



Making Your Investment Capital Work Smarter: Commodities

15 ASX Listed ETCs giving Australian investors direct access to 22 commodities in the agriculture, energy, industrial metals, livestock and precious metals sectors

April 2013

ETF Securities – committed to commodities

ETF Securities is one of the world's leading providers of exchange-traded investment products and a pioneer in Exchange Traded Commodities.

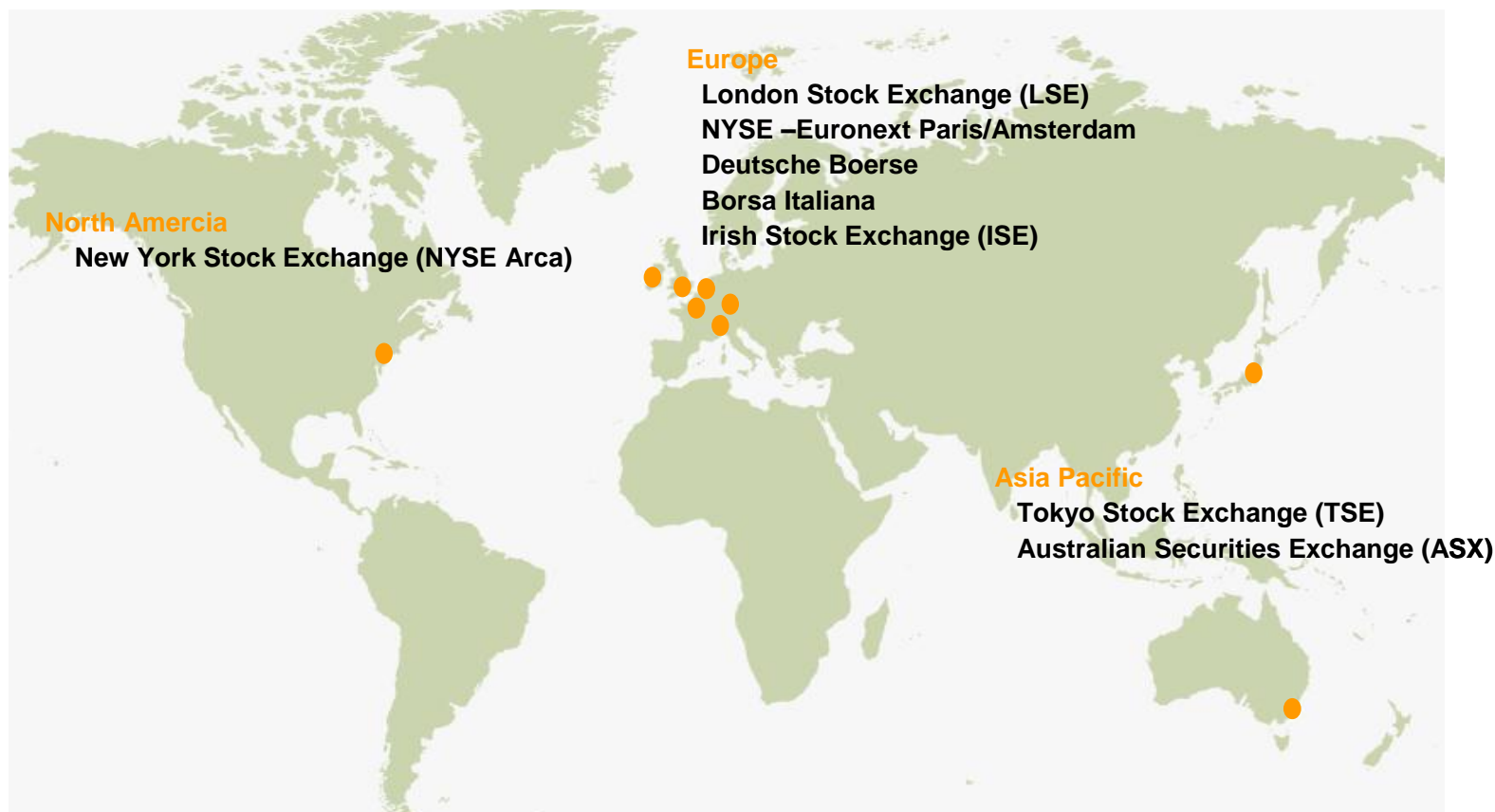
We strive to exceed the expectations of commodity investors worldwide by aiming to deliver best of breed product, insightful research and outstanding service.

Introducing ETF Securities

ETF Securities

Largest and most comprehensive provider of commodity ETPs

- ETF Securities assets under management globally: US\$28 billion*
- Exchange traded products issued and listed around the world by ETF Securities: 330*
- Estimated average daily traded volume of ETF Securities products worldwide: US\$281 million*



- Approximate number of ounces of gold bullion allocated to investors in our physically backed gold ETPs globally: **11 million***

(more than the amount held in reserve by the Bank of England)

* – as at April 2013

Introducing Exchange Traded Commodities

ETFs Physically Backed & Collateralised ETCs

Unlocking the world's commodity markets for Australian investors

- ETCs are similar to ETFs - ETCs provide exposure to commodities, ETFs generally provide exposure to equities or fixed interest
- ETCs issued by ETF Securities in Australia are not leveraged

