



# **WisdomTree Hedged Metal Securities Limited**

**Registered No: 108311**

**Report and Financial Statements for the  
Year ended 31 December 2020**

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**Directors**

Stuart Bell  
Christopher Foulds  
Steven Ross  
Peter Ziemba

**Registered Office**

Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Manager**

WisdomTree Management Jersey Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**FX Counterparty**

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London, E14 4QA  
United Kingdom

**Auditor**

Ernst & Young LLP  
Liberation House  
Castle Street  
St Helier  
Jersey, JE1 1EY

**Company Secretary**

R&H Fund Services (Jersey) Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey, JE4 8PW

**Administrator**

R&H Fund Services (Jersey) Limited  
Ordnance House  
PO Box 83  
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**Registrar**

Computershare Investor Services (Jersey) Limited  
Queensway House  
Hilgrove Street  
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Jersey, JE1 1ES

**Trustee**

The Law Debenture Trust Corporation plc  
Fifth Floor  
100 Wood Street  
London, EC2V 7EX  
United Kingdom

**Custodian**

JP Morgan Chase Bank, NA  
London Branch  
125 London Wall  
London, EC2Y 5AJ  
United Kingdom

**Jersey Legal Advisers**

Mourant Ozannes  
22 Grenville Street  
St Helier  
Jersey, JE4 8PX

The directors of WisdomTree Hedged Metal Securities Limited ("HMSL" or the "Company") submit herewith the annual report and financial statements of the Company for the year ended 31 December 2020.

### Directors

The names and particulars of the directors of the Company during and since the end of the financial year 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 Shares of the Company as at the date of this report.

### Principal Activities

The Company's principal activity is the issue and listing of currency-hedged metal securities ("Currency-Hedged Metal Securities"). Each Currency-Hedged Metal Security is denominated in a specified currency and is backed by physical metal ("Metal Bullion") which is held in custody by designated custodians, supported by one or more Metal Adjustment Agreements (and "Metal Adjustment Contracts" entered into pursuant thereto) with one or more FX Counterparties (currently the only FX Counterparty is Morgan Stanley & Co. International plc ("Morgan Stanley")) which provide a currency hedging overlay. The amount of Metal Bullion and Metal Adjustment Contracts held by the Company will be calculated in accordance with an agreed formula published in the Prospectus equivalent to the entitlement (the "Metal Entitlement") of each class of Currency-Hedged Metal Security. The Metal Entitlement is adjusted daily by an amount of bullion (the "Daily Hedging Variation"), which reflects the daily movement of an index, tracking the variation in the exchange rate between United States Dollars and the currency of denomination of that class of Currency-Hedged Metal Security, as well as being adjusted for the deduction of applicable fees (see below).

The Company earns a management and hedging fee by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount (the "Management Fee" and the "Hedging Fee"). A fee equivalent to the Hedging Fee is paid to the FX Counterparty (the "FX Counterparty Fee").

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 Metal 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 and the creation and redemption fees earned (the "ManJer Fee"). The Metal Bullion in respect of the Management Fee and Hedging Fee is transferred in the form of bullion on a monthly basis (in arrears) following agreement from the Trustee from the Company's custodian accounts directly to ManJer (and ManJer transfers the Metal Bullion in respect of the Hedging Fee to the FX Counterparty). In addition, creation and redemption fees are transferred directly to ManJer and there are no cash flows through the Company.

## Review of Operations

The most recent Prospectus was issued on 4 January 2021. As at 31 December 2020, 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 31 December 2020, the fair value of assets under management amounted to USD 1,918.3 million (2019: USD 678.6 million). The Company recognises its assets (Metal Bullion and Metal Adjustment Contracts) and financial liabilities (Currency-Hedged Metal Securities and Metal Adjustment Contracts) at fair value in the Statement of Financial Position.

The Company holds Metal Bullion and enters into Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement. Metal Bullion and Metal Adjustment Contracts are marked to fair value at the end of each Pricing Day by reference to the MSPM indices published by Morgan Stanley (referred to within these financial statements as the "Contractual Value"). Prior to 29 October 2020 the MSPM indices were calculated by reference to the gold bullion futures benchmark price (COMEX) adjusted by an Exchange for Physical (an adjustment, calculated by MS&Co, that translates a futures price into a current spot price). Since 29 October 2020 the reference price used to convert the value of the currency hedge into a quantity of Metal Bullion is the spot rate for Metal Bullion, as published by the London Bullion Market Association ("LBMA").

The Company has entered into 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 Currency-Hedged Metal Security on each trading day. The Metal Bullion in respect of each creation and redemption is recorded using the price provided by the LBMA on the transaction date.

IFRS 13 requires the Company to identify the principal market and to utilise the available price within that principal market. The directors consider 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 the stock exchange demonstrating active trading with the highest trading volume on each day that the price is obtained. As a result of the difference in valuation between the Metal Bullion, Metal Adjustment Contracts and Currency-Hedged Metal Securities, there is a mis-match between the values recognised, 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 (through the application of the price provided by the LBMA against the Metal entitlement, referred to within these financial statements as the "Contractual Value") and the price of Currency-Hedged Metal Securities.

The gain or loss on Currency-Hedged Metal Securities and Metal Bullion together with the Metal Adjustment Contracts are recognised through profit or loss in line with the Company's accounting policy. This is presented in more detail in note 8 to these financial statements.

The Company's exposure to risk is disclosed in note 12 to the financial statements.

The Company is entitled to:

- A Management Fee which is calculated by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount; and
- Creation and redemption fees on the issue and redemption of the Currency-Hedged Metal Securities.

**Review of Operations (continued)**

During the year, the Company generated income from creation and redemption fees and Management Fees as follows:

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Creation and Redemption Fees	7,769	2,537
Management Fees	3,330,997	2,002,874
	<u>3,338,766</u>	<u>2,005,411</u>

*Non-GAAP Performance Measures*

Under the terms of the service agreement with ManJer, the Company accrued expenses equal to the management fees and the creation and redemptions fees, which, after taking into account other operating income and expenses, resulted in a result before fair value movements for the year of USD Nil (2019: USD Nil).

As the difference in the valuation of Metal Bullion (held to support the Currency-Hedged Metal Securities) and Currency-Hedged Metal Securities would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and transfer of the corresponding Metal Bullion (as described further in note 15), the Company presents an adjusted Statement of Profit or Loss and Other Comprehensive Income and an adjusted Statement of Changes in Equity in note 15 of the financial statements.

*Coronavirus disease (COVID-19)*

The COVID-19 pandemic continues to persist and the ultimate duration of the pandemic and its short-term and long-term impact on the global economy is unknown. National governments and supranational organisations in multiple states continue taking 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. Mutations in the virus, a setback in vaccine distribution and negative global economic consequences arising from the pandemic, amongst other factors, could have a future adverse impact on the global financial markets. The steps outlined above, and public sentiment, may affect both the volatility and prices of Metal Bullion and hence the prices of the Currency-Hedged Metal 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.

**Going Concern**

The nature of the Company's business dictates that the outstanding Currency-Hedged Metal Securities may be redeemed at any time by Authorised Participants and in certain circumstances by individual holders and also, in certain circumstances, may be compulsorily redeemed by the Company. As the redemption of Currency-Hedged Metal Securities will always coincide with the transfer of an equal amount of Metal Bullion, liquidity risk is mitigated such that there is no residual liquidity risk. 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 operations of the Company to be ongoing, with a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of these financial statements, and accordingly these financial statements have been prepared on the going concern basis.

**Future Developments**

The board of directors (the "Board") are not aware of any 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 financial statements.

**Dividends**

There were no dividends declared or paid in the year (2019: USD Nil). It is the Company's policy that dividends will only be declared when the directors are of the opinion that there are sufficient distributable reserves.

**Employees**

The Company does not have any employees. It is the Company's policy to use the services of specialist subcontractors or consultants as far as possible.

