Zürcher
Kantonalbank

ZKB Gold ETF

Prospectus with integrated fund contract

ZKB Gold ETF

Investment fund under Swiss law of the type
Other funds for traditional investments
(the investment fund or the fund)

Prospectus with integrated fund contract

January 2013

ZKB Gold ETF was issued by
Balfidor Fondsleitung AG, Basel, as the fund management company, and
Zürcher Kantonalbank, Zurich, as the custodian bank.

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Part I - Prospectus

This prospectus with integrated fund contract, simplified prospectus and the most recent annual or semi-annual report (if published after the latest annual report) serve as the basis for all subscriptions of units in this investment fund.

Only the information contained in the prospectus, the simplified prospectus, the fund contract or one of the documents referred to in the prospectus shall be deemed to be valid.

Distribution is the responsibility of Zürcher Kantonalbank and any other distributors it shall employ.

The fund has been approved in Switzerland by the supervisory authority, the Swiss Financial Market Authority (FINMA), and may be distributed in Switzerland without restriction in accordance with the statutory provisions. The fund is not currently approved for distribution in any other country, and there are no plans to seek such approval.

The distribution of this prospectus and the offering and selling of units in the fund may be subject to restriction in individual jurisdictions. Any persons in possession of this prospectus with integrated fund contract and/or a subscription form for the fund should inform themselves as to the legal framework (including the provisions of tax law) that applies in the relevant jurisdiction, i.e. that of their country of domicile or citizenship.

The fund management company, custodian bank and other designated distributors may refuse subscription requests, in particular if they believe that the persons subscribing would be violating the laws of the legal system under whose jurisdiction they fall.

1. Information on the fund

1.1 Main parties

Fund management company:	Balfidor Fondsleitung AG Peter Merian-Strasse 47 CH-4002 Basel	
	Postal address:	Peter Merian-Strasse 47, CH-4002 Basel
	Phone	061 279 78 78
	Fax	061 279 78 00
	Website:	www.balfidor.ch
Custodian bank, paying agent, distributor and market-maker:	Zürcher Kantonalbank Bahnhofstrasse 9 CH-8001 Zurich	
	Postal address:	P.O. Box, CH-8010 Zurich
	Phone	044 293 93 93
	Fax	044 292 38 02
	E-mail	serviceline@zkb.ch
	Website:	www.zkb.ch
Investment manager:	Zürcher Kantonalbank	
Auditors:	Ernst & Young AG Maagplatz 1 CH-8005 Zurich	

1.2 Overview of additional information

Unit of account: Swiss franc

Listing: The units are listed on the main segment of SIX Swiss Exchange.

Minimum subscription: 1 unit

Subscriptions: Subscription requests may be submitted on any bank working day in Zurich (order day). For further information, please refer to prov. 6.3.1.

Unit classes:

A (CHF) class: This class is denominated in its reference currency of the Swiss franc (CHF). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the Swiss franc are not hedged.

A (USD) class: This class is denominated in its reference currency of the US dollar (USD). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the US dollar are not hedged.

A (EUR) class: This class is denominated in its reference currency of the euro (EUR). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the euro are not hedged.

A (GBP) class: This class is denominated in its reference currency of the pound sterling (GBP). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the pound sterling are not hedged.

H (CHF) class: This class is denominated in its reference currency of the Swiss franc (CHF). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the Swiss franc are hedged against the latter.

H (EUR) class: This class is denominated in its reference currency of the euro (EUR). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the euro are hedged against the latter.

H (GBP) class: This class is denominated in its reference currency of the pound sterling (GBP). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the pound sterling are hedged against the latter.

Unit split: On October 26, 2011, units of the A (CHF) class and H (CHF) class of the investment fund were split in a ratio of 10-for-1. One (old) unit was split into ten (new) units of the fund.

Issue price: The issue price is the price per unit which in the case of all unit classes corresponds to the net asset value per unit of a given class as calculated on each bank working day in Zurich, plus an issue commission currently of up to 3%.

Duration: The fund has been established for an indefinite period.

Financial year: The financial year runs from October 1 to September 30.

Redemptions: Redemption orders may be submitted on each bank working day in Zurich. There is no notice period. A redemption fee of up to 1% will be charged, payable to the fund management company. For further information, please refer to prov. 6.3.1.

Fees and incidental costs: Please refer to prov. 6.5 for fees and incidental costs payable to the fund management company and the custodian bank.

Distribution policy:	Any net income of all unit classes will be distributed to investors annually, in December, in Swiss francs. Up to 30% of the net income may be carried forward to the new account. Capital gains realized on the sale of assets and rights may be distributed by the fund management company or retained for the purpose of reinvestment. Owing to the fact that the fund's gold investments do not produce any income and liquid assets are held only to a limited degree, distributions should not normally be expected.
Official media of publication:	The Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt [SHAB]) and the electronic platform of www.fundinfo.com.
Publication of prices:	Daily on the electronic platform www.fundinfo.com.
Further information:	Further information about the fund may be found in the prospectus, simplified prospectus and latest audited annual or unaudited semi-annual report. The prospectus with integrated fund contract, simplified prospectus and latest annual or semi-annual reports may be obtained free of charge from the fund management company, custodian bank and all distributors.
Sales restrictions:	All fund units are currently approved for public sale in Switzerland only, and may not be offered, sold or delivered in the USA in particular.

Swiss security number/ISIN number ticker:

	Swiss sec. no.	ISIN no.	Ticker
ZKB GOLD ETF, A (CHF) class	13 901 159	CH0139101593	ZGLD
ZKB GOLD ETF, A (USD) class	4 753 354	CH0047533549	ZGLDUS

ZKB GOLD ETF, A (EUR) class	4 753 352	CH0047533523	ZGLDEU
ZKB GOLD ETF, A (GBP) class	1 0449 329	CH0104493298	ZGLDGB
ZKB GOLD ETF, H (CHF) class	13 910 160	CH0139101601	ZGLDHC
ZKB GOLD ETF, H (EUR) class	10 332 676	CH0103326762	ZGLDHE
ZKB GOLD ETF, H (GBP) class	10 449 330	CH0104493306	ZGLDHG

1.3 General information on the fund

ZKB Gold ETF is a contractual investment fund under Swiss law of the type Other funds for traditional investments and has been established under the Swiss Collective Investment Schemes Act (CISA) of June 23, 2006. The fund contract was drawn up by Swisscanto Funds Management Ltd., Berne, as the fund management company, and Zürcher Kantonalbank, Zurich, as the custodian bank, and was originally approved by the Swiss Financial Market Authority on January 27, 2006. Balfidor Fondsleitung AG, Basel, has been the fund management company since October 1 2007.

The fund is based upon a collective investment agreement (fund contract), under which the fund management company undertakes to provide the investor with a stake in the fund in proportion to the fund units acquired by said investor, and to manage the fund at its own discretion and for its own account in accordance with the provisions of the law and the fund contract. The custodian bank is party to the fund contract in accordance with the tasks conferred upon it by the law and the fund contract.

In accordance with the fund contract, the fund management company is entitled to establish, liquidate or merge unit classes at any time, subject to the consent of the custodian bank and the approval of the supervisory authority.

The fund currently has the seven following classes of units. These units are open to the public at large:

- **A (CHF) class:** This class is denominated in its reference currency of the Swiss franc (CHF). The Swiss franc is also the fund's unit of account. The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the Swiss franc are not hedged.

- **A (USD) class:** This class is denominated in its reference currency of the US dollar (USD). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the US dollar are not hedged.

