

Investing Commodities ETFs

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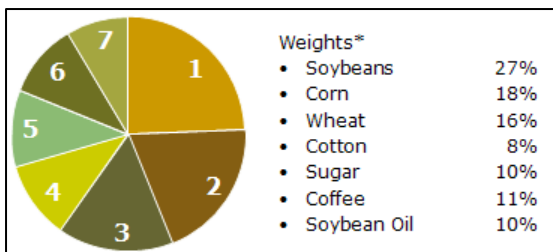


What are Commodity ETFs?

Commodity exchange traded funds (ETFs) are funds which aim to track the price of a single commodity or a basket of commodities. Commodity ETFs either hold the actual physical commodity or buy into futures contracts. Using ETFs is one of the easiest ways to invest in commodities. Before ETFs existed, for investors to gain exposure to commodities, they needed to have a futures account or indirectly invest in commodity-related companies. While hard commodities such as Gold can be brought physically, it is not feasible to store soft commodities such as soybean, wheat and coffee.

Different Types of Commodity ETF

Firstly, there are broad-based commodities ETFs that track a particular commodity index. One example of a broad-based commodity ETF is the **PowerShares DB Commodity Index Tracking Fund**. Broad-based ETFs are usually designed for investors who want a cost-effective and convenient way to invest in a diversified index of commodity futures.



Example of asset allocation in Agriculture ETFs *Source: ETF Securities

Secondly, there are sector focused ETFs on Agriculture, Energy, Industrials Metals, Livestock and Precious Metals. One example of a sector focused ETF is **ETFs Agriculture DJ-UBSCISM** which is designed to track the DJ-UBS Agriculture Sub-IndexSM on a total return basis.

Lastly, there are single-product commodity ETFs such as Wheat ETFs and Gold ETFs. One example of a single product commodity ETF is the **SPDR Gold Shares ETF**. Gold has had a good track record as an effective hedge against inflation and US dollar weakening. Gold has also proven to be a safe-haven in times of geopolitical or financial crisis.

Examples of Commodities Indices include:

- Barclays Capital Global Carbon Index
- Continuous Commodity Index-Total Return Deutsche Bank Liquid Commodity Index
- Deutsche Bank Liquid Commodity Index-Optimum Yield Diversified Excess Return
- Rogers International Commodity Index