



# **WisdomTree Hedged Commodity Securities Limited**

**Registered No: 109413**

**Unaudited Interim Financial Report for the  
Six Months to 30 June 2020**

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The directors of WisdomTree Hedged Commodity Securities Limited ("HCSL" or the "Company"), formerly ETFS Hedged Commodity Securities Limited until a change of name on 26 September 2019, submit herewith the unaudited interim financial report and interim financial statements of the Company for the period ended 30 June 2020.

### Directors

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

Stuart Bell  
 Christopher Foulds (Appointed 15 April 2020)  
 Hilary Jones (Resigned 15 April 2020)  
 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 2020, the Company had the following number of classes, in aggregate, of Currency-Hedged Commodity Securities in issue and admitted to trading on the following exchanges:

	London Stock Exchange	Borsa Italiana	Deutsche Börse
Classic and Longer Dated GBP-Hedged Commodity Securities	13	-	-
Classic and Longer Dated EUR-Hedged Commodity Securities	-	17	11
<b>Total Currency-Hedged Commodity Securities</b>	<b>13</b>	<b>17</b>	<b>11</b>

As at 30 June 2020, the fair value of assets under management amounted to USD 240.4 million (31 December 2019: USD 276.3 million). The Company recognises its financial assets (Commodity Contracts) and financial liabilities (Currency-Hedged Commodity Securities) at fair value in the Condensed Statement of Financial Position.

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

	30 June 2020 USD	30 June 2019 USD
Creation and Redemption Fees	83,550	80,935
Management Fees and Licence Allowance	581,462	437,476
<b>Total Fee Income</b>	<b>665,012</b>	<b>518,411</b>

Under the terms of the service agreement with WisdomTree Management (Jersey) Limited ("ManJer" or the "Manager"), the Company accrued expenses equal to the management fees and licence allowance 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 2019: USD Nil).

### Review of Operations (continued)

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

The Company has entered into contractual obligations to issue and redeem Currency-Hedged Commodity Securities at set prices on each trading day. These prices are based on an agreed formula published in the Prospectus, and are equal to the published NAVs of each class of Currency-Hedged Commodity Securities.

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 Commodity Securities are listed to be the principal market and as a result the fair value of the Currency-Hedged Commodity 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 Commodity Contracts and Currency-Hedged Commodity 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 Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities. This gain or loss would be reversed on a subsequent redemption of the Currency-Hedged Commodity Securities and cancellation of the corresponding Commodity Contracts. This is presented in more detail in note 5 to these interim financial statements.

#### *Coronavirus disease (COVID-19)*

On 11 March 2020, the Director-General of the World Health Organisation ("WHO") announced that the WHO had assessed the worldwide outbreak of COVID-19 as a pandemic. National governments and supranational organisations in multiple states have taken steps designed to protect their populations from COVID-19, including requiring or encouraging home working, the cancellation of sporting, cultural and other events and restricting or discouraging gatherings of people. COVID-19 has created market turmoil and increased market volatility generally. The steps outlined above, and public sentiment, may affect both the volatility and prices of commodities and hence the prices of the Currency-Hedged Commodity Securities, and such effects may be significant and may be long-term in nature.

The directors are closely monitoring the advice and developments relating to the spread of COVID-19, which is fluid and rapidly changing. The WisdomTree group has, and continues to implement measures to maintain the ongoing safety and well-being of employees, whilst continuing to operate business as usual.

#### *Oil Markets*

In particular, as a result of the market turmoil, on 20 April 2020 the price of Crude Oil WTI futures traded at negative prices.

On 24 April 2020, Bloomberg announced a change to the Roll Period for the Bloomberg WTI Crude Oil Sub-Index<sup>SM</sup>. According to the announcement from Bloomberg, the Roll Period for changing the Lead Future from July to September for the Bloomberg WTI Crude Oil Sub-Index<sup>SM</sup> was scheduled to take place in June 2020. Bloomberg has announced that this Roll Period will now take place in May 2020, a month earlier than scheduled. Beginning on 8 May 2020 and ending on 14 May 2020, Bloomberg will roll the Designated Month Contract for the Lead Future from July to September for the Bloomberg WTI Crude Oil Sub-Index<sup>SM</sup>.

Following an analysis of the potential impact of the price of Crude Oil WTI futures, the Company decided that a significant increase in the number of relevant Currency-Hedged Commodity Securities in issue may impact on the Commodity Contract Counterparties' ability to hedge the exposure under the relevant Commodity Contracts in these particularly volatile markets. Having regard to the interests of existing Security Holders in the relevant Currency-Hedged Commodity Securities, rather than potential future Security Holders, a decision was made to focus the attention of the Commodity Contract Counterparties on providing (and hedging) the current exposures rather than taking on additional exposures during this volatile period.