- **A (EUR) class:** This class is denominated in its reference currency of the euro (EUR). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the euro are not hedged.

- **A (GBP) class:** This class is denominated in its reference currency of the pound sterling (GBP). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the pound sterling are not hedged.

- **H (CHF) class:** This class is denominated in its reference currency of the Swiss franc (CHF). The Swiss franc is also the fund's unit of account. The investments in gold (expressed in US dollars) and any deposits and claims not denominated in Swiss francs are hedged against the latter.

- **H (EUR) class:** This class is denominated in its reference currency of the euro (EUR). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the euro are hedged against the latter.

- **H (GBP) class:** This class is denominated in its reference currency of the pound sterling (GBP). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the pound sterling are hedged against the latter.

The seven unit classes are distribution classes, whereby due to the nature of the investments physical distributions should not be expected.

The unit classes do not constitute segregated pools of assets. Although costs are in principle charged only to the unit class for which the service in question was rendered, the possibility of a unit class being held liable for the liabilities of another unit class (in particular owing to currency hedge transactions) cannot be ruled out.
The currency featuring in the name of the seven unit classes is the currency in which the net asset value is expressed, but not the currency in which the investments are denominated. Gold does not have a nominal currency.

The minimum investment required for units of all classes is one unit.

The unitholders may at any time request the exchange of their units for those of another unit class on the basis of the net asset value of the two unit classes concerned.

The fund's unit of account is the Swiss franc.

1.4 Listing of the fund on SIX Swiss Exchange

All unit classes of the fund are listed on the main segment of SIX Swiss Exchange. The Admission Board of SIX Swiss Exchange approved the listing request for the current A (CHF) class on March 8, 2006, the listing request for the A (USD) and A (EUR) classes on January 7, 2009 and the listing request for the H (CHF), H (EUR), A (GBP) and H (GBP) classes on December 28, 2009. Trading in the fund units via SIX Swiss Exchange commenced on March 15, 2006 in the case of the current A (CHF) class, on January 16, 2009 in the case of the A (USD) and A (EUR) classes, and on January 8, 2010 in the case of the H (CHF), H (EUR), A (GBP) and H (GBP) classes. It is conducted exclusively in the reference currency of the unit class.

The listing of the units on SIX Swiss Exchange is aimed at providing investors with an additional opportunity for the direct subscription/redemption of units from/by the fund management company or its distributors, and to facilitate the purchase and sale of the units on a liquid, regulated secondary market, i.e. via the stock exchange. Details regarding the purchase and sale of units on the primary or secondary market can be found in prov. 6.4.

The fund management company has appointed Zürcher Kantonalbank, Zurich, as market-maker for trading in the units on SIX Swiss Exchange. Further information about Zürcher Kantonalbank is given in prov. 2.4 below.

The fund management company may appoint other market-makers. Such market-makers must be listed in the sales prospectus and notified to the Swiss Financial Market Authority. A market-maker is responsible for maintaining a market for the traded fund units and, in this connection, for entering bid and ask prices for fund units in the trading system of SIX Swiss Exchange.

The Swiss Financial Market Authority requires the fund management company to ensure that the spread between the relevant net asset value per unit (calculated on the basis of the net asset value per unit and adjusted to reflect trading-induced changes in the price of the gold held by the fund, i.e. intraday net asset value) and the price at which investors can buy and sell units on SIX is reduced to a reasonable level.

Under a cooperation agreement between the fund management company on the one hand and the market-maker on the other, the latter is obliged, within a certain framework and under normal market conditions, to maintain a market for fund units and, in this connection, to enter bid and ask prices for all unit classes of the fund in the SIX trading system. The SIX stipulates a maximum spread between bid and ask prices of 2% and a minimum amount of EUR 50,000 or its equivalent if the underlying, i.e. gold, is also tradable during the trading hours of the ETF. In all other cases, the spread is 3%. As gold is generally traded on a round-the-clock basis, the maximum spread is usually 2%. The 2% spread is divided into +1% on the buy side and -1% side on the sell side.

SIX SIS Ltd, Zurich, is responsible for clearing.

2. Information on the fund management company

2.1 General information on the fund management company

Balfidor Fondsleitung AG, which has its registered office in Basel, is responsible for managing the fund. The company was established in 1982, originally under the name of Balfidor Treuhand AG, and since then has been active mainly in the fund administration business. In August 2007, it was transformed into a fund management company and is involved exclusively in the investment fund business.

As at December 31, 2012, the fund management company had a subscribed share capital of CHF 10,000,000. The share capital is divided into 10,000 registered shares, each with a par value of CHF 1,000, and has been fully paid up.

Balfidor Holding AG, Basel, is the fund management company's sole shareholder and a fully owned subsidiary of Zürcher Kantonalbank, Zurich.

Fund management company's board of directors:

- Markus Bachofen Rösner, Member of the Executive Board, Head of Products & Services business unit, Zürcher Kantonalbank
- Bruno Schranz, Member of Senior Management, Head of International Project Management, Zürcher Kantonalbank
- Christoph Ritschard, Head of Equities, Zürcher Kantonalbank

The fund management company's executive board comprises Thomas Wiggli, Alain Nobile, André Wirz and Renée Hassiotis.

As of December 31, 2012, the fund management company managed a total of 100 collective investment schemes in Switzerland, whereby the total assets under management of these collective investment schemes was around CHF 37.66 billion on that date.

The fund management company also provides administration services for collective investment schemes managed by other fund management companies, as well as similar schemes.

2.2 Delegation of investment decisions

The investment decisions regarding the subfunds have been delegated to Zürcher Kantonalbank (ZKB) as investment manager, which also acts as the custodian bank to the investment fund and is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA). The precise execution of this mandate is governed by an asset management agreement of August 24, 2007, between Balfidor Fondsleitung AG and ZKB. The fund management company bears the cost of remunerating the investment manager. The investment management activities are executed at ZKB by employees in organizational units that are not involved with the bank's exercising of its rights and duties as custodian bank.

For general information about ZKB, please refer to prov. 2.4 of this prospectus.

2.3 Delegation of specific tasks

The fund management company has delegated the distribution and marketing of the investment fund to Zürcher Kantonalbank as the distributor. The precise execution of this mandate is governed by an agreement between the fund management company and the distributor.

The fund management company has delegated tasks in the field of legal advice, tax, IT systems and risk management to Zürcher Kantonalbank, Zurich. The precise execution of this mandate is governed by a cooperation agreement between the fund management company and the distributor.

2.4 Information on the custodian bank

Zürcher Kantonalbank, which has its registered office in Zurich, acts as the custodian bank. The bank was founded in 1870 as an independent public-law institution of the canton of Zurich.

As at December 31, 2011, the custodian bank had total assets of CHF 133.99 billion and equity of CHF 8.56 billion. The custodian bank is Switzerland's third-largest bank and covers all areas of the banking business, including asset management.

2.5 Information on third parties

Paying agents, distributors and auditors are listed in prov. 1.1 of this prospectus.

3. Information on the fund's investments

3.1 Investment objective and investments of the fund

The fund's investment objective is to reflect the long-term performance of gold, after deducting the fees and incidental costs charged to the fund. An investment in fund units is intended to offer an efficient alternative to a direct investment in physical gold.

For this purpose, the fund invests exclusively in physical gold in marketable form. The gold is held in the form of bars, each with a standard weight of approx. 12.5 kg and purity of 995/1000 or higher. The market price is based on the gold price, the purity and the weight.

