each Fund or Private Fund, the Adviser is paid a fee based upon a percentage of that Fund's or Private Fund's daily net assets (i.e., a "Management Fee"). The Management Fee with respect to a Fund or Private Fund may vary due to factors such as, for example, the applicable investment strategy or benchmark, the size of the Fund or Private Fund, the Fund's or Private Fund's servicing or reporting requirements, any contractual or voluntary fee waivers and other negotiated differences in the investment advisory agreements. The Adviser may change the fee schedules, some of which include contractual or voluntary fee waivers which may expire or not be extended.

ETC typically operates our ETFs under a unitary management fee model where no additional expenses are charged to shareholders outside of the unitary management fee with the exception of customarily excluded expenses. All expenses paid for services to the funds are paid by the Adviser out of the unitary management fee collected. Examples of these fees include, but are not limited to; fund administration, fund accounting, custody, transfer agent, etc...

ETC charges an asset-based fee for its investment advisory services subject to an annual minimum. The fee arrangement, termination, and refund policies are negotiated with each ETF Fund Sponsor or sub-advised Private Fund Client prior to the commencement of advisory services and are described in the Client's advisory agreement.

In the case of any ETF that ETC manages, this information will be set forth in the Prospectus and Statement of Additional Information ("SAI").

#### B. General Fee and Expense Practices

Although the terms of individual investment advisory agreements may vary, generally, Management Fees for the ETFs are accrued daily, and are billed and paid monthly in arrears, typically out of the unitary management fee. ETC's advisory fees are deducted monthly from the unitary management fee for profitable ETFs. For ETFs that are not profitable, ETC's fees are billed monthly in arrears.

Fees for subadvised ETFs and the Private Fund are invoiced monthly in arrears based on an average net asset value for the month.

The Adviser does collect start-up fees in advance from Fund Sponsors in order to cover the regulatory and operational costs to launch a Fund. ETC will not deduct fees from any client account. The Adviser pays certain fees on behalf of a Fund out of the unitary management fee. Such payments vary based on the level of services provided, the type of Fund, the level of Fund assets, agreements in place with third-party service providers or for other reasons.

ETC charges additional fixed monthly fees for ETF marketing services pursuant to a Marketing Services Agreement or Platform Services Agreement with each Client that elects to utilize this service.

#### C. Additional Fees and Expenses

Unitary management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Clients incur certain charges imposed by custodians, broker-dealers and other third-parties, including but not limited to: fees charged by third-party managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, withholding fees, country tax or delivery fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Certain ETC Fund investment strategies invest in closed-end funds and ETFs which charge shareholders with management fees. These fees are disclosed in the fund's or ETF's prospectus, SAI or offering memorandum as well as the ETF's website. ETC does not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian.

#### D. Fees in Advance

Management fees are generally deducted monthly in arrears. Fund sponsors do pay a start-up fee in advance to cover the operational and regulatory costs of launching an ETF.

#### E. Additional Compensation of Supervised Persons

Neither ETC nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

### **Item 6 – Performance Based Fees and Side by Side Management**

Neither the Adviser nor any of its supervised persons accepts performance-based fees – i.e., fees based on a share of capital gains on, or capital appreciation of, the assets of a client. Neither the Adviser nor any of its supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee.

## Item 7 – Types of Clients

As discussed above in Item 4, “Advisory Business,” the Adviser offers investment advisory services to various types of clients, including registered investment companies and private funds.

Each ETF is an “exchange traded fund,” meaning that its shares are listed on a national securities exchange, such as the NYSE Arca, Inc., NASDAQ, or CBOEBZX Exchange, Inc., and such shares trade at market prices. Each ETF is a series of a multiple series trust, which is an open-end management investment company registered as an investment company under the 1940 Act.

ETC provides portfolio management services to registered investment companies, other investment advisers and private funds. ETC serves U.S. clients with assets maintained by qualified custodians in the U.S. ETC may accept certain non-U.S. clients, in its sole discretion, in accordance with all applicable laws. ETC does not generally engage retail investors directly. Retail investors may access ETC’s advisory services by investing in registered investment companies advised or sub-advised by ETC or they can engage ETC indirectly via their investment advisor or financial consultant, broker-dealers, and other financial intermediaries.

ETC may refuse to accept a client for any reason. It is the responsibility of the investor’s financial consultant, broker-dealer or other financial intermediary to evaluate the investor’s investment objectives, risks tolerance and financial standing and determine a suitable asset allocation for the investor. ETC ensures that its discretionary investment decisions are in-line with the investment objectives in the governing documents of the Funds. ETC typically does not receive detailed investor information.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

- **Methods of Analysis**

ETC utilizes a specialized and sophisticated proprietary trade modeling system to efficiently manage portfolios relative to the respective benchmark and investment objectives of each Fund or Private Fund.

