

ETFs Physical PM Basket

AUD \$102.25

Core

MED.



A fresh investment option for precious metal bugs

As we highlighted in last week's report, Members are now able to trade silver, platinum, palladium and a basket of precious metals on the ASX in the same way as our previously-recommended ETFs physical gold. We believe now is the right time for Members to both add to and diversify their precious metals exposure, given the relatively low-risk, defensive nature of the investment. After placing a Traffic Light recommendation last week on the ETFs Physical PM Basket, we now believe it is the time to buy.

In last week's report we highlighted that Members are now able to trade silver, platinum, palladium and a basket of precious metals on the Australian Securities Exchange in the same way as ETFs physical gold. This is the first time that silver, platinum, palladium or a precious metals basket have been made available to Australian investors through ordinary brokerage accounts.

The following are the metal securities available to Australian investors:

ETFs Physical Gold* ASX code: GOLD

* Previously called Gold Bullion Securities



The four new Metal Securities to be quoted are:

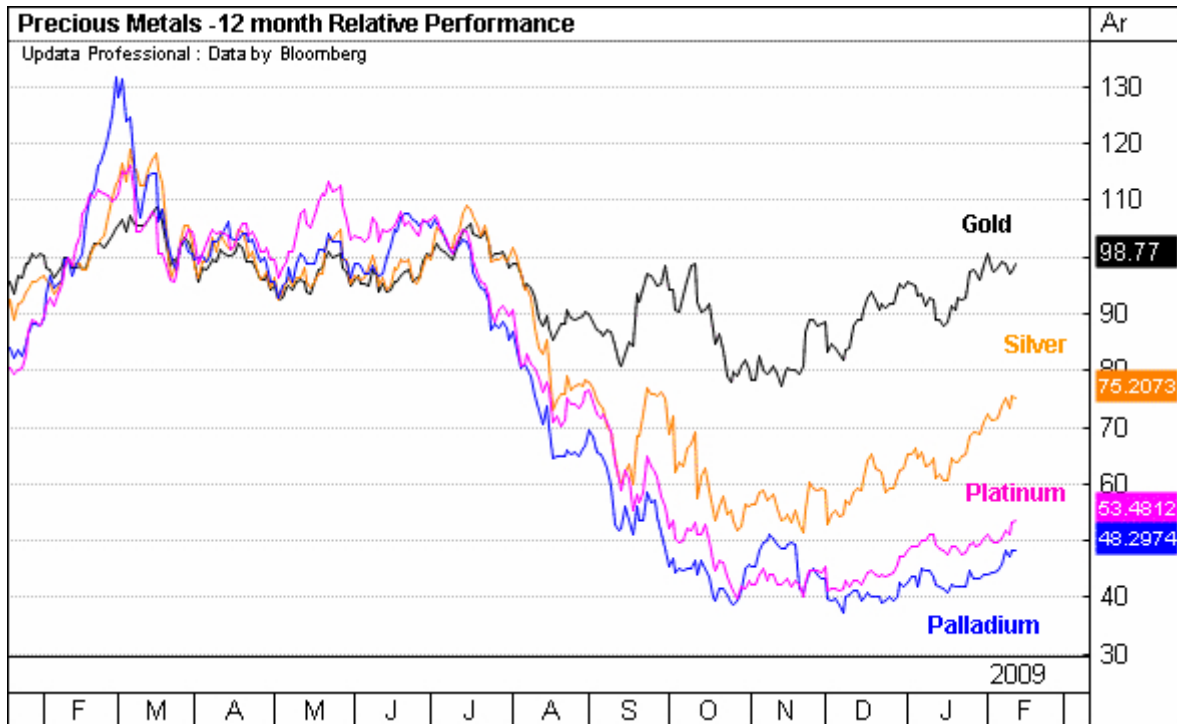
ETFS Physical Platinum ASX code: ETPMPT

ETFS Physical Palladium ASX code: ETPMPD

ETFS Physical Silver ASX code: ETPMAG

ETFS Physical PM Basket ASX code: ETPMPM

The basket will consist of platinum, palladium, silver and gold



From our perspective, the security that we are interested in is the ETFS Physical PM Basket (ETPMPM). The beauty of this one is that it gives Members exposure to the whole spectrum of precious metals, although with a heavy weighting towards gold (45%).

