

ETFS 1x Daily Short Cotton SCTO

Investment Objective

ETFS 1x Daily Short Cotton (SCTO) is designed to enable investors to gain a 'short' exposure to a total return investment in cotton futures contracts by tracking the Bloomberg Cotton Subindex (the "Index") and providing a collateral yield. A daily short exposure means that the product is designed to reflect minus one times the daily percentage change in the Index level. For example, if the Index was to rise in value by 5% on a particular day, the product is designed to decrease in value by 5% on that day (minus fees and expenses). SCTO is an exchange traded commodity ("ETC"). It is not a UCITS product. Securities in this ETC are structured as debt securities and not as shares (equity) and can be created and redeemed on demand by authorised participants and are traded on exchange just like shares in a company. The ETC is backed by swaps. The payment obligations of the swap counterparties to the Issuer are protected by collateral held which is marked to market daily. The collateral is held in segregated accounts at The Bank of New York Mellon. Details of the collateral held can be found in the Collateral section of the ETF Securities website (www.etfsecurities.com).

Index Description

The Index is designed to reflect the movement in the price of the cotton futures contracts used in the Bloomberg Commodity IndexSM that are continuously rolled on a pre-determined rolling schedule. Each trading day returns, excluding fees and expenses, will be positive when the Index falls relative to the previous day's close, and negative when the index rises relative to the previous day's close. Short ETCs are only intended for investors who understand the risks involved in investing in an ETC with short exposure and who intend to invest on a short-term basis. Any investment in a short ETC should be monitored on a daily basis to ensure consistency with your investment strategy. Please refer to the section entitled "Risk Factors" in the relevant prospectus for further details of these and other risks associated with an investment in short ETCs. You should consult an independent investment adviser prior to making an investment in a short ETC in order to determine its suitability to your circumstances.

Product Information	
Product Name	ETFS 1x Daily Short Cotton
Issuer	ETFS Commodity Securities Limited
Legal Form	Debt security
UCITS Eligible	Jurisdictionally dependent
Domicile	Jersey
Listing Date	1 April 2012
Base Currency	USD
Currency Hedged	No – this product is not protected against adverse currency movements
Management Fee	0.98% p.a.
Replication	Synthetic - fully funded collateralised swap
Counterparties	Citigroup Global Markets Limited, Merrill Lynch International
Collateralised	Yes
Product Manager	ETFS Management Company (Jersey) Limited
Trustee	The Law Debenture Trust Corporation p.l.c.
Collateral Manager	The Bank of New York Mellon
Taxation	In Italy ETCs are taxed at 26% on capital gains and are defined as "redditi diversi" by the Agenzia delle Entrate
Passported To	Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, United Kingdom

Index Information	
Index Name	Bloomberg Cotton Subindex
Index Provider	Bloomberg
Base Currency	USD
Constituents	1
Bloomberg Code	BCOMCT
Reuters Code	.BCOMCT

Trading Information

Exchange	ISIN	Exchange Code	Currency (Trading)	Bloomberg Code	Reuters Code
Borsa Italiana	JE00B24DK868	SCTO	EUR	SCTO IM	SCTO.MI
London Stock Exchange	JE00B24DK868	SCTO	USD	SCTO LN	SCTON.L

Simulated Historical Performances

Bloomberg Cotton Subindex Total Return and Simulated Daily Short Index Return historical performance

Period Considered: 2 September 2014 to 30 August 2019

— Bloomberg Cotton Subindex Total Return

— Simulated Daily Short Index Return



This information represents the benchmark performance of the product, rather than the product's actual performance. Please see the Benchmark Considerations for further information.

Index	YTD	2 Years	3 Years	4 Years	5 Years
Bloomberg Cotton Subindex Total Return	-17.0%	-14.2%	-10.1%	-7.4%	-8.8%
Simulated Daily Short Index Return	19.6%	11.4%	2.8%	-4.9%	-7.6%

Specific Risks of Daily Short ETCs

An investment in this ETC involves a significant degree of risk. Any decision to invest should be based on the information contained in the relevant prospectus. Prospective investors should obtain independent accounting, tax and legal advice and should consult their professional advisers to ascertain the suitability of this ETC as an investment to their own circumstances.

The price will fall when the Index rises. If the value of the Index increases for extended periods, a short ETC will likely lose most or all of its value. If the Index rises by 100% or more in one day, an investment in a short ETC will lose all of its value.