- **Investment Strategies**

Investment strategies employed are generally customized to address the specific needs of the client. As a result, the client’s portfolio is typically constructed using only the securities from the benchmark selected by the client. For the Private Fund subadvised by ETC, the securities or derivatives selected for inclusion are typically selected by the Private Fund client with ETC’s portfolio management team having limited discretion. ETC’s rules-based methodologies consider risks, expenses, taxes and other portfolio characteristics when making investment decisions.

- **Risk of Loss**

### Summary of Material Risks in Alphabetical Order



**Active Management Risk:** The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized.

**Allocation and Position Limits Risk:** A client account's performance depends upon how its assets are allocated and reallocated, and an investor could lose money as a result of these allocation decisions and related constraints. The CFTC and the exchanges on which commodity interests (futures, options on futures and swaps) are traded may impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument that may be held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). A portfolio manager may trade for multiple accounts and the commodity interest positions of all such accounts will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position "accountability" rules imposed by the CFTC or the various exchanges. Swaps positions in physical commodity swaps that are "economically equivalent" to futures and options on futures held by an account and similar accounts may also in the future be included in determining compliance with federal position rules, and the exchanges may impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions the portfolio manager may take for an account and may cause the portfolio manager to close out an account's positions earlier than it might otherwise choose to do so.

**Business Continuity Risk:** ETC has developed a Business Continuity Plan (the "BCP") that is designed to minimize the impact of adverse events that affect ETC or its service providers' ability to carry on normal business operations. Such adverse events include, but are not limited to, natural disasters, outbreaks of pandemic and epidemic diseases, terrorism, acts of governments, any act of declared or undeclared war, power shortages or failures, utility or communication failure or delays, labor disputes, strikes, shortages, supply shortages, and system failures or malfunctions. While ETC believes the BCP should allow it to resume normal business operations in a timely manner following an adverse event, there are inherent limitations in such programs, including the possibility that the BCP does not anticipate all contingencies or procedures do not work as intended. Vendors and service providers to ETC may also be affected by adverse events and are subject to the same risks that their respective business continuity plans do not cover all contingencies. In the event the BCP at ETC or similar programs at vendors and service providers do not adequately address all contingencies, client portfolios may be negatively affected as there may be an inability to process transactions, calculate net asset values, value client investments, or disruptions to trading in client accounts. A client's ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care, and related provisions in its contractual agreements with ETC and other service providers.

**Call Risk:** Fixed income securities will be subject to the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads

and improvements in the issuer's credit quality). If an issuer calls a security that a client holds, the client may not recoup the full amount of its initial investment or may not realize the full anticipated earnings from the investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

**Commodities Risk:** The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, such as weather, embargoes, tariffs, health, political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.

**Concentration Risk:** A strategy that concentrates its investments in a particular sector of the market (such as the utilities, software or financial services sectors) or a specific geographic area (such as a country or state) may be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy may fluctuate more than a less concentrated portfolio.

**Corporate Debt Risk:** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

**Counterparty Risk:** A financial institution or other counterparty with whom an investor does business (such as trading or securities lending), or that underwrites, distributes or guarantees any investments or contracts that an investor owns or is otherwise exposed to, may decline in financial condition and become unable to honor its commitments. This could cause the value of an investor's portfolio to decline or could delay the return or delivery of collateral or other assets to the investor. Although there can be no assurance that an investor will be able to do so, the investor may be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or another creditworthy party. The investor may have limited ability to eliminate its exposure under a credit default swap if the credit of the referenced entity or underlying asset has declined.

**Credit Risk:** Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from, a client portfolio. The value of a fixed income security also may decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a client may be required to retain legal or similar counsel at their own expense.

**Currency Risk:** In general, the value of investments in, or denominated in, foreign currencies increases when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the Derivatives Risks described below.

**Cyber Security Risk:** As technology becomes more engrained in businesses, information about clients and ETC may be more susceptible to cyber security breaches. Cyber security breaches and risks include both intentional and unintentional events and may include, but are not limited to: third parties purposefully hacking ETC's systems to access confidential client information; attacks designed to disrupt ETC's normal business operations; corruption or destruction of data; or inadvertent disclosure by ETC of confidential information. Additionally, ETC utilizes third parties for a variety of services, including custodians, broker dealers, vendors, transfer agents, and advisors. Such third parties may have access to ETC's systems or confidential information, or ETC may rely on the third party's systems to perform certain business functions. If the third party suffers a cyber-security event, confidential information about ETC's clients may be exposed or ETC may not be able to access the systems. Moreover, a security in a client's account may decline in value if the issuer or counterparty to such security suffers a cyber-security event. ETC has adopted a business continuity plan and a cybersecurity policy designed to reduce the risk of cyber security breaches. However, there are no guarantees that these actions will prevent cyber security breaches or foresee future threats.

**Data Source Risk:** ETC subscribes to a variety of third-party data sources that are used to evaluate, analyze and formulate investment decisions. If a third party provides inaccurate data, client accounts may be negatively affected. While ETC believes the third-party data sources are reliable, there are no guarantees that data will be accurate.

