

# Accessing Gold And Precious Metals Via ETPs

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EXPLORER SERIES

# Speakers:

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# It's Easy to Submit a Question

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This will open the Q&A window in the lower right hand corner of your screen.

Type your question into the small dialogue box.

Click the Send button.

# Precious Metals Market Outlook

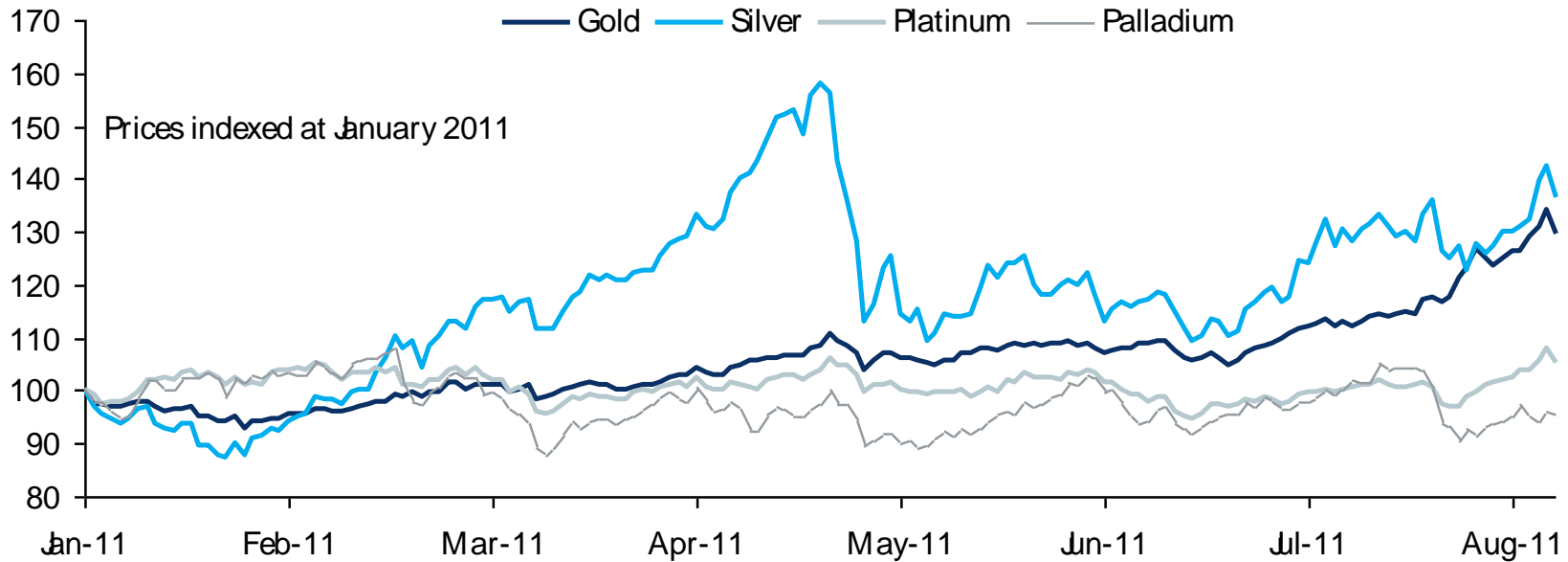
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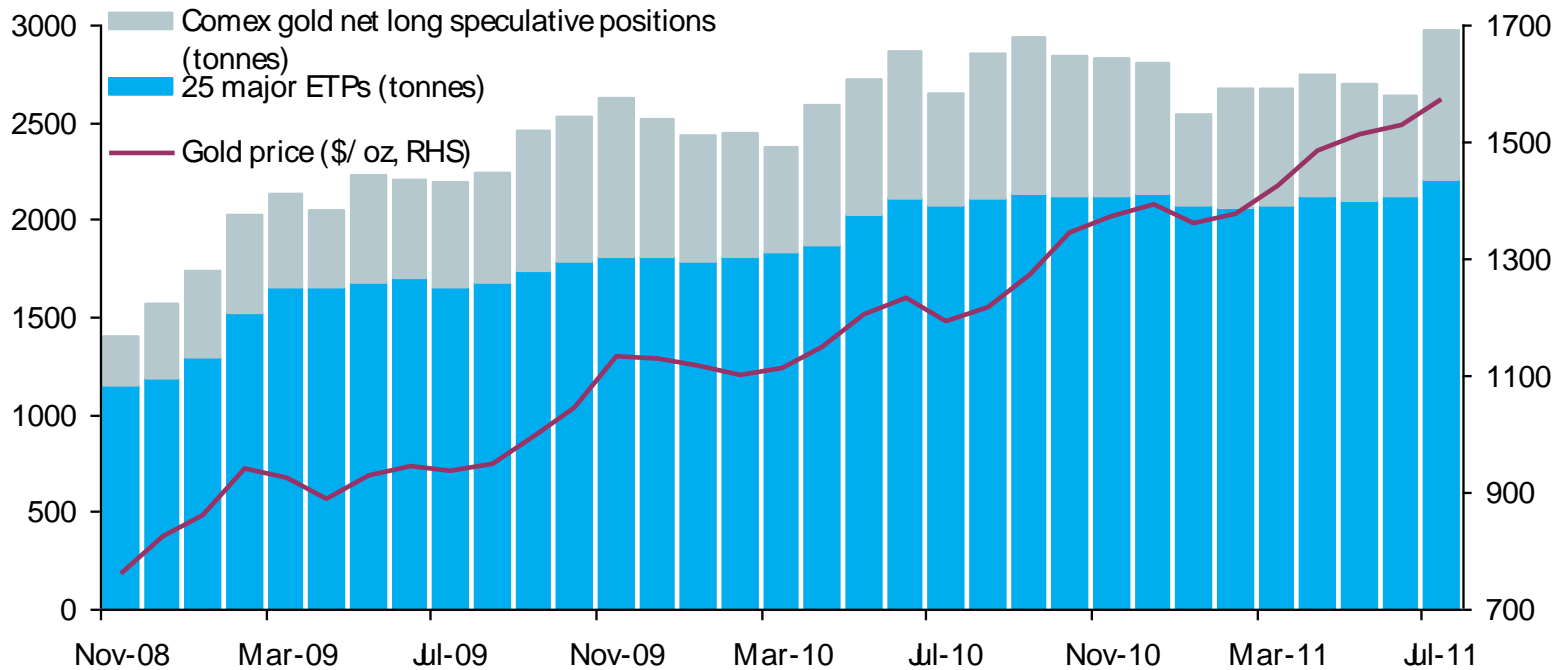
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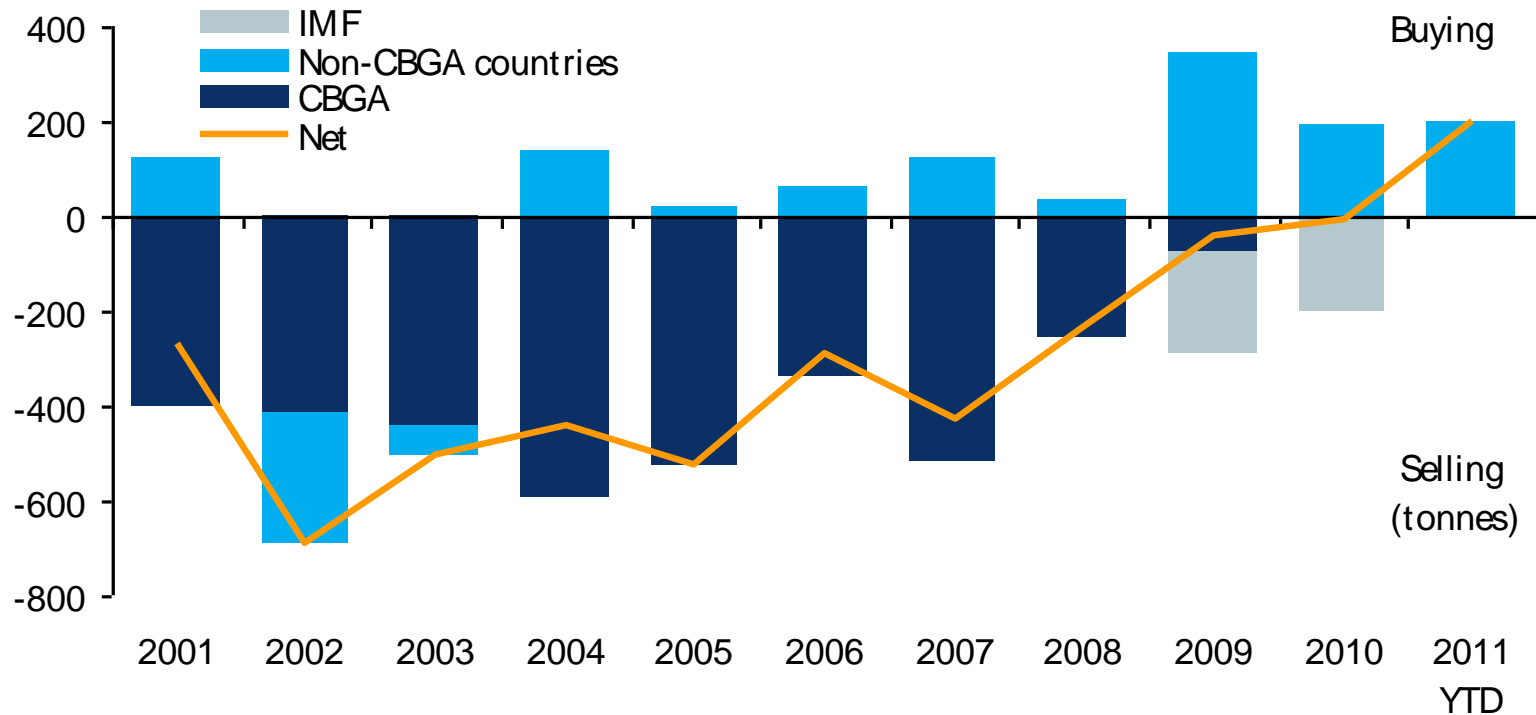
# Gold catches up with silver's gains while the PGMs remain the laggard of the complex