**Directors' Remuneration**

No director has a service contract with the Company. The directors of the Company who are employees within the WisdomTree Investments, Inc 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 following directors' fees have been paid by ManJer on behalf of the Company for the year:

	<b>2020</b>	<b>2019</b>
	<b>GBP</b>	<b>GBP</b>
Stuart Bell	Nil	Nil
Christopher Foulds (Appointed 15 April 2020)	5,685	Nil
Hilary Jones (Resigned 15 April 2020)	2,315	8,000
Steven Ross	8,000	8,000
Peter Ziemba	Nil	Nil

**Principal Risks and Uncertainties**

Each Currency-Hedged Metal Security is a debt instrument whose redemption price is linked to the value of the relevant underlying Metal Bullion and Metal Adjustment Contracts. Each class of Currency-Hedged Metal Securities is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Metal Bullion and Metal Adjustment Contracts held to support the Currency-Hedged Metal Security and not to the Metal Bullion and Metal Adjustment Contracts of any other class of Currency-Hedged Metal Security or the Company. In addition, since any movements in the value of the Metal Bullion and Metal Adjustment Contracts are wholly attributable to the holders of the Currency-Hedged Metal Securities, the Company has no residual exposure to movements in the value of the Metal Bullion and Metal Adjustment Contracts. From a commercial perspective the Company does not retain any net gains or losses or net risk exposures, as (with the exception of the impact of management fees) the gains or losses on the liability represented by the Currency-Hedged Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion and Metal Adjustment Contracts (see detail on page 3 regarding the accounting mis-match). The Company's exposure to risks, including further details surrounding the value of Currency-Hedged Metal Securities and the Metal Bullion and Metal Adjustment Contracts, are disclosed in note 12 to the financial statements.

Movements in the value of the underlying Metal Bullion and Metal Adjustment Contracts, and thus the value of the Currency-Hedged Metal Securities, may vary widely which could have an impact on the demand for the Currency-Hedged Metal Securities issued by the Company. These movements are shown in notes 7 and 8.

The Company has exposure to country and currency risk as the Currency-Hedged Metal Securities are priced in US Dollars and hedged against exchange rate movements between the US Dollar and the Euro or Pound Sterling. However, the directors do not consider the Company to have a significant net exposure to country and currency risk as the gains or losses on the liability represented by the Currency-Hedged Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion and Metal Adjustment Contracts.

Additional information on other financial and operational risks and uncertainties faced by the Company are disclosed in note 12 of these financial statements.

## Corporate Governance

There is no standard code of corporate governance in Jersey. The operations, as previously described in the Directors' Report, are such that the directors have determined that the Company is not required to apply, and has elected not to voluntarily apply, the UK Corporate Governance Code.

As the Board is small, there is no nomination committee and appointments of new directors are considered by the Board as a whole. The Board does not consider it appropriate that directors should be appointed for a specific term. Furthermore, the structure of the Board is such that it is considered unnecessary to identify a senior non-executive director.

The constitution of the Board is disclosed on page 2. The Board meets regularly as required by the operations of the Company, but at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review.

## Internal Control

During the year the Company did not have any employees or subsidiaries, and there is no intention that this will change. The Company, being a special purpose company established for the purpose of issuing Currency-Hedged Metal Securities, has not undertaken any business, save for issuing and redeeming Currency-Hedged Metal Securities, entering into the required documents and performing the obligations and exercising its rights in relation thereto, since its incorporation. The Company does not intend to undertake any business other than issuing and redeeming Currency-Hedged Metal Securities and performing the obligations and exercising its rights in relation thereto.

The Company is dependent upon ManJer to provide management and administration services to it. ManJer is licensed under the Financial Services (Jersey) Law 1998 to conduct classes U and Z of Fund Services Business. ManJer outsources the administration services in respect of the Company to the Administrator. Documented contractual arrangements are in place with the Administrator which define the areas where the authority is delegated to them. The performance of the Manager and Administrator are reviewed on an ongoing basis by the Board through their review of periodic reports. ManJer provides management and other services to both the Company and other companies issuing commodity and index tracking securities.

The Board having reviewed the effectiveness of the internal control systems of the Manager and the Administrator, does not consider that there is a need for the Company to establish its own internal audit function.

## Audit Committee

The Board has not established a separate audit committee; instead the Board meets to consider the financial reporting by the Company, the internal controls, and relations with the external auditor. In addition, the Board reviews the independence and objectivity of the auditor.

## Auditor

The Independent Auditor is Ernst & Young LLP. A resolution to re-appoint Ernst & Young LLP will be proposed at the next Board meeting of the directors.



**Steven Ross**  
Director  
Jersey  
30 April 2021

Statement of Directors' Responsibilities

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The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

With regard to Directive 2004/109/EC, amended by Directive 2013/50/EU (collectively the Transparency Directive), the Central Bank (Investment Market Conduct) Rules of the Central Bank of Ireland and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the directors confirm that to the best of their knowledge that:

- the financial statements for the year ended 31 December 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 IFRS as issued by the IASB; 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 year, and their impact on these financial statements, together with a description of the principal risks and uncertainties they face.

By order of the Board



**Steven Ross**  
Director  
Jersey  
30 April 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED**

### **Opinion**

We have audited the financial statements of WisdomTree Hedged Metal Securities Limited (the "company") for the year ended 31 December 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS").

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its result for the year then ended;
- ▶ have been properly prepared in accordance with IFRS; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

#### **How we evaluated management's assessment**

##### *Risk assessment procedures*

- ▶ We have obtained an understanding of management's rationale for using the going concern basis of accounting. To challenge the completeness of this assessment, we have independently assessed whether factors exist that may indicate events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The events or conditions identified were consistent with those addressed in management's assessment and further are explained below. We have designed our audit procedures to evaluate the effect of these risks on the entity's ability to continue as a going concern.

##### *Management's method*

- ▶ In conjunction with our walkthrough of the company's financial statement close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management to challenge that all key factors were considered in their assessment;
- ▶ We obtained management's board approved going concern assessment covering the period of assessment from the date of signing to 30 April 2022. Given the absence of cash transactions or cash obligations within the company, management's going concern assessment has focussed on a combination of;

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

- Assessing the ongoing viability of the Company through continued involvement of its Authorised Participants;
  - Determining that no compulsory redemption triggers are expected to be encountered during the period of assessment; and
  - Assessing the ongoing viability of the wider WisdomTree Jersey Issuer platform for which the Company is an element, with a focus on the ability of the platform to support the Manager in meeting obligations as they fall due, through assessment of fixed and variable operating costs that could be supported under varying levels of total assets under management for the Issuer platform.
- ▶ Using our understanding of the business, we evaluated whether the considerations and method adopted by management in assessing going concern was appropriate and observed that the method was consistent with that used in the prior year
  - ▶ We performed a walkthrough of the method and noted that the each of the factors had been considered and supported by management.
  - ▶ We tested that the forecasts were mathematically accurate;
  - ▶ We considered the past historical accuracy of management's assessments (prior to Coronavirus);
  - ▶ We evaluated management's Coronavirus impact assessment on the forecasts by comparing to the actual impact experienced by the Group in 2020;
  - ▶ We inquired of management as to its knowledge of events or conditions beyond the period of management's assessment and reviewed industry publications to challenge and corroborate management's macro assumptions used in the assessment. In doing so, we also considered the consistency of information obtained from other areas of the audit such as the changes in assets under management in the period since the balance sheet date to the date of issuance of the financial statements.

*Assumptions*

- ▶ We evaluated the relevance and reliability of the underlying data used to make the assessment by corroborating with the information contained in audited financial statements
- ▶ We determined whether there was appropriate evidence for the ongoing involvement of the Authorised Participant's through enquiry with the Directors and management and confirming no correspondence indicating otherwise from the Authorised Participant
- ▶ We determined that there was no indication of Company level redemption triggers being initiated, through reading the relevant prospectus sections, making enquiry of the Directors and management and reading minutes of meetings of the Board.
- ▶ For the platform cost assumptions underlying the wider platform viability considerations, we compared these to those observed in the prior year and obtained information from the Manager in respect of the existing platform cost base;

*Stress testing and Management's plans for future actions*

- ▶ We performed reverse stress testing on the forecasts to understand how severe the downside scenarios would have to be, and in particular the reduction in platform assets under management, to result in the platform generating insufficient management fees to cover operating costs;

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

*Disclosures*

- ▶ We considered whether management's disclosures, in the Annual Report and financial statements, sufficiently and appropriately disclose information required in respect of the going concern assumption applied through consideration of relevant disclosure standards.