1st World's first ETC listed on the ASX in 2003, now US\$175bn global industry

C **Cost Effective**, management fee ranges from 0.40% to 0.49% per annum

L **Liquid**, trade throughout the day, liquidity based on underlying commodity

A **Accurately** tracks the spot price, or commodity futures index

S **Simple**, trade on exchange using ordinary brokerage accounts

S **Secure**, backed by bullion or fully collateralised

ETFs Physically Backed & Collateralised ETCs

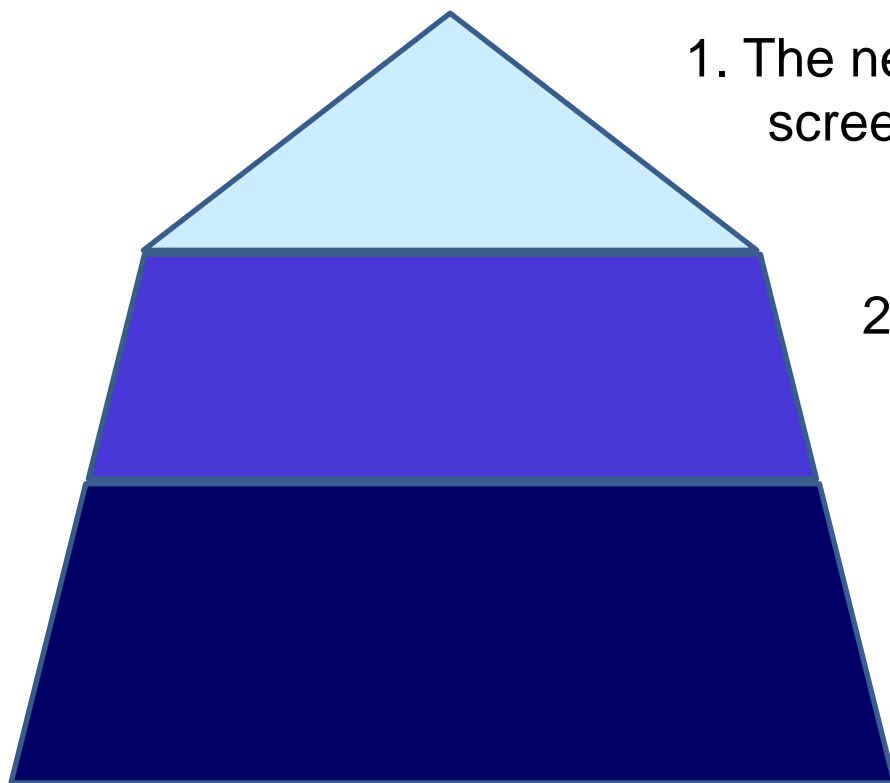
Counterparty risk explained

Product Type & Economic Exposure	Counterparty risk	Counterparty Risk Management
<p>ETFs Physically Backed ETCs</p> <p><u>Exposure:</u> Precious metals</p>	<ul style="list-style-type: none"> ▪ None ▪ 100% backed by allocated bullion – no cash or other instruments ▪ As Bullion is allocated to holders, it cannot be lent or pledged ▪ Bullion held by an independent custodian (HSBC) ▪ ETCs can be redeemed for physical metal ▪ Bullion meets LBMA & LPPM standards of purity & weight 	<p><u>Not applicable</u></p> <p>ETFs Physically Backed ETCs are not exposed to the bankruptcy risk of a counterpart</p>
<p>ETFs Collateralised ETCs</p> <p><u>Exposures:</u> Agriculture Energy Industrial metals Livestock</p>	<ul style="list-style-type: none"> ▪ It is not practical to hold these commodities in physical form so these ETCs are priced off of futures ▪ Futures are used as they are liquid, standardised & have transparent pricing ▪ ETCs get exposure to futures by holding collateralised swaps with UBS and Bank of America Merrill Lynch ▪ ASIC designation “Collateralised Structured Product” – listed under the structured product section of the listing rules & exposure to swap providers is fully collateralised 	<ul style="list-style-type: none"> ▪ Multiple swap counterparties helps spread the risk and provide continuity of product ▪ Credit exposure to each swap provider 100% collateralised on a daily basis ▪ Collateral held by an independent custodian (Bank of New York Mellon), swaps and collateral are marked to market daily to ensure the ETCs are fully collateralised

ETC Liquidity

The Pyramid of Liquidity

On screen volume is not an indicator of an ETCs liquidity



1. The newly listed ETCs currently have low on-screen volume on the ASX

2. The swap providers have committed to provide daily liquidity of US\$500m per day

3. The underlying commodity futures have an average volume traded in excess of US\$124bn per day*

ETF Securities' ETCs largest single trades

- ETFS Physically Backed ETCs - ETFS Physical Gold on the ASX, US\$559m¹
- ETFS Collateralised ETCs – ETFS All Commodities, US\$185m²

* as at 23 April 2013

1 – trade date 14 October 2009

2 – trade date 2 March 2007

Take Your Equity Hat Off

Go / No Go decision should be based on underlying liquidity **NOT** historical trading volume

ETFS Wheat

Ticker:- WEAT LN

Average Daily Volume: \$0.41m

CBOT Future

Ticker:- W A Comdty

Average Daily Volume: \$2,328m

<HELP> for explanation, <MENU> for similar functions.

CLOSE/PRICE Page 1/6 Historical Price Table

ETFS WHEAT (WEAT LN) PRICE 1.712 L \$

Range 02/27/2012 - 02/22/2013

Volume Volume High 2.289 on 7/23/12

Period Daily Avg 1.89937 Vol 407002

Currency USD Market Trade Low 1.518 on 5/14/12

DATE	PRICE	VOLUME	DATE	PRICE	VOLUME	DATE	PRICE	VOLUME
F 2/22	1.712	65077	F 2/1	1.865	35306	F 1/11	1.7645	44436
T 2/21	1.7005	37962	T 1/31	1.8385	1303	T 1/10	1.779	108474
W 2/20	1.728	83759	W 1/30	1.8535	28452	W 1/9	1.7715	126400
T 2/19	1.7255	171195	T 1/29	1.8565	45445	T 1/8	1.7935	61313
M 2/18	1.761	12641	M 1/28	1.8345	78729	M 1/7	1.7865	1056759
F 2/15	1.75	184194	F 1/25	1.8435	52952	F 1/4	1.782	178810
T 2/14	1.7275	1016864	T 1/24	1.819	111585	T 1/3	1.792	165929
W 2/13	1.739	43680	W 1/23	1.8545	1171329	W 1/2	1.8305	82535
T 2/12	1.7345	1619855	T 1/22	1.847	249473	T 1/1		
M 2/11	1.78	136543	M 1/21	1.8955	152561	M 12/31	1.827	20219
F 2/8	1.8105	18466	F 1/18	1.849	58252	F 12/28	1.8415	3946
T 2/7	1.7885	610528	T 1/17	1.8615	352931	T 12/27	1.8215	21868
W 2/6	1.781	7720	W 1/16	1.8455	180852	W 12/26		
T 2/5	1.7865	20217	T 1/15	1.856	111624	T 12/25		
M 2/4	1.8165	23559	M 1/14	1.825	922395	M 12/24	1.8805	27242

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2013 Bloomberg Finance L.P.
SN 120456 GMT GMT+0:00 H441-4978-2 25-Feb-2013 08:03:27

Average Daily Volume USD		Front Month Futures*	
Future	Exchange	ADV Month	Max DV Month
Wheat	CBOT	2,211.2	3,699.5

