



## **Invesco Physical Gold ETC: UCITS Eligibility**

Invesco Physical Gold ETCs "Gold ETCs" are NOT funds. They are debt securities and as such are regarded as UCITS- eligible securities under article 50(1) of Directive 2009/65/EC (the "UCITS Directive") – and so can be held by UCITS funds within the framework of UCITS exposure limits. The European rules for UCITS funds do not allow for physical holdings of commodities including precious metals or certificates representing precious metals. However (following external advice) the Invesco ETCs have been structured such that the units do not constitute "certificates representing precious metals" – instead they are certificates that represent a value of money, that is linked to price of underlying metal. Therefore, the convention in Europe is to structure exchange traded precious metals products as asset backed debt securities ("transferrable securities" within the meaning of article 50(1) UCITS Directive), meaning Invesco ETC certificates do not represent an amount of precious metal, instead their value is only linked to the price of the underlying precious metal.

Furthermore, UCITS investors are not entitled to redeem in kind, (so will never be delivered gold/metal). Following advice from external counsel, Invesco ensured that this feature was included in the structure and offering documents of our Gold ETCs to ensure that the product continue to be able to be purchased by UCITS investors. This is dealt with in the prospectus on p25-26 whereby UCITS fund investors ("Certificateholders") will not be delivered precious metal, and their only option is the "default" redemption for cash:

The Issuer shall at the option of a Certificateholder, redeem some or all of the Certificate held by such Certificateholder in respect of any Eligible Redemption Valuation Date by payment of the relevant Cash Amount on the relevant Settlement Date ("Cash Settlement"), unless it is specified in the redemption notice:

1. that the Certificateholder is electing for settlement by the transfer of the Delivery Amount of the relevant Underlying Precious Metal ("Physical Delivery");
2. the number and account name of an unallocated account in London with a member of the LBMA or the LPPM where the relevant Delivery Amount should be delivered; and
3. contains a representation and warranty from the Certificateholder that (a) it is not a UCITS fund; and (b) the request for Physical Settlement and acceptance of the Delivery Amount is in accordance with all laws and regulations applicable to the Certificateholder.

This allows the products to be sold across the European Union on a public offer basis and makes them eligible investments for UCITS funds. However, depending on the view taken by local regulators Gold ETCs may not be UCITS eligible in all jurisdictions. As a result, Investors should seek independent legal advice to ensure that the Invesco Physical Gold ETC is consistent with their investment objectives and is eligible for investment by UCITS schemes in the relevant country.

From a commercial and risk perspective, these structures operate in a similar manner to an open-ended fund (e.g., employing third party administrators, custodians and auditors as well as allowing for open-ended subscriptions and redemptions).

The prospectus of the ETCs is Prospectus Directive compliant; however, the ETCs are not subject to regulatory supervision in the same manner as a fund.