

Liquidity and Exchange Traded Products

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Investors often incorrectly assume that the ease with which one can trade into and out of an ETP is based upon the traditional metrics of average daily trading volume and the total number of shares outstanding. However, various Exchange Traded Products (“ETPs”), even those that do not appear to have a significant number of shares traded on a daily basis, can, for reasons other than trade volume, be liquid and efficiently priced. ETPs that trade like a stock have a unique pricing mechanism. Unlike a traditional equity security where minute to minute supply and demand for a finite number of available shares determines liquidity and execution price, ETPs are based on the dual concepts of Net Asset Value (“NAV”) and “continuous share offering.”

An ETP does not have the same market forces at work as traditional equity securities. This is because the value and liquidity of ETP shares is not based on the supply and demand of its own shares, but is based upon the value and liquidity of the underlying portfolio basket of assets held by the ETP. The NAV is an independently calculated value of an ETP’s shares based upon the value of its underlying core holdings, or “basket.” This per share value changes and is continuously updated while the underlying market is open and is generally referred to as the Intraday Indicative Value (“IIV”). The IIV calculation “levels the playing field” between investors and professionals, because it provides the same per share pricing information to all investors in 15 second intervals. In this way, retail investors share price discovery with professional arbitrageurs and mechanized traders, potentially allowing them to make investment decisions based on the same pricing information.

The other fundamental benefit inherent in the design of ETPs is the process of “creations” and “redemptions”. Simply stated, the issuers (Sponsors) of ETPs are allowed to continuously offer new shares as demand requires (subject to certain limits defined in the prospectus). Through the continuous share offering process, market makers can sell as many ETP shares to investors as required without causing significant changes in share price. ETP shares are primarily priced in the marketplace based upon the liquidity and current or estimated price of the underlying assets of the ETP. Any additional volume of shares for an ETP demanded by investors can be met through the continuous offering process. The continuous offering process allows the ETP Sponsor to issue new shares to arbitrageurs through what is called a “creation.” Conversely, when investors wish to sell ETP shares, the price the investor receives is again primarily based upon the price and liquidity of the underlying holdings of the ETP. High volume sales of shares can be absorbed through the continuous offering process, which then works in reverse when an arbitrageur “redeems” shares with the issuer, thereby removing those shares from the marketplace. Stated another way, when buying demand for ETP shares is high, it is the number of shares, not the price, that can be adjusted through the continuous offering process to satisfy demand, and vice versa when selling demand is high. The create and redeem mechanism inherent in the continuous offering process allows investors to generally execute large blocks of shares around the NAV, regardless of daily average trading volume of an ETP itself. Here the concept of the notional trading value of the underlying basket comes into play. For instance, the notional value of soybean futures traded on the

Chicago Board of Trade (CBOT) each day on average in 2010 was \$7.8 billion. Because the underlying asset of an ETP containing soybeans has such large notional value, an investor could execute a trade of almost any particular size without affecting price. The primary element investors should consider when evaluating the suitability of an ETP in terms of liquidity is not the average daily volume of the ETP itself, instead it is the price and liquidity of the ETP's underlying holdings. An ETP's average daily trading volume is far less important than the liquidity of an ETP's underlying markets. The number of shares outstanding on any given day in an ETP is not nearly as relevant as the total number of shares authorized for issuance in the ETP. (This can be found in a prospectus and/or on the website of an ETP issuer.)

Not All ETPs are Designed the Same

However, not all ETPs are as liquid as others. For instance, some ETPs might hold thinly traded securities or commodity futures contracts. Some ETPs may trade during hours when their underlying holdings cannot be directly hedged by market makers. This could be the case with ETPs holding securities or futures traded on foreign exchanges in different time zones, or ETPs backed by thinly traded over-the-counter instruments with limited visibility. Whenever possible, investors should trade ETPs during the same hours as the related underlying markets that correspond with the holdings of the ETP. Market makers and arbitrageurs able to efficiently hedge their purchases and sales of ETP shares to investors will offer more efficient pricing than those that cannot hedge efficiently. Prudent investors should know both what their ETP holds in its underlying basket as well as when the markets for those holdings are open. This will increase the chances for maximum price and liquidity efficiency in an ETP.

Another key factor to consider when evaluating an ETP as an investment is that of active versus passive managed ETPs. Passively managed ETPs track a static benchmark; this is potentially more transparent and understood by investors. In addition, market makers may hedge more efficiently making pricing and liquidity more optimal than an actively managed ETP. This is because with actively managed ETPs the fund manager can modify the underlying basket and/or might invest in a thinly traded security or futures contract. Such funds are not as easily understood or hedged by market makers, and potentially can negatively affect liquidity and pricing to the investor.

The factors discussed above can impact the liquidity of ETPs, and an investor or advisor should consider these, in addition to many others before making any investment decision or recommendation.

Types of execution orders

In addition to the above factors, investors should be aware that ETP pricing and liquidity is based upon the ability of market makers and arbitrageurs to hedge their ETP share purchases and sales to the investor. "Market" orders should be avoided. Investors should place buy and sell orders with defined price limits. This is because most hedging/arbitrage activities are executed electronically through a two-step "buy ETP shares/sell underlying holdings to hedge" or "sell ETP shares/buy underlying holdings to hedge" process. This two-step electronic process can actually be interrupted by an investor's "market" order to buy or sell ETP shares because a "market" order is actually a one-step electronic process. This electronic mismatch can potentially cause price dislocations that are detrimental to the investor and should be avoided whenever possible by entering buy and sell orders with "limit" prices.

Teucrium Family of Funds

Teucrium has designed its commodities-based exchange traded products to hold liquid months in liquid commodities. For example, the notional value of corn traded via electronic trading or in the pit at the Chicago Board of Trade is around four billion dollars a day on average; this allows market makers an ample opportunity to hedge their exposure if they desire. Even on locked-limit days in the futures markets, when the price movement of the exchange traded futures contracts is restricted because it has moved to its maximum daily price movement, the Teucrium funds will continue to trade on the New York Stock Exchange.

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The Teucrium Funds have a limited operating history, meaning there is little performance history that might serve as a basis to evaluate an investment in the Trust. Investing in a Fund subjects an investor to the risks of the applicable commodity market, which investment could result in substantial fluctuations in the price of Fund shares. Unlike mutual funds, the Funds generally will not distribute dividends to shareholders. The Sponsor has limited experience operating commodity pools; a commodity pool is defined as an enterprise in which several individuals contribute funds in order to trade futures or futures options collectively. Investors may choose to use a Fund as a vehicle to hedge against the risk of loss and there are risks involved in hedging activities. **Commodities and futures generally are volatile and are not suitable for all investors. The Funds are not mutual funds or any other type of investment company within the meaning of the Investment Company Act of 1940, as amended, and are not subject to regulation thereunder.** For a complete description of the risks associated with the Funds, please refer to the applicable prospectus.

Shares of the Funds are not FDIC insured, may lose value and have no bank guarantee.

Foreside Fund Services, LLC is the distributor for the Teucrium Funds.

The Teucrium Funds have a patent pending on the methodology employed by the Funds.

A copy of the prospectus for each Fund may be accessed at the links below:

SOYB: <http://www.teucriumsoybfund.com/pdfs/schwab/soyb-prospectus.pdf>

CANE: <http://www.teucriumcanefund.com/pdfs/schwab/cane-prospectus.pdf>

WEAT: <http://www.teucriumweatfund.com/pdfs/schwab/weat-prospectus.pdf>

CORN: <http://www.teucriumcornfund.com/pdfs/schwab/corn-prospectus.pdf>

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