Explanation

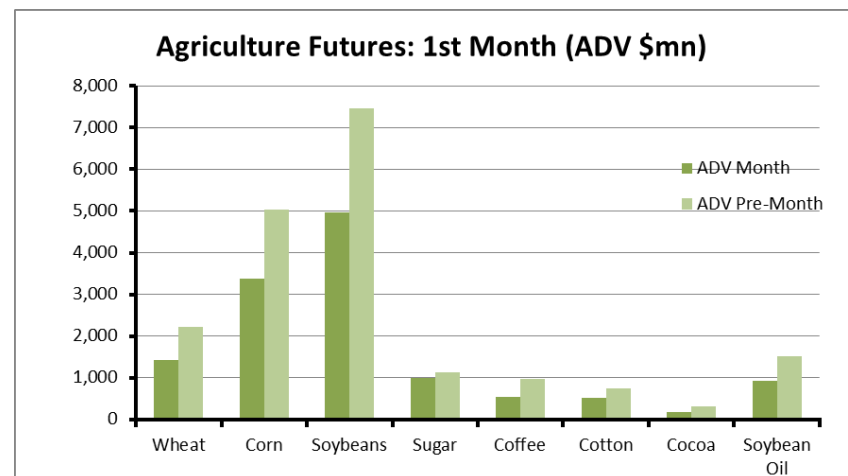
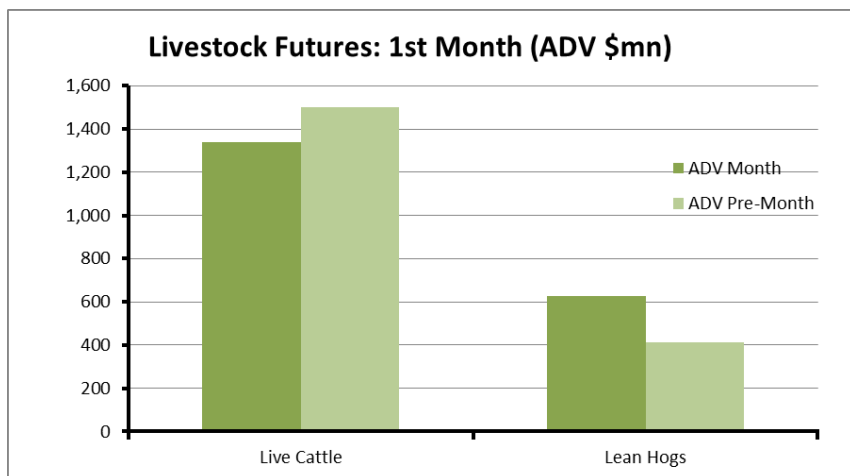
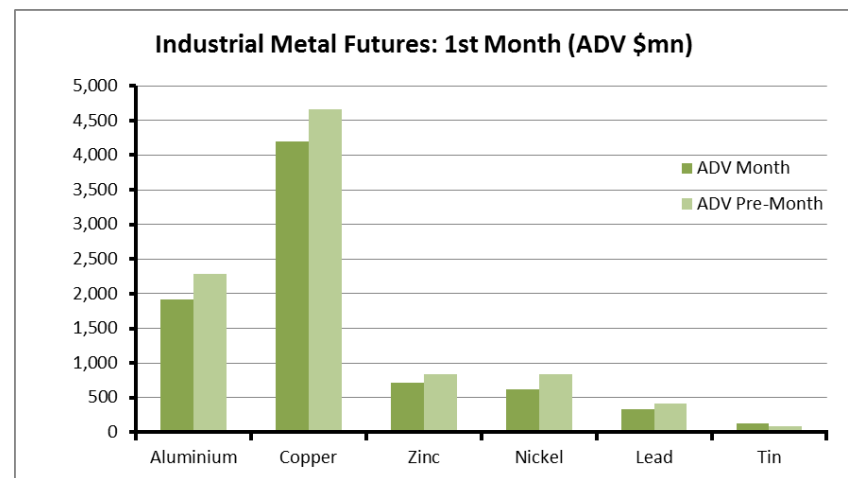
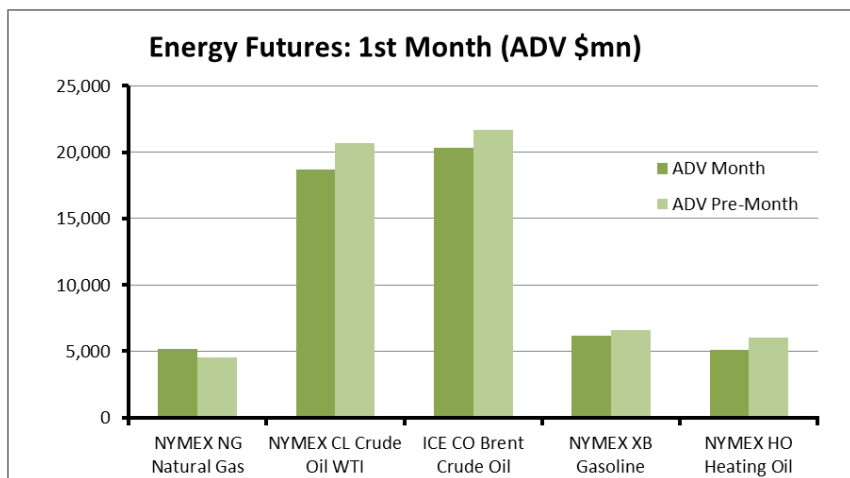
- ETFS Wheat has limited on-screen volume on the ASX as newly listed
- ETFS Wheat on the LSE trades US\$0.4m per day on average
- However, the relevant measure of how much trading can be done is the underlying contract
- CBOT Wheat Future trades over US\$2.3bn per day on average
- Taking a conservative estimate of 10% of the average underlying's trading, this means that US\$230m per day can be traded in ETFS Wheat on the ASX without any significant price impact on the underlying future

Source:- Bloomberg March 2013

ETC liquidity

Underlying markets provide deep liquidity

- The Average Daily Volume of the commodity futures underlying the Collateralised ETCs is over \$124bn*



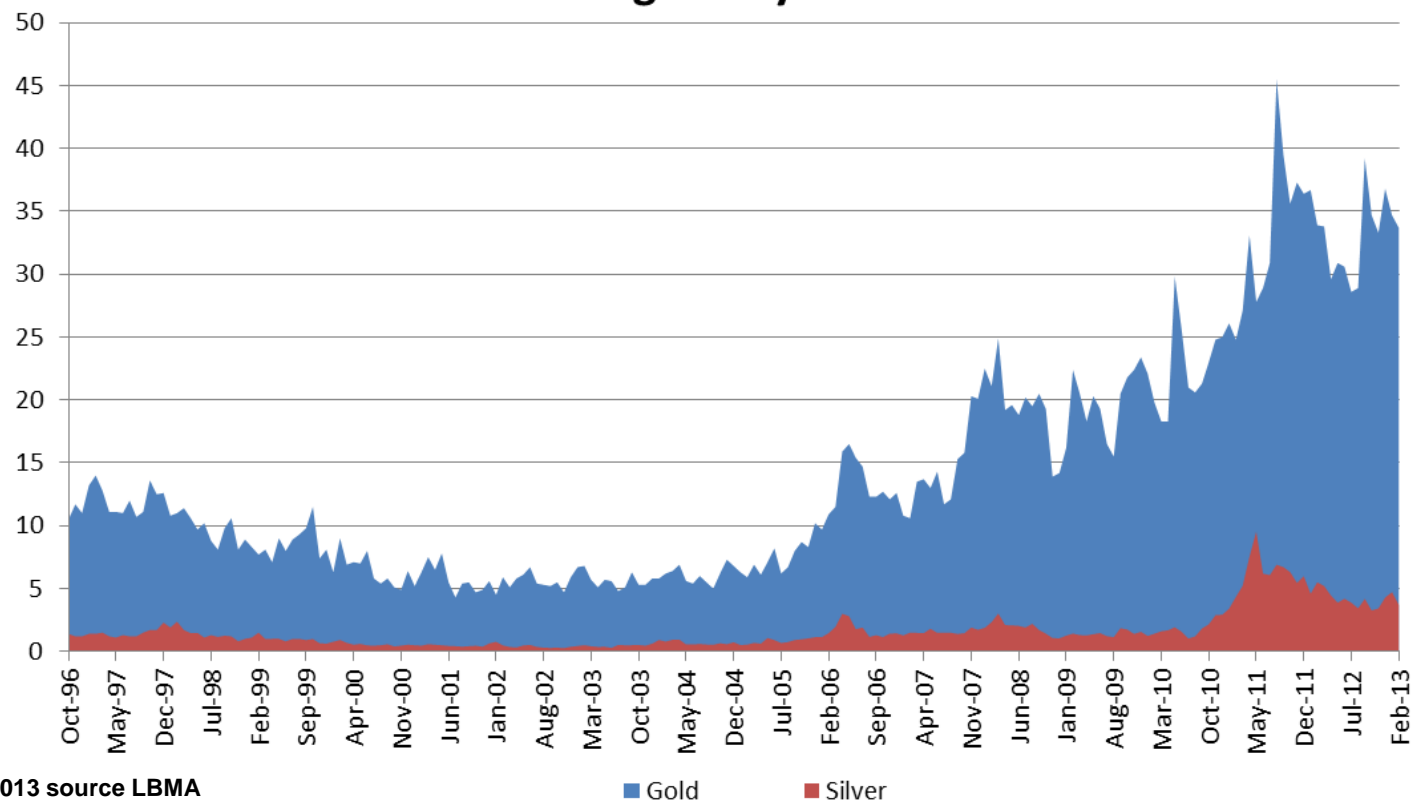
*As at March 2013 source Bloomberg

ETC liquidity

Underlying markets provide deep liquidity

- The Average Daily Volume of physical gold traded on the LBMA is over **US\$34bn**, the ADV of physical silver is over **US\$4bn***

