



Total Return & Exchange Traded Commodities

What is Total Return?

ETCs issued by the ETF Securities group of companies earn a Total Return (excluding those backed by physical bullion).

A total return is the return that an investor can earn by holding a long only, fully collateralised position in commodity futures.

A total return consists of three sources of return: Commodity Price ("Spot") Return, Roll Return, and Collateral Return.

Why use Total Return?

Commodity returns are measured using total return because the spot return is not an investable return. The spot return is not an investable return because most commodities held for investment purposes are unsuitable to be held in physical form.

Spot Return

The spot return is the percentage change in price of the relevant futures contract – generally the near month or "spot" futures contract.

Roll Return

The roll return is the return associated with selling near month futures contracts prior to expiry, and re-investing the proceeds in next month futures contracts (usually every 1-3 months); rolling keeps an investor fully invested. The roll return can be positive ("backwardation") or negative ("contango").

Backwardation and Contango

When the front month futures contract price (P_1) is higher than the next futures contract price (P_2), the curve is said to be in "backwardation". If an investor rolls the position, the "roll" return is positive.

The opposite is true for "contango".

Excess Return

The excess return comprises the sum of the Spot Return and the Roll Return. The excess return measures the return of an un-collateralised commodity futures position. Unless stated otherwise, the DJ-UBS Commodity IndicesSM are excess return indices.

Collateral Return

The collateral return is the interest earned on the cash value of the investment, i.e. a fully collateralised commodity futures position.

Total and Excess Return

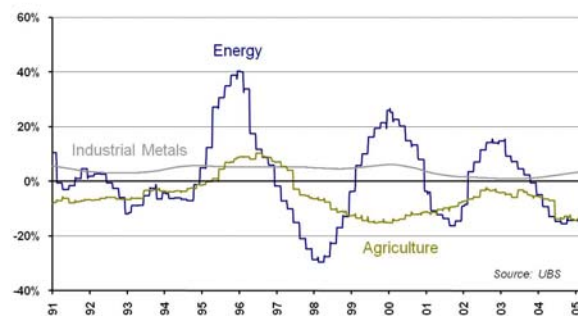
DJ-UBS Petroleum IndexSM - Total vs Excess Return

From January 2000 to April 2006 - Cumulative returns start at 100



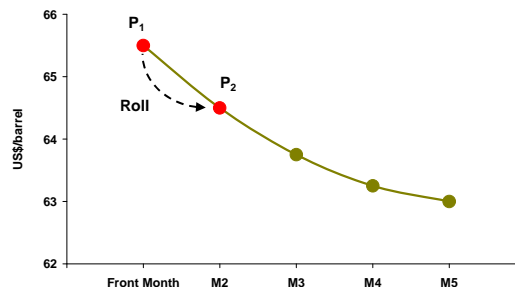
Roll Return

Annualised roll return for DJ-UBS Commodity IndexSM sectors



Backwardation

Oil futures curve in backwardation



Total Return

Spot return	Not "investable" but measured by change in near month or "spot" futures prices
+ Roll return	Return associated with "rolling" futures contracts prior to expiry to remain fully invested
= Excess return	Measures return of an un-collateralised futures position
+ Collateral return	Interest is earned on the cash value of the investment
= TOTAL RETURN	



For more information

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Other sources of information

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www.deutsche-boerse.com/etcs

www.euronext.com/etcs

www.borsaitaliana.it/etf

About ETF Securities Limited

The management of ETF Securities Limited pioneered the development of Exchange Traded Commodities (ETCs) with the world's first listing of an ETC in 2003. Now ETF Securities has over 120 ETCs listed on 5 European Exchanges with above US\$12 billion in assets. Our range of products include:

- ETFS Oil Securities – ETCs tracking different oil returns (first issued in 2005)
- ETFS Commodity Securities - a large range of ETCs tracking the:
 - Classic ETCS tracking the DJ-UBSCISM (first issued in 2006)
 - Forward ETCS tracking the DJ-UBSCI-F3SM (first issued in 2007)
 - Inverse ETCS tracking the DJ-UBSCISM (first issued in 2008)
 - Leveraged ETCS tracking the DJ-UBSCISM (first issued in 2008)
- ETFS Metal Securities – ETCs tracking physical precious metal stored in HSBC's bullion vault (first issued in 2007)

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