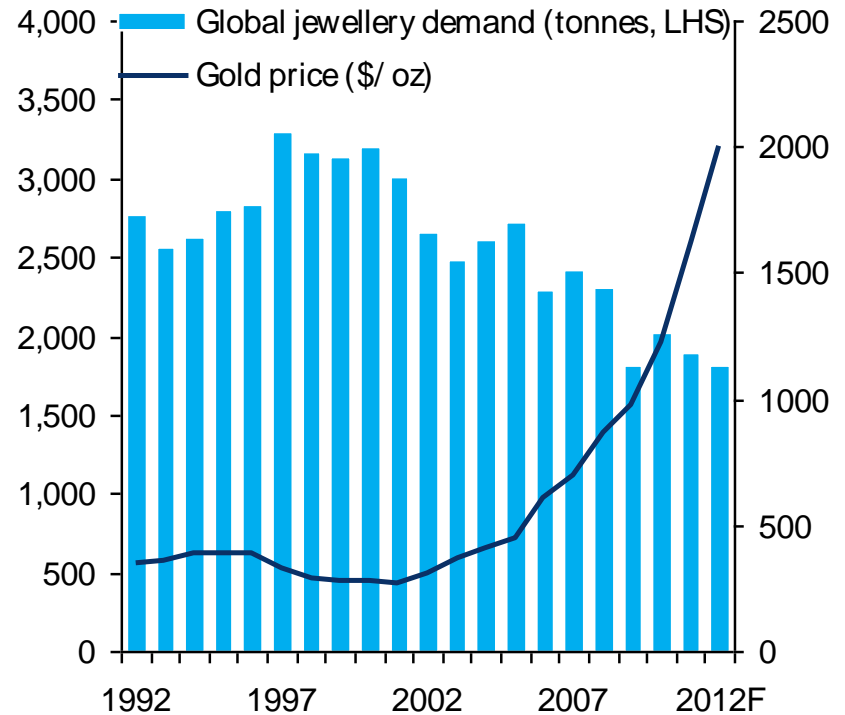
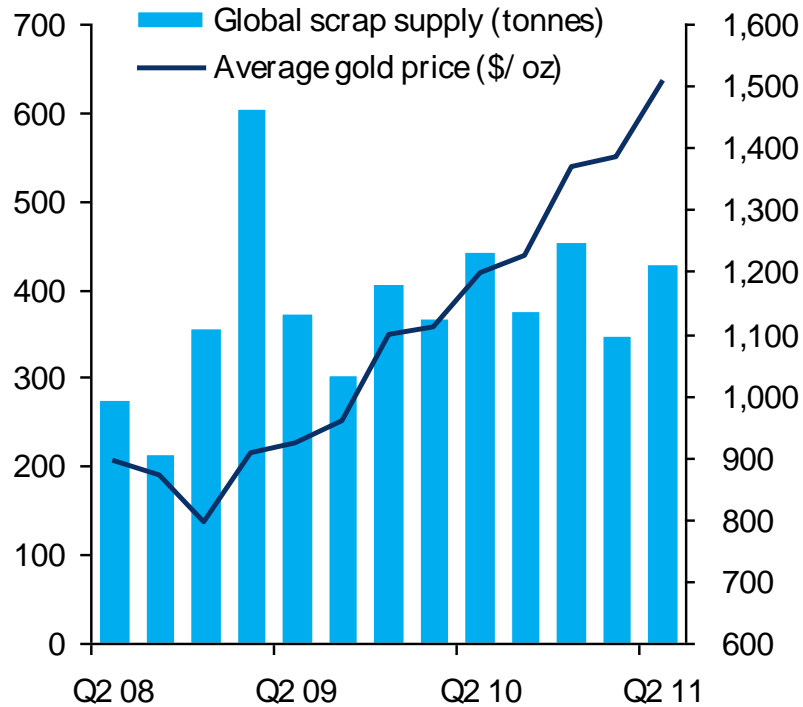
# Gold: Macro insecurity has prompted resurgence of demand for a safe haven