**London Bullion Market Clearing Turnover
Gold and Silver Average Daily Value Traded in USD**



*As at February 2013 source LBMA

■ Gold ■ Silver

The ASX Listed Commodity Platform

Commodity Platform, Giving Investors Portfolio Building Blocks

6 baskets & 9 individual ETCs, offering direct exposure to 22 commodities

Classes of Commodity	ETFS Commodity Securities Australia Limited ("CSAL") Collateralised Commodity ETCs				ETFS Metal Securities Australia Limited ("MSAL") Physically Backed Precious Metals ETCs			
	Security Name ASX Code	ETFS All Commodities ETPCMD	ETFS Energy ETPNRG	ETFS Natural Gas ETPGAS				
Natural Gas	11%	33%		100%		ETFS Brent Crude Oil		
WTI Crude Oil	10%	30%				ETPOIL		
Brent Crude Oil	5%	16%				100%		
Unleaded Gas (RBOB)	3%	10%	ETFS Industrial Metals	ETFS Copper				
Heating Oil	3%	11%	ETPIND	ETPCOP				
Copper	7%		38%	100%				
Aluminium	6%		32%					
Zinc	3%		17%					
Nickel	3%		14%					
Live Cattle	4%	ETFS Agriculture	ETFS Grains	ETFS Wheat				
Lean Hogs	2%	ETPAGR	ETPGRN	ETPWHT		ETFS Corn		
Wheat	5%	16%	27%	100%		ETPCRN		
Corn	7%	22%	36%			100%		
Soybeans	7%	23%	38%					
Sugar	4%	12%						
Cotton	2%	7%						
Coffee	3%	8%						
Soybean Oil	3%	11%						
Gold	10%				ETFS Physical PM Basket	ETFS Physical Gold		
Silver	3%				ETPMPM	GOLD	ETFS Physical Silver	
Platinum					50%	100%	ETPMAG	ETFS Physical Platinum
Palladium					29%	ETFS Physical Palladium	100%	ETPMPT
					12%	ETPMPD		100%
					10%	100%		

The Dow Jones - UBS Commodity IndexSM. Target Weights effective from February 2012

The weightings for ETFS Physical PM Basket are correct as at February 2012

Because of rounding sums may not equal 100%

ETFs Physically Backed ETCs – Product List

- GOLD is the second largest ETP on the ASX by AUM and volume traded

ETC Name	ASX Code	Launch Date	Annual Fee	AUM US\$*
INDIVIDUAL PRECIOUS METALS				
ETFS Physical Gold	GOLD	Mar 2003	0.40%	591m
ETFS Physical Palladium	ETPMPD	Jan 2009	0.49%	2m
ETFS Physical Platinum	ETPMPT	Jan 2009	0.49%	7m
ETFS Physical Silver	ETPMAG	Jan 2009	0.49%	62m
PRECIOUS METAL BASKETS				
ETFS Precious Metals Basket	ETPMPPM	Jan 2009	0.44%	6m
TOTAL				668m

*as at April 2013

ETFs Collateralised ETCs – Product List

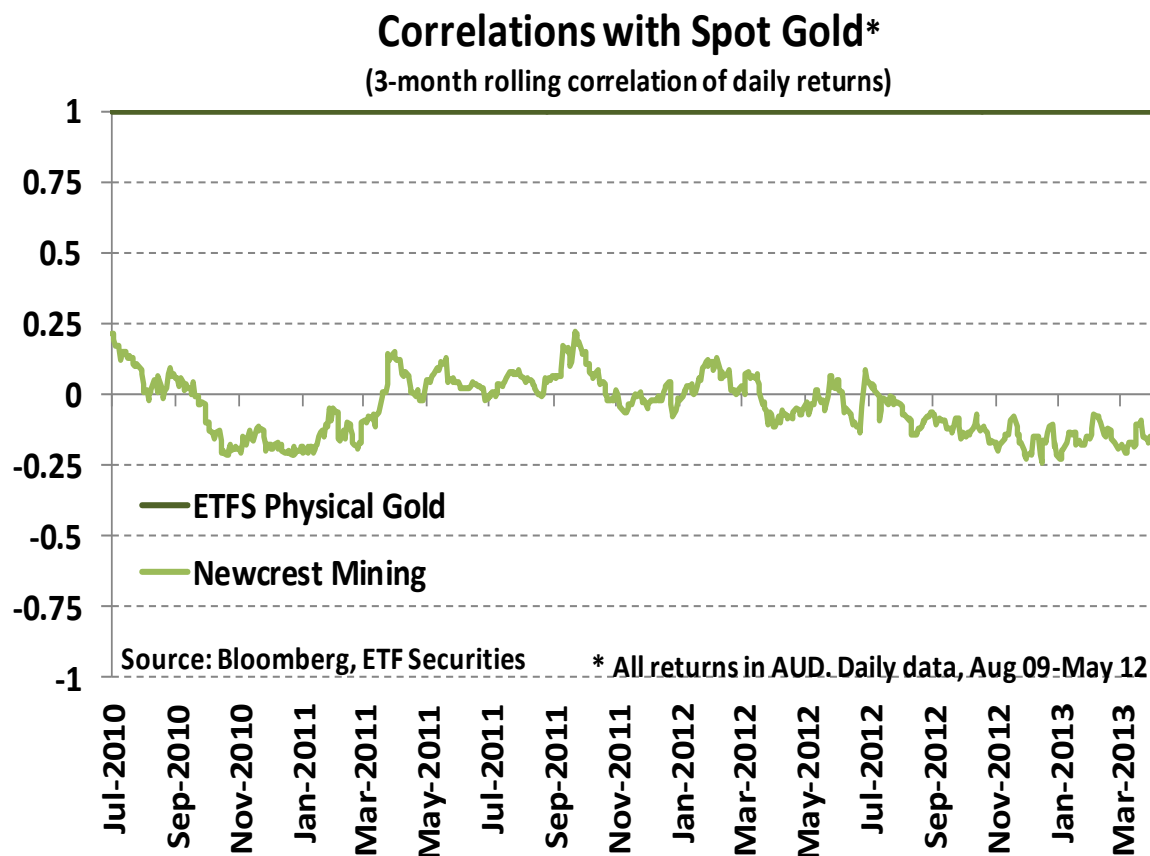
ETC Name	ASX Code	Launch Date	Annual Fee
AGRICULTURE			
ETFS Corn (CSP)	ETPCRN	June 2012	0.49%
ETFS Wheat (CSP)	ETPWHT	June 2012	0.49%
ETFS Agriculture (CSP)	ETPAGR	June 2012	0.49%
ETFS Grains (CSP)	ETPGRN	June 2012	0.49%
DIVERSIFIED BROAD			
ETFS All Commodities (CSP)	ETPCMD	June 2012	0.49%
ENERGY			
ETFS Brent Crude Oil (CSP)	ETPOIL	June 2012	0.49%
ETFS Natural Gas (CSP)	ETPGAS	June 2012	0.49%
ETFS Energy (CSP)	ETPNRG	June 2012	0.49%
INDUSTRIAL METALS			
ETFS Copper (CSP)	ETPCOP	June 2012	0.49%
ETFS Industrial Metals (CSP)	ETPIND	June 2012	0.49%