Returns measured over periods of longer than one day may differ from minus one times the Index's return over that period.

Short ETCs are only intended for investors who understand the risks involved in investing in an ETC with short exposure and who intend to invest on a short term basis. Any investment in a short ETC should be monitored on a daily basis to ensure consistency with your investment strategy.

The price of securities in this ETC is generally quoted in US Dollars. To the extent that a security holder purchases securities in another currency, the value will be affected by changes in the exchange rate.

There can be no certainty that securities can always be bought or sold on a stock exchange or that the market price at which the securities may be traded on a stock exchange will always accurately reflect the performance of the Index.

The Issuer is reliant on there being swap counterparties available to enter into swap agreements with on a continuing basis and, if no swap counterparties are willing to do so, the ETC will not be able to achieve its investment policy of tracking the performance of the Index.

The Issuer is subject to the risk that the swap counterparties and other third party service providers may fail to return property belonging to the Issuer or pay money due to the Issuer.

Benchmark Considerations

The Daily Short Index is a simulated index and does not take into account any fees or expenses. Simulated performance is purely hypothetical and is provided in this document solely for informational purposes.

The simulated Daily Short Index is compared here to the total return version of the Index.

A total return index means that the index value incorporates the collateral yield. The ETC is priced by reference to an index which reflects the underlying commodity futures price movements and incorporates the return on collateral yield separately in order to provide investors with the equivalent to a total return exposure. The total return index is displayed here as a benchmark and the related information is historic information.

The information shown here is priced in US Dollars and does not reflect any movements in the exchange rate between US Dollars and any other currency.

Past performance and simulated performance are not reliable indicators of future results.

Glossary

Authorised participant	Banks or other financial institutions that act as intermediaries between issuers of securities and other investors or intermediaries. Authorised participants subscribe for and redeem securities directly with the Issuer and buy and sell those securities to investors or intermediaries either directly or via stock exchanges.
Collateral held	Cash or other transferable securities which are held independently to reduce the Issuer's credit risk in respect of any single counterparty. For example, if the Index (tracked by the ETC) decreases, the amount owed to the Issuer by the swap counterparty increases and therefore additional collateral is transferred by the swap counterparty to reduce the increased risk to the ETC of that counterparty.
Collateral yield	The collateral yield is the hypothetical interest that an investor would have received on cash equal in value to the underlying futures contracts.
Exposure	An ETC has exposure to an index or commodity if its value is directly affected by movements in the price of that index or commodity. Exposure to an index or commodity can be achieved in various different ways. This ETC aims to provide exposure to the Index using swaps.
Fully funded swap	This is a swap whereby the cash from investors is transferred by the Issuer to the swap counterparties.
Futures contract	A futures contract is an agreement to purchase a commodity at an agreed price, with delivery and payment to take place at a specified point in the future. Futures contracts are generally disposed of just before the term of the contract expires and new contracts entered into in order to avoid taking actual delivery of the commodity in question (a process known as 'rolling'), so that continuous exposure to the commodity is maintained. The contracts being purchased may be more expensive than the contracts being sold which would cause an investor in commodity futures to make an additional loss. This market trend is known as 'contango'. Alternatively the contracts being purchased may be cheaper than the ones being sold which would result in an additional gain, known as 'backwardation'. This price difference is commonly referred to as 'roll yield'. As the roll yield is incorporated into the calculation of the value of the Index, it may therefore have a positive or negative impact on the value of the Index depending on whether there is contango or backwardation. The ETC will also be affected as its value is based upon the value of the Index.
Swap or swap agreement	This is where the Issuer enters into contracts with one or more swap counterparties whereby the Issuer is owed money from a swap counterparty when the value of the Index (tracked by the relevant ETC) goes down and the Issuer owes money to the swap counterparty when the value of the Index goes up. By using swaps, the ETC can efficiently track the upward or downward performance of the Index without having to actually own the Index constituents themselves.
Swap counterparty	Typically a large bank or financial institution with whom the Issuer enters into swaps.
Marked to market	The amount of collateral held will be adjusted on a daily basis in order to reflect the value of the swaps.
UCITS	The Undertakings for Collective Investment in Transferable Securities Directives (UCITS) are a set of European Union Directives that aim to harmonise, regulate and facilitate the offer of collective investment schemes in Europe by imposing certain requirements which collective investment schemes must meet if they are to be approved as UCITS products. This ETC is not a UCITS product.

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