# Gold: Central banks become net buyers of gold

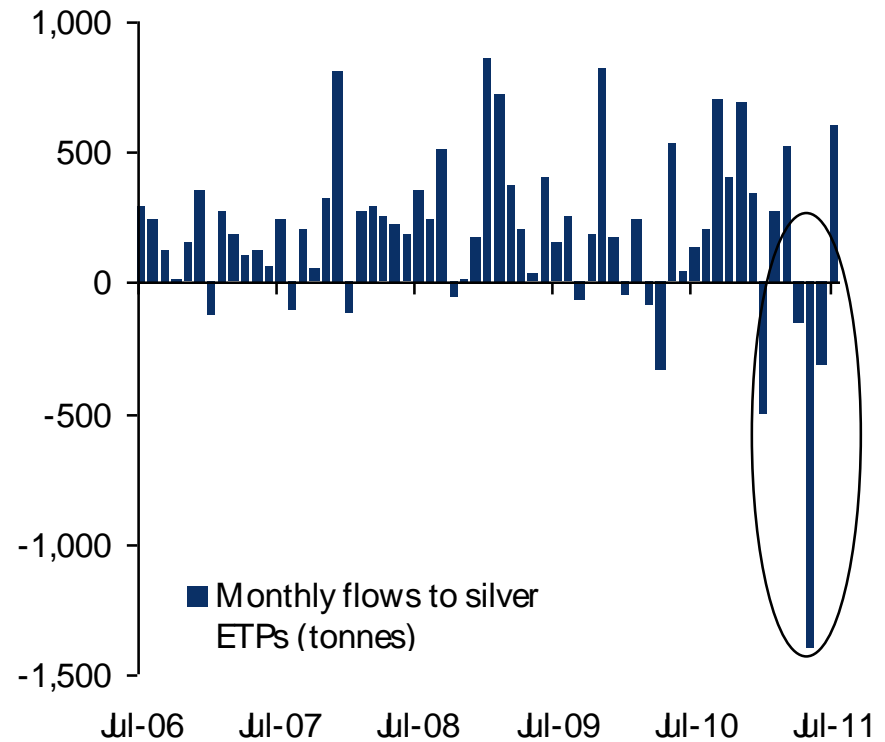
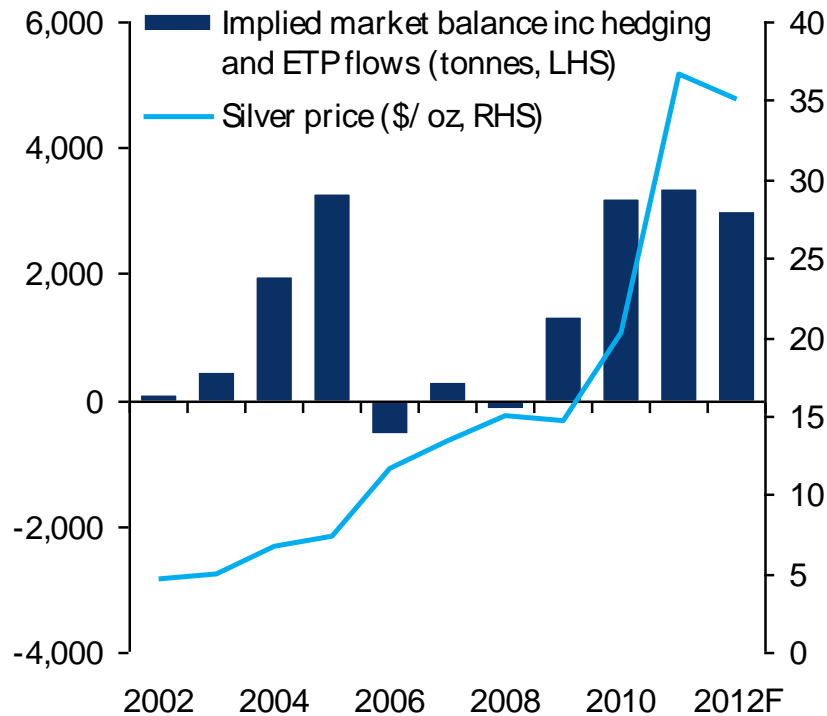


# Gold: Supply and fabrication demand are not responding as though prices have peaked

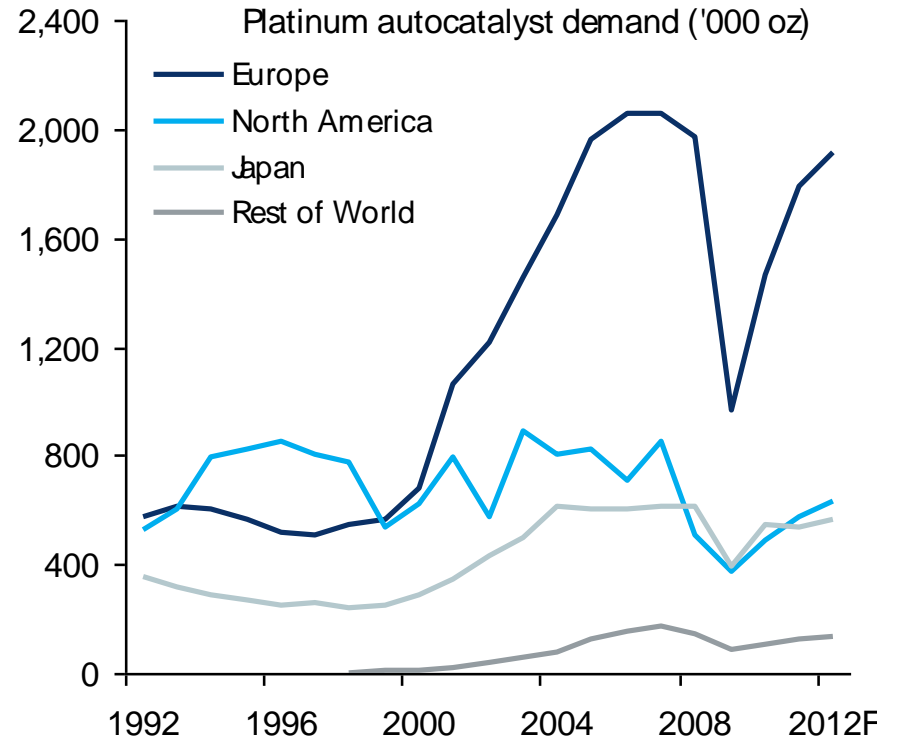
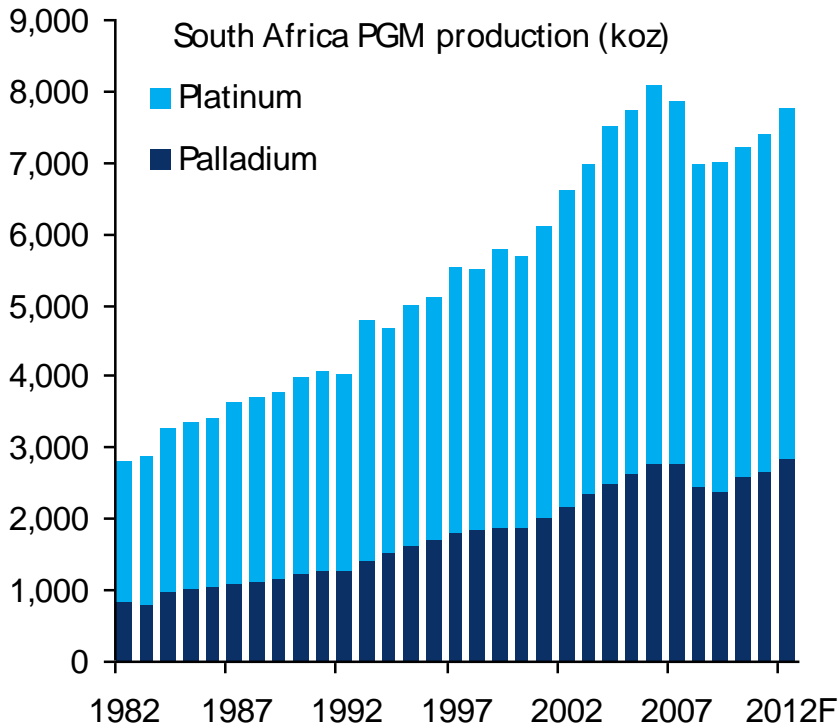




