December 2nd, 2016

Precious Metals Monitor --- November 2016

Key Highlights

December Déjà Vu for Precious Metals

Despite the threat of rising rates, this may not be the death toll for metals that many anticipate. Historically, the threat of rate hikes has pushed up the US dollar consequently weighting on commodities prices - particularly gold which has a strong negative correlation to the dollar. This time around appears no different. So far in Q4, investor sentiment towards precious metals has recently soured similar to the path witnessed in 2015. This, however, may be an overreaction by markets and shouldn’t derail the tailwinds for precious metals heading into 2017 including political uncertainty, rising inflation, and low real interest rates. As the Federal Reserve (Fed) continues to pursue a negative real interest rate policy by remaining reactive and data dependent to rising inflationary pressures, precious metals could continue to perform well. Historically, gold, silver, and platinum have posted positive average monthly returns when real US interest rates are negative as the opportunity cost of holding physical metals is lower than other financial assets with negative real yields such as bonds and cash. Furthermore, even when real interest rates are positive from 1-2%, the precious metals complex still posts positive gains on average.

Another Bite of the Apple for Strategic Allocations

Given the outlook for a continued challenging investment landscape in 2017, precious metals remain an attractive option to incorporate with other asset classes to effectively manage asset allocations and portfolio exposures. With the recent pullback in prices, this may be an attractive entry point for investors to build strategic positions in precious metals to protect against rising uncertainty, episodic risks and market turmoil as well as to diversify their exposures as market volatility is expected to rise while returns are expected to fall across asset classes. A key benefit from investing in precious metals lies within its distinct role as a core risk management to help hedge against a broad spectrum of both known and unknown risks. Additionally, adding a precious metals allocation to a diversified stock-bond portfolio has also historically increased portfolio efficiency – lowering risk while increasing return – compared to a diversified portfolio without an allocation to precious metals.

Table 1: Performance Returns (as of November 30th, 2016)

<table>
<thead>
<tr>
<th>Precious Metals</th>
<th>Spot Price</th>
<th>November</th>
<th>QTD</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold ($/ounce)</td>
<td>1,173.2</td>
<td>-8.1%</td>
<td>-10.8%</td>
<td>10.6%</td>
<td>9.7%</td>
<td>-2.2%</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Silver ($/ounce)</td>
<td>16.5</td>
<td>-7.8%</td>
<td>-13.9%</td>
<td>19.2%</td>
<td>16.3%</td>
<td>-6.2%</td>
<td>-12.7%</td>
</tr>
<tr>
<td>Platinum ($/ounce)</td>
<td>912.5</td>
<td>-7.1%</td>
<td>-11.2%</td>
<td>2.3%</td>
<td>8.8%</td>
<td>-12.5%</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Palladium ($/ounce)</td>
<td>770.4</td>
<td>24.0%</td>
<td>6.9%</td>
<td>36.8%</td>
<td>42.4%</td>
<td>2.4%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Market Indices</th>
<th>Index Level</th>
<th>November</th>
<th>QTD</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETFS Precious Metals Basket Index</td>
<td>3,200.1</td>
<td>-4.8%</td>
<td>-9.8%</td>
<td>15.3%</td>
<td>14.3%</td>
<td>-3.7%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>Bloomberg Commodity Index</td>
<td>86.0</td>
<td>1.3%</td>
<td>0.8%</td>
<td>9.8%</td>
<td>5.5%</td>
<td>-11.4%</td>
<td>-10.0%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>2,198.8</td>
<td>3.7%</td>
<td>1.8%</td>
<td>9.8%</td>
<td>6.9%</td>
<td>9.1%</td>
<td>14.5%</td>
</tr>
<tr>
<td>MSCI Emerging Market Index</td>
<td>862.8</td>
<td>-4.6%</td>
<td>-4.4%</td>
<td>10.9%</td>
<td>7.0%</td>
<td>-3.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Barclays US Aggregate Bond Index</td>
<td>1,973.59</td>
<td>-2.4%</td>
<td>-3.1%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>2.8%</td>
<td>2.4%</td>
</tr>
<tr>
<td>US Dollar Index</td>
<td>101.5</td>
<td>3.1%</td>
<td>6.3%</td>
<td>2.9%</td>
<td>1.7%</td>
<td>8.0%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Euro/US Dollar</td>
<td>1.06</td>
<td>-3.6%</td>
<td>-5.7%</td>
<td>-2.5%</td>
<td>-0.4%</td>
<td>-8.0%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>US Dollar/Japanese Yen</td>
<td>114.5</td>
<td>9.2%</td>
<td>12.9%</td>
<td>-4.8%</td>
<td>-6.8%</td>
<td>3.8%</td>
<td>8.0%</td>
</tr>
<tr>
<td>HFRX Global Hedge Fund Index</td>
<td>1,193.2</td>
<td>0.9%</td>
<td>0.3%</td>
<td>1.6%</td>
<td>0.1%</td>
<td>-0.7%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

*See disclosures for further index definitions and details. 3 year/5 year returns are on an annualized basis. QTD = quarter to date, YTD = year to date.

