The “Wise” Precious Metal

Palladium

Named after Pallas Athena, the Greek goddess of wisdom, palladium is from the same group of metals as platinum, but has the flexibility and pliability of gold. It’s one of the rarest metals on earth, and is 15x more scarce than its “sister” metal, platinum.

Palladium is also one of the few precious metals whose demand is driven by industrial use, not jewelry or investment. To better familiarize you and clients with this extremely rare precious metal, here are a few salient facts about palladium.

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Palladium supply is geographically constrained with over 70% of mine production evenly distributed between South Africa and Russia. The remaining mine production comes from Canada, Zimbabwe, and the U.S. This geographic concentration of mine production leaves palladium subject to supply interruptions due to economic and geopolitical disruptions. It is forecasted that there will be a deep shortfall in palladium, somewhere in the order of one million ounces per year, over the next several years, due to continued rising demand for the metal, particularly from China.

The majority of palladium’s demand stems from the following sectors:

- **66-76% automotive**: Palladium demand is primarily driven by use in catalytic converters for gasoline-engine automobiles. Key markets for gasoline vehicle sales include the United States and China, which are expected to see demand growth over the coming years stemming from China’s ongoing adoption of more stringent emissions regulations. Additionally, China’s increasing population is expected to buy more cars as economic development continues, which puts palladium in an attractive position.

- **21-25% industry & technology**: The remainder of palladium’s demand comes from industrial and technological applications, including electronics, dental, chemical, and other industrial applications.

- **3-8% jewelry**: Palladium’s jewelry demand has varied in recent years, but has been most consistent in Europe. Many jewelry designers prefer working with palladium because the metal is more malleable and can be used to make very fine and intricate jewelry, compared to platinum.

**did you know?**

- Palladium can absorb up to 900 times of its own volume in hydrogen - the most common element in the universe.
- In the late 1800s, palladium was more expensive than platinum.
- Palladium is 30x rarer than gold and is 12.6% harder than platinum.
Palladium is considered a risk management tool, since it’s a diversifier of equity exposure and equity risk. It’s highly tied to the economic cycle, has supportive fundamentals, and a tight market structure, which gives it upside potential as an investment. Another good reason to consider portfolio exposure to palladium is that the market has been in a supply deficit for the past four years, with another deficit on track for 2016.

**Automobile Industry**
Demand for palladium is dominated by its use in pollution abatement technologies, which account for 80% of its demand. The metal is frequently used alongside platinum in catalytic converters, fulfilling a very similar function.

**Emerging Markets**
Two emerging economies, Russia and South Africa, account for roughly 70% of worldwide production. Infrastructure problems in either country can contribute to supply constraints. Additionally, a large source of demand stems from other emerging markets, such as China.

**Our Product**

**ETFS Physical Palladium Shares (PALL)**

PALL provides cost-effective, convenient access to palladium in the form of physical bars held in a secured vault in London, which is inspected twice a year. Palladium supply is somewhat concentrated, with two countries, Russia and South Africa, together accounting for roughly 70% of worldwide production. Demand for palladium is dominated by its use in pollution abatement technologies, which account for 75% of its demand. The metal is frequently used alongside platinum in catalytic converters, a key pollution abatement technology that converts toxic chemicals in exhaust gases into less toxic pollutants. Palladium can also be seen as an emerging market play thanks to the use of palladium in catalytic converters in China.

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<thead>
<tr>
<th><strong>As of June 30 2016</strong></th>
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<tbody>
<tr>
<td>Inception Date</td>
<td>December 30, 2009</td>
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<tr>
<td>Expense Ratio</td>
<td>0.60%</td>
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<tr>
<td>Assets Under Management</td>
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<td>Creation Unit Size</td>
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<td>Vault Location</td>
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<td>Custodian</td>
<td>J.P. Morgan Chase Bank, N.A.</td>
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<tr>
<td>Trustee</td>
<td>The Bank of New York Mellon</td>
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DISCLOSURE

The ETFS Palladium Trust is not an investment company registered under the Investment Company Act of 1940 or a commodity pool for purposes of the Commodity Exchange Act. Shares of the Palladium Trust 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. There are special risks associated with short selling and margin investing. Please ask your financial advisor for more information about these risks.

The value of the Shares relates directly to the value of the palladium held by the Trust and fluctuations in the price of palladium could materially adversely affect an investment in the Shares. Several factors may affect the price of palladium including: (1) A change in economic conditions, such as a recession, can adversely affect the price of palladium. Palladium is 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; (2) Investors’ expectations with respect to the rate of inflation; (3) Currency exchange rates; (4) Interest rates; (5) Investment and trading activities of hedge funds and commodity funds; and (6) Global or regional political, economic or financial events and situations. Should there be an increase in the level of hedge activity of palladium producing companies, it could cause a decline in world palladium price, adversely affecting the price of the Shares.

Commodities and futures generally are volatile and are not suitable for all investors. Shares in the Trust are not FDIC insured and may lose value and have no bank guarantee.

Investors buy and sell shares on a secondary market (i.e., not directly from trust). Only market makers or “authorized participants” may trade directly with the fund, typically in blocks of 50k to 100k shares. The Fund’s net asset value per share (NAV) is calculated by dividing the value of the Fund’s total assets less total liabilities by the number of shares outstanding. Market Price returns are based on the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.

Carefully consider the fund’s investment objectives, risk factors, and fees and expenses before investing. For further discussion of the risks associated with an investment in the funds please read the prospectus at www.etfsecurities.com/etfsdocs/USProspectus.aspx. Or visit the ETF Securities website: www.etfsecurities.com.

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