3.2 The fund's investment policy

The fund is not actively managed. No trades are conducted on the asset side in order to increase the value of the fund's units or offset any losses that have arisen due to changes in the value of the fund's investments.

The fund does not engage in short-selling, nor does it invest in derivatives. This does not apply to the hedged classes, where derivatives are used solely for the purpose of hedging the US dollar (as main trading currency) against the reference currency. There is no leveraging of the fund's assets for investment purposes.

In the case of classes H (CHF), H (EUR) and H (GBP), the value of the investments in precious metals (expressed in US dollars) and any deposits and claims not denominated in the respective reference currency (Swiss franc, euro or pound sterling) is hedged against the corresponding reference currency. The intention is to achieve full hedging. A limited degree of over or underhedging may occur for a temporary period. This hedging can offset the consequences of a collapse in the value of the US dollar versus the Swiss franc, euro or pound sterling. However, hedging can at times involve considerable costs.

3.3 Liquid assets

The fund management company may also hold liquid assets in Swiss francs, US dollars, euros, and pounds sterling. Liquid assets comprise bank credit balances at sight and on demand with maturities of up to twelve months.

The fund is fully invested in principle. Liquid funds are held only in an amount needed to cover anticipated expenses and redemptions as well as the fund's current liabilities.

3.4 Derivatives; hedging

No derivatives are used in the case of unhedged unit classes.

In the case of hedged unit classes, the fund management company employs derivatives solely for the purpose of hedging currency risks. Only basic forms of derivatives may be used, i.e. call or put options, swaps as well as futures and forwards, as described in greater detail in the fund contract (see § 12). The derivative transactions may be concluded on an exchange or other regulated market open to the public, or in OTC (over-the-counter) trading. In addition to exchange rate risks, derivatives are also subject to counterparty risk, i.e. the risk that the party to the contract may not be able to meet its obligations and may thus cause a financial loss. Even under extraordinary market circumstances, the use of these instruments may not result in the fund's assets being leveraged, nor may they correspond to a short sale.

No more than 30% of the fund's net assets may be encumbered with liens or pledged as security by the fund management company at the expense of the fund for the purpose of hedging the commitments arising from the aforementioned derivatives. The fund's assets may not be encumbered with guarantees or for purposes other than the aforementioned.

3.5 Borrowing

The fund management company may borrow the equivalent of up to 5% of the fund's net assets on a temporary basis. .

3.6 Safekeeping of assets in Switzerland

Investments in physical gold are held exclusively in safekeeping with the custodian bank or its representatives in Switzerland. Liquid assets are held with banks in Switzerland.

3.7 Profile of the typical investor

The fund is suitable for medium to long-term investors who have a degree of risk tolerance and who for diversification purposes wish to invest a portion of their assets indirectly in the precious metal gold with a view to preserving the value of their capital, protecting themselves against inflation and achieving long-term capital gains.

4. Risks

The key risks involved in investing in the fund are discussed below. This list is not exhaustive. The possibility of other risk factors impacting positively or negatively on the fund's investments cannot be ruled out.

4.1 Concentration of investments

The fund invests exclusively in physical gold; there are no other investments. There is no risk diversification such as that offered by securities funds. The value of the fund's units depends solely on the value of gold, the price of which fluctuates and is difficult to predict. This harbors the risk of losses, regardless of whether investments in the fund are short, medium, or long term.

Due to the lack of risk diversification, the fund is only suitable for the investment of a limited portion of an investor's assets.

4.2 Change to the legal provisions

Changes in the law and fiscal parameters may have a negative impact on the fund's assets and on the purchase and sale of gold.

In the past, even developed countries have implemented monetary policy measures that restricted free trade and the transferability of precious metals. Nonetheless, such measures appear to be less likely today given gold's significantly reduced importance to monetary policy.

4.3 Political risks in producing countries

Gold is produced mainly in emerging market countries, namely South Africa. The political, legal and economic situation in such countries is generally less stable than that of developed nations and can undergo sudden, unexpected changes. Various developments may adversely affect the value of gold, namely import and export restrictions, civil unrest, international sanctions, etc.

4.4 Passive management

The fund is managed on a passive basis. Consequently, the value of the fund's units depends directly on the price of gold. Losses in value that could be avoided through active management (selling gold and increasing liquidity when prices are expected to fall) are not offset.

4.5 Value reduction

The quantity of physical gold held per unit by the fund will decline steadily over time. Gold does not yield any returns that can be used to cover fees and incidental expenses.

4.6 Currency risks; currency hedging

The reference currencies of the unit classes are the Swiss franc, US dollar, euro and pound sterling. The unit of account is the Swiss franc. Gold does not have a nominal currency, and the liquid assets and claims will not normally assume significant proportions. The international gold markets are currently quoted largely in US dollars, however. In the case of the unit classes which are not denominated in the reference currency of the US dollar, there is accordingly a currency risk for investors. No hedging of gold investments, or liquid assets or claims, is performed against the reference currency of the unit classes in the case of unit classes A (CHF), A (EUR), A (USD) and A (GBP). In the case of the currently issued unit classes H (CHF), H (EUR) and H (GBP), whose reference currency is the Swiss franc, euro and pound sterling, the US dollar currency risk is hedged. This hedging can offset the consequences of a collapse in the value of the US dollar versus the hedged unit class (Swiss franc, euro or pound sterling). However, hedging can at times involve considerable costs.

5. The gold industry, developments and participants

The gold market is characterized by a large number of participants. In addition to the gold mining companies, these include banks involved in financing and trading activities, central banks with national gold reserves, private and institutional investors, as well as manufacturing companies, in particular the jewelry industry. These market participants generated an annual global supply and demand that fluctuated between 3,344 tonnes in 1994 and 4,100 tonnes in 2007.

Between 1994 and 2000, the price of gold fell from USD 417.70 to around USD 250 per ounce. This was primarily due to the strong US dollar and the higher production of gold. The price of gold began to mount steadily again from 2001 onwards, mainly due to falling gold production, the political, military and economic implications of the September 11, 2001, attacks, expectations of a further fall in the value of the US dollar and the assessment of the securities markets, which resulted in a shift toward other investment instruments such as alternative investments, gold and commodities. In the wake of the recent financial market crisis, the price of gold reached a new historic high at around USD 1,000/ounce in spring 2008; this was almost repeated on two occasions during the first half of 2009. On the other hand, gold's significance as a reserve currency has tended to dwindle in recent years. Some Western central banks have sold large quantities of their holdings. This contrasts with the increase in purchases of gold by central banks in the Emerging Markets.

In addition to the trade in physical gold, there is also a widespread trade in gold derivatives. Over-the-counter trading is offered outside trading hours; trading literally occurs on a 24-hour basis, five days a week.

6. Additional information

6.1 Tax regulations applicable to the fund

The following tax-related information is based on the current legal situation and, insofar as it has been published, practice in Switzerland and the European Union. It is expressly subject to changes in legislation, legal precedent and ordinances, and the practice of the tax authorities. This refers in particular (but not exclusively) to the regulations on withholding tax within the context of EU taxation of savings income.

6.1.1 Swiss federal withholding tax

Investment funds have no legal personality in Switzerland. They are not subject to tax on income or capital. However, distributions of income are subject to Swiss federal withholding tax (35% tax at source on the income arising from moveable capital assets). Capital gains realized by the fund from the sale of assets are not subject to withholding tax, provided they are distributed on a separate coupon.

Swiss federal withholding tax deducted on income from Switzerland can be reclaimed in full for the fund by the fund management company.

