ETFS Physical US Dollar ETF (ZUSD)

ARSN: 605 617 829

ETFS Physical Renminbi ETF (ZCHN)

ARSN: 605 617 490

Supplementary Product Disclosure Statement

Date issued 3 April 2018

Responsible Entity

ETFS Management (AUS) Limited
ABN 13 150 433 828 AFSL No 466778

This is a Supplementary Product Disclosure Statement ('**SPDS**') for the ETFS Physical US Dollar ETF (ZUSD) and the ETFS Physical Renminbi ETF (ZCHN) schemes (each a '**Fund**') Product Disclosure Statement ('**PDS**') dated 9 June 2017. The issuer of this SPDS and the PDS is ETFS Management (AUS) Limited ('**ETFS**') (ABN 13 150 433 828 AFSL No 466778), which is the responsible entity of, and issuer of Units in the Fund.

A copy of this SPDS has been lodged with ASIC. Neither ASIC nor ASX Limited take any responsibility for the contents of this SPDS.

This SPDS should be read in conjunction with the PDS dated 9 June 2017. If you receive this SPDS electronically, ETFS will provide you with a paper copy free of charge upon request.

From 6 March 2018 ETFS intends to make an election for the Funds to be treated as attribution managed investment trusts ('**AMIT**') (within the meaning of section 995-1 of the *Income Tax Assessment Act 1997*). The purpose of this SPDS is to update the PDS to provide additional information and disclosures in respect of the AMIT regime, and other general tax information updates. ETFS also provides an updated telephone number for the Financial Ombudsman Service.

Please contact ETFS on **(02) 8937 7245** or **infoAU@etfsecurities.com** if you have any questions regarding this change to the PDS.

The following changes are made to the PDS by this SPDS:

1. In section 10. Additional Information, on page 35, in paragraph 10.11, delete the telephone number for the Financial Ombudsman Service and replace it with:

1800 367 287

2. In section 10. Additional Information, on page 45, before paragraph 10.7, insert:

10.6 ATTRIBUTION MANAGED INVESTMENT TRUST REGIME

'Unders' and 'overs' arise where net income and tax offset entitlement amounts reported to Holders understate or overstate the amounts correctly determined under the law. For an attribution managed investment trust (AMIT), unders and overs may arise and can be dealt with in the income year in which they are discovered, called the 'discovery year', rather than the income year they relate to.

If the trustee of the Fund elects to apply the AMIT regime to a Fund, by investing in the Units each Holder of that Fund acknowledges and agrees that under the AMIT regime the trustee of the Funds has the choice with respect to how it addresses any amounts which give rise to under/over distributions in respect of a particular income year, including whether such amounts are addressed by issuing amended AMMA Statements to Holders for the income year to which they relate or adjusting the trust components in the income year in which the under/over distribution is discovered.

3. In section 11. Taxation Considerations, on page 37, after the sixth paragraph, insert:

The following has been prepared on the assumption that:

- the Funds qualify as attribution managed investment trusts ("AMIT") within the meaning of section 995-1 of the Income Tax Assessment Act 1997 and the trustee of the Funds elects to apply the AMIT regime to the Funds;
- the Funds are not public trading trusts under Division 6C of the Income Tax Assessment Act 1936 ("1936 Act"); and
- the Funds have elected to treat gains and losses on the disposal of certain eligible investments (primarily shares, non-share equity in a company, units in a unit trust, land and rights or options to acquire or dispose of the above unless they are debt interests or are otherwise a relevant financial arrangement) as being on capital account.

Unless expressly provided, the income tax comments in this tax summary apply to Funds that elect to apply the AMIT regime.

4. In section 11. Taxation Considerations, on pages 37 and 38, delete the sections titled:

- SALE OF UNITS;
- AUSTRALIAN RESIDENT INVESTORS;
- NON-RESIDENT INVESTORS; and
- DISTRIBUTIONS,

and replace them with the following:

DISTRIBUTIONS

AUSTRALIAN INVESTORS

Distributions

Each Fund is a resident of Australia for tax purposes. Therefore, each Fund is required to determine its tax components for the income year. These components may include assessable income, exempt income, non-assessable non-exempt income, tax offsets

and credits of different characters. Investors should be entitled to their share of the Fund's tax components each year. Investors are treated as having derived their share of the tax components of the Fund directly on a flow through basis. In the case where a Fund makes a loss for tax purposes, that Fund cannot distribute the loss to investors. However, subject to a Fund meeting certain conditions, such Fund may be able to take into account the losses in subsequent years.

The distributions an investor receives may include a number of different types of income which reflect the income derived by a Fund. These components may include:

1. capital gains;
2. foreign income and foreign income tax offsets; and
3. tax deferred distributions.

An Australian investor's share of the tax components of a Fund for a year of income, including amounts received in a subsequent year or which are reinvested under the Distribution Reinvestment Plan, forms part of the investor's assessable income of that year.

