



Further information regarding the upcoming meetings of security holders of classes of ETFS Short and Leveraged Commodity Securities originally convened for 20 March 2019 and adjourned to 9 May 2019 at the same place and to be held from 1.30 p.m (a copy of the RNS announcement can be found [here](#)).

If you have sold or transferred all of your ETFS 3x Daily Long Coffee Individual Securities, ETFS 3x Daily Long Wheat Individual Securities and ETFS 2x Daily Long Coffee Individual Securities of ETFS Commodity Securities Limited, please send this document, together with the accompanying form(s) of proxy, at once to the purchaser or transferee or stockbroker, banker or other agent through whom the sale or transfer was made, for onward transmission to the purchaser or transferee.

Dear Investor,

Principal amount reductions: why they happen and what do they mean to you

You will have received the circular (a copy of which can be found [here](#)) in respect of a vote to reduce the principal amount in respect of your holdings in one or more of the following securities issued by ETFS Commodity Securities Limited (the “ETCs”):

- ETFS 3x Daily Long Coffee Individual Securities;
- ETFS 3x Daily Long Wheat Individual Securities;
- ETFS 2x Daily Long Coffee Individual Securities.

This note is intended to provide you with some further background on

- (i) what the principal amount is and why reduce it; and
- (ii) the impact of the vote on the ongoing future of the product.

What is the principal amount and why reduce it?

The ETCs are structured as debt interests. The principal amount is a technical legal requirement of the ETCs’ status as debt interests - in order to be considered a debt interest it must have a “principal” which is the minimum redeemable amount for each note – i.e., a holder is technically entitled to the higher of the price of the ETCs or the relevant principle amount.

The principal amount is not the same as the “Price” of the ETCs. The price of an ETC is determined in accordance with the formula set out in the relevant prospectus and is based on the movements in the indices that they track, the applicable leverage, where relevant, and the applicable fees and expenses. For investors on the secondary market, the value at which they are able to buy or sell the ETCs on exchange is linked to the price and not the principal amount. **The principal amount does not impact the price of the ETC for end investors on the secondary market.**

Because the principal amount is independent of the Price, it is possible for the price of any of the ETCs to be less than the applicable principal amount and, in the case of leveraged products such as the ETCs listed above, the price can move quickly relative to the principal amount.

Whilst upon redemption of any of the ETCs a holder is technically entitled to receive the higher of the price or the principal amount, the value of the assets held to back the ETCs (in this case, swap contracts with bank counterparties) which are available to the ETC and ultimately the investors is the same as the Price of the relevant ETCs and not the principal amount – a risk factor to this effect is contained in the Prospectus of the ETCs dated 22 August 2018 on page 44.

To mitigate this risk, it is standard practice for ETCs structured as a debt interest to reduce the principal amount whenever the current price of the ETC gets near to or falls below the principal amount.

The investors in the ETC need to approve the principal amount reduction by a majority of 75%.

The impact of the vote on the future of the ETCs

If the ETC cannot not eventually reduce the principal amount, then the issuer may be left with no other option than to compulsorily redeem all investors and shut the ETC.

Given that investors can redeem their holdings in the ETC on exchange at will, we presume that by continuing to hold the ETC the investors do not want the ETC to be shut but rather want to continue holding it. For the ETCs to remain in existence, it is important to note that:

- **The reduction of the principal amount does NOT dilute the investors holding or reduce the value of the investors' holding.**
- **The reduction of the principal amount does NOT negatively impact the ability of the investor to trade the ETC.**
- **The reduction of the principal amount does NOT affect the amount an investor would, in practice, receive on redemption of the ETC.**

Actions

If you have not voted on the reduction of the principal amounts for the ETCs, and you wish to vote for the extraordinary resolution to reduce the principal amount and to avoid the ETC compulsorily redeeming all investors, you can vote by filling out the proxy form (a copy of which can be found [here](#)) and indicating with an "X" that you wish to vote for the extraordinary resolution, and delivering it by 1.30pm on 7 May 2019 to:

By post: The Company's Registrar
Computershare Investor Services (Jersey) Limited
c/o The Pavilions, Bridgwater Road
Bristol BS99 6ZY.

Or

By email: UKCSBRS.ExternalProxyQueries@computershare.co.uk

If you have previously voted you can change your vote by submitting a new proxy form as above, or by instructing the registrar that you wish to withdraw your proxy in writing, by email or by post, to the above address by 1.30pm on 7 May 2019.

If you are in any doubt about what action you should take, you are recommended to consult your independent financial adviser authorised under the Financial Services and Markets Act 2000.