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## Review of Operations (continued)

### *Oil Markets (continued)*

As a result, on 4 May 2020 the Company released an announcement to the Stock Exchanges that with effect from 2.30pm (London) the Company would temporarily no longer accept applications from Authorised Participants for new Currency-Hedged Commodity Securities of the following classes:

- WisdomTree WTI Crude Oil - EUR Daily Hedged (Ticker: ECRD, ISIN: JE00B44F1611); and
- WisdomTree WTI Crude Oil - GBP Daily Hedged (Ticker: PCRD, ISIN: E00B6RV6N28).

The two classes of Currency-Hedged Commodity Securities named above collectively being the "Affected Securities". The Affected Securities each provide exposure to the Bloomberg WTI Crude Oil Sub-Index<sup>SM</sup>.

On 3 September 2020 the Company released an announcement to the Stock Exchanges that with effect from 2.30pm (London) the Company would accept applications from Authorised Participants for the Affected Securities.

Whilst the Company did not accept applications in the Affected Securities during the periods described, the Company is continued to accept redemptions in the Affected Securities, and trading of the Affected Securities on Stock Exchanges continued. The market price of Currency-Hedged Commodity Securities is a function of supply and demand amongst investors wishing to buy and sell Currency-Hedged Commodity Securities and the bid-offer spread that the market makers are willing to quote. The action taken by the Company directly impacted the supply of those Affected Securities and therefore may have impacted the market price.

Whilst it is not currently possible to predict future market conditions and therefore determine if any further action may be required, the Company is continually assessing the market conditions and as a result of the continuing assessment of market conditions, the Company may be required to react to external events that could potentially impact other Commodity Securities in issue. The Company will make further announcements in due course should any further action be required. The action that may be required includes, but is not limited to, temporarily not accepting applications for Currency-Hedged Commodity Securities, temporarily suspending Currency-Hedged Commodity Securities from trading on Stock Exchanges or a Compulsory Redemption of Currency-Hedged Commodity Securities. Other than the actions outlined above, the Company has not initiated any of these further actions to date. Any such action will be undertaken in accordance with the constitutive documents of the Currency-Hedged Commodity Securities. Furthermore, there are mechanisms within the constitutive documents of the Currency-Hedged Commodity Securities that enable the Counterparties to request a Compulsory Redemption in certain circumstances as set out and explained within the prospectus.

## Future Developments

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

Pursuant to the European Referendum Act 2015, a referendum on the United Kingdom's membership of the EU was held on 23 June 2016 with the majority voting to leave the EU. On 29 March 2017, the UK Government exercised its right under Article 50 of the Treaty of the European Union. The UK left the EU on 31 January 2020, subject to a withdrawal agreement between the UK and the other EU Member States which provides for a transition period lasting until December 2020 during which EU law continues to apply to the UK as if it were a Member State may take place without any transitional arrangements in place.

The Company is domiciled in Jersey, outside of the EU, and the Currency-Hedged Commodity 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. 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 EU Prospectus Directive.

## Future Developments (continued)

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

The Company is working with an alternate EU Member State regulator to obtain approval of its prospectus and request passporting for its offering to maintain the Company's access to relevant markets post the departure of the UK from the EU. As the Currency-Hedged Commodity Securities already comply with the European wide requirements of the EU Prospectus Directive, this is not expected to cause any disruption or alteration to the terms or nature of the Currency-Hedged Commodity Securities.

The Currency-Hedged Commodity Securities continue to comply with all applicable laws and regulations. The directors regularly assess the impact on the Company of the ongoing withdrawal process and consider that the decision to select an alternate EU Member State regulator substantially mitigates the key risks to the Company.

The directors 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 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 2020 GBP	30 June 2019 GBP
Stuart Bell	Nil	Nil
Christopher Foulds	1,680	Nil
Hilary Jones	2,320	4,000
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 Commodity 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 Commodity Securities will coincide with the cancellation of an equal amount of Commodity Contracts, no net liquidity risk is considered to arise. All other expenses of the Company are met by ManJer. The directors are closely monitoring the advice and developments relating to the spread of COVID-19, particularly with its impact on ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement. The directors consider the Company to be a going concern for the foreseeable future and have prepared the interim financial statements on this basis.

