



ETFs Hedged Metal Securities Limited

Registered No: 108311

**Unaudited Interim Financial Report for the
Six Months to 30 June 2019**

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The directors of ETFS Currency-Hedged Metal Securities Limited ("HMSL" or the "Company") submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2019.

Directors

The names and particulars of the directors of the Company during or since the end of the financial period are:

Gregory Barton (resigned 15 March 2019)

Hilary Jones

Steven Ross

Peter Ziemba

Directors' Interests

No director has an interest in the Ordinary Shares of the Company as at the date of this report.

Principal Activities

During the period there were no significant changes in the nature of the Company's activities.

Review of Operations

As at 30 June 2019, the Company had the following number of classes, in aggregate, of Currency-Hedged Metal Securities in issue and admitted to trading on the following exchanges:

	London Stock Exchange	Borsa Italiana	Deutsche Börse
GBP-Hedged Metal Securities	1	-	-
EUR-Hedged Metal Securities	-	1	1
Total Currency-Hedged Metal Securities	1	1	1

As at 30 June 2019, the fair value of assets under management amounted to USD 530.1 million (31 December 2018: USD 332.0 million). The Company recognises its financial assets (Metal Bullion) and financial liabilities (Currency-Hedged Metal Securities) at fair value in the Condensed Statement of Financial Position.

During the period, the Company generated income from creation and redemption fees and management fees as follows:

	30 June 2019 USD	30 June 2018 USD
Creation and Redemption Fees	647	1,331
Management Fees	1,325,525	1,212,225
Total Fee Income	1,326,172	1,213,556

Under the terms of the service agreement with ETFS Management Company (Jersey) Limited ("ManJer"), the Company accrued expenses equal to the management fees and creation and redemption fees, which, after taking into account other operating income and expenses, resulted in an operating result for the period of USD Nil (30 June 2018: USD Nil).

Review of Operations (continued)

The gain or loss on Currency-Hedged Metal Securities and Metal Bullion together with the Metal Adjustment Contracts are recognised in the Condensed Statement of Profit or Loss and Other Comprehensive Income in line with the Company's accounting policy.

The Company holds Metal Bullion and enters into Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement (which is calculated in accordance with an agreed formula published in the Prospectus). Metal Bullion and Metal Adjustment Contracts are marked to fair value at the end of each Pricing Day by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC. The fair value of the Metal Bullion and Metal Adjustment Contracts is collectively referred to within these financial statements as the "Contractual Value".

The Company has entered into contractual obligations to issue and redeem Currency-Hedged Metal Securities exchange for Metal Bullion as determined by the Metal Entitlement of each class of Currency-Hedged Metal Security on each trading day. The Metal Bullion in respect of each creation and redemption is recorded using the Contractual Value on the transaction date.

IFRS 13 requires the Company to identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Currency-Hedged Metal Securities are listed to be the principal market and as a result the fair value of the Currency-Hedged Metal Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. As a result of the difference in valuation methodology between the Metal Bullion, the Metal Adjustment Contracts and the Currency-Hedged Metal Securities, there is a mis-match between accounting values, and the results of the Company reflect a gain or loss on the difference between the value of the Metal Bullion and the Metal Adjustment Contracts at Contractual Value and the market price of Currency-Hedged Metal Securities. This gain or loss would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities, transfer of the equivalent Metal Bullion and cancellation of the Metal Adjustment Contracts. This is presented in more detail in note 7 to these interim financial statements.

Future Developments

United Kingdom's ("UK's") withdrawal from the European Union ("EU")

The process for the UK's withdrawal from the EU is still ongoing, the UK's future relationship with the EU is still uncertain and the renegotiations of treaties and agreements, together with legislation changes, have yet to be completed.

The Company is domiciled in Jersey, outside of the EU, and the Currency-Hedged Metal Securities are distributed in the EU under the EU Prospectus Directive which requires their offering to the public to be approved by an EU Member State regulator. To date, the Company has chosen the UK Financial Conduct Authority ("FCA") as its Member State regulator for these purposes. A request is then made to the FCA, as the chosen Member State regulator, for the passporting of the offering across the EU, once again, under the Prospectus Directive.