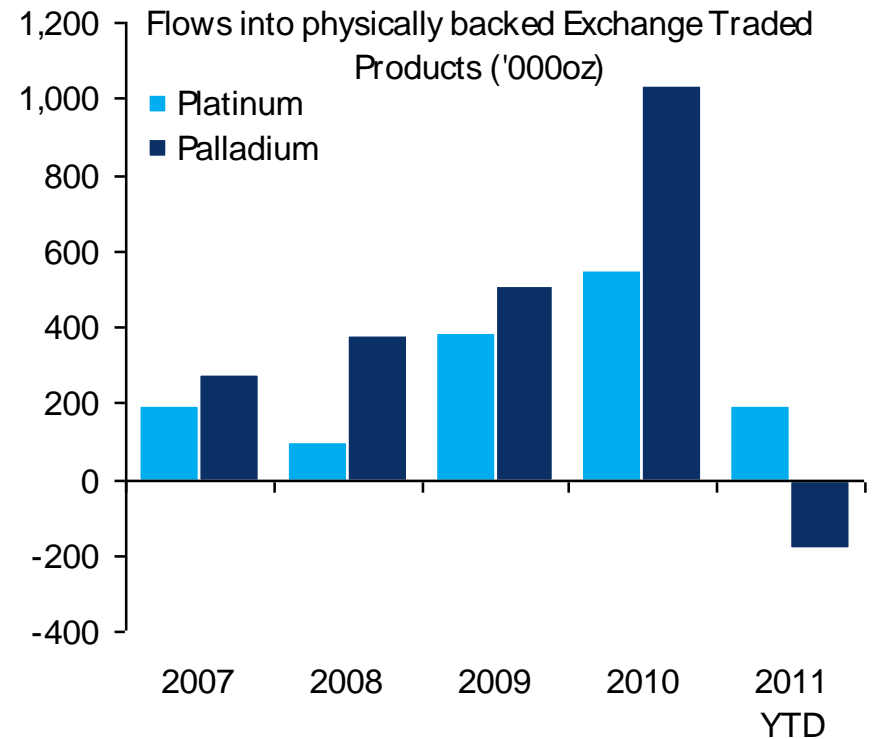
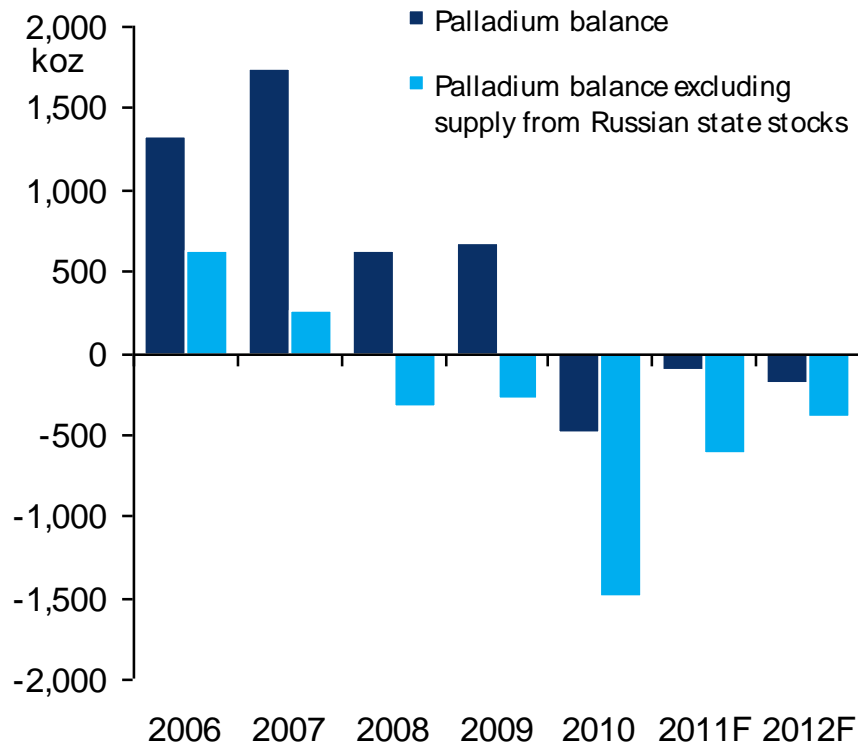
# Silver: Fundamentally in surplus



# PGMs: Demand growth is set to outpace supply



# PGMs: Reduced Russian stock releases and positive investor interest set to return market deficits



# Precious Metals ETPs

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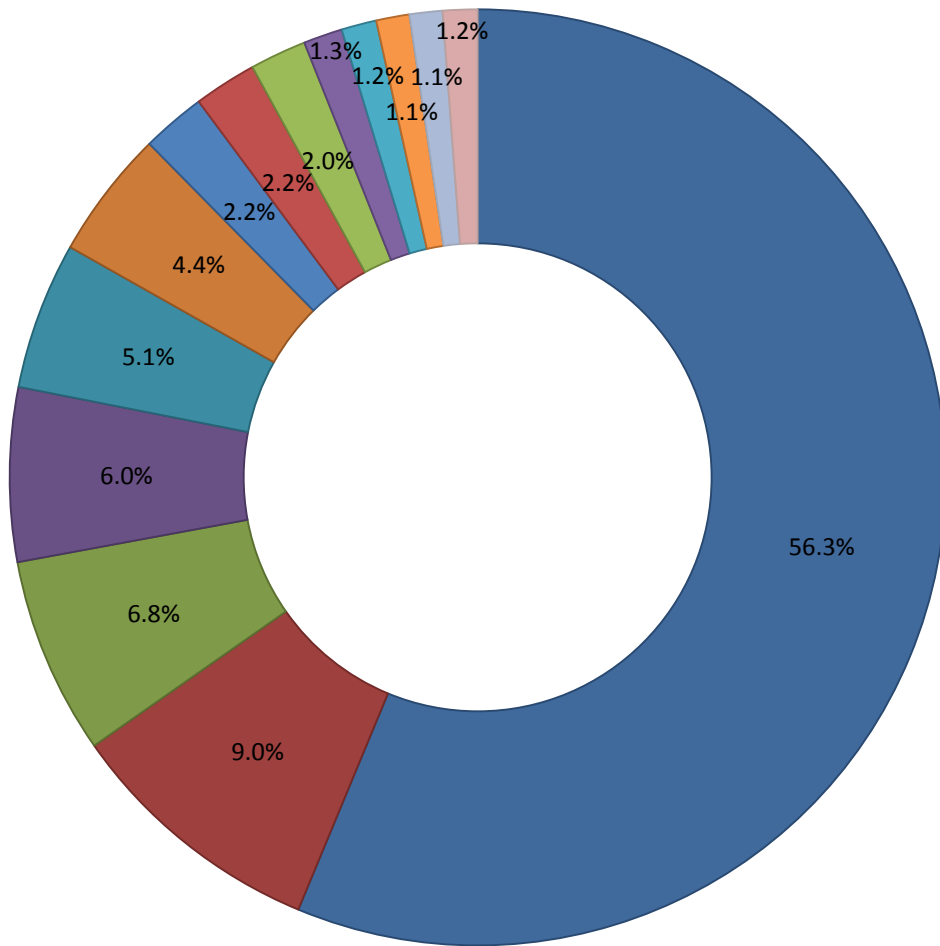
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# World Gold ETP Holdings (Oz) on 20-07-11

