



What does it mean
for investors when
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1. What are the direct implications of a suspension of creations for holders of an ETP?

- + Halting creations means the relevant issuer will not be issuing new securities of this ETP to satisfy demand.
- + In practice, this means that specially designated market makers called authorised participants (“APs”), who are typically able to buy securities from the issuer at NAV – new securities that the issuer issues on request from these APs – will not be able to do so until further notice from the issuer.
- + Halting creations directly affects only the so-called “primary market”. The primary market is the market where APs trade directly with the issuer. APs are large financial institutions that have agreements with the issuer to enable them to buy and sell directly from the issuer at the fair value of the ETP. If you are not sure whether you are an AP, you are not. Investors who are not APs trade on the “secondary market”, meaning, they trade with other market participants who are not the issuer. Therefore, the mechanism by which normal investors buy or sell the ETP should not be affected by the suspension of creations and trading the ETP should continue to be done via the normal means – on exchange, through your broker, or over-the-counter (OTC).

2. What are the possible indirect implications and risks associated with halting creations for an ETP?

- + **When ETPs halt creations or redemptions, the arbitrage mechanism that usually keeps an ETP’s price in line with its underlying fair value is disrupted.**
Specifically, when halting creations, the arbitrage mechanism that keeps an ETP’s ‘ask’ price in line with its underlying fair ‘ask’ price, is impaired. This means investors’ ability to buy the ETP at a price in line with the underlying fair value of the ETP will suffer. As a result, the ETP may trade at a premium (i.e., at a higher value) versus its fair value, depending on the demand for the ETP.

+ There are significant risks to buying securities of an ETP for which creations have been halted.

When the issuer is no longer issuing new securities of an ETP, if market demand for this ETP exceeds the market's supply, then the ETP may trade at a premium to its NAV. This premium may be significant, depending on the excess demand for that ETP. **An investor who was not an existing ETP shareholder at the time the suspension was instituted and who buys securities of the ETP which trade at a premium may incur a significant loss if either market demand for the ETP dissipates, or if the issuer reopens the ETP for creations or increases the amount of securities available in any other way. Such significant loss can even occur where NAV of the ETP has increased during the period that the investor held the ETP. Furthermore, the potential for such a loss through the disappearance of a premium will not be a consideration for the issuer in deciding to reopen the ETP for creations or issuing more securities.**

+ The amount of ETP securities offered for purchase or sale might be reduced, limiting the liquidity in the ETP. Since APs' ability to buy new securities from the issuer will be limited, this will likely lead to these market makers substantially reducing or eliminating their "ask" from the exchange order book as well as in OTC quotes, as they will only be able to source securities from their own pre-existing holdings or from the secondary market (i.e., by buying those securities on exchange or OTC from other market participants).

This will likely reduce the amount of shares of the ETP that can be bought. **This means that investors' ability to buy securities may suffer**, as that ability will depend mostly on other investors' or market makers' willingness to sell their own holdings on the secondary market, rather than on an essentially unlimited supply of securities from the issuer.

+ Bid-ask spreads of the ETP, particularly on exchange, may widen, become one-sided or, at times, disappear as uncertainty around the ETP's price being in line with the underlying market further impacts investor demand for the ETP and their assessment of the risk associated with owning, buying or selling the ETP.

3. Does this limit my ability to sell out of my position in those ETPs?

The issuer will continue to accept redemptions in the ETP, which will not be limited in any way by the suspension of creations.

In other words, since the issuer remains open for redemptions in the ETPs, APs (specially designated market makers) will be able to sell securities back to the issuer at NAV, as normal.

This means that the mechanism that enables the 'bid' for the ETP to be in line with the ETP's fair value and in line with the underlying market's bid, should remain in-tact.

Specifically, market makers are able to offer a 'bid' for sellers in line with the fair value of the underlying market for the ETP, since they know that they will be able to sell the share they buy from investors back to the issuer at their fair value.

Therefore, while there can be no assurance as to the depth of the secondary market in either the

bid or the ask, existing shareholders' ability to sell at a fair price reflecting the underlying market, its liquidity and its risks, should generally- speaking not be directly materially affected by the suspension of creations.

WisdomTree continues to actively engage with the market-making community to ensure that an orderly fair market is made in all of its ETPs, even those where creations have been temporarily halted.

4. Does this mean I can't buy the ETP?

There are significant risks to buying an ETP for which creations have been halted, as discussed above. One of the key risks of buying into an ETP that trades at a premium, is that the premium may disappear and cause significant losses to the buyer. Furthermore, the amount of ETP securities offered for purchase or sale on the secondary market might be reduced, limiting the liquidity in the ETP. Bid-ask spreads of the ETP, particularly on exchange, may widen, become one-sided or disappear at times, as discussed above.

That said, investors may be able to purchase securities on exchange or OTC to the extent other market participants – be those market makers or other investors – are willing to make those securities available for sale.

The mechanism by which securities are traded by investors who are not APs, as discussed above, should not be affected.

5. Can the issuer reopen the ETP for creations in the future?

It is WisdomTree's belief that measures such as halting creations should only be utilised in exceptional circumstances to protect existing shareholders, mitigate risks and ensure an orderly market functioning, and that these measures should be temporary if deployed.

WisdomTree continuously monitors market circumstances with the intention of restarting creation for any ETPs as soon as the risks of doing so have abated. Please note that WisdomTree may have to halt creations if those risks, which caused the halting in the first place, return.

The existence of a premium in the ETP's price will not play a role in the issuer's decision to reinstate creations, and so buyers of the ETP who buy it after creations have been halted should take that under consideration, since the premium is likely to disappear and prices of the ETP may fall back to fair value when the issuer reinstates creations.

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