Investors domiciled in Switzerland may reclaim the deducted withholding tax via their tax returns or by submitting a separate refund application.

Investors domiciled outside Switzerland may reclaim withholding tax under the terms of any double taxation treaty between Switzerland and their country of domicile. If no such treaty exists, then the withholding tax may not be reclaimed.

The income flowing to the fund comes entirely from sources within Switzerland. Therefore, the fund does not qualify for the affidavit process.

Since the fund invests exclusively in gold, which does not generate any income, the withholding tax issue is confined to income from liquid assets – which only assumes considerable proportions in the event of the fund's liquidation.

6.1.2 EU taxation of savings income

6.1.2.1 Paying agent within the European Union

Pursuant to directive 2003/48/EC of the Council of the European Union of June 3, 2003, on the taxation of interest income (the directive), income and capital gains on investments that generate interest as defined in the directive and are distributed to natural persons domiciled in another EU member state (the EU investor) by a paying agent domiciled in an EU member state are subject to EU savings tax. A declaration or withholding procedure applies, depending on the EU member state. Where there is provision for a withholding procedure, the investor may request a declaration to the tax authorities of his/her country of domicile rather than being subject to withholding tax on interest income. Based on a confirmation issued by the EU paying agent that the withholding tax has been deducted, EU investors can request a credit to their income tax in their EU country of domicile.

6.1.2.2 Paying agents in third countries, specifically Switzerland

Based on international treaties with the European Union, third countries (including Switzerland) also apply regulations that are equivalent to the EU savings tax. Paying agents domiciled in such countries apply the withholding or declaration procedures to income and capital gains of those investments that fall within the scope of the relevant international treaty. The criteria are adjusted to match those of the directive but need not be identical. Prospective investors domiciled in an EU member state should enquire about the situation at the institution at which they intend to conduct the investment or should consult other qualified advisors. It must be noted that the provisions of the paragraph below are only binding for paying agents domiciled in Switzerland and that other regulations may apply to paying agents in EU member states or other countries with which the EU has signed treaties.

Under the terms of the treaty between Switzerland and the European Union of October 26, 2004, on regulations equivalent to those set out in European Council directive 2003/48/EC on the taxation of savings income (the treaty), Swiss investment funds which do not meet the criteria for exemption from withholding tax upon presentation of an affidavit (as is likely to be the case for the present fund) and are therefore subject to Swiss federal withholding tax do not fall within the scope of the treaty; this is also why Swiss paying agents do not retain interest tax. As was previously discussed, however, Swiss withholding tax can be levied on any distribution of income.

Furthermore, the regulations and the treaty stipulate that EU savings tax will not apply provided the direct and indirect interest realized by the fund does not exceed specific limits (de minimis rule). The details are set out in Article 6 of the directive and Article 7 of the treaty. Under the de-minimis rule, funds which invest no more than 15% of their assets in claims whose income is subject to EU savings tax are not subject to the treaty. Their income distributions and the income generated by the sale, repayment or redemption of the fund units are not subject to EU savings tax. Since the fund invests exclusively in gold, it too is likely to fall below the de-minimis rule. Only during the fund's limited liquidation period can higher interest amounts be expected.

6.1.3 Additional taxes (particularly income taxes)

In addition to the aforementioned Swiss federal withholding taxes (prov. 6.1.1) and possible tax retention (prov. 6.1.2), taxation and other tax implications for investors who buy, hold and sell units in funds are defined by the tax laws and regulations in the investor's country of domicile. Prospective investors should inform themselves as to the tax conventions applicable to the subscription, purchase, ownership and sale of units in their country of residence, or at the registered office of the paying agent, and if necessary seek professional advice. The taxes and duties associated with payments in kind in the form of gold are referred to in prov. 6.3.2.

6.2 Expenses and costs

Only the liquid assets generate income, not the gold investments. Except during a possible liquidation phase, the fund's liquid assets will not be on a significant scale. Current income will not cover the regulatory fees and other expenses (see §§ 18 and 19 of the fund contract). In particular, this also concerns the costs of currency hedging in the case of the hedged classes. For this reason, the fund will not generally exhibit a positive net income. The overall income for investors will depend on whether any realized or unrealized net capital gains on the gold investments exceed the surplus costs.

6.3 Issue and redemption of fund units

6.3.1 Terms for the issue and redemption of fund units on the primary market

Fund units of all classes are issued and redeemed on each bank working day (Monday to Friday) in Zurich.

No units are issued or redeemed on Swiss public holidays, on days on which public holidays on the New York gold market prohibit the fund's investments from being valued, or under extraordinary circumstances as defined in § 17 prov. 4 of the fund contract.

Subscription and redemption orders received by the custodian bank by 5 p.m. at the latest on a given bank working day (order day) will be settled on the next bank working day (valuation day) on the basis of the net asset value calculated on that day. Therefore, the net asset value taken as the basis for the settlement of the order is not known when the order is placed (forward pricing). It is calculated on the valuation day on the basis of the closing prices on the order day (based on closing prices for gold trading on the New York exchange according to Bloomberg Golds Comdty HP). Orders received by the custodian bank after 5 p.m. will be dealt with on the following order day.

Settlement is two bank business days following the valuation day.

The net asset value of a unit in a particular class is obtained by calculating the share of that class in the market value of fund assets attributable to the class, subtracting any liabilities of the fund attributable to that unit class, and dividing the result by the number of units of that class in circulation. It is rounded to 1/100 of the relevant reference currency.

The issue price of the units of a particular class corresponds to the net asset value per unit of this class calculated on the valuation day, plus an issuing commission which is currently a maximum of 3%. It is expressed in the reference currency.

The redemption price of the units of a particular class corresponds to the net asset value per unit of this class calculated in the reference currency on the valuation day, minus a redemption commission which is currently a maximum of 1% and is payable to the fund management company.

The investor also has the right to request payment in the form of a transfer of fund assets (payment in kind) in place of cash (see prov. 6.3.2 below).

Incidental costs incurred by the fund on the purchase and sale of investments (including any associated taxes and duties) in connection with the amount paid in, or in connection with the sale of a redeemed portion of investments corresponding to the unit, will be debited to the fund's assets. Units do not take the form of actual certificates but exist purely as book entries. Units of all classes may be subscribed at the fund management company, custodian bank, distributors and paying agents. The units are allocated by the custodian bank immediately upon receipt of the issue price and transferred into an account of the subscriber's choosing.

All taxes and duties incurred on the issue, redemption or conversion of fund units in specific countries are charged to the investor. The issue and redemption of fund units for repayments are not subject to any issue or stamp duty under the current legal provisions in Switzerland.

Within the scope of their distribution activities, the fund management company and the custodian bank may reject subscription applications. They may also prohibit the sale, distribution or transfer of units to individuals or corporate bodies in particular countries or areas.

No value added tax is currently levied on purchases of gold. Purchases of gold by an investor in the context of a payment in kind are not subject to value added tax (see prov. 6.3.2). The VAT situation is subject to change.

For purchases and sales on the secondary market, please refer to prov. 6.4 below.

6.3.2 Payment in kind

In the event of termination, investors of all unit classes have the right to request payment of the redemption proceeds in gold rather than cash (payment in kind) provided there are no monetary policy or other official measures that may prohibit the delivery of physical gold or hinder it in such a way that the custodian bank cannot reasonably be expected to make a payment in kind.