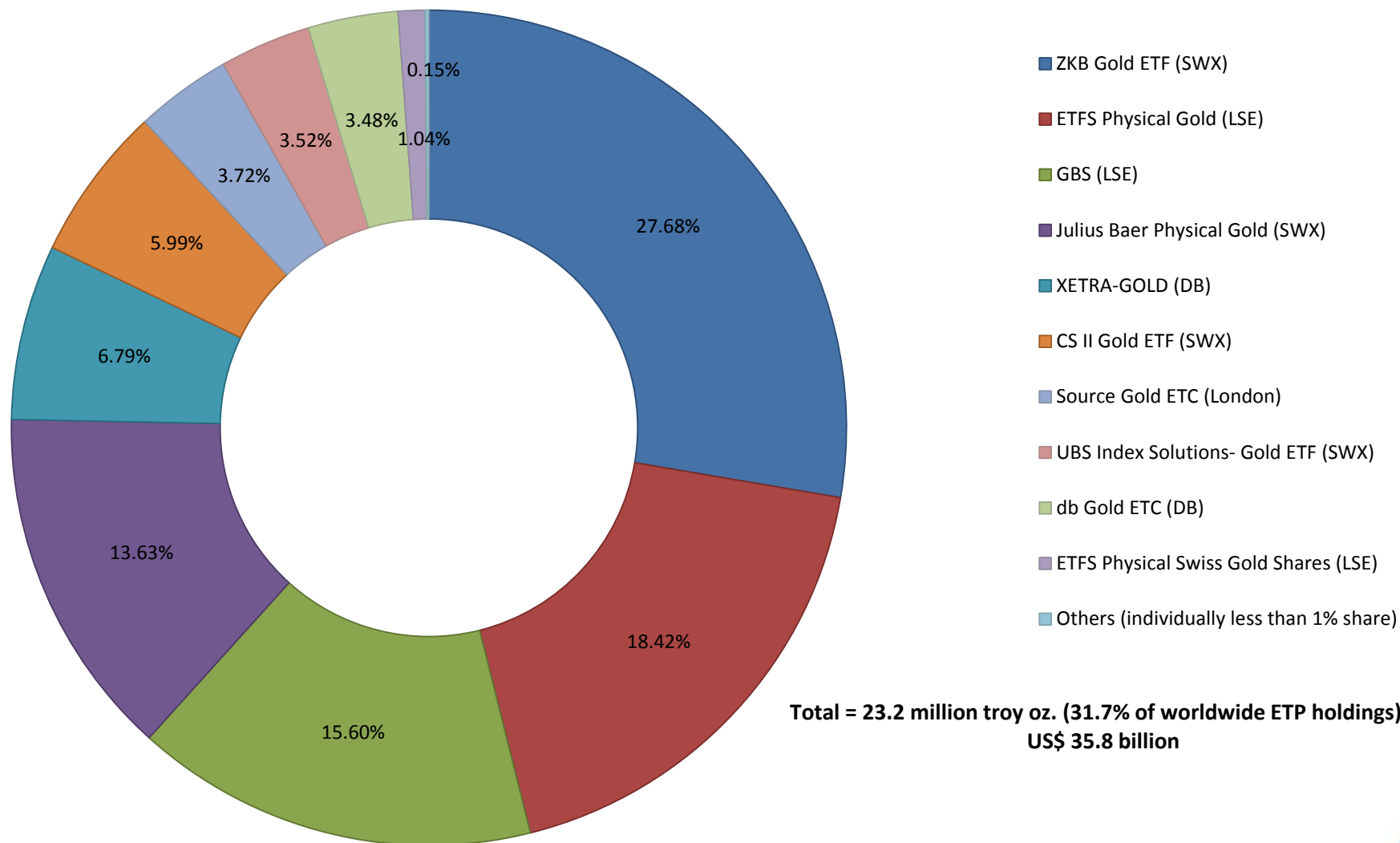


- GLD (NYSE) (56.3%) 40,060,487 oz
- ZKB Gold ETF (SWX) (9.0%) 6,424,447 oz
- IAU (Amex) (6.8%) 4,851,433 oz
- ETFS Physical Gold (LSE) (6.0%) 4,274,704 oz
- GBS (LSE) (5.1%) 3,620,507 oz
- Julius Baer Physical Gold (SWX) (4.4%) 3,164,003 oz
- XETRA-Gold (DB) (2.2%) 1,575,065 oz
- NewGold (JSE) (2.2%) 1,546,170 oz
- CS II Gold ETF (SWX) (2.0%) 1,389,869 oz
- ETFS Physical Swiss Gold Shares (NYSE) (1.3%) 957,900 oz
- Source Gold ETC (London) (1.2%) 864,183 oz
- UBS Index Solutions- Gold ETF (SWX) (1.1%) 816,959 oz
- db Gold ETC (DB) (1.1%) 808,797 oz
- Other (individually less than 1% of total share of oz)