It is currently expected that, if necessary, the Company would select an alternate EU Member State regulator through which to seek approval and request passporting for its offering. As the Currency-Hedged Metal Securities already comply with the European wide requirements of the Prospectus Directive, this is not expected to cause any disruption or alteration to the terms or nature of the Currency-Hedged Metal Securities.

The Currency-Hedged Metal Securities continue to comply with all applicable laws and regulations. Continued assessment of the impact will be required throughout the withdrawal process.

The board of directors (the "Board") are not aware of any other developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached interim financial statements.

Directors' Remuneration

No director has a service contract with the Company. The directors of the Company who were employees within the ETF Securities Limited group or are employees within the WisdomTree group do not receive separate remuneration in their capacity as directors of the Company. R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") receives a fee in respect of the directors of the Company who are employees of R&H.

The directors' fees which have been paid by ManJer on behalf of the Company for the period:

	30 June 2019	30 June 2018
	GBP	GBP
Gregory Barton	Nil	Nil
Christopher Foulds	Nil	1,750
Hilary Jones	4,000	Nil
Steven Ross	4,000	4,000
Peter Ziemba	Nil	Nil

Going Concern

The nature of the Company's business dictates that the outstanding Currency-Hedged Metal Securities may be redeemed at any time by the holder and in certain circumstances may be redeemed by the Company. As the redemption of Currency-Hedged Metal Securities would coincide with the transfer of an equal amount (in value) of Metal Bullion, no net liquidity risk is considered to arise. All other expenses are met by ManJer; therefore the directors consider the Company to be a going concern and have prepared the interim financial statements on this basis.

Directors Statement

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the directors confirm that to the best of their knowledge that:

- the interim financial statements for the period ended 30 June 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by law and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- the Directors' Report gives a fair view of the development of the Company's business, financial position and the important events that have occurred during the period and their impact on these interim financial statements.

On behalf of the directors



Hilary Jones
12 September 2019

	Notes	Period ended 30 June	
		2019 Unaudited USD	2018 Unaudited USD
Revenue	2	1,326,172	1,213,556
Expenses	2	(1,326,172)	(1,213,556)
Operating Result		-	-
Net Gain/(Loss) Arising on Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	3	34,671,976	(27,972,571)
Net (Loss)/Gain Arising on Fair Value of Currency-Hedged Metal Securities	4	(33,884,412)	27,364,580
Result and Total Comprehensive Income for the Period		787,564	(607,991)
¹ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities	5	(787,564)	607,991
Adjusted Result and Total Comprehensive Income for the Period		-	-

The directors consider the Company's activities as continuing.

¹ An explanation of the non-statutory adjustment is set out on pages 10 and 11. This represents the movement in the difference between the Contractual Value of the Metal Bullion and the market price of Currency-Hedged Metal Securities.

		As at	
	Notes	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Current Assets			
Trade and Other Receivables		244,848	161,981
Metal Bullion Exposure	3	530,075,306	332,044,573
Amounts Receivable on Currency-Hedged Metal Securities Awaiting Settlement	4	9,657,843	8,737,738
Amounts Receivable on Metal Bullion Awaiting Settlement	3	-	929,612
Total Assets		539,977,997	341,873,904
Current Liabilities			
Currency-Hedged Metal Securities	4	529,504,224	332,261,055
Amount Payable on Currency-Hedged Metal Securities Awaiting Settlement	4	-	929,612
Amount Payable on Metal Bullion Awaiting Settlement	3	9,657,843	8,737,738
Trade and Other Payables		244,845	161,978
Total Liabilities		539,406,912	342,090,383
Equity			
Stated Capital		3	3
Revaluation Reserve		571,082	(216,482)
Total Equity		571,085	(216,479)
Total Equity and Liabilities		539,977,997	341,873,904

The condensed interim financial statements on pages 4 to 13 were approved and authorised for issue by the board of directors and signed on its behalf on 12 September 2019.