Direct Commodity Investment via ETCs versus Resource Stocks

Commodity Correlation

ETCs vs. commodity companies

- ETCs offer direct exposure to commodity prices, commodity companies offer indirect exposure
- As commodity companies carry company & operational risk, they tend to be more closely correlated to equities than the commodity they are producing



Gold Miners vs. Gold

The impact of company and operational risk

- What this table shows, is how many ounces of gold you could now purchase (including reinvesting all of the dividends) if you had liquidated 100 ounces of gold 5 years ago, invested the proceeds into mining shares and then sold the mining shares today. This is compared to how many ounces would remain in the physically backed gold ETC after the management fee has been deducted
- Looking at the performance of the mining companies over the last 5 years, on average you would now only be able to purchase 51 ounces of gold. This is a decrease of 49 ounces from the initial investment, compared to just 2 ounces of management fee accrual in the physically backed gold ETC over the same period

Company	Current Mkt Cap \$bn	Initial Investment (oz. of gold)	Past 5 Yrs (Oct 2007 - Oct 2012)		
			Dividends	Capital Return (oz. of gold)	End Investment
Barrick	39	100	4	41	45
Goldcorp	35	100	2	59	61
Newmont	27	100	5	56	61
Newcrest	22	100	3	47	50
Anglogold	13	100	2	34	37
Total*	136	100	4	47	51
Gold ETCs**	151	100	-	98	98
Gold vs Gold Miners Outperformance					94%

- This shows that over the 5 year period, the company and operational risk associated with the mining companies, may have contributed to the difference in returns of 94% versus a direct gold holding through the ETC

*Weighted average for returns, based on beginning period market cap

**For gold ETCs Mkt Cap refers to AUM

Commodity Trade Ideas

Trade Idea: Diversified Commodities

Why invest in broad commodities:

- A diversified trade that offers exposure to 20 different commodities across the precious metals, industrial metals, agriculture and energy sectors

Rationale for investment:

- Long-term trends of expanding global population, changing demographics and lifestyles will likely drive continued growth in commodity demand across a range of sectors
- Growing per capita incomes in emerging markets, such as China and India, increase demand for grains as people adopt a more western style, protein rich, diet which is more agriculturally intensive
- Industrialisation of emerging market economies is likely to also support energy and industrial metal demand, the raw materials that are required for construction and that will service the needs of growing urban populations

Possible Implementation:

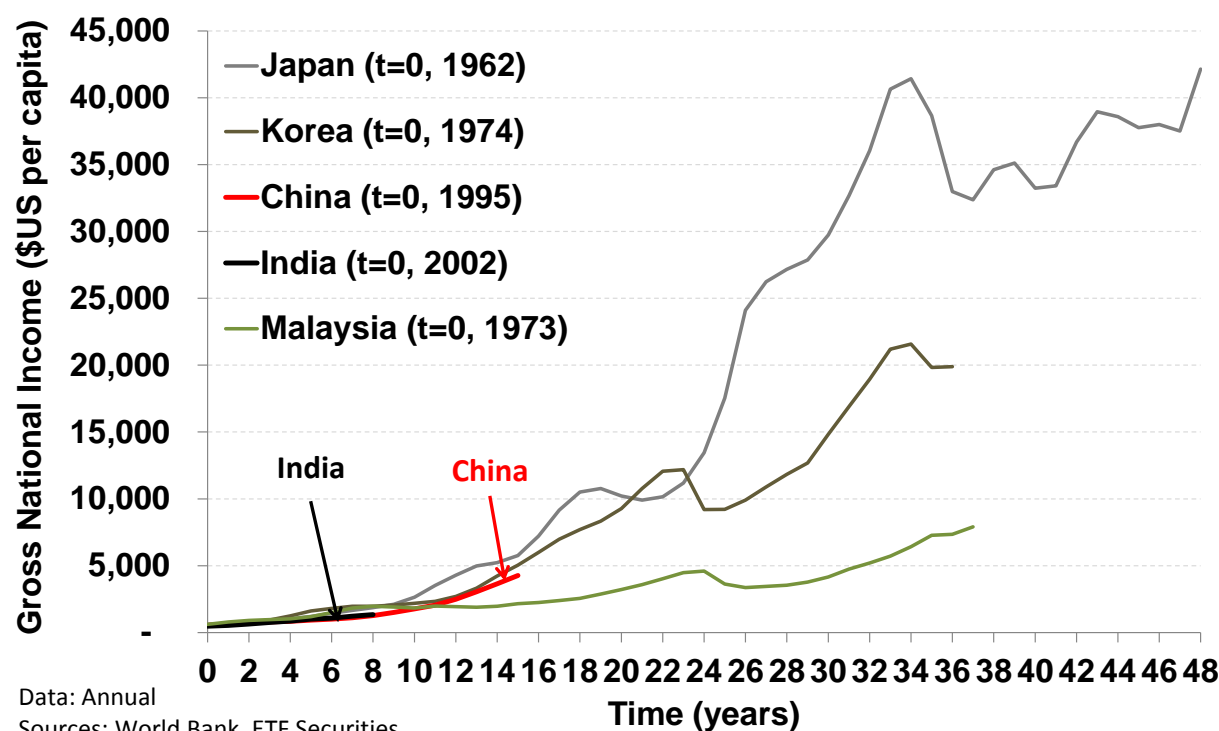
- ETFS All Commodities (ASX Code: ETPCMD) offers exposure to Energy (30%), Agriculture (30%), Industrial Metals (17%), Precious Metals (15%) and livestock (5%) in a single diversified trade
- ETPCMD is fully collateralised & has a management fee of 0.49%

Emerging market growth and demand: much more ahead

Growing role of emerging markets as global growth engine

- Although relatively strong over recent years, China and India's industrial development is only in its early stages, China's income growth per capita since 1995, and India's since 2002, has actually been slower than Japan and Korea experienced at similar stages of their development
- With per capita growth still relatively modest by historical peer comparisons, this suggests substantial further potential industrialization-linked demand for a wide range of commodities in the coming years.

Asian Development Rates



Trade Idea: Industrial Metals

Why invest in Industrial metals

- Signs of persistent economic recovery from the US, alongside strong growth in emerging Asia, should be supportive of rising industrial metal demand
- The world's two largest economies, the US and China, account for 50% of global copper demand. The rest of Asia contributes another 22% of global demand. China alone accounts for around 40% of global demand across all industrial metals markets.