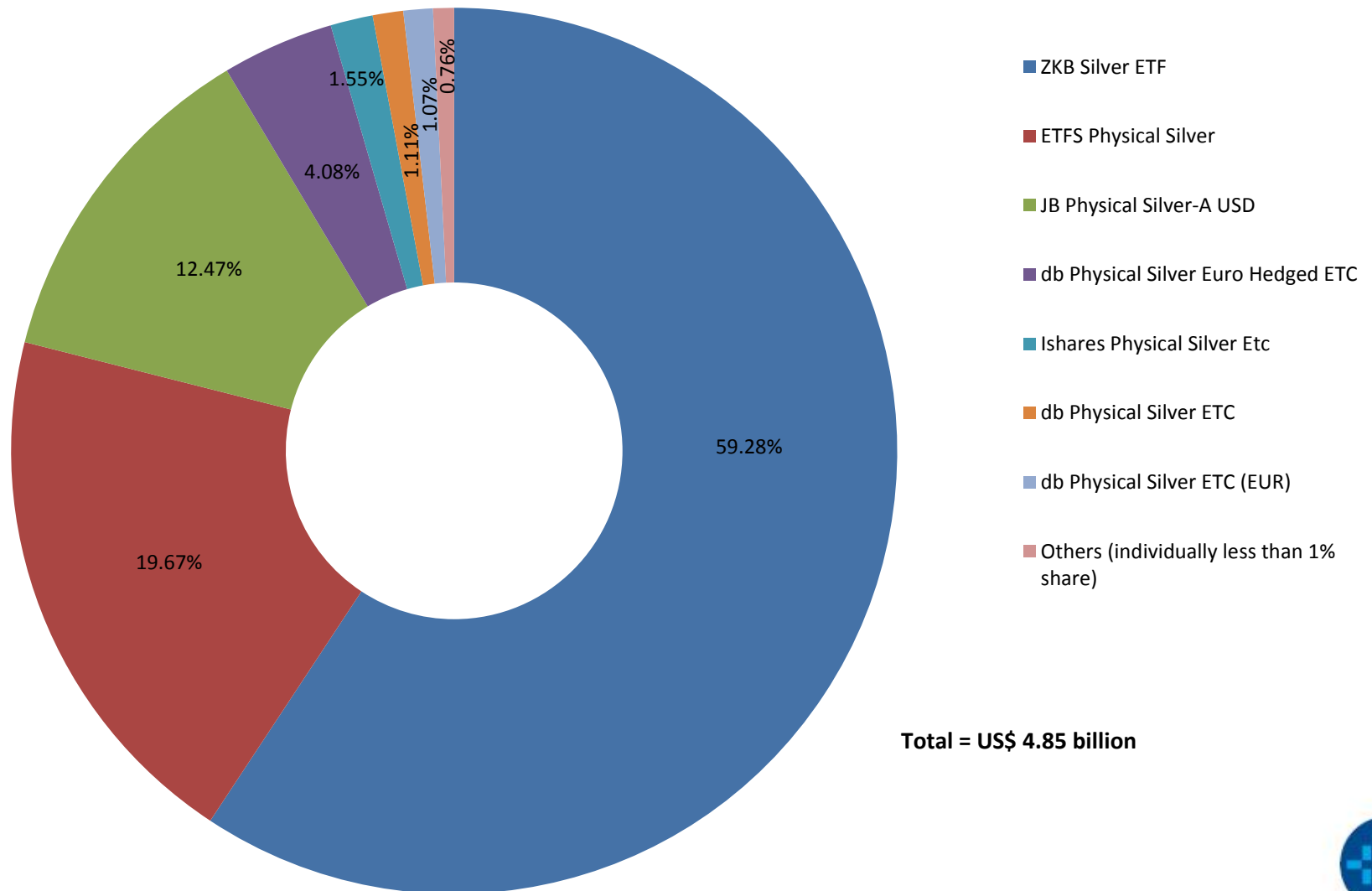
**Total = 71.2 million troy oz./US\$ 113 billion**



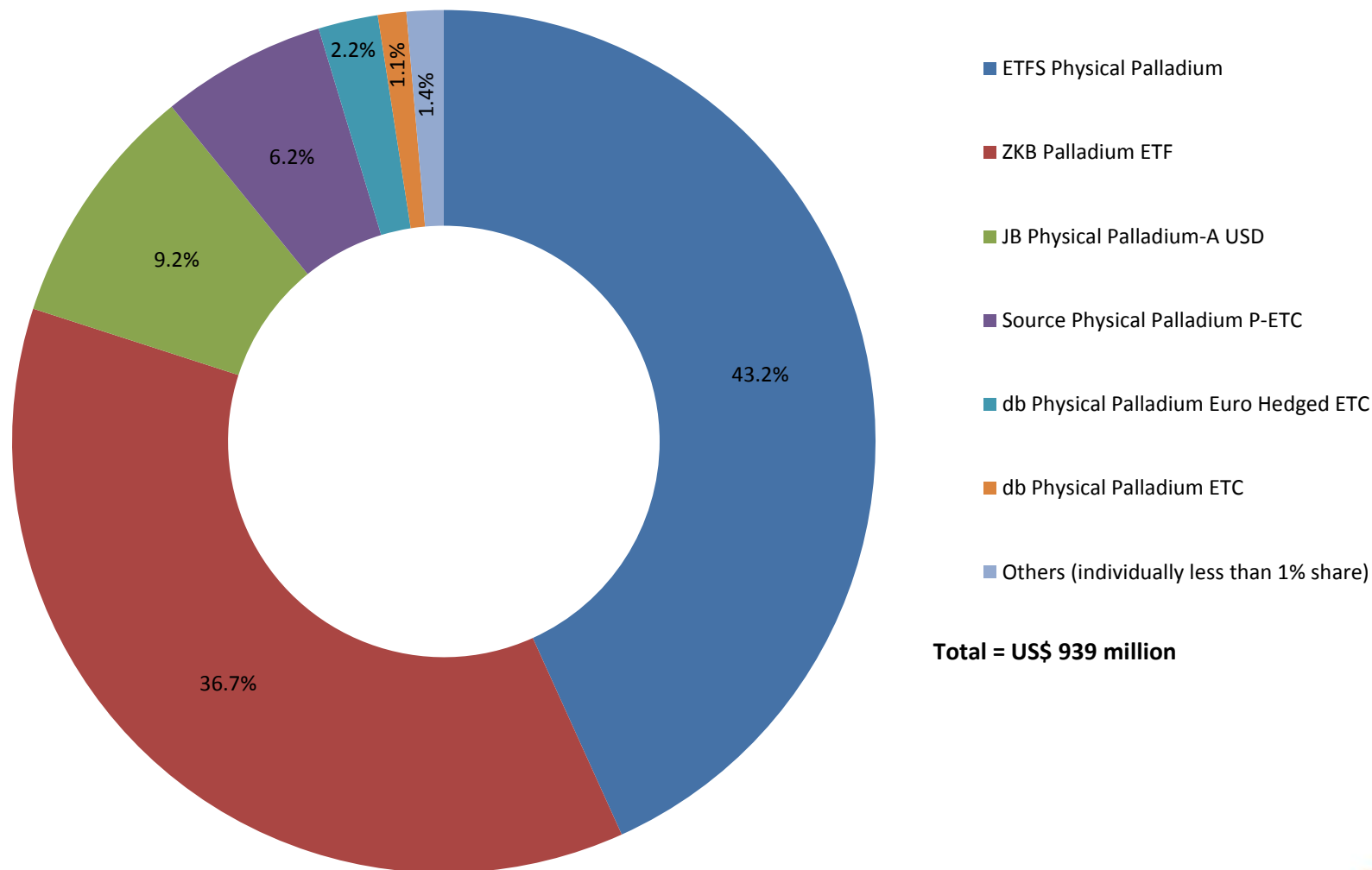
# Holdings of European Physical Gold ETPs on 20-7-2011