Hilary Jones
Director

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Operating Result for the Period	-	-
<i>Changes in Operating Assets and Liabilities</i>		
(Increase)/Decrease in Receivables	(244,210)	28,624
Increase/(Decrease) in Payables	244,210	(28,624)
Cash Generated from Operating Activities	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at the End of the Period	-	-

Currency-Hedged Metal Securities are issued and redeemed by transfer of Metal Bullion and have been netted off in the Condensed Statement of Cash Flows.

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve ² USD	Total Equity USD	Adjusted Total Equity USD
Audited Opening Balance at 1 January 2018		3	-	2,057,800	2,057,803	3
Result and Total Comprehensive Income for the Period		-	(607,991)	-	(607,991)	(607,991)
Transfer to Revaluation Reserve		-	607,991	(607,991)	-	-
³ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities		-	-	-	-	607,991
Unaudited Balance at 30 June 2018		3	-	1,449,809	1,449,812	3
Unaudited Opening Balance at 1 July 2018		3	-	1,449,809	1,449,812	3
Result and Total Comprehensive Income for the Period		-	(1,666,291)	-	(1,666,291)	(1,666,291)
Transfer to Revaluation Reserve		-	1,666,291	(1,666,291)	-	-
³ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities		-	-	-	-	1,666,291
Audited Balance at 31 December 2018		3	-	(216,482)	(216,479)	3
Audited Opening Balance at 1 January 2019		3	-	(216,482)	(216,479)	3
Result and Total Comprehensive Income for the Period		-	787,564	-	787,564	787,564
Transfer to Revaluation Reserve	5	-	(787,564)	787,564	-	-
³ Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities	5	-	-	-	-	(787,564)
Unaudited Balance at 30 June 2019		3	-	571,082	571,085	3

² This represents the difference between the Contractual Value of the Metal Bullion and the market price of Currency-Hedged Metal Securities.

³ An explanation of the non-statutory adjustment is set out on pages 10 and 11.

The notes on pages 8 to 13 form part of these condensed interim financial statements

1. Accounting Policies

The main accounting policies of the Company are described below.

Basis of Preparation

The interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018. Except as described below under *Changes in Accounting Standards* the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the financial statements for the year ended 31 December 2019.

The presentation of interim financial statements in conformity with International Financial Reporting Standards ("IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The only key accounting judgement required to prepare these interim financial statements is in respect of the valuation of Metal Bullion and Currency-Hedged Metal Securities held at fair value through profit or loss as disclosed in notes 3, 4 and 5. Actual results could vary from these estimates.

This half yearly report has not been audited or reviewed by the Company's auditors.

Changes in Accounting Standards

On 1 January 2019 the Company adopted IFRS 16, IFRS 9, IAS 28, IAS 19 and annual improvements and have assessed that the adoption of these revised and amended accounting standards has not resulted in any changes to the accounting policies and disclosures within these financial statements.

2. Operating Result

Operating result for the period comprised:

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Creation and Redemption Fees	647	1,331
Management Fees	1,325,525	1,212,225
Total Revenue	1,326,172	1,213,556
ManJer Fees	(1,326,172)	(1,213,556)
Total Operating Expenses	(1,326,172)	(1,213,556)
Operating Result	-	-

3. Metal Bullion

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Fair Value	<u>34,671,976</u>	<u>(27,972,571)</u>
	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Metal Bullion at Fair Value	<u>524,342,353</u>	<u>333,252,411</u>
Metal Adjustment Contracts at Fair Value:		
Metal Bullion Receivable	3,418,551	217,379
Metal Bullion Payable	<u>2,314,402</u>	<u>(1,425,217)</u>
	5,732,953	(1,207,838)
Metal Bullion Exposure at Fair Value	<u>530,075,306</u>	<u>332,044,573</u>

As at 30 June 2019, there were certain amounts of Metal Bullion awaiting the settlement in respect of the creation or redemption of Currency-Hedged Metal Securities with transaction dates before the period end and settlement dates in the following period:

- The monetary amount payable as a result of unsettled creations of Currency-Hedged Metal Securities is USD 9,657,843 (31 December 2018: USD 8,737,738).
- The monetary amount receivable as a result of unsettled redemptions of Currency-Hedged Metal Securities is USD Nil (31 December 2018: USD 929,612).