**Our key observations**

We have observed:

- ▶ No communication from the Company's Authorised Participants indicating an intention to withdraw support or initiate any action that would trigger the termination of the company;
- ▶ No indication that compulsory redemption triggers are expected to be encountered during the period of assessment to April 2022; and
- ▶ Significant headroom observed in management fee income, at current Assets Under Management ("AUM") levels, in excess of fixed costs supporting management's assumption that the Issuer Platform is able to absorb heightened levels of volatility in Assets Under Management in the current economic climate.

**Conclusion**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern over the period to 30 April 2022 being 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

**Overview of our audit approach**

Key audit matters	▶ Valuation of Financial Liabilities at fair value through profit and loss - Currency-Hedged Metal Securities
Materiality	▶ Overall materiality of US\$3.8m which represents 1% of total assets

**An overview of the scope of our audit**

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

**Changes from the prior year**

There were no changes in our audit strategy compared to the prior year.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Audit Committee</b>
<p><b>Valuation of Financial Liabilities at fair value through profit or loss - Currency-Hedged Metal Securities</b> <b>USD 1,930,560,717 (2019: USD 673,742,647)</b></p> <p><i>Refer to the Accounting policies (page 23); and Note 8 of the Financial Statements (pages 27-28)</i></p> <p>Risk that values of Currency-Hedged Metal Securities in issue are misstated or that valuations are incorrectly captured.</p> <p>The Currency-Hedged Metal Securities in issue comprise a range of financial instruments that provide holders of issued securities with exposure to movements in prices of Metal without needing to take physical delivery.</p> <p>The Currency-Hedged Metal Securities are carried at fair value as a Financial Liability.</p> <p>The risk comprises the risk of errors in both the valuation methodology applied and in the source and timing of valuation inputs utilised.</p> <p>The balance of Currency-Hedged Metal Securities represents in excess of 99% of the company's total liabilities as at 31 December 2020 (2019: 99%) and therefore any error in valuation approach could be significant.</p> <p>The risk has remained consistent with that observed in the prior year.</p>	<p>We walked through the Company's systems and controls implemented in respect of the valuation of Currency-Hedged Metal Securities. In executing our strategy, we adopted a fully substantive approach.</p> <p>Our response to the risk comprised:</p> <p>An assessment of the company's systems and controls implemented in respect of Currency-Hedged Metal Security valuation.</p> <p>Assessing the appropriateness of the valuation methodology applied, comprising the use of traded security prices to value the Currency-Hedged Metal Securities, against relevant IFRS requirements.</p> <p>Independently obtaining security prices using external pricing sources at the balance sheet date.</p> <p>Recalculating the value of Currency-Hedged Metal Securities held at 31 December 2020, by multiplying the security price by the confirmed security balance in issue. This represented 100% of the total value of Currency-Hedged Metal Securities in issue.</p>	<p>There were no matters identified during our audit work on valuation of Currency-Hedged Metal Securities that we wanted to bring to the attention of the Board of Directors of the company.</p> <p>Based on our testing we are satisfied that the valuation of Currency-Hedged Metal Securities is not materially misstated</p>

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### **Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be US\$3.8 million (2019: US\$ 6.8 million), which is 1% (2019: 1%) of Total Assets. We believe that Total Assets provides us with an appropriate basis for audit materiality as Total Assets value reflects the relevant exposure of holders of issued securities to the underlying asset base.

In particular we have considered both the nature of the exposure to asset performance being obtained by security holders and the expectations of the users of the financial statements by observing the basis applied across existing WisdomTree exchange traded issuer products.

The entity is structured such that the security holders' interests are reflected as a liability, but provide exposure to net assets invested, with the 1% being considered appropriate in the context of such asset exposure.

The basis is also consistent with other audited WisdomTree exchange traded issuer platforms in Europe, where 1% of total assets has historically been applied as the basis for materiality, so we continue to reflect this established level of user expectation for WisdomTree issuer vehicles.

There has been no change in the basis of materiality used compared to the prior year.

#### **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely US\$1.9 million (2019: US\$3.4 million). We have set performance materiality at this percentage in response to audit differences identified in our audit of the Company and related entities in the prior year. We had set performance materiality at 50% of our planning materiality in the prior year to reflect the fact that it was our initial period of involvement.

#### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Board that we would report to them all uncorrected audit differences in excess of US\$190k (2019: US\$340k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The basis of determining the amount remains consistent with that applied in the prior year at 5% of planning materiality.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

#### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 7, including the Directors' Report set out on pages 2 to 6 and the Statement of Directors Responsibilities set out on page 7, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, comprising IFRS and Companies (Jersey) Law 1991. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the presentation and disclosure of the financial statements being the applicable Listing Rules of the UK Listing Authority.
- ▶ We understood how WisdomTree Hedged Metal Securities Limited is complying with those frameworks by making enquiries of the directors and key management of the administrative service provider. We corroborated our enquiries through our review of minutes of Board meetings, papers provided to the board and correspondence received from regulatory bodies and noted no contradictory evidence.
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the investment objectives of the Company and discussing with management to understand where reporting was considered susceptible to fraud. Where this risk was considered to be higher, we performed audit procedures in response to the identified fraud risk. These procedures included testing of transactions to supporting documentation, testing of specific accounting journal entries and focussed testing, including that referred to in the key audit matters section above. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of any associated reporting submitted to the board on compliance with laws and regulations and enquiries of members of management of the appointed administrative service provider.
- ▶ As the Company operates in the asset management industry the Audit Partner reviewed the experience of the engagement team and concluded that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WISDOMTREE HEDGED METAL SECURITIES LIMITED (continued)**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Chris Barry', is written in a cursive style.

Christopher David Gordon Barry, FCA  
for and on behalf of Ernst & Young LLP  
Jersey, Channel Islands  
Date: 30 April 2021

	Notes	Year ended 31 December	
		2020 USD	2019 USD
Income	3	6,590,390	3,161,409
Expenses	3	(6,590,390)	(3,161,409)
<b>Result Before Fair Value Movements</b>	3	<b>-</b>	<b>-</b>
Change in Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	7	275,423,589	93,631,405
Change in Fair Value of Currency-Hedged Metal Securities	8	(278,131,726)	(88,585,755)
<b>(Loss) / Profit for the Year<sup>1,2</sup></b>	8	<b>(2,708,137)</b>	<b>5,045,650</b>

The directors consider the Company's activities as continuing.

<sup>1</sup> A non-statutory and non-GAAP Statement of Profit or Loss and Total Comprehensive Income reflecting adjustments representing the movement in the difference between the Value of the Metal Bullion and the price of Currency-Hedged Metal Securities is set out in note 15.

<sup>2</sup> There are no items of Other Comprehensive Income, therefore the (Loss) / Profit for the Year also represented the Total Comprehensive Income for the Year.

The notes on pages 20 to 37 form part of these financial statements

		As at 31 December	
	Notes	2020 USD	2019 USD
<b>Assets</b>			
Metal Bullion Exposure	7	1,932,681,748	678,571,815
Amounts Receivable on Metal Bullion Awaiting Settlement	7	1,669,595	-
Amounts Receivable on Currency-Hedged Metal Securities Awaiting Settlement	8	1,967,143	-
Metal Bullion Held in Respect of Fees	5	895,777	380,311
Trade and Other Receivables	6	6,114	3,283
<b>Total Assets</b>		<b>1,937,220,377</b>	<b>678,955,409</b>
<b>Liabilities</b>			
Currency-Hedged Metal Securities	8	1,930,560,717	673,742,647
Amount Payable on Currency-Hedged Metal Securities Awaiting Settlement	8	1,669,595	-
Amount Payable on Metal Bullion Awaiting Settlement	7	1,967,143	-
Trade and Other Payables	9	901,888	383,591
<b>Total Liabilities</b>		<b>1,935,099,343</b>	<b>674,126,238</b>
<b>Equity</b>			
Stated Capital	10	3	3
Revaluation Reserve		2,121,031	4,829,168
<b>Total Equity</b>		<b>2,121,034</b>	<b>4,829,171</b>
<b>Total Equity and Liabilities</b>		<b>1,937,220,377</b>	<b>678,955,409</b>

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

The financial statements on pages 16 to 37 were approved and authorised for issue by the board of directors and signed on its behalf on 30 April 2021.