For month ending November 30th, 2016. Past performance is no guarantee of future results.
Gold: -8.1% (November), -10.8% (QTD), +10.6% (YTD)

Key Drivers
- Gold continued a downward trend in November (-8.1%) to $1,173.2/ounce as investors responded to the surprise victory of Donald Trump in the US presidential election spurring a rising US dollar and increased expectations for action by the Fed.
- Daily volume in gold front month contracts averaged $41.8 billion for the month hitting a 12 month high of $114.3 billion on November 9th, the day after the presidential election.
- November saw a dramatic rise in gold volatility compared to the second half of 2016 which kept volatility range bound. Implied volatility in gold option markets saw levels rise from 15-16% to above 18% volatility - levels not seen in gold in the second half of the year following the British referendum vote on June 23rd.

Investment flows
- Global physically backed gold exchange traded funds (ETFs) saw net outflows continue in November totalling 109 metric tonnes (t) the first monthly outflow since April 2016 and largest single monthly outflow of gold ETFs in over 3 years.
- Cumulative gold holdings in ETFs fell 5.4% in November to a total of 1879t as investors sought to unwind positions against an anticipated boon to risk assets from a Trump administration.
- Year to date, the gold stock has risen 33% as investors have added 469t of gold through ETFs largest annual inflow since 2009 with net inflows of 652t.

Sentiment & Positioning
- Net positioning in gold futures contracts saw a continued contraction in November with 124,389 contracts slightly down from the 143,910 contracts in October as investor sentiment stabilized following a 43% reduction in net positions last month.
- Long positions in gold fell to 171,864 contracts for the second consecutive month. This put long positions in gold futures held by institutional investors to levels seen during Q1 2016.
- Short positions in gold contracted in November to 47,475 to 55,184 contracts providing further support that sentiment by investors has begun to stabilize in gold. These short positions, however, still remain well below the 103,272 level.

Outlook
- Demand from physical markets like China and India remains robust as witnessed by rising local premiums in both markets following a drop in the price of gold – typically a boon for these price sensitive markets. In India, high denomination currency bills were removed from circulation and import limits of gold in China were recently enacted. These recent policies may hinder physical demand in the short term.
- Heading into 2017, gold should find support from low real interest rates, growing inflationary pressures, and potential global policy uncertainty. Unlike gold, historically gold miners have served as ineffective hedges against tail event risk and large market drawdowns.

For month ending November 30th, 2016. Past performance is no guarantee of future results.
Silver: -7.8% (November), -13.9% (QTD), +19.2% (YTD)

Key Drivers
- Silver sold off in November (-7.8%) to $16.5/ounce while slightly outperforming gold for the month. This brought its year to date performance to 19.2% and remains one of the top performing commodities in 2016.
- Volumes in futures trading in silver nearly doubled this month, averaging $9.1 billion in November versus $5.5 billion in October. Similar to gold, silver saw a surge in trading activity in the days following the US presidential election.
- The gold/silver ratio was flat in November at 71.2. It remains down 7.1% YTD, with silver attractively priced relative to gold as the ratio is still above the long term average of 59.

Investment Flows
- Global physically backed silver ETFs saw net outflows in November totalling 408 metric tonnes (t) – the first monthly outflow since January 2016 of 301t.
- Cumulative silver holdings in ETFs dipped 1.9% in November to a total of 20,542t, as investors soured on the metals complex ahead of an anticipated rate hike by the Fed in December.
- Year to date, silver stock has risen 9% for a total of 1,685t of added silver through ETFs. November’s outflows ended 9 consecutive months of net additions by investors to global silver ETFs.

Sentiment & Positioning
- Net positioning in silver futures increased in November to 42,519 from 38,401 contracts the month prior. Sentiment for silver still remains strong among futures trading which has shifted from net short in August 2015 to net long levels today.
- Long positions in silver contracted to 57,931 this month from 65,956 contracts last month as silver followed suit with the gold’s struggles against a rise in the dollar and treasury yields.
- Investors reduced their short positions in silver as short contracts fell to 15,412, a sign of potential peak bearish sentiment amid the drop in price and outlook for higher industrial demand along with broader commodities.

Outlook
- US Mint American Eagle silver bullion coin sales in November were 3.1 million ounces — a continuation in US retail investor demand from summer lows as the drop in silver price continued to spur investors to increase holdings.
- While gold operates like a currency, silver behaves more like a ‘normal’ commodity, responding to changes in supply and demand. Increasing industrial demand against a global economic recovery combined with slowing mine production due to reduced capital expenditures should be a tailwind for silver. Silver may have further potential upside and may trade between $22 and $24/ounce in 2017, based on key drivers.