# Holdings of European Physical Silver ETPs on 29-7-2011



# Holdings of European Physical Palladium ETPs on 29-7-2011

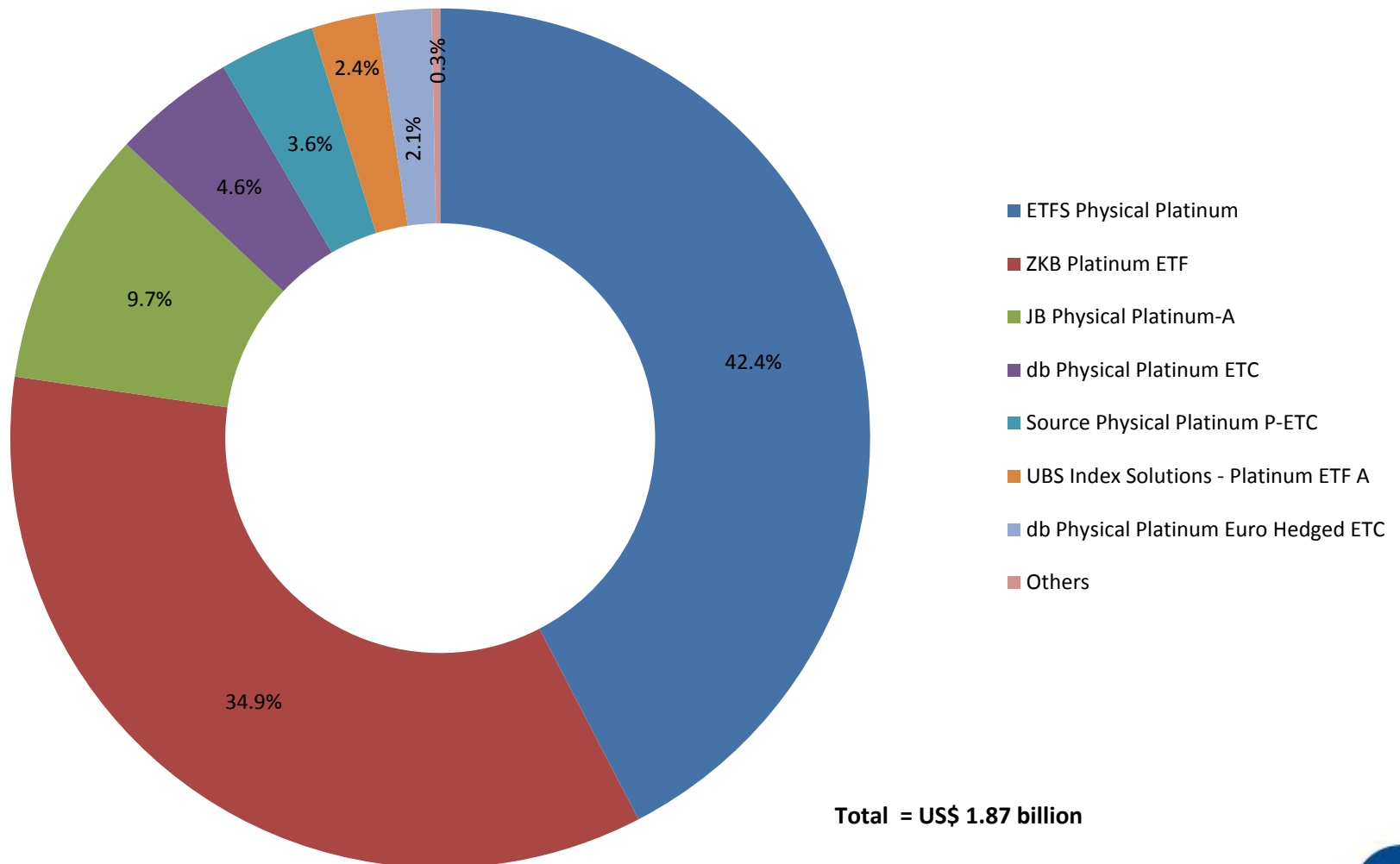


Source: Deutsche Bank Global ETF & ETC/V Directory (11/8/2011)





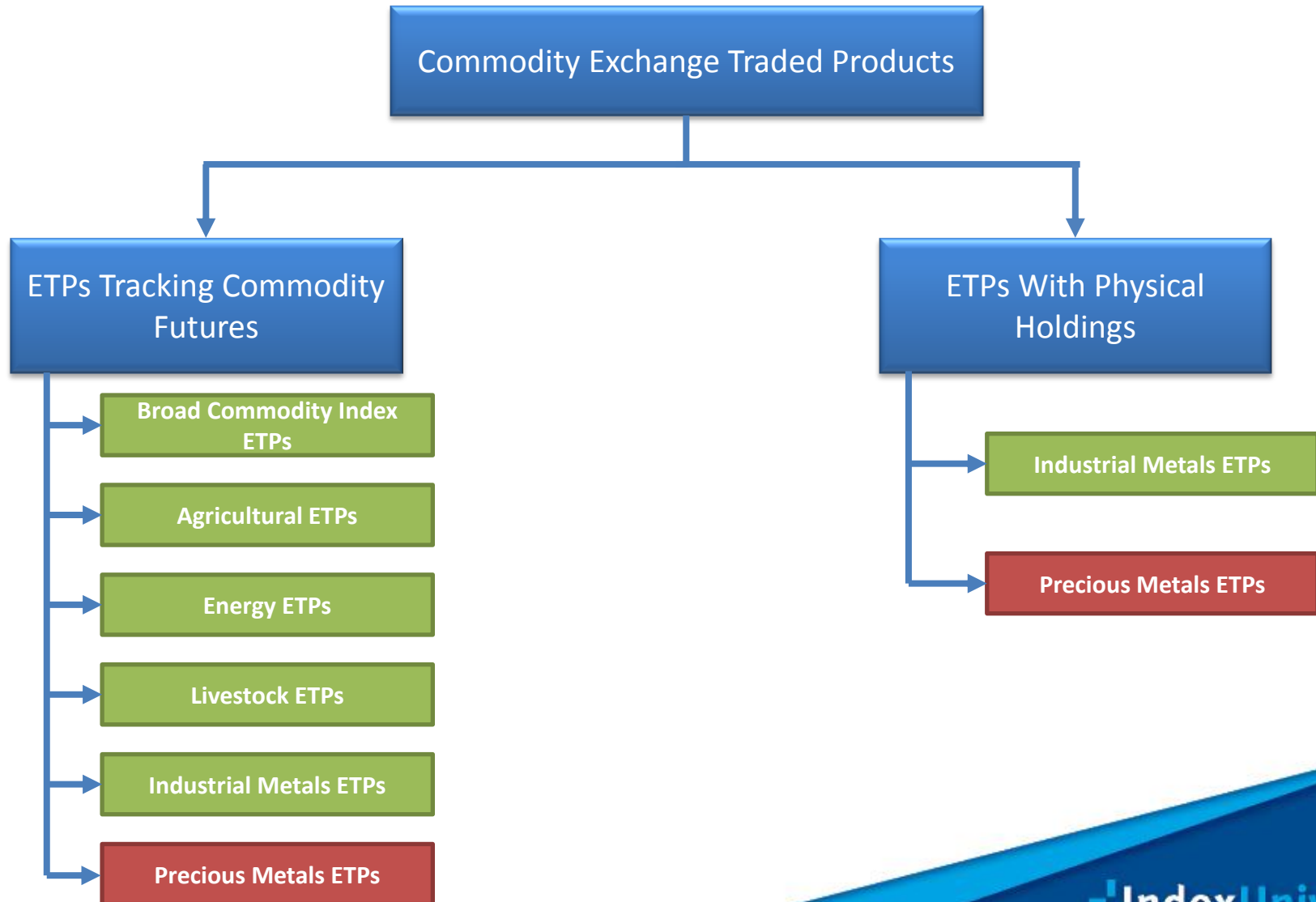
# Holdings of European Physical Platinum ETPs on 29-7-2011