**Debt Market Risk:** Economic and other events (whether real or perceived) can reduce the demand for certain income securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities and other investments can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, wider trading spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded investments.

**Derivatives Risk:** The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative, due to failure of the counterparty or tax or regulatory constraints. In this context, derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and other similar instruments that may be valued based upon another or related asset. Derivatives can create economic leverage in a client portfolio, which magnifies the portfolio's exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes may not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments may be difficult to value, may be illiquid, and can be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions can substantially exceed the initial investment. Certain strategies use derivatives extensively.

**Dividend Strategy Risk:** Clients invested in strategies designed to invest in dividend paying securities may be subject to certain risks. These include issuers which have historically paid dividends reducing or ceasing to pay dividends in the future, which may additionally negatively impact the price of the security. In times of economic stress, large amounts of issuers may reduce or eliminate dividends, impacting the ability of ETC to execute its desired strategy.

**Duration Risk:** Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer

dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

**Equity Risk:** Portfolios may be sensitive to stock market volatility and some stocks within a client's portfolio may be more volatile than the market as a whole. The value of stocks and related instruments may decline in response to conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations, as well as issuer or sector specific events. Market conditions may affect certain types of stocks (such as large-cap or growth stocks) to a greater extent than other types of stocks. If the stock market declines, the value of a portfolio will also likely decline and, although stock values can rebound, there is no assurance that values will return to previous levels.

**ETF Risk:** Investing in an exchange-traded fund (ETF) exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on market demand, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. A client account may not be able to liquidate ETF holdings at the time and price desired, which may impact performance.

**ETN Risk:** An exchange-traded note (ETN) is a debt obligation and its payments of interest or principal are linked to the performance of a referenced investment (typically an index). ETNs are subject to the performance of their issuer and may lose all or a portion of their entire value if the issuer fails or its credit rating changes. An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and weighting of the components of that index. ETNs also incur certain expenses not incurred by the referenced investment and the cost of owning an ETN may exceed the cost of investing directly in the referenced investment. The market trading price of an ETN may be more volatile than the referenced investment it is designed to track. ETNs may be purchased at prices that exceed net asset value and may be sold at prices below such value. A client account may not be able to liquidate ETN holdings at the time and price desired, which may impact performance.

**Foreign, Emerging and Frontier Markets Risk:** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. Generally, investment markets in emerging and frontier countries are substantially smaller, less liquid and more volatile, and as a result, the value of a portfolio investing in emerging or frontier markets may be more volatile. Emerging and frontier market investments often are subject to speculative trading, which typically contributes to volatility. Emerging and frontier market countries also may have relatively unstable governments and economies. Trading in foreign, emerging and frontier markets usually involves higher expenses than trading in the U.S. A client portfolio investing

in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks. While American Depositary Receipts (ADRs) are denominated in U.S. dollars, they are still subject to currency exchange rate risks. ADRs are traded on U.S. market hours which do not match the local markets. Due to this, ADR prices are also subject to exchange rate fluctuations and market information outside of local market hours.

**General Investing Risks:** Most investment strategies are not intended to be a complete investment program. All investments carry a certain amount of risk and there is no guarantee that a client portfolio will be able to achieve its investment objective. Investors generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

**Government, Political and Regulatory Risk:** U.S. and foreign legislative, regulatory, and other government actions which may include changes to regulations, the tax code, trade policy, or the overall regulatory environment may negatively affect the value of securities within a client's account or may affect ETC's ability to execute its investing strategies. If compliance costs associated with such events increase, the costs of investing may increase, negatively affecting clients.

**Hedge Correlation Risk:** Certain strategies seek to maintain substantially offsetting exposures and follow a generally market-neutral approach. Hedging instruments utilized for these strategies may not maintain the intended correlation to the investment being hedged or may otherwise fail to achieve their intended purpose. Failure of the hedge instruments to track a client portfolio's investments could result in the client portfolio having substantial residual exposure to market risk.

**Income Risk:** A portfolio's ability to generate income will depend on the yield available on the securities held by the portfolio. In the case of equity securities, changes in the dividend policies of companies held by a client portfolio could make it difficult for the portfolio to generate a predictable level of income. The use of dividend-capture strategies to generate income will generally expose a client portfolio to higher portfolio turnover, increased trading costs and the potential for capital loss or gain, particularly in the event of significant short-term price movements of stocks subject to dividend capture trading.

**Inflation-Linked Security Risk:** Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities may vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation-linked debt security will be taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index.



**Interest Rate Risk:** As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

**Leverage Risk:** Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio's obligation created by a transaction that may give rise to leverage. To satisfy the portfolio's obligations or to meet segregation requirements, portfolio positions may be required to be liquidated when it is not be advantageous to do so. Leverage can cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. The loss on leveraged transactions can substantially exceed the initial investment.