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**Directors Statement**

With regard to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that to the best of their knowledge that:

- the interim financial statements for the period ended 30 June 2020 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 and performance of the Company's business, including 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



**Steven Ross**  
4 September 2020

	Notes	Period ended 30 June	
		2020 Unaudited USD	2019 Unaudited USD
Revenue	2	665,012	518,411
Expenses	2	(665,012)	(518,411)
<b>Operating Result</b>		-	-
Net (Loss)/Gain Arising on Contractual and Fair Value of Commodity Contracts	3	(14,242,489)	16,756,946
Net Gain/(Loss) Arising on Fair Value of Currency-Hedged Commodity Securities	4	12,475,611	(17,836,011)
<b>Result and Total Comprehensive (Loss)/Income for the Period</b>		<b>(1,766,878)</b>	<b>(1,079,065)</b>
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities <sup>1</sup>	5	1,766,878	1,079,065
<b>Adjusted Result</b>		-	-

The directors consider the Company's activities as continuing.

<sup>1</sup> An explanation of the non-statutory and non-GAAP adjustment is set out on pages 12 to 14. This represents the movement in the difference between the Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities.

The notes on pages 10 to 16 form part of these condensed interim financial statements

	Notes	As at	
		30 June 2020 Unaudited USD	31 December 2019 Audited USD
<b>Assets</b>			
Commodity Contracts	3	240,412,251	276,343,230
Amounts Receivable on Commodity Contracts Awaiting Settlement	3	4,541,579	959,722
Amounts Receivable on Currency Hedged Commodity Securities Awaiting Settlement	4	3,577,279	846,512
Trade and Other Receivables		164,233	209,401
<b>Total Assets</b>		<b>248,695,342</b>	<b>278,358,865</b>
<b>Liabilities</b>			
Currency-Hedged Commodity Securities	4	241,672,793	275,836,894
Amounts Payable on Currency Hedged Commodity Securities Awaiting Settlement	4	4,541,579	959,722
Amounts Payable on Commodity Contracts Awaiting Settlement	3	3,577,279	846,512
Trade and Other Payables		164,230	209,398
<b>Total Liabilities</b>		<b>249,955,881</b>	<b>277,852,526</b>
<b>Equity</b>			
Stated Capital		3	3
Revaluation Reserve		(1,260,542)	506,336
<b>Total Equity</b>		<b>(1,260,539)</b>	<b>506,339</b>
<b>Total Equity and Liabilities</b>		<b>248,695,342</b>	<b>278,358,865</b>

The assets and liabilities in the above Condensed Statement of Financial Position are presented in order of liquidity from most to least liquid.

The condensed interim financial statements on pages 6 to 16 were approved and authorised for issue by the board of directors and signed on its behalf on 4 September 2020.



**Steven Ross**  
Director

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
<b>Operating Result for the Period</b>	-	-
Cash Generated from Operating Activities	-	-
<b>Net Movement in Cash and Cash Equivalents</b>	-	-
Cash and Cash Equivalents at the Beginning of the Period	-	-
Net Movement in Cash and Cash Equivalents	-	-
<b>Cash and Cash Equivalents at the End of the Period</b>	-	-

Currency-Hedged Commodity Securities are issued through a direct transfer of cash from the Authorised Participant to the Commodity Contract Counterparties or redeemed by the direct transfer of cash by the Commodity Contract Counterparties to the Authorised Participant. As such the Company is not a party to any cash transactions. The creations and redemptions of Currency-Hedged Commodity Securities and additions and disposals of Commodity Contracts, which are non-cash transactions for the Company, are disclosed in notes 6 and 7 respectively in the reconciliation of opening to closing Currency-Hedged Commodity Securities and Commodity Contracts.

The Company has entered into a service agreement with WisdomTree Management Jersey Limited (“ManJer” or the “Manager”), whereby ManJer is responsible for supplying or procuring the supply of all management and administration services required by the Company, (including marketing) as well as the payment of costs relating to the listing and issue of Currency-Hedged Commodity Securities. In return for these services, the Company has an obligation to remunerate ManJer with an amount equal to the aggregate of the management fee, licence allowance and the creation and redemption fees (the “ManJer Fee”). As a result, amounts in respect of the management fee and licence allowance fees are transferred directly to ManJer by the Commodity Contract Counterparties under the terms of the Commodity Contracts and ManJer receives creation and redemption fees directly from Authorised Participants. Accordingly there are no cash flows through the Company.