# What's In A Name?

Precious Metals Tracker In	US	European Union	Switzerland
Called	ETF/ETV	ETC/ETN/ETP	ETF
Legal Structure	Grantor Trust (Securities Act of 1933)	Debt Instrument issued by SPV	Fund (CISA 2006)
Investor's Ownership Rights	ETF/ETV shares represent fractional beneficial interest in trust's net assets	May/may not be collateralised.  Typical precious metals ETC is issued by SPV under trust instrument. Rights to metals assigned to security trustee, who holds them on investor's behalf.	Collective Investment fund – investor has stake in the fund's assets in proportion to number of units owned

# Commodity ETPs – Futures vs. Physical



# What Distinguishes Between Precious Metals Trackers?

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- Legal Structure
- Custodial relationships
- Form of metal holdings – allocated/unallocated/bar type
- Physical redemption option – Y/N?
- Fees
- Tradeability/number of market makers
- Listing venues
- Currency denomination
- Currency hedge

# Comparison Of Selected Gold ETPs

	ZKB Gold ETF (SWX)	ETFS Physical Gold (LSE)	GBS (LSE)	Julius Baer Physical Gold (SWX)	XETRA-Gold (DB)	CS II Gold ETF (SWX)	iShares Physical Gold ETC
<b>Ticker</b>	ZGLD	PHAU	GBS	JBGOUA	4GLD	CSGOLD	IGLN
<b>Fees</b>	0.4% deducted from performance	0.39% deducted from performance	0.4% deducted from performance	0.4% deducted from performance	None, but custodial fee of 2.5 bp per month payable by clients.	0.39% deducted from performance	0.25% deducted from performance
<b>Custodian</b>	Zürcher Kantonalbank	HSBC Bank USA, London	HSBC Bank USA, London	Bank Julius Bär & Co. AG	Clearstream Banking AG, subsidiary of Deutsche Boerse AG	Credit Suisse AG, Zurich	JPMorgan Chase Bank, London
<b>Holdings</b>	6.42 million troy oz. / \$10.2 billion	4.27 million troy oz. / \$6.8 billion	3.62 million troy oz. London good delivery gold / \$5.7 billion	3.16 million troy oz / \$5 billion	1.58 million troy oz. / \$2.5 billion	1.39 million troy oz. / \$2.2 billion	19,267 troy oz. / \$10 million
<b>Listing Venues</b>	SIX Swiss Exchange	London Stock Exchange, Frankfurt Stock Exchange, NYSE Euronext, Borsa Italiana	London Stock Exchange, Frankfurt Stock Exchange, NYSE Euronext, Borsa Italiana	SIX Swiss Exchange	Frankfurt Stock Exchange	SIX Swiss Exchange, London Stock Exchange, Frankfurt Stock Exchange, Borsa Italiana	London Stock Exchange
<b>Market Makers</b>	1 (ZKB)	10	10	1 (Bank Julius Baer & Co. Ltd.)	3	1 (Credit Suisse AG)	1 (Susquehanna)
<b>Currency Denomination</b>	USD, CHF, EUR, GBP	USD, GBP, EUR	USD, GBP, EUR	USD, CHF, EUR, GBP	EUR	USD, CHF, EUR	USD, GBP
<b>Currency Hedge</b>	CHF, EUR, GBP share classes available in unhedged or hedged versions	Not available	Not available	CHF, EUR, and GBP share classes are automatically hedged.	Not available	CHF, EUR share classes are automatically hedged.	Not available

# Comparison Of Selected Gold ETPs

	ZKB Gold ETF (SWX)	ETFS Physical Gold (LSE)	GBS (LSE)	Julius Baer Physical Gold (SWX)	XETRA-Gold (DB)	CS II Gold ETF (SWX)	iShares Physical Gold ETC
<b>Physical Redemption</b>	Yes, in multiples of LBMA standard bar (12.5 kg)	Yes, in multiples of LBMA standard bar, for authorised participants only.	Yes, in multiples of LBMA standard bar, for both authorised participants and investors.	Yes, in multiples of LBMA standard bar (12.5 kg), for "A" share class only	Yes, in LBMA standard bars for large redemptions or retail gold bars for smaller scale redemptions.	Yes, through market maker via "exchange for physical", for minimum value CHF200,000	Yes, in multiples of LBMA standard bar, for authorised participants only.
<b>Form of Holding</b>	"Invests exclusively in physical gold in marketable form" (held in the form of standard 12.5 kg bars of 995/1000 fineness or greater)	"Physical, allocated gold, to LBMA specifications"	"Physical, allocated gold, to LBMA specifications"	"Invests at least 90% of the assets of the sub-fund in a marketable form of physical gold" (held in the form of standard 12.5 kg bars of 995/1000 fineness or greater)	At least 95% in LBMA standard bars held at Clearstream Bank and up to 5% in "gold delivery claims" against Umicore AG & Co. KG	LBMA standard 12.5kg gold bars of 995/1000 fineness or greater	LBMA standard 12.5kg gold bars of 995/1000 fineness or greater
<b>Bar List published</b>	On website	On website	On website	Available on request	No	No	On website

# Due Diligence Checklist

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- How/when are securities created/redeemed and what counterparty exposures may arise?
- Custodian/subcustodian arrangements – check language
- Insurance – y/n?
- Currency hedging risks

# 5 Gold Trackers Amongst 20 Most Traded European ETPs for Week Ending 26-8-2011

ETP Name	Turnover (€ Million)	Rank
ZKB Gold ETF	525	2
ETFS Physical Gold ETC	458	3
Gold Bullion Securities ETC	362	5
Julius Baer Physical Gold Fund - A	358	6
XETRA-Gold	229	14



# Gold ETP Secondary Market Trading Costs

	ZKB Gold ETF	ETFS Physical Gold	GBS	Julius Baer Physical Gold - A	CS II Gold ETF	iShares Physical Gold ETC
Ticker	ZGLDUS	PHAU	GBS	JBGOUA	CSGOLD	IGLN
Listing On	SIX	LSE	LSE	SWX	SWX	LSE
Time-weighted average bid-ask spread (bps) between 8-Aug and 26-Aug 2011	13	9	9	22	39	38

Source: London Stock Exchange, Swiss Exchange



# Upcoming IndexUniverse LIVE Webinars

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## **Explorer Series:**

## **“How Will Regulation Affect ETFs?”**

Thursday, 15 September 2011

14:00 British Summer Time (UTC + 1) /

15:00 Central European Summer Time (UTC + 2)

Duration: 60 minutes

Register at:

<http://www.indexuniverse.eu/europe/webinars/upcoming-live-webinars.html>



# Question And Answer Session

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