The right to payment in kind is limited to the standard gold bar of approx. 12.5 kg with a commonly traded purity of 995/1000 or more. Other commonly traded units will be supplied only on request; where available, fabrication surcharges and other costs (minting, delivery, insurance, penalties for differences in purity, etc.) prevailing at the time of delivery will be charged to the investor and customary delivery times shall apply. The custodian bank is not obliged to comply with such a request. The fund management company shall decide the allocation within the purity range of the standard unit, which is reflected in a marginal price differential. Fractional entitlements are settled in cash. The difference is calculated on the basis of the product's price, weight and purity. Sums that are deducted from the gross distribution to cover taxes, costs and commissions are treated as cash payments.

Requests for payment in kind must be submitted to the custodian bank together with the redemption order. The gold will be delivered to the registered office of the custodian bank in bars of approx. 12.5 kg with the commonly traded purity of 995/1000 or more within a period of no more than 10 bank working days (see prov. 1.1 above). Transfer of ownership in this case occurs at the time of delivery to the registered office of the custodian bank. Upon delivery of the physical gold, the commission specified in prov. 6.5 will be charged. Delivery times for other commonly traded units will be arranged on a case-by-case basis. This can be up to 30 bank working days.

If an investor asks for the gold to be delivered to a third-party bank in Switzerland, he/she must inform the custodian bank of this at the time the redemption order is submitted. The custodian bank is not obliged to comply with such a request. The additional costs associated with such delivery (transport, insurance, etc.) and any related taxes and duties will be charged to the investor in addition to the commission as set out in prov. 6.5 below. Transfer of ownership in this case occurs at the time the gold is delivered by the custodian bank to the transport agent. In an emergency, such as armed conflict, transfer restrictions, force majeure or similar occurrences, the custodian bank reserves the right to deliver the gold at the cost and risk of the client to a location and in such a manner as the bank deems practical and suitable under the circumstances. The costs for delivery in Switzerland are subject to value added tax. No deliveries are made abroad.

The right to payment in kind also applies in the event of the fund's liquidation. However, the investor's right to payment in kind is limited to the fund's gold holdings. If the gold holdings are insufficient to cover the investors' request for payment in kind in the event of liquidation, payment in kind is reduced on a proportionate basis with the remainder being distributed in cash. A request for payment in kind in the event of liquidation must be received by the custodian bank within 15 days of publication of the liquidation decision by the custodian bank.

6.4 Terms for purchasing and selling fund units on the secondary market

In contrast with subscription and redemption on the primary market, the issuing and redemption commissions described in provs. 6.3 and 6.5 do not apply to purchases and sales of fund units on the stock exchange. Investors need only bear the customary stock exchange fees and stamp duty for such transactions.

Such transactions in fund units correspond largely to the purchase or sale of equities on SIX Swiss Exchange. The purchase or sale of units occurs at current stock exchange prices in the reference currency of the relevant unit class. Investors therefore enjoy much greater flexibility as regards pricing than if they purchase or redeem units via the fund management company or its distributors.

No trading takes place in the fund units if the SIX Swiss Exchange, on which the units are listed, is closed.

6.5 Fees and incidental costs

Fees and incidental costs charged to the investor (excerpt from § 18 of the fund contract)

- Issuing commission accruing to the fund management company, custodian bank and/or distributors: currently a maximum of 3% for all unit classes.
- Redemption commission accruing to the fund management company: currently a maximum of 1% for all unit classes.
- Commission for the distribution of liquidation proceeds in the event of the fund's dissolution: 0.5% of the gross distribution for all unit classes.
- Commission for the delivery of physical gold in the case of payment in kind: maximum of 0.2% of the value of a standard bar of approx. 12.5 kg with commonly traded purity of 995/1000 or more, plus value added tax on the commission for deliveries in Switzerland. The commission for other commonly traded units will be given on request.

Fees and incidental costs charged to the fund's assets (excerpt from § 19 of the fund contract)

- Management fee for all unit classes of a maximum of 0.5% p.a. annually in favor of the fund management company as remuneration for the management, administration and distribution of the fund and as remuneration to the custodian bank for the safekeeping of the fund's assets, handling of payment transactions and performing the other tasks of the custodian bank as set out in § 4 of the fund contract.
- The other costs and commissions set out in § 19 of the fund contract may also be charged to the fund.

Information on the commission rates actually charged can be found in the annual and semi-annual reports.

The fund management company may pay reimbursements from the management fee to the following institutional investors who from a commercial perspective are holding fund units for third parties:

- Life insurance companies
- Pension funds and other retirement provision institutions
- Investment foundations
- Swiss fund management companies
- Foreign fund management companies and providers
- Investment companies.

The fund management company may also pay trailer fees from the management fee to the following distributors and sales partners:

- Authorized distributors
- Fund management companies, banks, securities dealers, Swiss Post and insurance companies
- Distributors which place fund units exclusively with institutional investors that have professional treasury facilities
- Asset managers.

Fee splitting agreements and non-pecuniary benefits (soft commissions)

The fund management company has not concluded any fee splitting agreements.

The fund management company has not concluded any agreements in respect of soft commissions.

Total expense ratio and portfolio turnover rate

The coefficient of the total costs charged to the fund's assets on an ongoing basis (total expense ratio, TER) was:

	A (CHF) class	A (USD) class	A (EUR) class	A (GBP) class	H (CHF) class	H (EUR) class	H (GBP) class
25.03.2006–30.09.2006	0.33% p.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
01.10.2006–30.09.2007	0.38% p.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a
01.10.2007–30.09.2008	0.38 % p.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a
01.10.2008–30.09.2009	0.39% p.a.	0.39% p.a.	n.a.	0.39% p.a.	n.a.	n.a.	n.a.
01.10.2009–30.09.2010	0.40% p.a.	0.40 % p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.44% p.a.
01.10.2010–30.09.2011	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.
01.10.2011–30.09.2012	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.	0.40% p.a.

Since there is no active trading in gold by the fund and changes to the portfolio essentially reflect net issues and redemptions, calculation of the portfolio turnover rate (PTR) is waived as it is not meaningful.

6.6 Publication of official notices by the fund

Further information on the fund may be found in the latest annual or semi-annual report.

The prospectus with integrated fund contract, the simplified prospectus and the latest annual and semi-annual reports may be obtained free of charge from the fund management company, the custodian bank and all distributors.

In the event of an amendment to the fund contract, a change in the fund management company or the custodian bank, or a dissolution of the fund, a corresponding notice will be published by the fund management company in the media of publication.

The media of publication are the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt [SHAB]) and the electronic platform www.fundinfo.com. Notices to investors may be published in other newspapers, periodicals and electronic media as determined by the fund management company.

Prices of all unit classes are published on a daily basis on the electronic platform www.fundinfo.com.

6.7 Sales restrictions

With respect to the issue and redemption of units of the fund outside Switzerland, the regulations valid in the country in question apply. The units of the funds are not admitted for public sale outside Switzerland. In particular, the fund's units have not been registered under the United States Securities Act of 1933 and, except in connection with a transaction not violating this law, may not be offered, sold, resold or delivered either directly or indirectly in the United States, to US citizens or persons resident in the United States, or to stock corporations or other legal entities established or organized under the laws of the United States. For the purposes of this document, the term United States refers to the United States of America, all its constituent states, territories and possessions, and all areas subject to its jurisdiction. US citizens domiciled outside the United States are entitled to become economic beneficiaries of the fund units in accordance with Regulation S of the Securities Act Release No. 33-6863 (May 2, 1990).

6.8 Detailed regulations

All further information on the fund, such as the method used for the valuation of the fund's assets, a list of all fees and incidental costs charged to the investor and the fund, and the appropriation of net income, can be found in detail in the fund contract.