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve <sup>2</sup> USD	Total Equity USD	Adjusted Total Equity USD
Audited Opening Balance at 1 January 2019		3	-	231,745	231,748	3
Total Comprehensive Income for the Period		-	(1,079,065)	-	(1,079,065)	(1,079,065)
Transfer to Revaluation Reserve		-	1,079,065	(1,079,065)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities		-	-	-	-	1,079,065
<b>Unaudited Balance at 30 June 2019</b>		<b>3</b>	<b>-</b>	<b>(847,320)</b>	<b>(847,317)</b>	<b>3</b>
Unaudited Opening Balance at 1 July 2019		3	-	(847,320)	(847,317)	3
Total Comprehensive Income for the Period		-	1,353,656	-	1,353,656	1,353,656
Transfer to Revaluation Reserve		-	(1,353,656)	1,353,656	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities		-	-	-	-	(1,353,656)
<b>Audited Balance at 31 December 2019</b>		<b>3</b>	<b>-</b>	<b>506,336</b>	<b>506,339</b>	<b>3</b>
Audited Opening Balance at 1 January 2020		3	-	506,336	506,339	3
Total Comprehensive Loss for the Period		-	(1,766,878)	-	(1,766,878)	(1,766,878)
Transfer to Revaluation Reserve	5	-	1,766,878	(1,766,878)	-	-
<sup>3</sup> Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities	5	-	-	-	-	1,766,878
<b>Unaudited Balance at 30 June 2020</b>		<b>3</b>	<b>-</b>	<b>(1,260,542)</b>	<b>(1,260,539)</b>	<b>3</b>

<sup>2</sup> This represents the difference between the Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities.

<sup>3</sup> An explanation of the non-statutory and non-GAAP adjustment is set out on pages 12 to 14.

The notes on pages 10 to 16 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 2020 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 2019. 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 2019. The changes in accounting policies are also expected to be reflected in the financial statements for the year ended 31 December 2020.

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 Commodity Contracts and Currency-Hedged Commodity Securities held at fair value through profit or loss as disclosed in notes 3 and 4. 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	
	2020 Unaudited USD	2019 Unaudited USD
Creation and Redemption Fees	83,550	80,935
Management Fees	527,624	396,968
Licence Allowance	53,838	40,508
<b>Total Revenue</b>	<b>665,012</b>	<b>518,411</b>
ManJer Fees	(665,012)	(518,411)
<b>Total Operating Expenses</b>	<b>(665,012)</b>	<b>(518,411)</b>
<b>Operating Result</b>	<b>-</b>	<b>-</b>

**3. Commodity Contracts**

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
Change in Fair Value	<u>(14,242,489)</u>	<u>16,756,946</u>
	As at	
	30 June 2020 Unaudited USD	31 December 2019 Audited USD
Commodity Contracts at Fair Value	<u>240,412,251</u>	<u>276,343,230</u>

As at 30 June 2020, there were certain Commodity Contracts awaiting settlement in respect of the creation or redemption of Currency-Hedged Commodity Securities with transaction dates before the period end and settlement dates in the following period:

- The amount payable on Commodity Contracts as a result of unsettled creations of Currency-Hedged Commodity Securities is USD 3,577,279 (31 December 2019: USD 846,512).
- The amount receivable on Commodity Contracts as a result of unsettled redemptions of Currency-Hedged Commodity Securities is USD 4,541,579 (31 December 2019: USD 959,722).

The below reconciliation of changes in the Commodity Contracts includes only non-cash changes.

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
<b>Opening Commodity Contracts</b>	<b>276,343,230</b>	<b>185,294,440</b>
Additions	492,629,733	114,186,946
Disposals	(513,736,761)	(174,099,202)
Management Fee	(581,462)	(437,475)
Change in Fair Value	(14,242,489)	16,756,946
<b>Closing Commodity Contracts</b>	<b>240,412,251</b>	<b>141,701,654</b>

**4. Currency-Hedged Commodity Securities**

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
Change in Fair Value	<u>12,475,611</u>	<u>(17,836,011)</u>
	As at	
	30 June 2020 Unaudited USD	31 December 2019 Audited USD
Currency-Hedged Commodity Securities at Fair Value	<u>241,672,793</u>	<u>275,836,894</u>

#### 4. Currency-Hedged Commodity Securities (continued)

As at 30 June 2020, there were certain Currency-Hedged Commodity Securities awaiting settlement in respect of creations or redemptions with transaction dates before the period end and settlement date in the following period:

- The amount payable as a result of unsettled redemptions of Currency-Hedged Commodity Securities is USD 4,541,579 (31 December 2019: USD 959,722).
- The amount receivable as a result of unsettled creations of Currency-Hedged Commodity Securities is USD 3,577,279 (31 December 2019: USD 846,512).

