



## AS EASY AS ETF

Adding physical platinum to a portfolio or self-managed pension is straightforward with a platinum exchange traded fund

The start of 2019 has seen exceptionally strong growth in platinum exchange traded fund (ETF) holdings. Well-established, ETFs have been around since 1993. The first platinum ETF launched in 2007 and today there are 15 physically-backed platinum ETFs listed on exchanges globally, with the largest funds traded in major financial centres, including London, New York, Johannesburg, Tokyo and Zurich.

An ETF tracks the price of a commodity (or other type of financial asset). ETFs are listed entities that issue shares which can be traded on an exchange, meaning that prices can vary throughout the day. Investors can buy and sell shares in an ETF, either directly from the stock exchange it is listed on or through a broker, with a minimum investment of just one share; currently one share in a platinum ETF costs less than USD100.

With a physically-backed platinum ETF, investors know that the value of their shares is 100 per cent matched by physical platinum in the form of investment bars. These platinum bars, held in a highly secure vault, are the only assets of the fund and reflect the platinum price, less fees – which are typically well below one percent per annum. This type of asset allows an individual or asset manager to invest in physical platinum without incurring additional costs, such as insurance premiums and storage.

Where buyers of a platinum ETF exceed sellers, new ETF shares are issued. In this instance, the fund has three days to purchase platinum bars in the spot or 'over the counter' market and deliver them into the vault, which is usually at a large commercial bank, in order to ensure the fund's holdings of physical platinum reflect its shareholdings.

The traded value of an ETF share tracks the spot platinum price. As a result, an ETF investor can make money when the platinum price rises and lose money when it falls, in the same way that anyone who owns platinum in its physical form can.



*A platinum ETF can be held as part of a self-managed pension scheme in the UK, the US and Japan*

Only some ETFs provide investors with the choice of converting their share into physical metal. Where this is possible, the investor is entitled to the portion of the vaulted platinum that equates to the underlying shareholding, and not a specific bar or bars.

Investing in a platinum ETF can be a convenient way to add platinum to a portfolio and benefit from its diversification characteristics, as well as profiting from any potential increases in the metal's value related to changes in platinum's diverse supply and demand fundamentals.

In the UK, the US and Japan, platinum ETFs can be held as part of self-managed pension schemes, with possible associated tax benefits.

### Positive impact on platinum demand

At the moment, holdings in platinum ETFs are experiencing a four year high at 3 moz. The recent surge in investors wanting exposure to platinum via physically-backed ETFs has had a direct impact on platinum demand. Platinum ETF demand in the first quarter of 2019 was over 690,000 oz.

#### Contacts:

Brendan Clifford, Investor Development, [bclifford@platinuminvestment.com](mailto:bclifford@platinuminvestment.com)

Trevor Raymond, Research, [traymond@platinuminvestment.com](mailto:traymond@platinuminvestment.com)

Vicki Barker, Investor Communications, [vbarker@platinuminvestment.com](mailto:vbarker@platinuminvestment.com)



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