**Steven Ross**  
Director

	Year ended 31 December	
	2020 USD	2019 USD
<b>(Loss) / Profit for the Year</b>	<b>(2,708,137)</b>	<b>5,045,650</b>
<b>Non-cash Reconciling Items</b>		
Change in Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	(275,423,589)	(93,631,405)
Change in Fair Value of Currency-Hedged Metal Securities	278,131,726	88,585,755
	-	-
Cash Generated from Operating Activities	-	-
<b>Net Movement in Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>
Cash and Cash Equivalents at the Beginning of the Year	-	-
Net Movement in Cash and Cash Equivalents	-	-
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>-</b>	<b>-</b>

Currency-Hedged Metal Securities are issued through a direct transfer of Metal Bullion from the Authorised Participants to the Custodian or redeemed by the direct transfer of Metal Bullion by the Custodian to the Authorised Participants. Metal Adjustment Contracts are converted into Metal Bullion by the direct transfer of Metal Bullion between the Custodian and the FX Counterparty. As such the Company is not a party to any cash transactions. The creations and redemptions of Currency-Hedged Metal Securities and additions and disposals of Metal Bullion, which are non-cash transactions for the Company, are disclosed in notes 7 and 8 respectively in the reconciliation of opening to closing Currency-Hedged Metal Securities and Metal Bullion and Metal Adjustment 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 Metal 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 and the creation and redemption fees earned (the “ManJer Fee”). The Metal Bullion in respect of the Management Fee and Hedging Fee is transferred by the Trustee from the Company’s custodian accounts to ManJer’s custodian accounts (and ManJer transfers the Metal Bullion in respect Hedging Fee to the FX Counterparty). In addition, amounts in respect of the creation and redemption fees are transferred directly from the Authorised Participants to ManJer and there are no cash flows through the Company.

	Notes	Stated Capital USD	Retained Earnings USD	Revaluation Reserve USD	Total Equity USD
<b>Opening Balance at 1 January 2019</b>		3	-	(216,482)	(216,479)
Result and Total Comprehensive Income for the Year		-	5,045,650	-	5,045,650
Transfer to Revaluation Reserve	15	-	(5,045,650)	5,045,650	-
<b>Balance at 31 December 2019</b>		<b>3</b>	<b>-</b>	<b>4,829,168</b>	<b>4,829,171</b>
Opening Balance at 1 January 2020		3	-	4,829,168	4,829,171
Result and Total Comprehensive Expense for the Year		-	(2,708,137)	-	(2,708,137)
Transfer to Revaluation Reserve	15	-	2,708,137	(2,708,137)	-
<b>Balance at 31 December 2020<sup>3</sup></b>		<b>3</b>	<b>-</b>	<b>2,121,031</b>	<b>2,121,034</b>

<sup>3</sup> A non-statutory and non-GAAP Statement of Changes in Equity reflecting adjustments representing the difference between the Value of Metal Bullion and the price of Currency-Hedged Metal Securities is set out in note 15.

The notes on pages 20 to 37 form part of these financial statements

## 1. General Information

WisdomTree Hedged Metal Securities Limited (the “Company”) is a company incorporated and domiciled in Jersey. The address of the registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW.

The purpose of the Company is to provide a vehicle that facilitates the issuance and subsequent listing and trading of currency-hedged metal securities (“Currency-Hedged Metal Securities”). Each Currency-Hedged Metal Security is denominated in a specified currency and is backed by physical metal (“Metal Bullion”) which is held in custody by designated custodians, supported by one or more Metal Adjustment Agreements (and “Metal Adjustment Contracts” entered into pursuant thereto). Each class of Currency-Hedged Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Metal Bullion and Metal Adjustment Contracts held to support the Currency-Hedge Metal Securities and not to the Metal Bullion and Metal Adjustment Contracts of any other class of Currency-Hedged Metal Security or to the Company.

The Currency-Hedged Metal Securities are secured on an amount of Metal Bullion and Metal Adjustment Contracts equivalent to the entitlement in respect of each Currency-Hedged Metal Security (referred to as the “Metal Entitlement”) which is calculated in accordance with an agreed formula published in the Prospectus. The Company holds Metal Bullion and enters into Metal Adjustment Contracts to support the Currency-Hedged Metal Securities as determined by the Metal Entitlement. The Company does not make gains from trading in the underlying Metal Bullion and Metal Adjustment Contracts. As a result (and with the exception of the impact of applicable fees), from a commercial perspective gains and losses in respect of Metal Bullion and Metal Adjustment Contracts will always be offset by a corresponding loss or gain on the Currency-Hedged Metal Securities and therefore commercially the Company does not retain any net gains or losses or net risk exposures. However, the difference in valuation between Metal Bullion and Metal Adjustment Contracts and Currency-Hedged Metal Securities creates a mis-match between values reported within these financial statements. This difference in valuation would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and transfer of the corresponding Metal Bullion. Further details are disclosed within the Accounting Policies and in note 15, with additional information regarding the risks of the Company disclosed in note 12. Furthermore, the Company presents an adjusted Statement of Profit or Loss and Other Comprehensive Income and an adjusted Statement of Changes in Equity in note 15 of the financial statements to reflect the economic results of the Company through the reversal of the difference in valuation between Metal Bullion and Metal Adjustment Contracts and Currency-Hedged Metal Securities given the gain or loss would be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and transfer of the corresponding Metal Bullion, and therefore will not be realised.

Exchange traded products are not typically actively managed, are significantly lower in cost when compared to actively managed mutual funds and are easily accessible to investors. No active trading or management of Metal Bullion and Metal Adjustment Contracts is required because the Company only receives or delivers Metal Bullion on the issue and redemption of Currency-Hedged Metal Securities, and only holds Metal Bullion and enters into Metal Adjustment Contracts to support the Currency-Hedged Metal Securities.

The Company is entitled to:

- (1) a management fee and a hedging fee calculated by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount (the “Management Fee” and the “Hedging Fee”); and
- (2) creation and redemption fees on the issue and redemption of the Currency-Hedged Metal Securities.

No creation or redemption fees are payable to the Company when investors trade in the Currency-Hedged Metal Securities on a listed market such as the London Stock Exchange. Creation and redemption fees may also be waived with certain approved persons where applicable.

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 issuance of Currency-Hedged Metal Securities. In return for these services, the Company pays ManJer an amount equal to the Management Fee and the creation and redemption fees earned (the “ManJer Fee”). As a result, the Company recognises a result before fair value movements of nil for each period.

## 2. Accounting Policies

The main accounting policies of the Company are described below.

### Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of physical metal bullion, financial assets and financial liabilities held at fair value through profit or loss.

### Critical Accounting Estimates and Judgements

The presentation of financial statements in conformity with 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 key accounting judgements required to prepare these financial statements are:

1. In respect of the presentation of non-statutory and non-GAAP adjustments to the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity, as disclosed in note 15.
2. The determination of the appropriate accounting policy to be applied to Metal Bullion.  
Under IFRS there is no standard treatment for the classification of physical metals (as they do not meet the definition of a financial asset, cash, inventory or property, plant or equipment) therefore the election of how to treat physical metals is left to some interpretation for companies which hold these assets. The Metal Bullion is held to provide the security holders with the exposure to changes in the fair value of Metal Bullion and therefore the Directors consider that carrying the Metal Bullion at fair value through profit or loss, consistent with the treatment that would be applicable to a financial instrument, reflects the objectives and the purpose of holding the asset.

The directors do not consider that any significant estimates have been applied in the preparation of these financial statements.

### Going Concern

The nature of the Company’s business dictates that the outstanding Currency-Hedged Metal Securities may be redeemed at any time by Authorised Participants and in certain circumstances by individual holders and also, in certain circumstances, may be compulsorily redeemed by the Company. As the redemption of Currency-Hedged Metal Securities will always coincide with the transfer of an equal amount (in value) of Metal Bullion, and furthermore, the Company will hold the Metal Bullion received to support the Currency-Hedged Metal Securities issued and will only transfer out Metal Bullion to facilitate the payment of Management Fee and the Hedging Fee or the redemption of Currency-Hedged Metal Securities, liquidity risk is mitigated such that there is no residual liquidity risk. 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 in place. The directors consider the operations of the Company to be ongoing, with a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of these financial statements, and accordingly these financial statements have been prepared on the going concern basis.

## 2. Accounting Policies (continued)

### Accounting Standards

#### (a) *Standards, amendments and interpretations adopted in the year:*

In preparing the financial statements the Company has adopted all new or revised Standards and Interpretations in issue and effective for the year, including:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The changes to IAS 1 & 8 are changes regarding the definition of material and therefore are applicable to the Company, however these are not considered to have resulted in a significant effect on these financial statements.