The below reconciliation of changes in the Commodity Securities, being liabilities arising from financing activities, includes only non-cash changes.

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
<b>Opening Currency-Hedged Commodity Securities</b>	<b>275,836,894</b>	<b>185,062,695</b>
Additions	492,629,733	114,186,946
Disposals	(513,736,761)	(174,099,202)
Management Fee	(581,462)	(437,475)
Change in Fair Value	(12,475,611)	17,836,010
<b>Closing Currency-Hedged Commodity Securities at Fair Value</b>	<b>241,672,793</b>	<b>142,548,974</b>

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

The Commodity Contracts are priced by reference to certain currency-hedged commodity indices calculated and published by Bloomberg L.P. or Bloomberg Finance L.P. (together "Bloomberg") and a multiplier calculated by the Company and agreed with the Commodity Contract Counterparties. The multiplier takes into account the daily accrual of the management fee, licence allowance and swap spread as well as the incremental capital enhancement component of the Currency-Hedged Commodity Security, and is the same across all Currency-Hedged Commodity Securities of the same type (i.e. all Classic Currency-Hedged Commodity Securities use the same multiplier). This price is calculated based on the formula set out in the Prospectus, and is referred to 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 Commodity Securities are listed to be the principal markets and as a result the fair value of the Currency-Hedged Commodity Securities is the on-exchange price as quoted on those stock exchanges demonstrating active trading. The Currency-Hedged Commodity Securities are priced using the closing mid-market price on the Statement of Financial Position date.

Consequently a difference arises between the value of Commodity Contracts (at Contractual Value) and Currency-Hedged Commodity Securities (at market value) presented in the Condensed Statement of Financial Position. This difference is reversed on a subsequent redemption of the Currency-Hedged Commodity Securities and cancellation of the corresponding Commodity Contracts.

Whilst the Currency-Hedged Commodity Securities are quoted on the open market, the Company's liability relates to its contractual obligations to issue and redeem Currency-Hedged Commodity Securities at set prices on each trading day. These prices are based on an agreed formula, and are equal to the published NAVs of each class of Currency-Hedged Commodity Security. Therefore, the actual contractual issue and redemption of Currency-Hedged Commodity Securities occur at a price that corresponds to gains or losses on the Commodity Contracts. As a result the Company has no net exposure to gains or losses on the Currency-Hedged Commodity Securities and Commodity Contracts.

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

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

	As at	
	30 June 2020 Unaudited USD	31 December 2019 Audited USD
Currency-Hedged Commodity Securities at Contractual Value	<b>240,412,251</b>	<b>276,343,230</b>
	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
Change in Contractual Value of Currency-Hedged Commodity Securities	<b>14,242,489</b>	<b>(16,756,946)</b>

Through the mis-matched accounting values, the results of the Company reflect a gain or loss which represents the movement in the cumulative difference between the Contractual Value (based on the formula set out in the Prospectus) of the Commodity Contracts and the market price of Currency-Hedged Commodity 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 and non-GAAP movement entitled 'Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities'.

The mismatched accounting values are as shown below and represent the non-statutory adjustment presented in the Condensed Statement of Profit or Loss and Other Comprehensive Income:

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
Net (Loss)/Gain Arising on Contractual and Fair Value of Currency-Hedged Commodity Contracts	(14,242,489)	16,756,946
Net Gain/(Loss) Arising on Fair Value of Currency-Hedged Commodity Securities	12,475,611	(17,836,011)
	<b>(1,766,878)</b>	<b>(1,079,065)</b>

The gain or loss on the difference between the Contractual Value of the Commodity Contracts and the market price of Currency-Hedged Commodity Securities would be reversed on a subsequent redemption of the Currency-Hedged Commodity Securities and cancellation of the corresponding Commodity Contracts.

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

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.