**LIBOR Risk:** Certain securities use the London Interbank Offered Rate (LIBOR) as a 'reference' or 'benchmark' rate. LIBOR is the average offered rate for various maturities of short-term loans between certain major international banks. LIBOR is expected to be phased out by the end of 2021. While the effect of the phase out cannot yet be determined, it may result in, among other things, increased volatility or illiquidity in markets for instruments based on LIBOR and changes in the value of such instruments.

**Liquidity Risk:** A client portfolio is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. Consequently, the client portfolio may have to accept a lower price to sell an investment or continue to hold it or keep the position open, sell other investments to raise cash or give up an investment opportunity, any of which could have a negative effect on the portfolio's performance. These effects may be exacerbated during times of financial or political stress.

**Lower Rated Investments Risk:** Investments rated below investment grade and comparable unrated investments (sometimes referred to as "junk") have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment may lose significant value before a default

occurs. Lower rated investments typically are subject to greater price volatility and illiquidity than higher rated investments.

**Market Risk:** Economic and other events (whether real or perceived) such as pandemics, global health crises, war, terrorism, or other geopolitical events can increase volatility and reduce the demand for certain securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which will impair the ability of the portfolio manager to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions can impair the liquidity of some actively traded investments. COVID-19, which originated at the end of 2019, has led to a global pandemic and has caused unprecedented market, employment, and societal disruptions in the United States and across the world. It is unknown how long these disruptions will last, if they may become more severe, or if they may lead to additional geopolitical or market risk which could negatively affect markets, liquidity, and investment valuation.

**Maturity Risk:** Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.

**Model and Quantitative Risks:** ETC uses proprietary and third-party quantitative tools to assist portfolio managers and analysts in making investment decisions. If these tools have errors or are flawed or incomplete and such issues are not identified, it may have an adverse effect client investment performance.

**Municipal Bond Risk:** The amount of public information available about municipal bonds is generally less than for corporate equities or bonds, meaning that the investment performance of municipal bond investments may be more dependent on the analytical abilities of ETC than stock or corporate bond investments. The secondary market for municipal bonds also tends to be less well-developed and less liquid than many other securities markets, which may limit an owner's ability to sell its municipal bonds at attractive prices. The spread between the price at which an obligation can be purchased and the price at which it can be sold may widen during periods of market distress. Less liquid obligations can become more difficult to value and be subject to erratic price movements. Municipal securities may be negatively impacted by factors such as political changes, litigation, bankruptcy, or increased costs facing the issuing municipality. Municipal securities must meet certain legal requirements to be tax-exempt. Failure to meet such requirements may cause interest received on the municipal security to be taxable.



The increased presence of non-traditional participants or the absence of traditional participants in the municipal markets may lead to greater volatility in the markets.

**Operational Risk:** Client accounts are subject to operational risks arising from various factors, including but not limited to, processing errors, communication failures, human errors, inadequate or failed internal or external processes, fraud by employees or other parties, limitations or failure in systems and technology, changes in personnel and errors caused by third-party service providers. Client accounts which are managed by investment personnel across multiple offices are subject to greater operational risks due to different systems and technology, potential communication failures and personnel changes. Such factors may result in losses to a client's account.

**Option Strategy Risk:** Certain client portfolios employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified stock or index over the stock or index's subsequent realized volatility. This market observation is often attributed to the unknown risk to which an option seller is exposed to in comparison to the fixed risk to which an option buyer is exposed. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which would have an adverse effect on the client portfolio's ability to achieve its investment objective. Further, directional movements of the underlying index or stock may overwhelm the volatility differential for any given option resulting in a loss, regardless of the volatility relationship during that specific option's term. Call spread and put spread selling strategies employed by certain strategies are based on a specified index or on exchange-traded funds that replicate the performance of certain indexes. If the index or an ETF appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it may not exactly match the performance of the specified index. All options and other derivatives must be carefully considered.

**Pooled Investment Vehicles Risk:** Pooled investment vehicles include open-and closed-end investment companies, exchange-traded funds ("ETFs"), and private funds. Pooled investment vehicles are subject to the risks of investing in the underlying securities or other investments. Shares of closed-end investment companies and ETFs may trade at a premium or discount to net asset value and are subject to secondary market trading risks. In addition, except as otherwise noted in this Form ADV Part 2A, the client portfolio will bear a pro rata portion of the operating expenses of a pooled investment vehicle in which it invests.

**Responsible Investing and ESG Risk:** Clients utilizing responsible investing strategies and environment, social responsibility and corporate governance (ESG) factors may underperform strategies which do not utilize responsible investing and ESG considerations. Responsible investing and ESG strategies may operate by either excluding the investments of certain issuers or by selecting investments based on their compliance with factors such as ESG. These strategies may exclude certain sectors or industries from a client's portfolio, potentially negatively affecting the client's investment performance if the excluded

sector or industry outperforms. Responsible investing and ESG are subjective by nature, and ETC may rely on analysis and 'scores' provided by third parties in determining whether an issuer meets ETC's standards for inclusion or exclusion. A client's perception may differ from ETC's or a third party's on how to judge an issuer's adherence to responsible investing principles.