#### (b) *Standards, amendments and interpretations not applicable to the Company:*

The following standards that have been revised, issued and became effective but are not considered applicable to the Company:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IFRS 9 Financial Instruments
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement

The directors consider that the adoption of the above standards, amendments and interpretations did not have a material impact on the financial statements of the Company on the basis that the changes to IFRS 7, IFRS 9 and IAS 39 are pre-replacement issues in the context of the Interbank Offered Rate (or IBOR) reform in respect of hedge accounting.

#### (c) *New and revised IFRSs in issue but not yet effective:*

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 16 Leases (effective for annual periods beginning on or after 1 June 2020)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the accounting issues that arise when financial instruments are modified from referencing an IBOR
- Annual Improvements to IFRS (impacting IFRS 1, IFRS 9 and IAS 41)

The directors do not expect the adoption of the above standards, amendments and interpretations that are in issue but not yet effective will have a material impact on the financial statements of the Company in future periods.

The directors have considered other standards and interpretations in issue but not effective and concluded that they would not have a material impact on the future financial periods when they become available.

## 2. Accounting Policies (continued)

### Currency-Hedged Metal Securities

#### *i) Issue and Redemption*

Each time a Currency-Hedged Metal Security is issued or redeemed by the Company a corresponding amount of Metal Bullion is transferred into or from the relevant secured account held by the Custodian. Upon initial recognition, the fair value is recorded using the fixing price published by the London Bullion Market Association ("LBMA") applied to the underlying Metal Bullion transferred.

Financial assets and liabilities are recognised and de-recognised on the transaction (trade) date.

#### *ii) Classification at fair value through Profit or Loss*

Currency-Hedged Metal Securities comprise a financial instrument whose redemption price is linked to the underlying Metal Bullion and Metal Adjustment Contracts. The Currency-Hedged Metal Securities are classified as financial liabilities measured at fair value through profit or loss under IFRS 9 to significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### *iii) Pricing*

A price is established in respect of each class of Currency-Hedged Metal Security for each type and currency of bullion as at the end of each Pricing Day by reference to the MSPM indices published by Morgan Stanley & Co. LLC ("Morgan Stanley") (collectively referred to within these financial statements as the 'Contractual Value').

Prior to 29 October 2020 the MSPM indices were calculated by reference to the gold bullion futures benchmark price (COMEX) adjusted by an Exchange for Physical (an adjustment, calculated by Morgan Stanley that translates a futures price into a current spot price). Since 29 October 2020 the reference price used to convert the value of the currency hedge into a quantity of Metal Bullion is the spot rate for Metal Bullion, as published by the LBMA.

IFRS 13 requires the Company to identify the principal market and to utilise the available price within that principal market. The directors consider 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 the stock exchange demonstrating active trading with the highest trading volume on each day that the price is obtained. The Currency-Hedged Metal Securities are priced using the closing mid-market price on the Statement of Financial Position date.

A difference arises between the value of Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) 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.

### Metal Bullion and Metal Adjustment Contracts

The Company holds Metal Bullion and Metal Adjustment Contracts equal to the amount due to holders of Currency-Hedged Metal Securities solely for the purposes of meeting its obligations under the Currency-Hedged Metal Securities.

As described above, under IFRS there is no standard treatment for the classification of physical metals. The Metal Bullion and Metal Adjustment Contracts are held to provide the security holders with the exposure to changes in the fair value of Metal Bullion and Metal Adjustment Contracts and therefore the Directors consider that carrying the Metal Bullion and Metal Adjustment Contracts at fair value through profit or loss, consistent with the treatment that would be applicable to a financial instrument, reflects the objectives and the purpose of holding the asset.

## 2. Accounting Policies (continued)

### Metal Bullion and Metal Adjustment Contracts (continued)

Metal Bullion is priced on a daily basis based on the amount of Metal Bullion held using the latest fixing price provided by the LBMA, and is considered to be the fair value of the Metal Bullion. Also on a daily basis an amount is transferred to Metal Bullion held in respect of the Management Fee and the Hedging Fee of each class of security.

Metal Adjustment Contracts comprise a financial instrument whose value is linked to the underlying Metal Bullion, classified as financial assets or financial liabilities at fair value through profit or loss.

Metal Adjustment Contracts are marked to fair value at the end of each Pricing Day by reference to the MSPM indices published by Morgan Stanley. Prior to 29 October 2020 the MSPM indices were calculated by reference to the gold bullion futures benchmark price (COMEX) adjusted by an Exchange for Physical (an adjustment, calculated by Morgan Stanley, that translates a futures price into a current spot price). Since 29 October 2020 the reference price used to convert the value of the currency hedge into a quantity of Metal Bullion is the spot rate for Metal Bullion, as published by the London Bullion Market Association ("LBMA").

This valuation of the Metal Bullion and Metal Adjustment Contracts is equivalent to the calculated exposure represented by the Metal Entitlement of each class of Currency-Hedged Metal Security and is referred to as the 'Contractual Value'.

### Metal Bullion and Currency-Hedged Metal Securities Awaiting Settlement

The issue and redemption of Currency-Hedged Metal Securities, and the transfer of Metal Bullion is accounted for on the transaction date. The transaction will not settle until two days after the transaction date. Where transactions are awaiting settlement at the year end, the value of the Metal Bullion and the Currency-Hedged Metal Securities due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position. The fair value of these receivables and payables is considered equivalent to their carrying value.

### Metal Bullion Held in Respect of Fees and Fees Payable in Metal Bullion

Management Fees and Hedging Fees are accrued by reducing the Metal Entitlement of each class of Currency-Hedged Metal Security on a daily basis by an agreed amount. These fees are recognised in Metal Bullion, recorded at fair value through profit or loss in accordance with the accounting judgement set out above in respect of Metal Bullion. The amount recognised at the Statement of Financial Position date is revalued using the latest price published by the LBMA.

Management Fees and FX Counterparty Fees payable are also accrued based on the income accrued in accordance with the agreement with ManJer and the FX Counterparty. These fees are payable in Metal Bullion, recorded at fair value through profit or loss to significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases). The payable at the Statement of Financial Position date is revalued using the latest price published by the LBMA.

### Other Financial Assets and Liabilities

Other financial assets and liabilities are non-derivative financial assets and liabilities including trade and other receivables and trade and other payables (primarily Creation and Redemption Fees) with a fixed payment amount and are not quoted in an active market. After initial measurement the other financial assets and liabilities are subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses. The effective interest method is a method of calculating the amortised cost of an instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Impairment losses, including reversals of impairment losses and impairment gains, are recorded through profit or loss.

## 2. Accounting Policies (continued)

### Reserves

A revaluation reserve and a retained earnings reserve are maintained within equity. All profit or loss is taken to the retained earnings reserve at the end of the accounting period to which it relates and the gain or loss relating to the mis-match of accounting values is transferred to the non-distributable revaluation reserve as the balance relates to unrealised gains and losses on Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and Currency-Hedged Metal Securities, which will be reversed on a subsequent redemption of the Currency-Hedged Metal Securities and the related transfer of Metal Bullion and will therefore not be realised.

### Income

The Company derives its income over time (in respect of Management Fees and Hedging Fees), and at a point in time (in respect of creation and redemption fees) as follows:

i) *Management Fees and Hedging Fees*

Management Fees and Hedging Fees are calculated by applying a fixed percentage to reduce the Metal Entitlement of each class of Currency-Hedged Metal Securities on a daily basis in accordance with the terms of the securities issued. The change in Metal Entitlement of each class of Currency-Hedged Metal Security reduces the value of the Currency-Hedged Metal Securities. This reduction equates to the Management Fee and Hedging Fee amount in Metal Bullion, that is recognised for that day per each Currency-Hedged Metal Security in issue on that day. The Management Fees and Hedging Fees are accrued and recognised on a daily basis until invoiced and settled by transfer of the Metal Bullion. The amount recognised as income is calculated by applying the average LBMA Price to the total Management Fee and Hedging Fee accrued on a monthly basis.

ii) *Creation and Redemption Fees*

Fees for the issue and redemption of Currency-Hedged Metal Securities are recognised at the fair value of the consideration expected to be received, on the date on which the transaction becomes legally binding. Accrued creation and redemption fees are invoiced and settled on a quarterly basis.