The investor will be provided with a statement for tax purposes after 30 June each year to assist the investor (and their adviser) in determining their tax position. This tax statement will advise the investor of the share of the tax components of the Fund (if any) to include in the investor's tax return as assessable income, capital gains and any foreign income/foreign income tax offsets.

If the trustee discovers understatements or overstatements of taxable income and tax offsets in prior years, the trustee has the ability under the AMIT regime to deal with these understatements and overstatements in the income year in which they are discovered. That is, the distribution statements in the discovery year may be adjusted to take into account these understatements or overstatements from a prior income year, rather than re-issuing amended distribution statements for the prior income year to which the understatement or overstatements relates to.

The amount of the tax components of a Fund which the investor is required to include in their assessable income may be different to the cash distributions received by an investor in respect of their Units. This is because the distributions received on the Units is determined by reference to the returns received in respect of a Fund, whereas the tax components of a Fund is determined by reference to the overall tax position of that Fund.

An investor may be required to make, in certain circumstances, both upward and downward adjustments to the cost or cost base of their unit holdings. This occurs where during an income year there is a difference between:

a) the total of the amounts (money or property) that an investor is entitled to from the relevant Fund and the tax offsets that are allocated to an investor during the year; and
b) the tax components included in that investor's assessable income or non-assessable non- exempt income.

If the amount in (a) exceeds the amount in (b), the cost or cost base of the investor's units in the relevant Fund should be reduced by the excess amount. This results in either an increased capital gain, or a reduced capital loss, upon the subsequent disposal of the investor's units in the Fund. Should the cost base be reduced to below zero, the amount in excess of the cost base should be a capital gain that is to be included the investor's taxable income.

Conversely, where the amounts in (a) falls short of the amounts in (b) during an income year, the cost or cost base of the investor's units in the relevant Fund should be increased by the shortfall amount.

Disposal of Units

Where an investor sells their Unit, the income tax consequences vary depending on whether:

1. the investor holds the Unit on capital account or on revenue account; and
2. the investor is an Australian resident for tax purposes.

(a) Capital account

An Australian investor should make a capital gain on the disposal of the Unit if the capital proceeds received by the investor exceed the asset's cost base. If the capital proceeds received by an investor are less than the asset's reduced cost base, then the investor should make a capital loss. Capital losses may be offset against taxable capital gains made by an investor but not against other types of income.

The cost base that an investor has in a Unit is, broadly, the sum of:

1. the amount the investor paid to acquire the Unit;
2. incidental costs of acquisition and disposal; and
3. the costs of ownership of the Unit (e.g. interest incurred by an investor as a result of borrowing funds to acquire the Unit where the interest is not otherwise allowable as a tax deduction).

In the case of Units acquired under the Distribution Reinvestment Plan, the cost base of the Unit acquired will include the amount of the distribution applied to acquire the Units.

The reduced cost base of a Unit includes 1 and 2 but not 3 of the matters listed immediately above.

In addition, an investor may be required to make both upward and/or downward adjustments to the cost base of their unit holdings, very broadly, where there is a difference between the cash distribution received by an investor in respect of their Units and the amount of the tax components of a Fund which the investor is required to include in their assessable income. Refer to the comments above under "Distributions".

In respect of a sale of a Unit, the capital proceeds which an investor receives should include the sale proceeds or other property the investor receives or is entitled to receive as a result of selling the Unit. An individual, trust or complying superannuation entity or a life insurance company that holds their Unit as a complying superannuation/FHSA asset may be able to claim the benefit of the CGT discount. A corporate investor cannot claim the benefit of the CGT discount.

Broadly, the CGT discount exempts a portion of the net assessable capital gain from taxable income. For investors who are individuals or trusts this portion is 50%. For investors who are complying superannuation entities or life insurance companies who hold their Unit as a complying superannuation/FHSA asset, the portion is 33.33%.

Any available capital losses incurred by the investor reduce the capital gain before the remaining net capital gain is discounted in the hands of the investor. Capital losses can only be used to reduce capital gains under the CGT provisions.

(b) Revenue account

If an Australian resident investor acquires a Unit in the course of carrying on a business of dealing in securities or if the investor acquires the Unit as part of a profit-making scheme, then any gain made on the sale of the Unit should be included in the investor's assessable income as ordinary income. Similarly, a loss made on the sale should be deductible.

In the case of Units acquired under the Distribution Reinvestment Plan, the profit or loss on the disposal of the Unit should be determined by reference to the distribution applied to acquire the Units.

NON-RESIDENT INVESTORS

Distributions

The Responsible Entity will withhold tax from distributions of a Fund's Australian sourced net income that are paid to a non-resident investor.

The rate of withholding tax will depend on the type of income and the country of tax residence of the investor, and any double tax treaty or information exchange agreements. In the absence of any applicable treaty or agreement, tax of 10% will be withheld on interest income and tax of 30% will generally be withheld on unfranked dividends and other Australian sourced income (to the extent that a Fund meets the definition of a Withholding Managed Investment Trust and withholding on other Australian sourced income may be lowered to 15% where paid to residents of information exchange countries). No withholding tax is applicable in respect of fully franked dividends.

