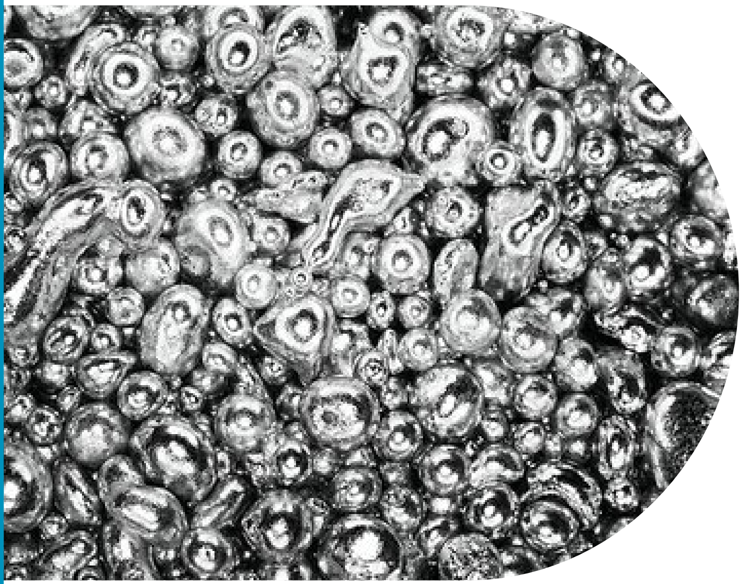
Platinum grain. Picture credit: Johnson Matthey



25 SEPTEMBER 2024

ETF INVESTMENT

With investment in platinum exchange traded funds expected to rise in 2024, developments in Japan could offer longer-term growth opportunities

An exchange traded fund (ETF) tracks the price of a commodity (or other type of financial asset). ETFs are listed entities that issue shares which can be traded on an exchange, meaning that prices can vary throughout the day. Investors can buy and sell shares in an ETF, including a platinum ETF, either directly from the exchange it is listed on or through a broker.

With a physically-backed platinum ETF, investors know that the value of their shares is, under most circumstances, 100 per cent matched by physical platinum in the form of investment bars. These platinum bars, held in a highly secure vault, are the only assets of the fund and reflect the platinum price, less fees – which can be well below one per cent per annum. This type of asset allows an individual or asset manager to invest in physical platinum without incurring additional costs, such as insurance premiums and storage.

Where buyers of a platinum ETF exceed sellers, new ETF shares are issued. In this instance, the fund typically has three days to purchase platinum bars in the spot or 'over the counter' market and deliver them into the vault, which is usually at a large commercial bank, in order to ensure the fund's holdings of physical platinum reflect its shareholdings.

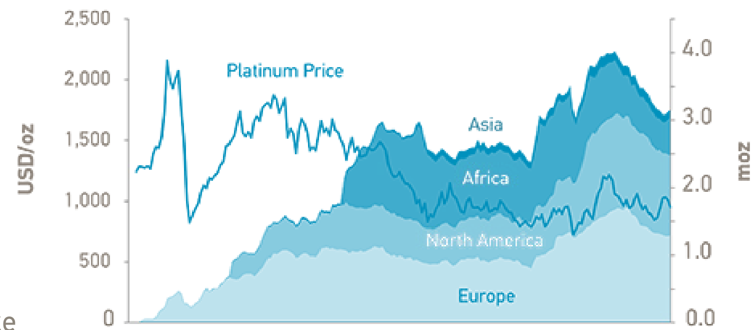
The traded value of an ETF share tracks the spot platinum price. As a result, an ETF investor can make money when the platinum price rises and lose money when it falls, in the same way that anyone who owns platinum in its physical form can.

Some of the most widely- known platinum ETFs include: those offered by abrdn and GraniteShares in the US market; WisdomTree's products in Europe; and, in Japan, a platinum ETF managed by Mitsubishi UFJ Trust and Banking Corporation.

In 2024, global platinum ETF holdings are forecast to increase by 150 koz for the full year following a sharp uptick in demand during the second quarter, supported by platinum's discount relative to gold and strong long-term fundamentals.

ETF developments in Japan

A decade ago, a new product designed to encourage investment by individuals was introduced as a 'temporary' measure in Japan. This tax-free investment, called a Nippon Individual Savings Account (NISA), is modelled on the UK's Individual Savings Account (ISA). As with the ISA, the NISA can include shares in ETFs, including platinum ETFs.



ETFs are listed entities that issue shares which can be traded on an exchange (chart for illustrative purposes only)

In January of this year, reforms to NISAs were introduced by Japan's government, designed to further encourage a shift away from saving cash towards long-term investment and ownership of securities among individuals. The government's goal is to double both the number of NISA accounts to 34 million and the total NISA investment from 28 trillion yen to 56 trillion yen within five years. Changes included an expansion of investment limits and the introduction of an unlimited tax-free period, removing the temporary nature of NISAs.

This initiative has sparked a significant shift in investor sentiment and behaviour in Japan and increased scope for precious metals investing, including investments in platinum ETFs.

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