**Small Companies Risk:** Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk. Such companies may have limited product lines, markets or financial resources, may be dependent on a limited management group, lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.

**Structured Management Risk:** ETC uses rules-based, proprietary investment techniques and analyses in making investment decisions. These strategies seek to take advantage of certain quantitative and/or behavioral market characteristics identified by ETC, utilizing rules-based country, sector and commodity weighting processes, structured allocation methodologies and disciplined rebalancing models. These investment strategies have not been independently tested or validated, and there can be no assurance they will achieve the desired results.

**Swap Risk:** The use of swap transactions is a highly specialized activity that involves strategies and risks different from those associated with ordinary portfolio security transactions. Incorrectly forecasting default risks, market spreads or other applicable factors or events can significantly affect investment performance. Swaps are highly illiquid and not easily traded away. The portfolio generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the portfolio may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation, as in the case of exchange-traded instruments, or another third party, as in the case of over-the-counter instruments) defaults, there can be no assurance that the counterparty will be able to meet or enforce the contractual obligations. It is also possible that developments in the derivatives market, including changes in government regulation, could adversely affect the manager's ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

**Tax-Managed Investing Risk:** Investment strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. A tax loss realized by a U.S. investor after selling a security will be negated if the investor purchases the security within thirty days. Although ETC avoids "wash sales" whenever possible and temporarily restricts securities it has sold at a loss to prevent them, a wash sale can occur inadvertently because of trading by a client in portfolios not managed by ETC. A wash sale may also be triggered by ETC when it has sold a security for loss harvesting and shortly thereafter the firm is directed by the client to invest a substantial amount of cash resulting in a repurchase of the security.

**Tax Risk:** The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

**Tax-Straddle Risk:** Investment strategies that utilize off-setting positions on a security or a portfolio of securities must adhere to specific rules and provisions under the Internal Revenue Code in order to avoid negative tax consequences. These provisions apply to an investor's entire investment portfolio including accounts not managed by ETC. While ETC seeks to avoid "tax straddles", an investor's ability to realize tax benefits (e.g., defer gains, deduct interest, convert short term gains into long term gains) may be negated by transactions and holdings of which ETC is not aware.

**Tracking Error Risk:** Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, client-imposed restrictions, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

**U.S. Government Securities Risk:** Although certain U.S. Government-sponsored agencies (such as the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association) may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. U.S. Treasury securities generally have a lower return than other obligations because of their higher credit quality and market liquidity

#### Item 9 – Disciplinary Information

To date there have been no material legal or disciplinary investment-related events involving the Adviser or any management person employed by the Adviser.

#### Item 10 – Other Financial Activities and Affiliations

##### **Broker-dealers**

Quasar Distributors, LLC, ("Quasar"), Foreside Fund Services, LLC ("Foreside") and SEI Investments Distribution Co. ("SEI") serve as the distributors for ETC's ETFs. Certain employees of the Adviser, including certain management persons of the Adviser, are registered representatives of T.S. Phillips Investments, Inc. ("T.S. Phillips") and UMB Distribution Services, LLC ("UMB") for purposes of supporting the marketing and distribution efforts of ETC's ETFs. Quasar, Foreside, SEI, T.S. Phillips and UMB are not affiliates of ETC. All such employees are salaried employees of ETC and do not receive commissions, fees or other remuneration in connection with securities transactions.

## **Investment Companies and Pooled Investment Vehicles**

The Adviser provides services on behalf of the following investment companies and pooled investment vehicles:

- ETC has been appointed to act as an investment adviser to some or all of the separate series of three multiple series trusts; Exchange Traded Concepts Trust 1, Exchange Listed Funds Trust and ETF Series Solutions Trust, collectively (the “Trusts”). Each Trust overseen by the Advisor is a Delaware statutory trust registered under the Investment Company Act of 1940 (the “Act”) as an open-end management investment company with multiple series.
- ETC acts as subadvisor to ETF’s created by third party issuers that are part of a different multiple series trust.
- ETC acts as a subadvisor to a Private Fund.

## **Commodity Pool Operators**

The Adviser is registered with the Commodity Futures Trading Commission as a Commodity Pool Operator.

## **Other Material Relationships or Related Persons in the Financial Industry**

Neither the Adviser nor its management persons have any other material relationships or arrangements with any related person not previously mentioned in Item 10.