For month ending November 30th, 2016. Past performance is no guarantee of future results
Platinum: -7.1% (November), -11.2% (QTD), +2.3% (YTD)

Key Drivers
- Platinum continued its downtrend in November, falling to $912.5/ounce for the 3rd consecutive month since reaching its 2016 high of $1183/ounce on August 8th.
- Volume in platinum front month futures contracts ticked up this past month along with most metals. Average volume was $822 million in November versus $690 million prior.
- Continued political turmoil in South Africa and S&P’s downgrade of its credit rating weighed on the South African Rand in November. The currency fell 4.4% in November – a headwind for platinum prices which have exhibited a 0.4 correlation since 2011 to the Rand.

Investment Flows
- Global physically backed platinum ETFs saw net inflows continue in November of 0.84 metric tonnes (t) for the second consecutive month as ETF investors sought to take a contrarian view in light of platinum’s continued drop in price.
- Cumulative platinum holdings in ETFs ended November with a total of 73.6t, up 1.2% from the prior month as fundamentals continue to drive retail platinum investors.
- In 2016, platinum stock has fallen 1.1% with year to date outflows of 0.8 tonnes despite positive performance of 2.3% year to date.

Sentiment & Positioning
- Net positioning in platinum futures recovered by nearly doubling in November to 8,773 contracts from 4,828 contracts the month prior. Net sentiment still remains positive, but currently stands at levels last seen in 2015.
- Long positions in platinum were range bound in November contracting slightly to 26,926 from 27,808 contracts in November, reverting to levels in line with Q1 2016.
- Investors cut their short positions from 22,980 in October to 18,153 this month. Overall the increase in short positioning in recent months has driven sentiment and outweighed reductions in long positions.

Outlook
- Platinum’s discount relative to gold persisted in November to just over $260 per ounce. Platinum continues to trade at its highest ever discount to gold in 2016 and is only the 4th period in the last four decades a discount has persisted.
- Global auto demand for platinum remains robust and is forecast to drop only 1% in 2017 according to the World Platinum Investment Council (WPIC). Platinum supply is expected to be lower this year than 2015 with an expected supply deficit of 170,000 ounces in 2016.

For month ending November 30th, 2016. Past performance is no guarantee of future results.
**Palladium: +24.0% (November), +6.9% (QTD), +36.8% (YTD)**

**Key Drivers**

- Palladium continues to be the stand out performer of the precious metals complex this quarter as it surged 24% in November hitting a 12 month high of $621.5/ounce last month to $770/ounce at the month’s close.
- Volume in palladium front month futures contracts were twice as high in November averaging $513 million versus $271 million in October as speculation rose across industrial metals in the weeks following the surprise Trump victory.
- Palladium has benefited in 2016 from continued demand from China, whose palladium imports increased 8% year over year and strong auto sales persist – a boon for palladium.

**Investment Flows**

- Global physically backed palladium ETFs saw net outflows continue in November of 4.7 metric tonnes (t) for the 5th consecutive month.
- Cumulative palladium holdings in ETFs fell 7% in November bringing total ETF stock to 58.2t versus 62.9t in October.
- Year to date, palladium stock has fallen 20% (with 15t in net redemptions) despite the strong price rally in palladium in the second half of this year, as investment demand accounts for only 1% of annual palladium demand unlike other precious metals.

**Sentiment & Positioning**

- Investor sentiment in palladium remains elevated as net positioning in palladium futures this month extended to 12,466 contracts from October’s level of 8,354 contracts.
- Managed money reduced their long positions in palladium this month to 13,492 contracts, as investors became bullish towards industrial metals in anticipation of increased infrastructure spending in the US and globally.
- Short positioning in palladium fell 65% in November from the prior month to 1,026 as the case for increased industrial demand in palladium and constricted supply appealed to investors.

**Outlook**

- Palladium’s strong run up in price this month has been indicative of a constricted supply. NYMEX palladium inventories have been reduced 23% in November suggesting tightness in the current market supply – this may explain the recent rise in palladium which has jumped 24% so far in November to $770. ETF outflows may be a sign of further above ground supply meeting growing industrial demand.
- Johnson Matthey’s forecast of a 651,000oz palladium deficit in 2017 (up from 356,000oz in 2016), and would mark the 6th consecutive year of supply deficits. This helped drive palladium prices higher, contrasting the price declines in the rest of the precious metals complex.

For month ending November 30th, 2016. Past performance is no guarantee of future results.
Important Risks
The statements and opinions expressed are those of the author and are as of the date of this report. All information is historical and not indicative of future results and subject to change. Reader should not assume that an investment in any securities and/or precious metals mentioned was or would be profitable in the future. This information is not a recommendation to buy or sell. Past performance does not guarantee future results.