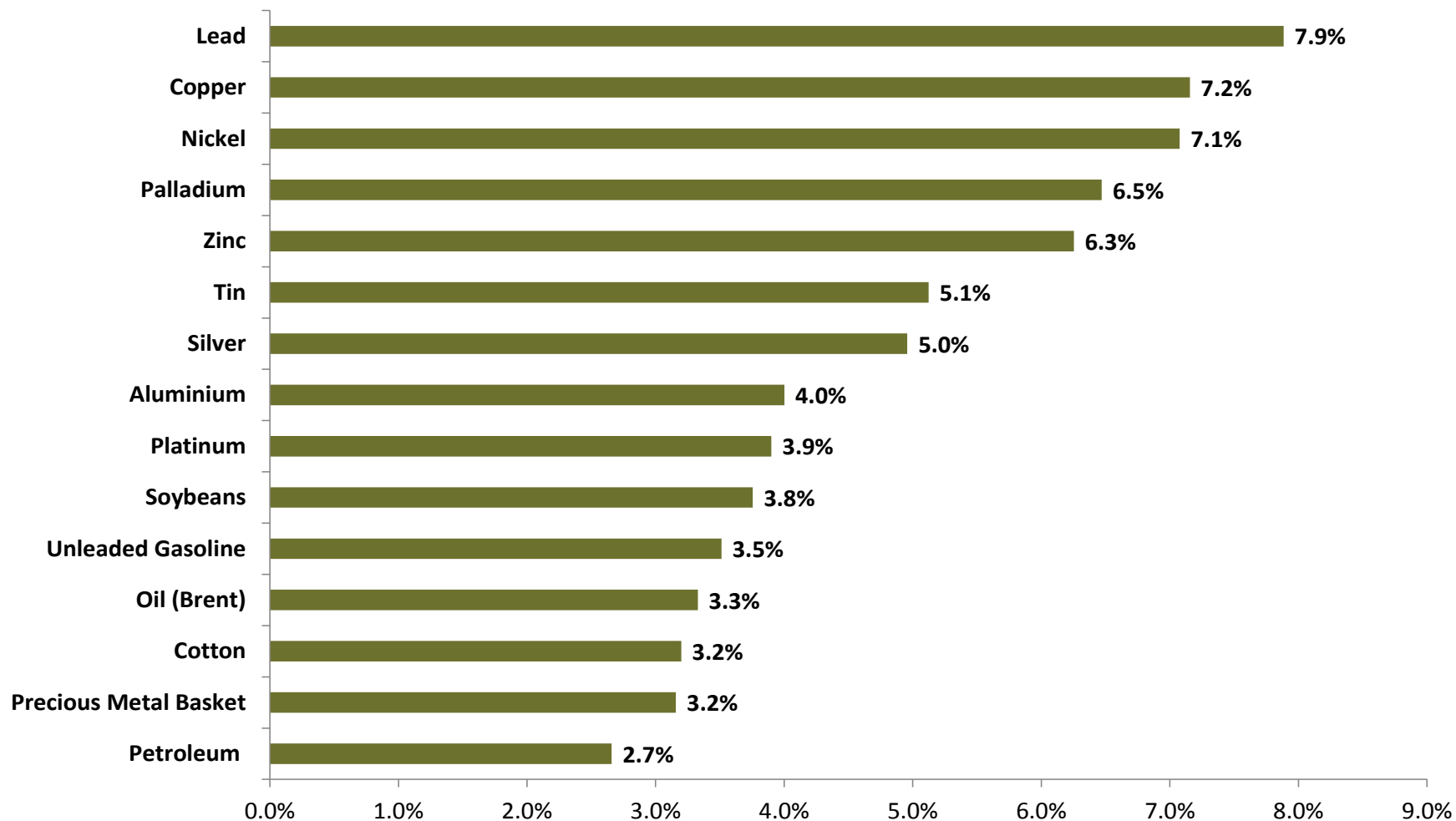
Rationale for investment:

- Industrial metals prices are strongly linked to the business cycle. Eurozone concerns have depressed metals prices, but if these issues can be resolved then there is upside potential.
- Copper is used in a broad range of industrial applications compared to other metals, from construction and electronics, to transport.

Possible Implementation:

- ETFS Industrial Metals (ASX Code: ETPIND) gives exposure to Copper (38%) Aluminium (32%) Zinc (17%) and Nickel (14%) in a single diversified trade
- ETFS Copper (ASX Code ETPCOP) offers direct exposure to Copper (100%)
- Both ETPCOP and ETPIND are fully collateralised & have a management fee of 0.49%

Top performing commodities when growth is rising



Source: Bloomberg, ETF Securities

Source: Bloomberg, ETF Securities

Average monthly performance during the best 20% months of growth performance over the past 10 years (from December 2002 to December 2012). Growth is calculated as the simple average of US ISM and EU PMI growth on a 3 month moving average basis.

Trade Idea: Agriculture

Why invest in agriculture

- A diversified trade that offers exposure to demand for crops, which may increase as result of rising population and income levels, and any further disruptions to supply

Rationale for investment:

- There is high demand for crops to feed the world's expanding population directly, and via animal feedstock
- A large contributor to crop demand comes from the bio fuel sector, accounting for 1/3 of the US corn crop which is used to make ethanol
- Growing per capita income in emerging markets such as China and India increases demand for grains as more western style protein heavy diets are more agriculturally intensive
- The beginning of the 2013 season sees US crops poised in a similar position to 2012. Against a backdrop of thin inventory levels, any disruptions to the global crop production in the coming season will likely be highly supportive of crop prices.