## **Sub-advisers**

Other than through its appointment of certain sub-advisers to provide services as requested by a Fund Sponsor, the Adviser does not recommend or select other investment advisers for clients.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Pursuant to Rule 204(A)-1 of the Advisers Act, ETC has adopted a Code of Ethics (“Code”) whose purpose is to require that all employees and other supervised persons, collectively, (“Access Persons”) (i) always place the interests of clients first, (ii) ensure that all personal securities transactions are conducted consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of a position of trust and responsibility, (iii) not take inappropriate advantage of their positions and (iv) comply with all applicable Federal securities laws. Every Access Person of the Adviser must receive, read, follow and attest to the Code’s procedures. The Code contains policies and procedures that, among other things:

- Prohibit Access Persons from taking personal advantage of opportunities belonging to clients;
- Prohibit trading on the basis of material, nonpublic information; and
- Place limitations on personal trading and impose reporting obligations (and, in certain circumstances, pre-clearance) with respect to personal trading for Access Persons.

Employees are subject to certain restrictions as to the purchase and sale of their personal security holdings to the extent that a Fund or Private Fund advised or sub-advised by ETC is expected to trade the same security. The Code also contains restrictions on and procedures designed to help prevent inappropriate trading while ETC is in possession of material nonpublic information.

The Code requires Access Persons and their immediate family members as well as any dependents living in their household, to promptly report all personal investment accounts and securities holdings to Compliance. The Code further requires that Compliance receive duplicate portfolio holdings and transaction information for all reportable investment accounts, that all reportable securities transactions are reported on a quarterly basis, and that all Access Persons attest that they will comply with the Code at least annually.

The Adviser will provide a copy of the Code to any client or prospective client upon request.

### **Participation or Interest in Client Transactions and Personal Trading**

ETC anticipates that, in appropriate circumstances and consistent with the clients' investment objectives, it will recommend to investment advisory clients, the purchase or sale of securities in which ETC and/or its clients, directly or indirectly, have a position or interest. This includes recommending to investment advisory clients the purchase or sale of Funds in which ETC receives an advisory fee or the inclusion of such Funds in an index. Any such recommendations are required to be fully disclosed to the Client at the time the recommendation is made.

Subject to terms and conditions of the Code, Access Persons of ETC may trade for their own accounts in securities that are recommended to and/or purchased for the firm's clients or in ETFs managed by the Adviser. ETC has implemented policies and procedures to address this potential conflict of interest. ETC permits its Access Persons to invest for their own account within the guidelines of ETC's Code of Ethics, described above. The Code is designed to ensure that the activities, interests and relationships of Access Persons do not interfere with their ability to make decisions in the best interests of ETC's clients, while allowing employees to invest for their own benefit. Because the Code in some circumstances would permit Access Persons to invest in the same securities as clients, there is a possibility that Access Persons might benefit from market activity by a client in a security held by an Access Person.

The Adviser seeks to avoid conflicts of interest by placing limitations on the personal trading activity of certain supervised persons which include imposing reporting obligations, black-out periods, and/or pre-clearance approval requirements. The Adviser requires employees to report and obtain pre-approval prior to engaging in outside business activities, which provides the Adviser with the opportunity to consider whether such activities create actual or potential conflicts of interests as they relate to the Adviser and/or the individual employee depending upon his/her role with the Adviser.

Personal trading is continually monitored to reasonably ensure Access Persons comply with the Code, and to reasonably address conflicts of interest between ETC and its clients. ETC may trade in securities of issuers of which persons related to its Access Persons may be considered to be insiders. ETC's investment recommendations and trading activities will not be based on material, non-public

information, as defined in ETC's Insider Trading Policy and Procedures. A client or prospective client may obtain a copy of ETC's Code of Ethics upon request by contacting the Chief Compliance Officer at (405)778-8377 or [info@ExchangeTradedConcepts.com](mailto:info@ExchangeTradedConcepts.com).

## **Item 12 – Brokerage Practices**

ETC generally will have complete discretion in deciding what brokers and dealers shall be used for executing trades on behalf of the Funds and in negotiating rates of brokerage compensation.

### **General Selection Criteria**

At times, brokers utilized for executing transactions shall act in multiple capacities and provide additional, unrelated services to ETC. Such services include acting as an Authorized Participant, acting as a Lead Market Maker to one or more ETFs on ETC's platform and/or providing seed capital for a newly launched ETF for ETC. These services shall not be considered when determining which executing broker shall be used to handle trades on behalf of the ETFs or Private Fund. ETC shall execute transactions for each Fund it manages directly in a manner designed to maximize the total value of or total proceeds from the transaction for the Fund.

The Firm is subject to a duty to seek best execution for securities transactions made on behalf of the Funds. The SEC has described this requirement generally as a duty to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC has also stated that when seeking best execution an adviser should consider the full range and quality of a broker dealer's services in placing trades. The SEC has added that best execution is not determined by the lowest possible commission costs, but by the best qualitative execution. Finally, the SEC has suggested that to ensure continuing compliance with the best execution duty, advisers should periodically and systematically evaluate the execution performance of broker dealers executing their transactions.