4. Currency-Hedged Metal Securities

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Fair Value	<u>(33,884,412)</u>	<u>27,364,580</u>
	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Currency-Hedged Metal Securities at Fair Value	<u>529,504,224</u>	<u>332,261,055</u>

As at 30 June 2019, there were certain Currency-Hedged Metal Securities awaiting settlement in respect of creations or redemptions with transaction dates before the period end and settlement dates in the following period:

- The amount receivable as a result of unsettled creations of Currency-Hedged Metal Securities is USD 9,657,843 (31 December 2018: USD 8,737,738).
- The amount payable as a result of unsettled redemptions of Currency-Hedged Metal Securities is USD Nil (31 December 2018: USD 929,612).

5. Adjustment from Market Value to Contractual Value of Currency-Hedged Metal Securities

A price is established in respect of each type and currency of bullion as at the end of each Pricing Day by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC ("Morgan Stanley"). The fair value of the Metal Bullion and Metal Adjustment Contracts is collectively referred to within these financial statements as the "Contractual Value".

The Company measures the Currency Securities at their market value than their Contractual Value (as described in the Prospectus) because IFRS 13 requires the Company to identify the principal market and to utilise the available market price within that principal market. The directors consider that the stock exchanges where the Currency-Hedged Metal Securities are listed to be the principal market and as a result the fair value of the Currency-Hedged Metal Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. The Currency-Hedged Metal Securities are priced using the closing mid-market price on the Statement of Financial Position date.

Consequently a difference arises between the value of Metal Bullion and Metal Adjustment Contracts at the Contractual Value (based on the prospectus) and Currency-Hedged Metal Securities at market value presented in the Statement of Financial Position. This difference is reversed on a subsequent redemption of the Currency-Hedged Metal Securities and the transfer of the corresponding Metal Bullion together with the cancellation of the Metal Adjustment Contracts.

Whilst the Currency-Hedged Metal Securities are quoted on the open market, the Company's liability relates to its contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion and Metal Adjustment Contracts as determined by the Metal Entitlement of each class of Currency-Hedged Metal Security on each trading day. The monetary value of each creation and redemption of Currency-Hedged Metal Securities is recorded based on the Contractual Value. Therefore, the issue and redemption of Currency-Hedged Metal Securities is recorded at a value that corresponds to the value of the Metal Bullion transferred in respect of the issue and redemption. As a result the Company has no net exposure to gains or losses on the Currency-Hedged Metal Securities and Metal Bullion and Metal Adjustment Contracts.

The contractual redemption values and movements in unrealised gains/losses during the period/year based on the Contractual Values are:

	As at	
	30 June 2019 Unaudited USD	31 December 2018 Audited USD
Currency-Hedged Metal Securities at Contractual Value	<u>530,075,306</u>	<u>332,044,573</u>
	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Change in Contractual Value of Currency-Hedged Metal Securities	<u>(34,671,976)</u>	<u>27,972,571</u>

Through the mis-matched accounting values, the results of the Company reflect a gain or loss which represents the aggregate of the movement in the cumulative difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities. This gain or loss is transferred to a Revaluation Reserve which is non-distributable. The results of the Company are adjusted through the presentation of a non-statutory movement entitled 'Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities'.

5. Adjustment from Market Value to Contractual Value of Currency-Hedged Metal Securities (continued)

The overall impact is that through the mis-matched accounting values, the results of the Company reflect a gain or loss on the aggregate of the movement in the difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities.