	<b>2020</b> <b>Unaudited</b> <b>USD</b>	<b>2019</b> <b>Audited</b> <b>USD</b>
Balance brought forward at 1 January	506,336	231,745
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Commodity Securities:		
Period 1 January to 30 June	(1,766,878)	(1,079,065)
Period 1 July to 31 December	-	1,353,656
	<u>(1,766,878)</u>	<u>274,591</u>
<b>Closing balance at 30 June/31 December</b>	<b><u>(1,260,542)</u></b>	<b><u>506,336</u></b>

**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.
- 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.

The Company is required to utilise the available market price as the Currency-Hedged Commodity Securities are quoted and traded on the open market. Where the market on which the Currency-Hedged Commodity Securities prices are quoted is determined to be active at the relevant reporting date, the Currency-Hedged Commodity Securities are classified as level 1 financial liabilities. Where the market on which the Currency-Hedged Commodity Securities prices are quoted is determined to be inactive at the relevant reporting date, the Currency-Hedged Commodity Securities are classified as level 2 financial liabilities. The Company values the Level 2 Currency-Hedged Commodity Securities using the unadjusted market price available at each reporting date. This is considered to most appropriately reflect the price at which transactions would occur as at the reporting date.

The Company's rights in respect of Commodity Contracts relate to its contractual obligations to issue and redeem Currency-Hedged Commodity Securities at set prices on each trading day. These prices are based on an agreed formula (set out in the Prospectus), and are equal to the published NAVs of each class of Currency-Hedged Commodity Security. Therefore, Commodity Contracts are classified as level 2 financial assets, as the value is calculated using third party pricing sources supported by observable, verifiable inputs.

## 6. Fair Value Hierarchy (continued)

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

	Period ended 30 June 2020 Unaudited USD	Year ended 31 December 2019 Audited USD
<b>Level 1</b>		
Currency-Hedged Commodity Securities	<u>(238,790,953)</u>	<u>(272,348,111)</u>
<b>Level 2</b>		
Currency-Hedged Commodity Securities	(2,881,840)	(3,488,784)
Commodity Contracts	240,412,251	276,343,230
	<u><b>237,530,411</b></u>	<u><b>272,854,446</b></u>

The Currency-Hedged Commodity Securities and the Commodity 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. Transfers between levels would be recognised if there was a change in the accounting policies adopted, or should there be changes in circumstances that prevented public information in respect of Level 1 inputs from being available. Any such transfers would be recognised on the date of the change in circumstances that cause the transfer. Transfers between levels may also be recognised if the primary market on which the Currency-Hedged Commodity Securities prices are quoted was determined to be inactive at the relevant reporting date. The Company considers both the last trade date and trading volumes during the 5 trading days leading up to each reporting date to determine if the market for a particular Currency-Hedged Commodity Security is active. Transfers as a result of the analysis of the activity levels of the market are identified and recognised at each reporting date.

As at 30 June 2020 Currency-Hedged Commodity Securities with a fair value of USD 2,403,373 were transferred from Level 1 to Level 2, and Currency-Hedged Commodity Securities with a fair value of USD 2,895,649 were transferred from Level 2 to Level 1.

## 7. Related Party Disclosures

Entities and individuals which have a significant influence over the Company, either through ownership or by virtue of being a director of the Company, are considered to be related parties. In addition, entities with common ownership to the Company and entities with common directors are also considered to be related parties.

*Fees charged by ManJer during the period:*

	Period ended 30 June	
	2020 Unaudited USD	2019 Unaudited USD
ManJer Fees	<u>665,012</u>	<u>518,411</u>

**7. Related Party Disclosures (continued)**

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

	<b>As at</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>USD</b>	<b>USD</b>
ManJer Fees	<u>164,230</u>	<u>209,398</u>

At 30 June 2020, USD 3 is receivable from ManJer (31 December 2019: USD 3).

As disclosed in the Directors' Report, ManJer paid directors' fees in respect of the Company of GBP 8,000 (30 June 2019: GBP 8,000).

Steven Ross is a director of R&H Fund Services (Jersey) Limited ("R&H" or the "Administrator") and Steven Ross is a partner in Rawlinson & Hunter, Jersey Partnership, which wholly owns R&H. Hilary Jones is a consultant representing R&H. During the period, R&H charged ManJer administration fees in respect of the Company of GBP 19,526 (30 June 2019: GBP 18,000), of which GBP 9,763 (31 December 2019: GBP 9,796) was outstanding at the period end.

**8. Events Occurring After the Reporting Period**

The directors are continuing to closely monitor the advice and developments relating to the spread of COVID-19, particularly with its impact on ManJer, its assets under management, and therefore its related revenue streams, in respect of fulfilling the obligations under the services agreement. The directors acknowledge that any impacts on the amounts reported by the Company, including subsequent movements in the fair value of assets or securities in issue, are non-adjusting from an IFRS perspective.

Other than as noted above, there have been no significant events since the reporting period that require disclosure.