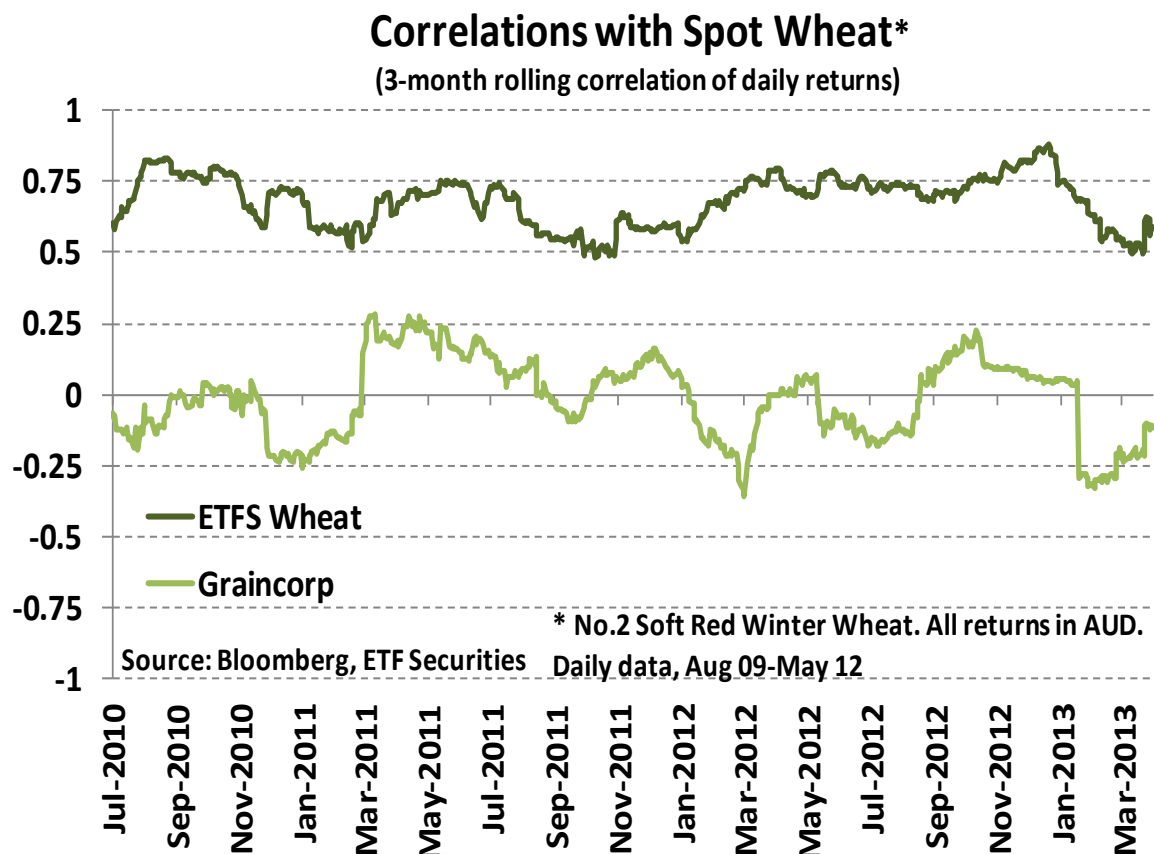
Possible Implementation:

- ETFS Agriculture (ASX Code: ETPAGR) offers exposure to soybeans (23%) corn (22%) wheat (16%) sugar (12%) soybean oil (11%) coffee (8%) and cotton (7%) in a single trade
- ETPAGR is fully collateralised & has a management fee of 0.49%

Commodity Correlation

ETCs vs. commodity companies

- ETCs offer direct exposure to commodity prices, commodity companies offer indirect exposure
- As commodity companies carry company & operational risk, they tend to be more closely correlated to equities than the commodity they are producing



Trade Idea: Gold

Why invest in gold

- Countering currency debasement risks, fiscal profligacy, and to aid portfolio diversification

Rationale for investment:

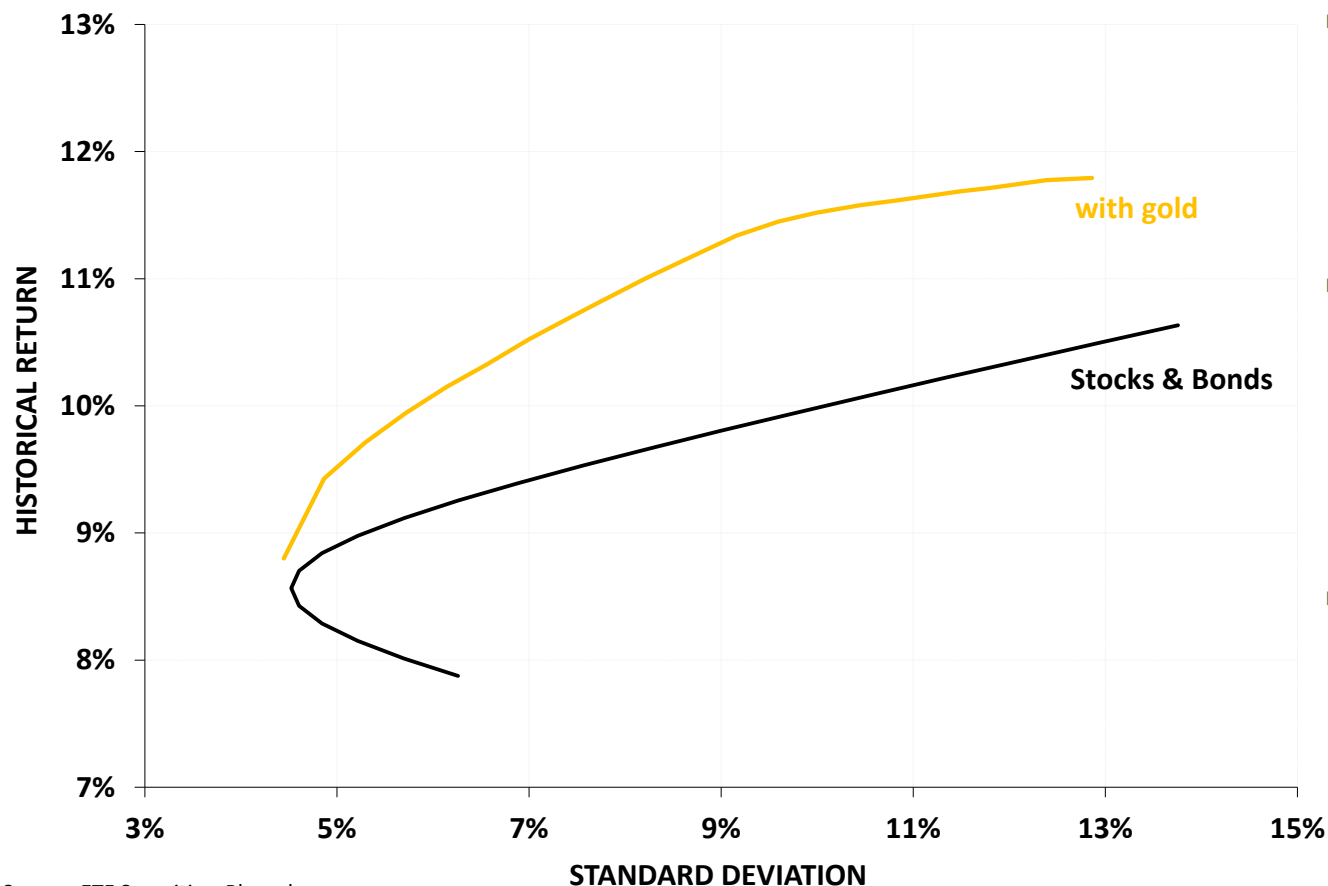
- Gold's appeal as an alternative currency remains as central banks liquidity stimulus continues to weigh on major currency values. Additionally gold has performed strongly in times where investors have become concerned about a country's ability to solve sovereign debt problems. (e.g. US debt ceiling in August 2011)
- Gold miners' valuations remain depressed on a historical PE basis.
- Gold's defensive characteristics can provide diversification benefits to a portfolio of Australian equities, by helping buffer a portfolio against stock market volatility.

Implementation:

- ETFS Physical Gold (ASX code: GOLD) offers direct exposure to gold
- GOLD, is 100% backed by bullion & has a management fee of 0.40% per annum

ETFs Physically Backed ETCs

Improve the risk adjusted return for an Australian portfolio



- A direct allocation to physical metal can potentially boost a portfolio's risk adjusted return
- The chart shows the improved risk adjusted return of a portfolio of Australian equities and bonds with a 11% allocation to physical gold
- The portfolio already includes mining stocks, which do not offer the same improvement in risk adjusted return due to their correlation to equities

Source: ETF Securities, Bloomberg

Chart above shows how efficient frontier shifts when gold is added to a portfolio of equities and bonds. Analysis based on monthly returns in AUD from December 2002 to December 2012. Equities proxied using All Ordinaries Accumulation Index as benchmark. Bonds proxied using Bloomberg EFFAS Australia 7Yr + Bond Index as benchmark. Risk Free rate set at an averaged of Australia 1 Year Rate over the past year (3.34%).