In selecting broker dealers for the purchase and sale of securities held in the Funds, the Firm shall consider a number of factors, including but not limited to, execution capability, operational facilities, commission rates (and other transactional charges), financial strength, ability to commit capital, stability and responsiveness. Best execution shall be evaluated on a periodic basis and should include qualitative as well as quantitative factors.

For Funds that are managed by a sub-adviser, selection of broker dealers for execution have been delegated to the sub-adviser for each Fund pursuant to a Sub-Advisory Agreement. The Sub-Advisory Agreement permits the sub-advisers to consider several factors in selecting brokers and dealers when executing portfolio trades. In selecting the brokers or dealers for any transaction in portfolio securities, each sub-adviser's policy is to make such selection based on factors deemed relevant, including but not limited to, the breadth of the market in the security, the price of the security, the reasonableness of the commission or mark-up or mark-down, if any, execution capability, settlement capability, back office efficiency and the financial condition of the broker or dealer, both for the specific transaction and on a continuing basis. The overall reasonableness of brokerage commissions paid is evaluated by the sub-

adviser based upon its knowledge of available information as to the general level of commissions paid by other institutional investors for comparable services. A report detailing commissions paid to each broker is provided to the Board on a quarterly basis. Brokers may also be selected because of their ability to handle special or difficult executions, such as may be involved in large block trades, portfolio transactions in connection with creation and redemption orders, less liquid securities, broad distributions, or other circumstances. The sub-advisers may not consider the provision or value of research, products or services a broker or dealer may provide, if any, as a factor in the selection of a broker or dealer or the determination of the reasonableness of commissions paid in connection with portfolio transactions.

### **Research and Other Soft Dollar Benefits**

ETC does not enter into soft dollar agreements to pay for research and does not otherwise allocate brokerage commissions to pay for research or other products or services. In connection with seeking best execution, ETC will send trades to brokers that provide brokerage services that directly relate to the execution of trades and satisfy the temporal standard under Section 28(e) of the Securities Exchange Act of 1934. These brokerage services include trading software used to route orders electronically to market centers and the provision of fixed connections used to electronically effect securities transactions. These brokerage services are provided at no cost to ETC. These brokerage services are used for trading for any client, regardless of the selection of broker. ETC will only continue to use such services if it is satisfied that access to the resources does not increase client costs directly or indirectly.

### **Brokerage for Client Referrals**

Exchange Traded Concepts does not have any arrangements with third parties to solicit clients on its behalf, nor does it compensate any parties or individuals for client referrals.

### **Directed Brokerage**

ETC may not take into account sales of shares of a Fund in selecting and compensating broker-dealers for trades involving the Fund(s) it manages (so called “directed brokerage”).

### **Aggregation of Client Orders**

From time to time the Firm shall elect to execute transactions for Client accounts on an aggregated basis. Portfolio managers have the discretion to aggregate trades when they believe that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such order been placed independently. The Firm will only aggregate Fund and/or Private Fund orders with other Fund and/or Private Fund orders if it is unlikely that aggregation will work to the disadvantage of any Fund or Private Fund whose order has been aggregated. The Firm will treat all Fund and Private Fund clients in a fair and equitable manner.

## **Item 13 – Review of Accounts**

The Adviser serves as investment adviser to each of the Funds and provides an investment program for each Fund, subject to review and approval by the ETF Boards. Day-to-day portfolio management of the



Fund(s) and Private Fund investment portfolios is performed by ETC or the applicable sub-adviser subject to oversight by the Adviser and ETF Boards. The Adviser and sub-advisers have each developed compliance policies and procedures applicable to their respective activities associated with each Fund or Private Fund. Each Fund and Private is monitored by the Adviser and sub-adviser, as applicable, on a pre- and post-trade basis in seeking to ensure that all investments are made in accordance with applicable registration, declarations, and/or other applicable securities laws. The Adviser reviews the activities of each sub-adviser on a daily and more thorough quarterly basis. The Adviser tests applicable policies and procedures that relate to the services provided on behalf of the Funds, as required by applicable law, the results of which are reported to the ETF Boards. The Adviser provides oversight of the services provided on behalf of the Funds by the custodian, transfer agent, securities lending agent, administrator, and accounting agent. For the ETFs, the Adviser provides regular quarterly reports to the ETF Boards and meets with the ETF Boards on a quarterly basis. The Adviser will meet with the ETF Boards and provide reports more frequently than quarterly if the Adviser or the ETF Boards believes it is appropriate to do so.

#### **Item 14 – Client Referrals and Other Compensation**

ETC neither compensates any third party for Client referrals nor does the firm receive compensation for any Client referral.

#### **Item 15 – Custody**

The Adviser and its employees do not take custody of client funds or securities and it does not serve as custodian for any clients. Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) provides that an investment adviser would be deemed to have custody of client funds and securities if the adviser has been granted authority by clients to withdraw advisory fees directly from client accounts. The Adviser does not currently accept authority to deduct its investment advisory fee from a client’s account and, accordingly, is not deemed to have custody of client funds and securities under the Custody Rule. Securities and funds in client accounts that are investment companies or Private Funds are maintained with a qualified custodian and held in the client’s name. Investment company and Private Fund clients receive statements from their custodian. Such clients should carefully review those statements. Assets of the Funds are held in custody by either BNY Mellon, Brown Brothers Harriman or US Bank. Private Fund assets are held at J.P. Morgan.