6.9 Responsibility for the prospectus

The fund management company, Balfidor Fondsleitung AG, Basel, and the custodian bank, Zürcher Kantonalbank, Zurich, accept responsibility for the contents of this prospectus pursuant to Schedule A section 4 of the Listing Rules of SIX Swiss Exchange. To the best of their knowledge and belief, this information is correct and no material facts have been omitted.

Part II - Fund contract

I. Basic principles

§ 1 Name of the fund; name and registered office of the fund management company and the custodian bank

1. A contractual investment fund of the type Other funds for traditional investments has been established under the name **ZKB Gold ETF** (the fund) in accordance with Art. 25 et seq. in conjunction with Art. 68-70 of the Collective Investment Schemes Act (CISA) of June 23, 2006.

The fund management company is Balfidor Fondsleitung AG, which has its registered office in Basel.

The custodian bank is Zürcher Kantonalbank, which has its registered office in Zurich.

II. Rights and obligations of the parties to the contract

§ 2 The fund contract

The legal relationship between the investor on the one hand and the fund management company and the custodian bank on the other shall be governed by the present fund contract and the applicable provisions of the legislation on collective investment schemes.

§ 3 The fund management company

1. The fund management company manages the fund at its own discretion and in its own name, but for the account of the investors. It decides in particular on the issue of units, the assets and their valuation. It calculates the net asset value and determines the issue and redemption prices of units as well as distributions of income. It exercises all rights associated with the fund.

2. The fund management company and its agents are subject to the duties of loyalty, due diligence and disclosure. They act independently and exclusively in the interests of the investors. They implement the organizational measures that are necessary for proper management. They ensure the provision of transparent financial statements and provide appropriate information about the fund.

3. The fund management company can delegate investment decisions as well as specific tasks, provided this is in the interests of efficient management. It shall commission only persons who are qualified to execute the task properly, and shall ensure the provision of instructions as well as monitoring and controlling in respect of the tasks. It is specifically entitled to delegate investment management to the custodian bank, provided such activity is performed at the custodian bank by employees in organizational units that are not involved with the bank's exercising of its rights and duties as custodian bank. The fund management company is liable for the actions of its agents as if they were its own actions.

4. The fund management company may with the consent of the custodian bank submit an amendment to the present fund contract to the supervisory authority for approval (see § 27).

5. The fund management company can merge any of the investment funds it manages pursuant to the provisions set down under § 25 and can liquidate any of the investment funds it manages pursuant to the provisions set down under § 26.

6. The fund management company is entitled to receive the fees stipulated in §§ 18 and 19. It is further entitled to be released from the liabilities assumed in the proper execution of its tasks, and to be reimbursed for expenses incurred in connection with such liabilities.

§ 4 The custodian bank

1. The custodian bank is responsible for the safekeeping of the fund's assets. It handles the issue and redemption of fund units as well as payments on behalf of the fund.

2. The custodian bank and its agents are subject to the duties of loyalty, due diligence and disclosure. They act independently and exclusively in the interests of the investors. They implement the organizational measures that are necessary for proper management. They ensure the provision of transparent financial statements and provide appropriate information about the fund.

3. The custodian bank may entrust the safekeeping of gold to third-party depositaries in Switzerland. The custodian bank is liable for applying due diligence when choosing and instructing the third parties, as well as for monitoring constant compliance with the selection criteria. The prospectus contains information on any risks involved. Furthermore, liquid assets may be held with other banks in Switzerland.

4. The custodian bank ensures that the fund management company complies with the law and the fund contract. It checks whether the calculation of the net asset value and of the issue and redemption prices of the units as well as the investment decisions are in compliance with the law and the fund contract, and whether any income is appropriated in accordance with the fund contract. The custodian bank is not responsible for the choice of investments which the fund management company makes in accordance with the investment regulations.

5. The custodian bank is entitled to receive the fees stipulated in §§18 and 19. It is further entitled to be released from the liabilities assumed in the proper execution of its tasks, and to be reimbursed for expenses incurred in connection with such liabilities.

§ 5 The investor

1. On concluding the contract, i.e. subscribing and making a payment, investors acquire a claim against the fund management company in respect of a participation in the assets and income of the fund. The investors’ claims are evidenced in the form of fund units.

2. The investors are only obliged to remit payment for the units of the fund they subscribe. They shall not be held personally liable for the liabilities of the fund.

3. Investors may at any time request that the fund management company supply them with the necessary information regarding the basis on which the net asset value per unit is calculated. If investors express an interest in more detailed information on specific business transactions, they must be given such information by the fund management company at any time. The investors may request at the courts of the registered office of the fund management company that the auditors or another expert investigate the matter which requires clarification and furnish the investors with a report.

4. The investors may terminate the fund contract at any time and request that their share in the fund be paid out in cash.

   Instead of a payment in cash, investors may request payment in the form of physical gold (payment in kind). Further details are set out in § 17 prov. 7 below. This is provided there are no monetary policy or other official measures that may prohibit the delivery of physical gold or hinder it in such a way that the custodian bank cannot reasonably be expected to make a payment in kind.

   Requests for payment in kind must be submitted to the custodian bank together with the redemption order. The place at which the physical gold is delivered is specified in the prospectus.

5. The units are allocated and issued to the investors by the custodian bank immediately upon receipt of the issue price.

6. The fund management company in conjunction with the custodian bank must make an enforced redemption of the units of an investor at the current redemption price if:

   (a) this is necessary to safeguard the reputation of the financial market, specifically to combat money laundering;

   (b) the investor no longer meets the statutory or contractual requirements for participation in the fund.

7. The fund management company in conjunction with the custodian bank can also make an enforced redemption of the units of an investor at the current redemption price if:

   (a) the participation of the investor in the fund is such that it could have a significant detrimental impact on the economic interests of the other investors, in particular if the participation could result in tax disadvantages for the fund in Switzerland or abroad;

   (b) investors have acquired or hold their units in violation of provisions of a law to which they are subject either in Switzerland or abroad, of the present fund contract or the prospectus;

   (c) there is a detrimental impact on the economic interests of the investors.

§ 6 Units and unit classes

1. The fund management company can establish different unit classes and can also merge or dissolve unit classes at any time subject to the consent of the custodian bank and the approval of the supervisory authority. All unit classes embody an entitlement to a share in the undivided assets of the fund, which are not segmented. This share may differ due to class-specific costs or distributions or class-specific income and the various classes may therefore have different net asset values per unit. Class-specific costs are covered by the assets of the fund as a whole.

2. Notification of the establishment, dissolution or merger of unit classes shall be published in the media of publication. Only mergers shall be deemed a change to the fund contract pursuant to § 27.

3. The various unit classes may differ from one another in terms of their cost structure, reference currency, currency hedging, policy with regard to distribution or reinvestment of income, the minimum investment required and investor eligibility.

   Fees and incidental costs are only charged to the unit class for which the respective service is performed. Fees and incidental costs that cannot be clearly assigned to a unit class shall be charged to the individual unit classes in proportion to their share of the fund's assets.

4. There are currently the following seven classes of units, any income from which is distributed (distribution classes). These unit classes are open to the public at large.

   - **A (CHF) class:** This class is denominated in its reference currency of the Swiss franc (CHF). The Swiss franc is also the fund's unit of account. The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the Swiss franc are not hedged.

   - **A (USD) class:** This class is denominated in its reference currency of the US dollar (USD). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the US dollar are not hedged.