### Foreign Currency

The financial statements of the Company are presented in the currency in which the prices of the Metal Bullion are determined together with the denomination of the Metal Adjustment Contracts entered into to support the Currency-Hedged Metal Securities issued by the Company (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollars, which is the functional currency of the Company, and the presentational currency of the financial statements.

Transactions in foreign currencies are initially recorded at the spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end date are translated at rates ruling at that date. Creation and redemption fees are translated at the average rate for the month in which they are incurred. The resulting differences are accounted for through profit or loss.

### Segmental Reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and to assess their performance. The CODM has been determined as the board of directors. A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company has not provided segmental information as the Company has only one business or product group, precious metals, and one geographical segment which is Europe. In addition, the Company has no single major customer from which greater than 10% of income is generated. All information relevant to the understanding of the Company's activities is included in these financial statements.

### 3. Result Before Fair Value Movements

Result Before Fair Value Movements for the year comprised:

	Year ended 31 December	
	2020 USD	2019 USD
Creation and Redemption Fees	7,769	2,537
Management Fees	3,330,997	2,002,874
Hedging Fees	3,251,624	1,155,998
<b>Total Income</b>	<b>6,590,390</b>	<b>3,161,409</b>
ManJer Fees	(3,338,766)	(2,005,411)
FX Counterparty Fees	(3,251,624)	(1,155,998)
<b>Total Operating Expenses</b>	<b>(6,590,390)</b>	<b>(3,161,409)</b>
<b>Result Before Fair Value Movements</b>	<b>-</b>	<b>-</b>

Audit Fees for the year of GBP 20,130 will be met by ManJer (2019: GBP 10,030).

### 4. Taxation

The Company is subject to Jersey Income Tax. During the year the Jersey Income Tax rate applicable to the Company is zero percent (2019: zero percent).

### 5. Metal Bullion Held in Respect of Fees

	As at 31 December	
	2020 USD	2019 USD
Management Fees	386,976	258,110
Hedging Fees	508,801	142,201
	<b>895,777</b>	<b>380,311</b>

Management Fees and Hedging Fees are recognised in Metal Bullion and are recorded at fair value.

### 6. Trade and Other Receivables

	As at 31 December	
	2020 USD	2019 USD
Creation and Redemption Fees	6,111	3,280
Receivable from Related Party	3	3
	<b>6,114</b>	<b>3,283</b>

The fair value of the receivables is equal to the carrying value. The Trade and Other Receivables are due to be recovered within 12 months of the year end.

**7. Metal Bullion Exposure**

	As at 31 December	
	2020 USD	2019 USD
Change in Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	<b>275,423,589</b>	<b>93,631,405</b>
Metal Bullion at Fair Value	1,918,312,206	669,769,845
Metal Adjustment Contracts at Fair Value:		
Metal Bullion Receivable	14,369,542	8,801,970
Metal Bullion Payable	-	-
	<u>14,369,542</u>	<u>8,801,970</u>
<b>Total Metal Bullion Exposure</b>	<b><u>1,932,681,748</u></b>	<b><u>678,571,815</u></b>

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). In accordance with the Metal Adjustment Agreements, the Metal Adjustment Contracts can be converted into Metal Bullion. As a result, the Metal Bullion together with the Metal Adjustment Contracts provides the aggregate Metal Bullion Exposure required by the Metal Entitlement of each class of Currency-Hedged Metal Security.

As at 31 December 2020, there was Metal Bullion awaiting settlement in respect of the creation or redemption of Currency-Hedged Metal Securities with transaction dates before the year end and settlement dates in the following year:

- The amount receivable as a result of unsettled redemptions is USD 1,669,595 (2019: USD Nil).
- The amount payable as a result of unsettled creations is USD 1,967,143 (2019: USD Nil).

The below reconciliation of changes in the Metal Bullion includes only non-cash changes.

	Year ended 31 December	
	2020 USD	2019 USD
<b>Opening Metal Bullion Exposure</b>	<b>678,571,815</b>	<b>332,044,573</b>
Additions	1,274,545,930	412,947,584
Disposals	(289,276,965)	(156,892,875)
Metal Bullion Transferred to Metal Bullion Held in Respect of Fees	(6,582,621)	(3,158,872)
Change in Fair Value	275,423,589	93,631,405
<b>Closing Metal Bullion Exposure</b>	<b><u>1,932,681,748</u></b>	<b><u>678,571,815</u></b>

**8. Currency-Hedged Metal Securities**

Whilst the Currency-Hedged Metal Securities are quoted on the open market, the Company's ultimate 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 fair value of each creation and redemption of Currency-Hedged Metal Securities is recorded using the price provided by the LBMA on the transaction date, and is the "Contractual Value". 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.

**8. Currency-Hedged Metal Securities (continued)**

The Company measures the Currency-Hedged Metal Securities at their fair value in accordance with IFRS 13 rather than at the Contractual Value described above. The fair value is the price quoted on stock exchanges or other markets where the Currency-Hedged Metal Securities are listed or traded.

The fair values and changes thereof during the year based on prices available on the open market as recognised in the financial statements are:

	As at 31 December	
	2020	2019
	USD	USD
Change in Contractual Value of Currency-Hedged Metal Securities	<u>(278,131,726)</u>	<u>(88,585,755)</u>
Currency-Hedged Metal Securities at Fair Value	<u>1,930,560,717</u>	<u>673,742,647</u>

The contractual values and changes thereof during the year based on the contractual settlement values are:

	As at 31 December	
	2020	2019
	USD	USD
Change in Contractual Value for the Year	<u>(275,423,589)</u>	<u>(93,631,405)</u>
Currency-Hedged Metal Securities at Contractual Redemption Value	<u>1,932,681,748</u>	<u>678,571,815</u>

The gain or loss on the difference between the value of the Metal Bullion and Metal Adjustment Contracts and the fair value 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. Refer to note 15 for the non-statutory and non-GAAP adjustments which reflect the results of this reversal.

As at 31 December 2020, there were certain Currency-Hedged Metal Securities awaiting settlement in respect of creations or redemptions with transaction dates before the year end and settlement dates in the following year:

- The amount payable as a result of unsettled redemptions of Currency-Hedged Metal Securities is USD 1,967,143(2019: USD Nil).
- The amount receivable as a result of unsettled creations of Currency-Hedged Metal Securities is USD 1,669,595 (2019: USD Nil).

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

	Year ended 31 December	
	2020	2019
	USD	USD
<b>Opening Currency-Hedged Metal Securities</b>	<b>673,742,647</b>	<b>332,261,055</b>
Securities Created	1,274,545,930	412,947,584
Securities Redeemed	(289,276,965)	(156,892,875)
Management and Hedging Fees	(6,582,621)	(3,158,872)
Change in Fair Value	278,131,726	88,585,755
<b>Closing Currency-Hedged Metal Securities at Fair Value</b>	<b>1,930,560,717</b>	<b>673,742,647</b>

**9. Trade and Other Payables**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
ManJer Fees Payable	<b>393,087</b>	<b>241,390</b>
FX Counterparty Fees Payable	<b>508,801</b>	<b>142,201</b>
	<b>901,888</b>	<b>383,591</b>

Management Fees and Hedging Fees are payable by transfer of Metal Bullion are recorded at fair value. The fair value of the remaining payables is equal to the carrying value. The ManJer Fee and FX Counterparty Fee payable are due to be settled within 12 months of the year end.

**10. Stated Capital**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
2 Shares of Nil Par Value, Issued at GBP 1 Each and Fully Paid	<b>3</b>	<b>3</b>

The Company can issue an unlimited capital of nil par value shares in accordance with its Memorandum of Association.

All Shares issued by the Company carry one vote per Share without restriction and carry the right to dividends. All Shares are held by WisdomTree Holdings Jersey Limited (“HoldCo”).

**11. Related Party Disclosures**

Entities and individuals which have 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 year:*

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
ManJer Fees	<b>3,338,766</b>	<b>3,161,409</b>

*The following balances were due to ManJer at year end:*

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
ManJer Fees Payable	<b>393,087</b>	<b>241,390</b>

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

As disclosed in the Directors’ Report, ManJer paid Directors’ Fees in respect of the Company of GBP 16,000 (2019: GBP 16,000).

