



ETF Securities

ETFS Physical Palladium Shares (PALL) – Counterparty Risk Explained

About the Structure

ETFS Palladium Trust (“the Trust”) is a grantor trust formed under New York law. The Trust issues **ETFS Physical Palladium Shares** (“the Shares”), which enable investors to gain direct exposure to physical palladium bullion without trading derivatives such as futures or taking physical delivery of the underlying commodity.

The Shares represent beneficial interest in the Trust, which in turn holds allocated physical bullion bars stored in secure vaults in London and Zurich on behalf of the Custodian, JPMorgan Chase Bank, N.A.,. Each physical plate and ingot is properly segregated, individually identified and allocated towards the property of the Trust. All physical palladium conforms to the London Platinum and Palladium Market (LPPM) rules for Good Delivery.

Shares can be created and redeemed by Authorized Participants and according to investor supply and demand. Shares are listed on NYSE Arca and can be bought and sold intra-day using ordinary brokerage accounts, like any other exchange-listed security. The Shares can be shorted and are eligible for margin accounts*. The shares can be executed as market orders, stop losses or limit orders.

***There are special risks associated with short selling and margin investing. Please ask your financial advisor for more information about these risks.**

Who is the Sponsor?

ETF Securities USA LLC is the Sponsor of the precious metal Trusts. ETF Securities USA LLC is a wholly owned subsidiary of ETF Securities Ltd, one of Europe’s leading providers of exchange traded funds (ETFs).

Are the Trust shares fully backed by physical bullion?

Yes, the Trust’s only asset is physical bullion. Each share in the Trust represents 0.1 ounce of physical palladium bullion and is fully backed by allocated (secure) physical bullion bars stored in secure vaults in London and Zurich on behalf of the Custodian. Each physical plate and ingot is properly segregated, individually identified and allocated towards the property of the Trust.

The bullion held by Trust is subject to a biannual independent inspection carried out by Inspectorate International. In addition to this, the metal bar list is published daily at www.etfsecurities.com and is updated daily.

What type of bullion is held by the Trusts?

The relevant Trust holds London Platinum and Palladium Market (LPPM) good delivery bars of Palladium. The LPPM Good Delivery List is now widely recognized as representing the de facto standard for the quality of palladium bars, in large part thanks to the stringent criteria for assaying standards and bar quality that an applicant must satisfy in order to be listed. The assaying capabilities of refiners on the Good Delivery List are periodically checked under the LPPM proactive monitoring programme.

Is there any Credit Risk?

Credit risk is minimal, as the Shares represent an interest in physical allocated Palladium bullion owned by the Trust. For the specific risks associated with the ETFS Palladium Trust please see page 3.

Are the Vaults or Bullion Inspected?

Yes. ETF Securities commissions a biannual independent inspection of the bullion held in the Custodians vaults. The inspection is carried out by Inspectorate International. Inspectorate International is a global company providing inspection, testing, and analysis of commodities worldwide. There is one inspection that takes place at year end, 31st December, and one inspection that is carried out at the discretion of the Sponsor. All inspection reports are published on www.etfsecurities.com

In addition, a Metal Bar List is published and updated daily on the website, and details all bullion bars held by the Trust. The metal bar list is updated daily.

The two key documents produced for shareholders of the Trusts are as follows:

Independent Vault Inspection report (2x per annum) Bullion bar list, updated daily

In addition to the stringent audit procedures set in place by the Trust and Sponsor, the Custodian also conducts independent inspections as part of their custodial duties.

For more details on Inspectorate International, please refer to their website www.inspectorate.com

What is the role of the Trustee?

The assets of the Trust are safeguarded and administered by Bank of New York as Trustee on behalf of the shareholders and are segregated from the assets of Bank of New York.

The Trustee acts as fiduciary for shareholders, approves all transactions of bullion held by the Custodian and holds all rights and entitlement under the Trust agreement.

What happens if ETF Securities USA LLC becomes insolvent?

In the event that ETF Securities USA LLC or its affiliates were to become insolvent, the Trustee and an Administrator would take control of the allocated metal in the Trust Accounts which have no effect on the Trust since assets are segregated from the assets of ETF Securities USA LLC or its affiliates.

For further details, please refer to the relevant prospectus available at www.etfsecurities.com

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.



How do ETFS Physical Palladium Shares compare with Palladium Bullion?