#### **Item 16 – Investment Discretion**

ETC has discretionary authority to manage securities accounts on behalf of Clients pursuant to a grant of authority in each Client’s governing and investment management documents. ETC has broad discretion to determine:

- Securities to be bought or sold for Clients’ accounts;
- Amount of securities to be bought or sold for Clients’ accounts;



- Broker or dealer to be used for a purchase or sale of securities for Clients' accounts; and,
- Commission rates to be paid to a broker or dealer for Clients' securities transactions.

ETC is not limited in this authority except to the extent the investment management agreement and/or client has established specific guidelines and/or prohibitions with respect to its investment account and specific securities.

Although ETC's portfolio management team primarily provides portfolio management services to Registered Investment Companies, they also act as a sub-adviser to one or more Private Funds. Services provided to Private Funds are outlined in the Tri-Party Sub-Advisory Agreement (the "Agreement") in place between the General Partner of the Fund, the Fund and ETC. Although the Agreement gives ETC discretion, ETC shall only use its discretion under a very limited set of circumstances.

Anticipated reasons for a deviation from the target trade shall include, but not be limited to the following:

- Liquidity concerns about a particular holding or holdings
- Corporate Actions
- Identification of an error in the trade file
- Rare and unusual circumstances where a deviation is deemed by ETC to be in the best interest of the Private Fund

In scenarios where the portfolio management team anticipates using their discretion to deviate from the trade target, they shall attempt to contact and discuss with the Private Fund Client before doing so.

#### Item 17 – Voting Client Securities

ETC recognizes that proxies for companies whose securities are held in client portfolios have an economic value, and it seeks to maximize that economic value by ensuring that votes are cast in a manner that it believes to be in the best interest of the affected clients. Proxies are considered client assets and are to be managed with the same care, skill and diligence as all other client assets.

Proxy voting will be conducted by either ETC or the sub-advisers for all ETC Funds including those subadvised by ETC. ETC shall also be responsible for proxy voting for any Private Funds which ETC acts as a sub-adviser to, as described in the relevant Trading Agreement. To the extent that ETC is responsible for proxy voting, ETC has engaged Institutional Shareholder Services ("ISS"), to provide research on proxy matters and voting recommendations, and to cast votes on behalf of ETC. ISS executes and maintains appropriate records related to the proxy voting process, and ETC has access to those records. ETC maintains records of differences, if any, between this Policy and the actual votes cast. ETC has reviewed ISS's voting guidelines and has determined that those guidelines provide guidance in the best interest of ETC's clients.

There may be times when ETC believes that the best interests of the client will be better served if ETC votes a proxy counter to ISS's guidelines pertaining to the matter to be voted upon. In those cases, ETC will generally review the research provided by ISS on the particular issue, and it may also conduct its

own research or solicit additional research from another third party on the issue. After considering this information and, as necessary, discussing the issue with other relevant parties, ETC will determine how to vote on the issue in a manner which ETC believes is consistent with this Policy and in the best interests of the client.

#### *Conflict of Interest Identification and Resolution*

Although ETC does not believe that conflicts of interest will generally arise in connection with its proxy voting policies, ETC seeks to minimize the potential for conflict by utilizing the services of ISS to provide voting recommendations that are consistent with relevant regulatory requirements. Occasions may arise during the analysis and voting process in which the best financial interests of clients might conflict with the interests of ISS. ISS has developed a “separation wall” as security between its proxy recommendation service and the other services it and its affiliated companies provide to clients who may also be a portfolio company for which proxies are solicited.

In resolving a conflict, ETC may decide to take one of the following courses of action: (1) determine that the conflict or potential conflict is not material, (2) request that disclosure be made to clients for whom proxies will be voted to disclose the conflict of interest and the recommended proxy vote and to obtain consent from such clients, (3) ETC may vote the proxy or engage an independent third-party or fiduciary to determine how the proxies should be voted, (4) abstain from voting or (5) take another course of action that adequately addresses the potential for conflict. Supervised Persons are required to report to the CCO any attempted or actual improper influence regarding proxy voting.

Upon request, ETC will provide clients a copy of the complete Policy. ETC will also provide to clients, upon request, information on how their securities were voted.

#### **Item 18 – Financial Information**

The Adviser is not required to provide financial information to clients because ETC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, does not take custody of client funds or securities, and does not have a financial condition that is reasonably likely to impair the Firm’s ability to meet its commitments to Clients. ETC has not been the subject of a bankruptcy proceeding.

#### **Item 19 – Requirements for State Registered Advisers**

Not applicable