   - **A (EUR) class:** This class is denominated in its reference currency of the euro (EUR). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the euro are not hedged.

   - **A (GBP) class:** This class is denominated in its reference currency of the pound sterling (GBP). The investments in gold, which have no nominal currency, and any deposits and claims not denominated in the pound sterling are not hedged.

   - **H (CHF) class:** This class is denominated in its reference currency of the Swiss franc (CHF). The Swiss franc is also the fund's unit of account. The investments in gold (expressed in US dollars) and any deposits and claims not denominated in Swiss francs are hedged against the latter.

   - **H (EUR) class:** This class is denominated in its reference currency of the euro (EUR). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the euro are hedged against the latter.

   - **H (GBP) class:** This class is denominated in its reference currency of the pound sterling (GBP). The investments in gold (expressed in US dollars) and any deposits and claims not denominated in the pound sterling are hedged against the latter.

   The currency featuring in the name of the seven unit classes is the currency in which the net asset value is expressed, but not the currency in which the investments are denominated. Gold does not have a nominal currency.

5. Units do not take the form of actual certificates but exist purely as book entries. The investors are not entitled to demand delivery of a unit certificate. If unit certificates were issued under the previous fund regulations, they must be returned at the latest with the application for redemption.

6. The prospectus specifies whether and to what extent fractions are issued.

III. Investment policy guidelines

A. Investment principles

§ 7 Compliance with investment regulations

The fund management company invests the fund's assets in compliance with the investment objectives and investment regulations described below.

§ 8 Investment objective and investment policy

1. The fund's investment objective is to reflect the long-term performance of gold, after deducting the fees and incidental costs charged to the fund.

2. For this purpose, the fund invests exclusively in physical gold in marketable form. The gold is held in the form of bars, each with a standard weight of approx. 12.5 kg and purity of 995/1000 or higher. Further information is contained in the prospectus.

3. The fund is not actively managed. No trades are conducted on the asset side in order to increase the value of the fund's units or offset any losses that result from changes in the value of the fund's investments.

4. The fund does not engage in any short-selling. There is no leveraging of the fund's assets for investment purposes (see § 13 below).

   An exception in this regard is the hedging of currency risks in the case of the hedged unit classes.

§ 9 Liquid assets

The fund management company may also hold liquid assets in Swiss francs, US dollars, euros and pounds sterling. Liquid assets comprise bank credit balances at sight or on demand with maturities of up to twelve months.

The fund is fully invested in principle. Liquid funds are held only in an amount needed to cover anticipated expenses and redemptions as well as the fund's current liabilities. Liquid assets may be held on a greater scale in the event of the fund's liquidation.

The liquid assets are held at Swiss banks.

B. Investment techniques and instruments

§ 10 Gold lending

The fund management company does not engage in gold lending transactions.

§ 11 Repurchase agreements

The fund management company does not engage in repurchase agreements.

§ 12 Derivatives

§ 12.1 Unhedged unit classes A (CHF), A (USD), A (EUR) and A (GBP)

The fund management company does not employ derivatives in the case of the unhedged unit classes.

§ 12.2 Hedged unit classes H (CHF), H (EUR) and H (GBP)

1. In the case of the hedged unit classes, the fund management company may employ derivatives solely for the purpose of hedging currency risks. The investment currency for gold is the US dollar (as main trading currency). The use of derivative financial instruments may not in its financial effect, even under extraordinary market circumstances, result in a deviation from the investment objectives set out in the present fund contract, in the prospectus and in the simplified prospectus, and may not alter the investment character of the fund.

   The collective investment schemes legislation envisages three risk assessment processes for the use of derivatives: Commitment Approaches I and II for "simple investment funds" and the model approach combined with stress tests for "complex investment funds".

   Commitment Approach I is a simplified process and its defining characteristic is that the use of derivatives must not have a leverage effect on the fund's assets or correspond to short-selling. Commitment Approach II is an extended process. Both leverage and short-selling are permitted. The overall exposure of a fund may thus be up to 200% of its net assets (and even up to 225% if borrowing of 25% is taken into account). In the case of the model approach, the risk is measured daily as the value-at-risk (VaR) with a 99th percentile confidence interval and a holding period of 20 trading days; it may not exceed twice the VaR of a derivative-free benchmark portfolio. Stress tests must also be performed on a periodic basis.

2. Based on its envisaged use of derivatives in the case of the hedged unit classes, this fund qualifies as a "simple investment fund". The Commitment Approach I is applied for the assessment of risk. The use of derivatives therefore does not result in a leverage effect on the fund's assets, nor does it correspond to short-selling.

   The fund management company must at all times be able to meet the payment and delivery obligations entered into in respect of the derivatives from the assets of the fund in accordance with collective investment schemes legislation.

3. Only basic forms of derivatives may be used. These comprise:

   (a) Call or put options whose value at expiration is linearly dependent on the positive or negative difference between the market value of the underlying and the strike price and is zero if the difference is preceded by the opposite algebraic sign;

   (b) Swaps, whose payments are dependent on the value of the underlying or on an absolute amount in both a linear and a path-independent manner;

   (c) Future and forward transactions whose value is linearly dependent on the value of the underlying.

4. In its financial effect, the use of derivatives is similar to either the sale (exposure-reducing derivative) or purchase (exposure-increasing derivative) of an underlying. In relation to the hedged unit classes of the fund, derivatives may only be used in an exposure-reducing way to hedge investments in gold (expressed in US dollars) and any deposits and claims not denominated in the reference currency of the corresponding hedged unit classes are hedged against the reference currency of the latter. The investment currency of gold is the US dollar, as per prov. 1 above. The commitments entered into must at all times be covered by corresponding underlyings, whereby due to the fluctuation in the price of gold (US dollar) a small degree of over or underhedging will be a constant feature.

5. The fund management company may use both standardized and non-standardized derivatives. It can conduct transactions in derivatives on an exchange, other regulated market open to the public, or in OTC (over-the-counter) trading.

6. (a) The fund management company may conclude OTC transactions only with regulated financial intermediaries specialized in such types of transactions that ensure proper execution of the contract. If the counterparty is not the custodian bank, the former or the guarantor must meet the minimum credit rating requirements laid down in collective investment schemes legislation under Art. 33 CISO-SFBC.

   (b) It must be possible to reliably and verifiably value an OTC derivative on a daily basis and to sell, liquidate or close out the derivative at market value at any time.

   (c) If no market prices are available for an OTC-traded derivative, there must be a transparent means of determining the price at all times using recognized and appropriate valuation models on the basis of the current value of the underlying securities. Moreover, before concluding such transactions the fund management company must obtain specific offers from at least two potential counterparties and must accept the most favorable offer, taking into account the price, credit rating, risk distribution and the range of services offered by the counterparties. The conclusion of the transaction and pricing shall be clearly documented.

7. In monitoring the derivatives' compliance with legal and contractual investment restrictions (upper and lower limits), the legislation on collective investment schemes must be taken into account.

8. The prospectus contains further details on the exclusive use of derivatives for hedging purposes and on the counterparty risks of derivatives.

§ 13 Raising and granting of loans

1. The fund management company may not grant loans for the fund's account.

2. The fund management company may borrow the equivalent of up to 5% of the net assets on a temporary basis.

§ 14 Encumbrance of the fund's assets

1. No more than 30% of the fund's net assets may be encumbered with liens or pledged as security by the fund management company at the expense of the fund for the purpose of hedging the commitments arising from derivatives pursuant to § 12 prov. 2 above.