	Period ended 30 June	
	2019 Unaudited USD	2018 Unaudited USD
Net Gain/(Loss) Arising on Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	34,671,976	(27,972,571)
Net (Loss)/Gain Arising on Contractual Value of Currency-Hedged Metal Securities	(33,884,412)	27,364,580
	787,564	(607,991)

The gain or loss on the difference between the Contractual Value of the Metal Bullion and Metal Adjustment Contracts and the market price of Currency-Hedged Metal Securities would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and transfer of the corresponding Metal Bullion. This gain or loss is transferred to a Revaluation Reserve which is non-distributable and a reconciliation of the movements throughout the period/year is detailed below.

	2019 Unaudited USD	2018 Audited USD
Balance brought forward at 1 January	(216,482)	2,057,800
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities:		
Period 1 January to 30 June	787,564	(607,991)
Period 1 July to 31 December	-	(1,666,291)
	787,564	(2,274,282)
Closing balance at 30 June / 31 December	571,082	(216,482)

6. Fair Value Hierarchy

The levels in the hierarchy are defined as follows:

- Level 1 fair value based on quoted prices in active markets for identical assets.
- Level 2 fair values based on valuation techniques using observable inputs other than quoted prices within level 1.
- Level 3 fair values based on valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

6. Fair Value Hierarchy (continued)

The Company is required to utilise the available market price as the Currency-Hedged Metal Securities are quoted and actively traded on the open market. Therefore Currency-Hedged Metal Securities are classified as Level 1 financial liabilities.

The Company holds Metal Bullion and Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement (which is calculated in accordance with an agreed formula published in the Prospectus). The Company has contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement of each class of Metal Security on each trading day.

The monetary value of each creation and redemption of each type and currency of bullion is calculated by reference to the futures benchmark price (currently COMEX for gold bullion) adjusted by an Exchange for Physical. The Exchange for Physical is determined by reference to the MSPM indices published by Morgan Stanley & Co. LLC. Therefore, Metal Bullion and Metal Adjustment Contracts are classified as level 2 assets (or liabilities), as the value is calculated using third party pricing sources supported by observable, verifiable inputs.

The categorisation of the Company's assets and (liabilities) are as shown below:

	Period ended 30 June 2019 Unaudited USD	Year ended 31 December 2018 Audited USD
Level 1		
Currency-Hedged Metal Securities	<u>(529,504,224)</u>	<u>(332,261,055)</u>
Level 2		
Metal Bullion	524,342,353	333,252,411
Metal Adjustment Contracts	5,732,953	(1,207,838)
	<u>530,075,306</u>	<u>332,044,573</u>

The Currency-Hedged Metal Securities and Metal Bullion together with the Metal Adjustment Contracts are recognised at fair value through profit or loss upon initial recognition in line with the Company's accounting policy. There are no assets or liabilities classified in level 3. There were no reclassifications during the period.

7. Related Party Disclosures

Entities and individuals which have a significant influence over the Company, either through ownership of HoldCo shares or by virtue of being a director of the Company, are related parties.

Fees charged by ManJer during the period:

	Period ended 30 June 2019 Unaudited USD	2018 Unaudited USD
ManJer Fees	<u>1,326,172</u>	<u>1,213,556</u>

7. Related Party Disclosures (continued)

The following balances were due to ManJer at the period end:

	As at	
	30 June 2019	31 December 2018
	Unaudited USD	Audited USD
ManJer Fees Payable	<u>244,845</u>	<u>161,978</u>

At 30 June 2019, USD 3 is receivable from ManJer (31 December 2017: USD 3).

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 8,000 (30 June 2018: GBP 5,750).

Hilary Jones and Steven Ross are directors of R&H Fund Services (Jersey) Limited ("R&H"), the administrator. During the period, R&H charged ManJer administration fees in respect of the Company of GBP 18,500 (30 June 2018: GBP 15,750), of which GBP 9,250 (30 June 2018: GBP 9,250) was outstanding at the period end.

8. Events Occurring After the Reporting Period

There have been no significant events since the reporting period that require disclosure.

The intelligent
alternative.