## 11. Related Party Disclosures (continued)

Steven Ross is a director of R&H Fund Services (Jersey) Limited (“R&H” or the “Administrator”) and a partner of Rawlinson & Hunter, Jersey Partnership, which wholly owns R&H. Christopher Foulds is a senior employee of R&H. During the year, R&H charged ManJer administration fees in respect of the Company of GBP 40,136 (2019: GBP 37,818), of which GBP 10,034 (2019: GBP 10,068) was outstanding at the year end.

Peter Ziemba and Stuart Bell are executive officers of WisdomTree Investments, Inc.

## 12. Financial Risk Management

The Company is exposed to a number of risks arising from its activities including credit risk, liquidity risk, settlement risk and market risk. The Board is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board meets frequently to consider the risk exposures of the Company and to determine appropriate management policies. The risk management policies employed by the Company to manage these are discussed below.

The Currency-Hedged Metal Securities are subject to normal market fluctuations and other risks inherent in investing in securities and other financial instruments. There can be no assurance that any appreciation in the value of securities will occur, and the capital value of an investor’s original investment is not guaranteed. The value of investments may go down as well as up, and an investor may not get back the original amount invested.

The information provided below is not intended to be a comprehensive summary of all the risks associated with the Currency-Hedged Metal Securities and investors should refer to the most recent Prospectus for a detailed summary of the risks inherent in investing in the Currency-Hedged Metal Securities. Any data provided should not be used or interpreted as a basis for future forecast or investment performance.

### (a) Settlement Risk

Settlement risk primarily refers to the risk that an Authorised Participant, the Custodian or the FX Counterparty will default on its contractual obligations resulting in financial loss.

The directors believe that settlement risk would only be caused by the risk of the Company’s trading counterparty not delivering Metal Bullion, entering into Metal Adjustment Contracts or delivering Currency-Hedged Metal Securities on the settlement date. The Currency-Hedged Metal Securities settle through the CREST system. The directors feel that this risk is mitigated as Currency-Hedged Metal Securities are not issued until the required amount of Metal Bullion has been received in the Custodian account, and Metal Bullion is not transferred until the relevant Currency-Hedged Metal Securities have been delivered in CREST. As a result each transaction does not settle until all parties have fulfilled their contractual obligations.

Amounts outstanding in respect of positions yet to settle are disclosed in notes 7 and 8.

### (b) Credit Risk

Credit risk primarily refers to the risk that Authorised Participants, the Custodian or the FX Counterparty will default on their contractual obligations resulting in financial loss. Each class of Currency-Hedged Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and not to the Metal Bullion and Metal Adjustment Contracts of any other class of Currency-Hedged Metal Security or to the Company, therefore limiting the credit risk of the Company in connection with the issue of the Currency-Hedged Metal Securities.

The total carrying amounts of the amounts receivable awaiting settlement and trade and other receivables best represent the maximum credit risk exposure at the Statement of Financial Position date. At the reporting date the Company’s amounts receivable awaiting settlement and trade and other receivables are detailed on the Statement of Financial Position.

## 12. Financial Risk Management (continued)

### (b) Credit Risk (continued)

Credit risk is managed by the Company by only dealing with Authorised Participants who are believed to be creditworthy. In the event the Authorised Participants fail to complete their obligation, no Currency-Hedged Metal Securities will be created therefore the Company does not have the risk of loss of the amount expected to be received.

Credit risk also includes custodial risk. The custodian is not required to take out insurance and neither is the Trustee. Accordingly, there is a risk that the secured Metal Bullion could be lost, stolen or damaged and the Company would not be able to satisfy its obligations in respect of the Currency-Hedged Metal Securities. Currently JP Morgan Chase Bank, NA is the only custodian.

There is also a credit risk arising from the FX Counterparty to repay the FX component of the redemption price and may be affected by the credit rating attached to the FX Counterparties (currently the only FX Counterparty is Morgan Stanley). The Company manages its credit risk by only entering into Metal Adjustment Agreement Contracts with FX Counterparties who are believed to be creditworthy. The carrying amounts of the Metal Adjustment Contracts best represent the maximum credit risk exposure at the Statement of Financial Position date and is presented in note 7. The Board monitors credit risk exposure including through an assessment of the credit rating for Morgan Stanley to ensure the Company's exposure is managed.

The Board monitors credit risk exposure in order to ensure the Company's exposure is managed, and has continued to do so more closely with a focus on any the potential impact of, or developments relating to the spread of COVID-19, which is fluid and rapidly changing.

### (c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Company's receivables and payables are all payable on demand and generally settled on a short-term basis. In addition, amounts in respect of the Management Fee, Hedging Fee and creation and redemption fees are transferred from the relevant counterparties directly to ManJer and there are no cash flows through the Company.

The Currency-Hedged Metal Securities do not have a contractual maturity date and will only be redeemed at the request of the holder of the security, which may be requested at any time, with the transaction settling through the transfer of the required Metal Bullion two days after the transaction date, or in the case of a compulsory redemption by either transferring the required Metal Bullion, or by realising the Metal Bullion for cash and settling the cash proceeds to holders on a short-term basis. Generally, Authorised Participants can submit applications and redemptions directly with the Company.

When Currency-Hedged Metal Securities are redeemed, the Company transfers the corresponding amount of Metal Bullion determined by the Metal Entitlement of those Currency-Hedged Metal Securities. The value of the Metal Bullion returned will always be the same as that of the Currency-Hedged Metal Securities being redeemed, therefore any redemption of Currency-Hedged Metal Securities would not impact the liquidity of the Company. Furthermore, while the agreements with the FX Counterparties include limits (both daily and in the aggregate), the Company is not obliged to issue and redeem Currency-Hedged Metal Securities in excess of those limits under the terms of the Metal Adjustment Agreement.

Consequently, the Company has not presented any tabular information in respect of liquidity risk.

### (d) Capital Management

The primary objective of the Company's capital management policy is to ensure that it maintains sufficient resources for operational purposes. The capital being managed is the Stated Capital as presented in the Statement of Changes in Equity. Retained Earnings and the Revaluation Reserve, as presented in the Statement of Changes in Equity, are not considered managed capital as these balances relate to unrealised gains and losses on Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and Currency-Hedged Metal Securities, which are reversed on a subsequent redemption of the Currency-Hedged Metal Securities and the related transfer of Metal Bullion and will therefore not be realised. The Company is not subject to any capital requirements imposed by a regulator and there were no changes in the Company's approach to capital management during the year.

## 12. Financial Risk Management (continued)

### (d) Capital Management (continued)

The Company's principal activity is the issue and listing of Currency-Hedged Metal Securities. These Currency-Hedged Metal Securities are issued and redeemed as demand requires. The Company holds a corresponding amount of Metal Bullion and Metal Adjustment Contracts which matches the total liability of the Currency-Hedged Metal Securities issued. ManJer supplies or arranges for the supply of all management and administration services to the Company and pays all management and administration costs of the Company. In return for these services the Company pays ManJer a fee, which under the terms of the service agreement is equal to the aggregate of the Management Fee and creation and redemption fees earned.

As all Currency-Hedged Metal Securities in issue are supported by an equivalent amount of Metal Bullion and Metal Adjustment Contracts held, and the running costs of the Company are paid by ManJer, the directors of the Company consider the capital management and its current capital resources are adequate to maintain the ongoing listing and issue of Currency-Hedged Metal Securities.

### (e) Sensitivity Analysis

IFRS 7 requires disclosure of a sensitivity analysis for each type of market risk to which the Company is exposed to at the reporting date, showing how profit or loss and equity would have been affected by a reasonably possible change to the relevant risk variable.

The Company's rights and liabilities in respect of Metal Bullion, Metal Adjustment Contracts and Currency-Hedged Metal Securities, relate to its 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 value of each creation and redemption of each type and currency of bullion is calculated by reference to the MSPM indices published by Morgan Stanley. As a result, the Company's contractual and economic liability in connection with the issue and redemption of Currency-Hedged Metal Securities is matched by movements in the value of the corresponding Metal Bullion and Metal Adjustment Contracts. Consequently, the Company does not have any net exposure to market price risk. Therefore, in the directors' opinion, no sensitivity analysis is required to be disclosed.