The ETFS Silver Trust, ETFS Gold Trust, ETFS Platinum Trust, ETFS Palladium Trust and ETFS Precious Metals Basket Trust are not investment companies registered under the Investment Company Act of 1940 or a commodity pool for purposes of the Commodity Exchange Act. Shares of the Trusts are not subject to the same regulatory requirements as mutual funds. These investments are not suitable for all investors. Trusts focusing on a single commodity generally experience greater volatility.

Commodities generally are volatile and are not suitable for all investors. Trusts focusing on a single commodity generally experience greater volatility. Please refer to the prospectus for complete information regarding all risks associated with the Trusts. Shares in the Trusts are not FDIC insured and may lose value and have no bank guarantee.

The value of the Shares relates directly to the value of the precious metal held by the Trust and fluctuations in the price could materially adversely affect investment in the Shares. Several factors may affect the price of precious metals, including:

- A change in economic conditions, such as a recession, can adversely affect the price of the precious metal held by the Trust. Some metals are used in a wide range of industrial applications, and an economic downturn could have a negative impact on its demand and, consequently, its price and the price of the Shares;
- Investors’ expectations with respect to the rate of inflation;
- Currency exchange rates;
- Interest rates;
- Investment and trading activities of hedge funds and commodity funds; and
- Global or regional political, economic or financial events and situations. Should there be an increase in the level of hedge activity of the precious metal held by the trust or producing companies, it could cause a decline in world precious metal prices, adversely affecting the price of the Shares. Should there be an increase in the level of hedge activity of the precious metal held by the Trusts or producing companies, it could cause a decline in world precious metal prices, adversely affecting the price of the shares.

Also, should the speculative community take a negative view towards the precious metal held by the Trusts, it could cause a decline in prices, negatively impacting the price of the shares. There is a risk that part or all of the Trusts’ physical precious metal could be lost, damaged or stolen. Failure by the Custodian or Sub-Custodian to exercise due care in the safekeeping of the precious metal held by the Trusts could result in a loss to the Trusts.

The Trusts will not insure its precious metals and shareholders cannot be assured that the custodian will maintain adequate insurance or any insurance with respect to the precious metals held by the custodian on behalf of the Trust. Consequently, a loss may be suffered with respect to the Trust’s precious metal that is not covered by insurance.

Commodities generally are volatile and are not suitable for all investors.

Please refer to the prospectus for complete information regarding all risks associated with the Trust.

Investors buy and sell shares on a secondary market (i.e., not directly from Trusts). Only market makers or “authorized participants” may trade directly with the Trusts, typically in blocks of 50k to 100k shares.

Commodity definitions: The ETFS Physical Precious Metals Basket Index (GLTRI) reflects the daily performance of an investment in a precious metals basket with the following components and ratios: gold (0.030oz), silver (1.100oz), platinum (0.004oz) and palladium (0.006oz). The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes. A futures contract is an agreement traded on an organized exchange to buy or sell assets, especially commodities or shares, at a fixed price but to be delivered and paid for later. A long position is the buying of a security such as a stock, commodity or currency with the expectation the asset will rise in value. Short position is the sale of a borrowed security, commodity or currency with the expectation that the asset will fall in value. The spot price is the current market price at which an asset is bought or sold for immediate payment and delivery. The Gold/Silver ratio is the relative pricing of gold per ounce to silver per ounce.

Index definitions: The S&P 500 Index is a capitalization-weighted index of 500 stocks selected by the Standard & Poor’s Index Committee designed to represent the performance of the leading industries in the U.S. economy. The MSCI Emerging Markets (EM) Index is an equity index that captures large and midcap representation across Emerging Markets countries. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark measuring investment grade, US dollar, fixed-rate taxable bond market. The US Dollar Index (DXY) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies. The Euro/US Dollar exchange rate is the relative pricing of the yen (the official currency of Japan) and the US dollar. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. Year over year = the percent change over a full calendar year.

Entity definitions: The Central Bank of China is the central banking system of the People’s Republic of China. The U.S. Federal Reserve (Fed) is the central bank of the United States of America. The U.S. Commodity Futures Trading Commission (CFTC) is an independent agency of the US government that regulates futures and option markets. World Platinum Investment Council (WPIC) is a market development organization for the global platinum industry. NYMEX = New York Mercantile Exchange.

Commodities generally are volatile and are not suitable for all investors. This material must be accompanied or preceded by the prospectus. Carefully consider each Trust’s investment objectives, risk factors, and fees and expenses before investing. Please click here to view the prospectus.

ALPS Distributors, Inc. is the marketing agent for ETFS Silver Trust, ETFS Gold Trust, ETFS Platinum Trust, ETFS Palladium Trust and ETFS Precious Metals Basket Trust.

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