We believe the timing on gold investment remains hugely attractive and we are not the only ones, judging by the huge physical demand that is out there for the metal, stoked by investor fears of the unknown in this ongoing financial crisis. But safe-haven status is not the only reason to hold precious metals.

There are almost certain to be lasting inflationary effects from the enormous economic stimulus packages being implemented worldwide. This means that investment in gold and precious metals investment will generate returns for investors both now and for years to come.

We have previously recommended the ETFS physical gold security (formerly known as Gold Bullion Securities), to our Members, trading under the ASX code, GOLD.

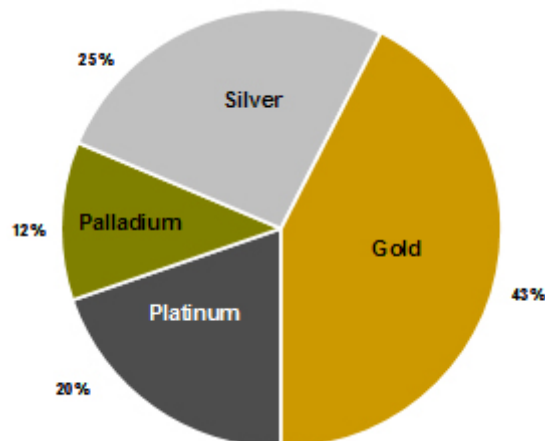


As a brief reminder, GOLD is an exchange-traded security of nominal value which carries with it an entitlement to approximately 1/10th of one fine troy ounce of gold bullion in A\$. For each security on issue there is a corresponding amount of gold held in trust. The new precious metals ETFs will operate in exactly the same way.

The ETFS Physical PM Basket (ETPMPM) is designed to offer investors a simple and secure way to access the precious metals market. ETPMPM is intended to provide investors with a return equivalent to movements in the spot price of precious metals, less fees.

ETPMPM is a transferable security that can be created or redeemed on demand by market-makers, and that can be redeemed by investors. It trades on the ASX as an equity. The price of ETPMPM is based on the spot price of precious metals less the daily Management Fee. The provider uses only internationally recognised and transparent physical precious metals pricing benchmarks.

The approximate price of the ETPMPM security is based on the following breakdown of the various precious metals and their weightings within the security, comprising: 0.01oz of platinum (Pt), 0.02oz palladium (Pd), 1.2oz silver (Ag), and 0.04oz gold (Au). This weighting is demonstrated graphically in the following pie chart.



We reiterate that all of the physical precious metal ETCs are 100% backed by allocated metal – uniquely identifiable bars which carry no bank or other types of credit risk. As a result, physical ETCs save investors from many of the difficulties associated with purchasing precious metals such as access to physical bars and then having to store and insure those bars.

The new ETCs are backed by physical allocated metal held by the custodian HSBC N.A., the world's leading custodian for ETCs. All physical metals held with the custodian must conform to the rules for good delivery of the London Bullion Market Association (LBMA) and London Platinum Palladium Market (LPPM).

Whilst the other precious metals have underperformed relative to gold over recent times, primarily due to their greater weighting towards industrial usage, we believe all precious metals will eventually benefit from the ongoing economic turmoil and longer-term impact from inflation, firming in value as the US\$ eventually resumes its inevitable decline.

We believe that now is therefore the right time for Members to both add to and diversify their precious metals exposure. Hence, we recommend that Members Buy the ETFS Physical PM Basket (ASX code: ETPMPM) at around \$102.25.

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Snapshot ETFS Physical PM Basket

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difficulties associated with purchasing precious metals such as access to physical bars and then having to store and insure those bars.

Market Capitalisation: N/A

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