	ETFS Physical Palladium Shares	Palladium Bullion
Credit risk	Minimal - allocated Palladium bullion	Yes, if unallocated bullion. Minimal, if allocated
Listed	Yes	No
Storage & insurance	Included in the expense ratio	Storage & Insurance ² costs are additional
Quality	All bars conform with LPPM standards	Quality of non-LPPM bars to be checked
Trade in brokerage account	Yes	No
Margin eligible¹	Yes	No
Stop/Limit order eligible	Yes	No
Simple & cost-efficient	Yes, trades on exchange & for many investors, the shares represent a more cost effective solution to purchasing, storing and insuring physical bullion.	In most cases, direct investment in Palladium can be more expensive and complex than trading Shares.
Liquid	Yes, Exchange traded & all bars conform with LPPM standards	May be less liquid as non LPPM bars usually less liquid

¹There are special risks associated with margin investing. Please ask your financial advisor for more information about these risks.

²Holding palladium bullion directly typically implies additional storage & insurance costs for the investor.

ETFS Physical Palladium Shares are listed on the New York Stock Exchange Arca

	Base Currency	Expense Ratio	NYSE Arca Ticker	Bloomberg	Reuters
ETFS Physical Palladium Shares	USD	0.60%*	PALL	PALL. US	PALL.P

*Ordinary brokerage commissions do apply

For more information

About ETF Securities

Web: www.etfsecurities.com

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Telephone of US Representative office: (212) 918-4954

Other sources of information

www.nyse.com

About ETF Securities USA LLC

ETF Securities USA LLC is a wholly owned subsidiary of ETF Securities Ltd. ETF Securities Ltd is a provider of Exchange Traded Commodities (ETCs) and Exchange Traded Funds (ETFs). ETF Securities is independently owned and is a European market leader in ETCs. The management of ETF Securities created the first physically-backed precious metal product. ETF management also constructed the world's first full ETC platform in 2006, which has listings on various global exchanges.

This material must be accompanied or preceded by a prospectus. The prospectus contains material information about the Trust and its Shares which is material which may be important to you. Please read the prospectus carefully before investing. [prospectus](#) Or visit ETF Securities web site: http://www.etfsecurities.com/us/document/downloads/ETFS_Palladium_Trust_Prospectus.pdf



Risks and Important Considerations:

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: 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; 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 palladium producing companies, it could cause a decline in world prices, adversely affecting the price of the Shares. Also, should the speculative community take a negative view towards palladium, it could cause a decline in world palladium prices, negatively impacting the price of the Shares. There is a risk that part or all of the Trust's palladium 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 Trust will not insure its palladium and shareholders cannot be assured that the custodian will maintain adequate insurance or any insurance with respect to the palladium held by the custodian on behalf of the Trust. Consequently, a loss may be suffered with respect to the Trust's palladium that is not covered by insurance. Since there is no limit on the amount of platinum that the Trust may acquire, the Trust, as it grows, may have an impact on the supply and demand of platinum.

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 Trust is new and has limited operating history. **Commodities and futures 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 Trust before making an investment decision about investment in the Shares.

This document contains "forward-looking statement" with respect to the Trust's financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", or similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with the statement, for purposes of complying with the safe harbour provisions of that Act. All statements (other than statements of historical fact) included in this document that address activities, events or developments that will or may occurring the future, including such matters as changes in commodity prices and market conditions (for palladium and the Shares), the Trusts operations, the Sponsors plans and references to the Trusts future success and other similar matters are forward looking statements. These statements are only predictions. Actual events or results may differ materially. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. Neither the Trust nor the Sponsor is under a duty to update any of the forward looking statements to confirm such statements to actual results or to reflect a change in the Sponsor's expectations or predictions.

Shares in the Trust are not FDIC insured, may lose value and have no bank guarantee.

This material must be accompanied or preceded by a prospectus. The prospectus contains material information about the Trust and its Shares which is material which may be important to you. Please read the prospectus carefully before investing.

ALPS Distributors, Inc. is the marketing agent for ETFS Palladium Trust. ETF Securities Ltd. or its affiliates is not affiliated with ALPS Distributors, Inc. Certain marketing services may be provided for ETFS Palladium Trust by ETFS Marketing LLC.

ETFS Palladium Trust shares are not guaranteed by JPMorgan Chase Bank, N.A, or anyone else: ETFS Palladium Trust shares are direct, limited recourse obligations of the Trust alone and not obligations of any other person including JP Morgan Chase Bank, N.A, any member of the JP Morgan Chase Bank Group, or it's affiliates.
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