### (f) Market Risk

Market risk is the risk that changes in market prices (such as equity and bullion prices, interest rates and foreign exchange rates) will affect the Company's income or the value of its financial instruments held or issued.

#### i) Price Risk

The value of the Company's liability in respect of the Currency-Hedged Metal Securities fluctuates according to the value of the Metal Bullion and Metal Adjustment Contracts. The risk of such change in price is managed by the Company holding Metal Bullion and Metal Adjustment Contracts in the same quantity as its liability. Whilst the Currency-Hedged Metal Securities are quoted on the open market, the Company's ultimate liability relates to its contractual obligations to issue and redeem Currency-Hedged Metal Securities in exchange for Metal Bullion as determined by the Metal Entitlement on each trading day. The Company measures the Currency-Hedged Metal Securities at their fair value in accordance with IFRS 13 rather than at the Contractual Value (as described in the Prospectus). The gain or loss on the difference between the value of the Metal Bullion and Metal Adjustment Contracts and the fair value 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. Refer to note 9 for the further details regarding fair values.

Therefore, the Company bears no residual financial risk from a change in the price of Metal Bullion and Metal Adjustment Contracts. Furthermore, the impact of price sensitivity is considered immaterial to these financial statements.

## 12. Financial Risk Management (continued)

### (f) Market Risk (continued)

#### i) Price Risk (continued)

However, there is an inherent risk from the point of view of investors as the values of Metal Bullion and Metal Adjustment Contracts and the value of the Currency-Hedged Metal Securities may vary widely due to, amongst other things, changes in exchange rates, changing supply or demand for Metal Bullion, government and monetary policy or intervention, interest rate levels and global or regional political, economic or financial events.

The market price of Currency-Hedged Metal Securities is (and will remain) a function of supply and demand amongst investors wishing to buy and sell Currency-Hedged Metal Securities and the bid-offer spread that the market makers are willing to quote. This is highlighted further in note 15, and below under the Fair Value Hierarchy.

#### Coronavirus disease (COVID-19)

The COVID-19 pandemic continues to persist and the ultimate duration of the pandemic and its short-term and long-term impact on the global economy is unknown. National governments and supranational organisations in multiple states continue taking 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. Mutations in the virus, a setback in vaccine distribution and negative global economic consequences arising from the pandemic, amongst other factors, could have a future adverse impact on the global financial markets. The steps outlined above, and public sentiment, may affect both the volatility and prices of bullion and hence the prices of the Currency-Hedged Metal 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, 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' consideration in respect of the going concern position of the Company is set out in note 2.

#### ii) Interest Rate Risk

The Company does not have significant exposure to interest rate risk as the Metal Bullion, the Metal Adjustment Contracts and the Currency-Hedged Metal Securities do not bear any interest.

#### iii) Currency Risk

The Company has exposure to currency risk as the Currency-Hedged Metal Securities are priced in US Dollars and hedged against exchange rate movements between the US Dollar and the Euro or Pound Sterling. However, the directors do not consider the Company to have a significant exposure to currency risk arising from the current economic uncertainties facing a number of countries around the world as the gains or losses on the liability represented by the Currency-Hedged Metal Securities are matched economically by corresponding losses or gains attributable to the Metal Bullion and Metal Adjustment Contracts.

### (g) 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 on-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.

## 12. Financial Risk Management (continued)

### (g) Fair Value Hierarchy (continued)

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 fair value of each creation and redemption of each type and currency of bullion is calculated by reference to the MSPM indices published by Morgan Stanley. 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:

	Fair Value as at 31 December	
	2020 USD	2019 USD
<b>Level 1</b>		
Currency-Hedged Metal Securities	<b>(1,930,560,717)</b>	<b>(673,742,647)</b>
<b>Level 2</b>		
Metal Bullion	1,918,312,206	669,769,845
Metal Adjustment Contracts	14,369,542	8,801,970
	<b>1,932,681,748</b>	<b>678,571,815</b>

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 and revalued to fair value 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 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. There were no transfers or reclassifications between Level 1 and Level 2 for any of the assets or liabilities during the year.

## 13. Ultimate Controlling Party

In accordance with the disclosure requirements of IFRS the directors have determined that no entity meets the definition of immediate parent or ultimate controlling party. The holder of issued equity shares is HoldCo, a Jersey registered company. WisdomTree Investments, Inc is the ultimate controlling party of HoldCo.

## 14. Events Occurring After the Reporting Period

There have been no significant events that have occurred since the end of the reporting period up to the date of signing the Financial Statements which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2020 or on the results and cash flows of the Company for the year ended on that date.

**15. Non-GAAP and Non-Statutory Information**

As a result of the mis-match in the accounting valuation of Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and Currency-Hedged Metal Securities (as disclosed in notes 7 and 8) the profits and losses and comprehensive income of the Company presented in the Statement of Profit or Loss and Other Comprehensive Income reflect gains and losses which represent the movement in the cumulative difference between the value of the Metal Bullion and Metal Adjustment Contracts and the price of Currency-Hedged Metal Securities. The Statement of Changes in Equity also reflects the fair value movements on the Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and the Currency-Hedged Metal Securities.

These gains or losses on the difference between the value of the Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and the 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.

Furthermore, each class of Currency-Hedged Metal Security is issued under limited recourse arrangements whereby the holders have recourse only to the relevant Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and not to the Metal Bullion and Metal Adjustment Contracts of any other class of Currency-Hedged Metal Security or to the Company. As a result the Company does not make gains from trading in the underlying Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) and, from a commercial perspective (with the exception of the impact of applicable fees) gains and losses in respect of Metal Bullion and Metal Adjustment Contracts (held to support the Currency-Hedged Metal Securities) will always be offset by a corresponding loss or gain on the Currency-Hedged Metal Securities and the Company does not retain any net gains or losses.

The mismatched accounting values are as shown below:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Change in Contractual and Fair Value of Metal Bullion and Metal Adjustment Contracts	275,423,589	93,631,405
Change in Contractual Redemption Value of Currency-Hedged Metal Securities	(278,131,726)	(88,585,755)
	<b>(2,708,137)</b>	<b>5,045,650</b>

To reflect the commercial results, the Company has presented below a non-GAAP and non-Statutory Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity for the period which reflect an adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities, together with those gains or losses being transferred to a separate reserve which is deemed non distributable.

**15. Non-GAAP and Non-Statutory Information (continued)**

(a) *Non-GAAP and Non-Statutory Statement of Profit or Loss and Other Comprehensive Income*

	Year ended 31 December	
	2020 USD	2019 USD
Income	6,590,390	3,161,409
Expenses	(6,590,390)	(3,161,409)
<b>Result Before Fair Value Movements</b>	<b>-</b>	<b>-</b>
Change in Fair Value of Metal Bullion and Metal Adjustment Contracts	275,423,589	93,631,405
Change in Fair Value of Currency-Hedged Metal Securities	(278,131,726)	(88,585,755)
<b>(Loss) / Profit for the Year</b>	<b>(2,708,137)</b>	<b>5,045,650</b>
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities	2,708,137	(5,045,650)
<b>Adjusted Result</b>	<b>-</b>	<b>-</b>

15. Non-GAAP and Non-Statutory Information (continued)

	Stated Capital USD	Retained Earnings USD	Revaluation Reserve USD	Total Equity USD	Adjusted Total Equity USD
<b>Opening Balance at 1 January 2019</b>	3	-	(216,482)	(216,479)	3
Result and Total Comprehensive Income for the Year	-	5,045,650	-	5,045,650	5,045,650
Transfer to Revaluation Reserve	-	(5,045,650)	5,045,650	-	-
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities	-	-	-	-	(5,045,650)
<b>Balance at 31 December 2019</b>	<b>3</b>	<b>-</b>	<b>4,829,168</b>	<b>4,829,171</b>	<b>3</b>
Opening Balance at 1 January 2020	3	-	4,829,168	4,829,171	3
Result and Total Comprehensive Expense for the Year	-	(2,708,137)	-	(2,708,137)	(2,708,137)
Transfer to Revaluation Reserve	-	2,708,137	(2,708,137)	-	-
Adjustment from Market Value to Contractual Value (as set out in the Prospectus) of Currency-Hedged Metal Securities	-	-	-	-	2,708,137
<b>Balance at 31 December 2020</b>	<b>3</b>	<b>-</b>	<b>2,121,031</b>	<b>2,121,034</b>	<b>3</b>