In most cases, these withholding taxes are each a final tax. As a result, the non-resident investor should not be entitled to a credit in Australia for any withholding tax paid or be liable to further tax on income from which withholding tax has been withheld.

Any foreign sourced income attributed to a non- resident should not be subject to tax in Australia.

Similar to Australian investors, a non-resident investor may be required to make, in certain circumstances, both upward and downward adjustments to the cost or cost base of their unit holdings. This occurs where during an income year there is a difference between:

a) the total of the amounts (money or property) that an investor is entitled to from the relevant Fund and the tax offsets that are allocated to an investor during the year; and
b) the tax components included in that investor's assessable income or non-assessable non- exempt income.

If the amount in (a) exceeds the amount in (b), the cost or cost base of the investor's units in the relevant Fund should be reduced by the excess amount. Conversely, where the amounts in (a) falls short of the amounts in (b) during an income year, the cost or cost base of the investor's units in the relevant Fund should be increased by the shortfall amount.

Disposal of Units

The tax consequences of the disposal of a Unit will depend upon whether the assets of a Fund consist wholly or principally of taxable Australian real property (including leasehold interests and rights to exploit or to explore the natural resources in Australia).

If the assets of a Fund consist wholly or principally of Australian real property, an investor may be required to include any gain made on the disposal of the Unit in their assessable income. The CGT discount would not be available in respect of any such gain. A non-resident investor who uses their Units in carrying on a business through an Australian permanent establishment should also include any gain made on the disposal of their Units in their assessable income.

If the assets of a Fund do not consist principally of Australian real property and the non-resident investor holds their Unit on revenue account, then any profit made on the sale of their Unit should only be subject to Australian income tax if the profit has an Australian source. The issue of source is question of fact, of which the place where the contract to sell the Unit is concluded will be a relevant factor. If the investor is a resident of a jurisdiction which has entered a double tax treaty with Australia then the investor may not be subject to Australian tax on profits if the derivation of the profits is not attributable to any permanent establishment that they have in Australia. In these circumstances, the business profits article of the relevant double tax treaty should prevent Australia from taxing the gain.

It is strongly recommended that non-resident investors obtain their own tax advice when selling Units. It should also be noted that an investor may be subject to the tax laws in their country and should consult a taxation adviser before investing.

5. In section 11. Taxation Considerations, on page 39, before the section titled FOREIGN INCOME AND FOREIGN INCOME TAX OFFSETS, insert:

RISKS

Funds do not qualify as AMITs

The new AMIT tax regime applies from 1 July 2016 (with individual managed investment trusts having the choice to apply the rules from 1 July 2015). Under this new legislation, certain managed investment trusts may elect into the new attribution regime for the taxation of managed investment trusts which is intended to reduce complexity, increase certainty and minimise compliance costs. This attribution method of tax components is in lieu of the existing present entitlement to income method in Division 6 of the 1936 Act. Unless expressly provided, most of the comments in this tax summary apply to Funds that elect to apply this new AMIT regime.

This tax summary has been prepared on the basis that all of the Funds will elect to apply this new AMIT regime. Whether a Fund qualifies as an AMIT each year will depend on a number of factors, some of which are outside the control of the Fund, such as the profile of the ultimate beneficiaries. If a Fund does not qualify as an AMIT and/or does not make an election to apply the AMIT provisions, the income tax implications for investors in that Fund may differ from that set out earlier in this tax summary. For example:

- The existing present entitlement to income method in Division 6 of the 1936 Act may apply rather than the attribution method under the AMIT provisions. In these circumstances, very broadly, it is intended that investors will be presently entitled to all of the income (including net taxable capital gains) of the relevant Fund for each income year. Investors should include in their assessable income their share of the relevant Fund's net taxable income, calculated by reference to

the portion of the relevant Fund's trust law income to which they are presently entitled.

- The investor may be required to make downward (but not upward) adjustments to the cost base of their unit holdings for the tax-deferred portion (if any) of a distribution to an investor (i.e. those amounts that have been distributed to the investor but are not included in taxable income). If the asset's cost base is reduced below zero after one or more cumulative tax-deferred distributions, the investor may make a capital gain if they are paid amounts in excess of their cost base. An Australian investor may be entitled to the CGT discount in respect of this gain.

Investors should obtain independent taxation advice that takes into account their specific circumstances regarding investing in the particular Fund.

Tax reforms

The expected tax implications of investing in a Fund described in this tax disclosure may change as a result of changes in the taxation laws and interpretation of them by the Courts and/or the Australian Tax Office.

It is recommended that investors obtain independent taxation advice that takes into account your specific circumstances regarding investing in the Fund and the potential application of any changes in the tax law.

6. In section 11. Taxation Considerations, on page 39, delete the section titled TRUST TAX REFORMS.

7. In section 11. Taxation Considerations, on page 39, in the section titled TFN WITHHOLDING, replace:

"The applicable rate of tax is 49% (for the income year ended 30 June 2017)" with:

"The applicable rate of tax is 47% (for the income year ended 30 June 2018)"