Questions?



For additional information on ETCs please contact us at:

+61 2 9365 3639 or Info.Aus@etfsecurities.com

Appendix

ETFs Commodity ETCs

Underlying futures

ENERGY

- NYMEX Natural Gas Futures
- NYMEX Crude Oil Futures
- NYMEX Gasoline (RBOB) Futures
- NYMEX Heating Oil Futures
- ICE Brent Futures

INDUSTRIAL METALS

- COMEX Copper Futures
- LME Aluminium Futures
- LME Zinc Futures
- LME Nickel Futures

PRECIOUS METALS

- COMEX Gold Futures
- COMEX Silver Futures

LIVESTOCK

- CME Live Cattle Futures
- CME Lean Hogs Futures

AGRICULTURE

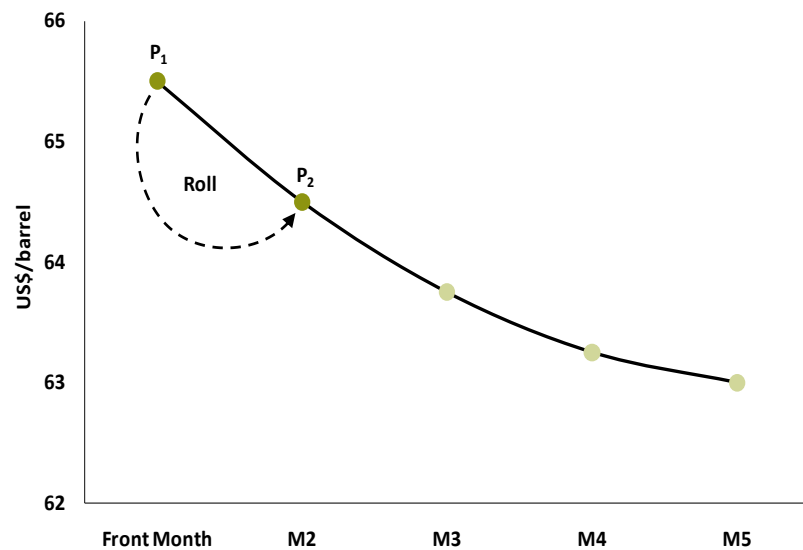
- CBOT Soybeans Futures
- CBOT Corn Futures
- CBOT Wheat Futures
- CBOT Soybean Oil Futures
- NYBOT Sugar Futures
- NYBOT Cotton Futures
- NYBOT Coffee Futures

ETFs Collateralised ETCs

Investing in futures

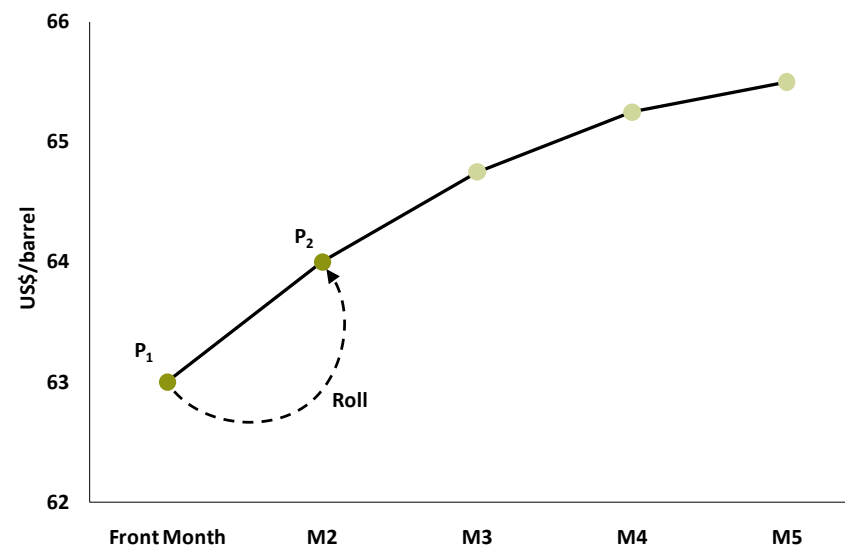
- Expiring futures need to be closed out and the proceeds re-invested into a new future to remain fully exposed to the commodity

Oil Futures Curve in Backwardation



Sources: ETF Securities, Bloomberg

Oil Futures Curve in Contango



Sources: ETF Securities, Bloomberg

- Rolling into new futures is a cost of trading futures, as rebalancing the portfolio, reinvesting dividends, etc. is a cost of trading equities
- Even if a curve is in Contango, the overall returns can still be positive

ETFs Commodity ETCs – Collateral Schedule

A diversified liquid basket of high quality collateral

- Cash is not eligible - cash carries counterparty risk to deposit institution
- Equities are over collateralised to 105% or 110%

Type of Eligible Collateral	Concentration limits and margin
Money market funds: - AAA Government or Treasury money market funds only, with no ABSs nor CDOs	Country concentration limit USA: 100%
Sovereign fixed income - USA	UK, Japan, Germany, France: 50%
- G10 and other European government bonds (with minimum rating of AA)	Others: 25%
- Supranational bonds with a L-T issuer rating not lower than AAA	Margin < 5 years to maturity: 100%
- US Agencies 100% backed by the government	5-10 years to maturity: 101%
	10+ years to maturity: 102%
	US Agencies: 102%
Equities	
	Per security issuer: 3.3% ¹ or \$10 mio, whichever is greater
	For each security
	Free-float market cap: 2.5%
	30 day ADV: 100%
Securities have to belong to specific indices. Currently, the Main index names include the major benchmarks such as S&P 500 and EURO STOXX 50, and the Other index names include developed market indices such as NASDAQ and STOXX 600	Country concentration limit USA: 75%
	UK, Japan, Germany, France 25%
	Others: 10%
	Margin
	Main index names: 105%
	Other eligible equities 110%

ETFs Physically Backed & Commodity ETCs

Transparency of holdings

- ETFs Physically Backed ETCs vault is inspected twice per annum by Inspectorate International
 - daily bar list and vault audit reports published on www.etfsecurities.com
- ETFs Commodity ETCs collateral holdings published daily on www.etfsecurities.com

SECURITIES		
Securities held as collateral		
Issuer	EFTX DAXglobal Steel Fund	
Date	21/06/2011	
Collateral		USD
Asset		
Collateral Value	6,854,562	
Over/Under Collateralisation	7,528,279	
		9.83%
Collateral Breakdown by Type		
	USD	Weight %
Equity		
Total	7,528,279	100.00%
	7,528,279	100%
Security		
	ISIN	Weight%
SPONDA OYJ NPV	FI0009006829	3.27%
DLEY CORP LTD NPV	AU000000RIC6	3.27%
ECOM ITALIA SPA EUR 0.55	IT0003497176	3.27%
NO ENERGY ASA NOK 1.46	NO0010564701	3.27%

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