2. The fund's assets may not be encumbered with guarantees.

C. Investment restrictions

§ 15 Risk diversification

1. The fund management company may hold up to 20% of the fund's total assets as liquid assets in sight and time deposits with the same bank.

2. The fund management company may hold up to 10% of the fund's assets in derivatives of the same issuer or counterparty.

3. The fund management company may for hedging purposes invest no more than 5% of the fund's assets in OTC transactions with the same counterparty. If the counterparty is a bank domiciled in Switzerland or in a member state of the European Union or another country in which it is subject to supervision equivalent to that in Switzerland, this limit shall be increased to 10% of the fund's assets.

4. Deposits, hedge instruments and claims from derivatives for currency hedging purposes pursuant to the aforementioned provs. 1 to 3 of the same issuer/borrower must not in overall terms exceed 20% of the fund's assets.

IV. Calculation of the net asset value and issue and redemption of units

§ 16 Calculation of the net asset value

1. The net asset value of the fund and the share of assets attributable to the individual classes are calculated in the accounting currency of the fund at the market value as of the end of the financial year and for each day on which units are issued or redeemed. The value of the fund's assets is not calculated on days when the New York gold market is closed (e.g. bank and stock exchange holidays).

2. The value of the gold is calculated based on closing prices on the New York gold market. The prospectus contains information on the source of prices that is used.

3. Liquid assets held in the form of bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in the market conditions or credit rating, the valuation principles for time deposits will be adjusted in line with the new market returns.

4. The net asset value of a unit in a particular class is obtained by calculating the share of that class in the market value of fund assets attributable to the class, subtracting any liabilities of the fund attributable to that unit class, and dividing the result by the number of units of that class in circulation. It is rounded to 1/100 of the reference currency of the relevant unit class.

5. The share of the market value of the fund's net assets (fund's assets minus liabilities) attributable to the respective unit classes is determined for the first time at the initial issue of more than one class of units (if this occurs simultaneously) or the initial issue of a further unit class. The calculation is made on the basis of the assets accruing to the fund for each unit class. The share is recalculated when one of the following events occurs:

   (a) when units are issued and redeemed;

   (b) on the pertinent date for distributions, provided that (i) such distributions are only made for individual unit classes (distribution classes) or provided that (ii) the distributions of the various unit classes differ when expressed as a percentage of the respective net asset values, or provided that (iii) different commission or costs are charged on the distributions of the various unit classes when expressed as a percentage of the distribution;

   (c) when the net asset value is calculated, as part of the allocation of liabilities (including due or accrued costs and commissions) to the various unit classes, provided that the liabilities of the various unit classes are different when expressed as a percentage of the respective net asset value, especially if (i) different commission rates are applied for the various unit classes or if (ii) class-specific costs are charged;

   (d) when the net asset value is calculated, as part of the allocation of income or capital gains to the various unit classes, provided the income or capital gains stem from transactions made solely in the interests of one unit class or in the interests of several unit classes but disproportionately to their share of the fund's net assets.

§ 17 Issue and redemption of fund units

1. Subscription and redemption orders for units are accepted up to a certain cut-off time specified in the prospectus on the day the orders are placed. The definitive price of the units for the issues and redemptions is determined at the earliest on the bank working day following the day the order is placed (valuation day). This is referred to as forward pricing. Details are set out in the prospectus.

2. The issue and redemption price of units is based on the net asset value per unit on the valuation day calculated on the basis of the closing prices of the order day pursuant to § 16. In the case of unit issues, an issuing commission may be added to the net asset value pursuant to § 18 prov. 1; in the case of unit redemptions, a redemption commission may be deducted from the net asset value pursuant to § 18 prov. 1.

   Incidental costs for the purchase and sale of investments (standard brokerage charges, fees, taxes, etc.), which are incurred by the fund in connection with the investment of the amount paid in, or from the sale of that portion of investments corresponding to the redeemed unit(s), will be charged to the fund's assets.

3. The fund management company may suspend the issue of units at any time, and may reject applications for the subscription or switching of units.

4. The fund management company may temporarily and by way of exception defer repayment in respect of fund units in the interests of all investors:

   (a) if the New York gold market, which is the basis for the valuation of the fund's assets, is closed or if trading on the market is restricted or suspended;

   (b) in the event of a political, economic, military, monetary or other emergency;

   (c) if, owing to exchange controls or restrictions on the transfer or sale of gold or liquid assets, the fund can no longer transact its business;

   (d) in the event of large-scale redemptions that could significantly affect the interests of the remaining investors.

5. The fund management company shall immediately apprise the auditors and the supervisory authority of any decision to suspend redemptions.

6. No units shall be issued as long as the repayment in respect of units is deferred for the reasons stipulated under prov. 4 (a) to (c).

7. (a) All investors have the right to request that their units be redeemed in gold instead of in cash (payment in kind). The right to payment in kind is limited to the standard units specified in the prospectus. Fractional entitlements are settled in cash. Sums that are deducted from the gross distribution to cover taxes, costs and commissions are also treated as cash payments.

   (b) Requests for payment in kind must be submitted to the custodian bank together with the redemption order. The place at which the physical gold is delivered is specified in the prospectus. Upon delivery of the physical gold, the commission stated in § 18 prov. 3 is charged.

   (c) If an investor asks for the gold to be delivered at a location other than that specified in (b) above of the prospectus, he/she must inform the custodian bank of this at the time the redemption order is submitted. The custodian bank is not obliged to comply with such a request. The additional costs associated with such delivery (transport, insurance, etc.) and any related taxes will be charged to the investor in addition to the commission as set out in § 18 prov. 3. No deliveries are made abroad.

   (d) In relation to payments in kind, the fund management company prepares a report containing information about the individual assets transferred, the market value of such assets on the transfer date, the number of units redeemed in return, and any settlement of fractions in cash. In relation to each payment in kind, the custodian bank monitors the fund management company's compliance with its duty of loyalty as well as the valuation of the assets transferred and units redeemed on the respective valuation date. The custodian bank shall immediately report any reservations or objections to the auditors. Payments in kind must be disclosed in the annual report in accordance with regulatory authority practice.

8. Please refer to § 26 prov. 5 (f) below for information about the right to payment in kind in the event of liquidation.

V. Fees and incidental costs

§ 18 Fees and incidental costs charged to the investor

1. On the issue of units, the investors can be charged an issuing commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland and abroad, which in total shall not exceed 3% of the net asset value. On the redemption of units, a maximum commission of 1% of the net asset value will be levied in favor of the fund management company.

2. For the distribution of liquidation proceeds in the event of the fund's dissolution, the custodian bank shall charge the unitholder a commission of 0.5% of the gross distribution.

3. For the payment of physical gold (payment in kind), a commission amounting to no more than 0.20% of the value of a standard bar of approx. 12.5 kg with commonly traded purity of 995/1000 or more will be levied, plus value added tax on the commission for delivery in Switzerland.

4. The rates actually applied with respect to the maximum commissions as per the present § 18 are given in the latest prospectus and simplified prospectus.

§ 19 Fees and incidental costs charged to the fund's assets

1. For the administration, management and distribution of the fund and compensation of the custodian bank for the safekeeping of the fund's assets, handling of the fund's payment transactions and performance of the other tasks of the custodian bank listed under § 4, the fund management company shall charge the fund an annual management fee of no more than 0.5% for all unit classes (management fee). The management fee is calculated daily and paid to the fund management company on a monthly basis. The fund management company is responsible for compensating the custodian bank for the services it provides in accordance with the present prov. 1.

   If the fund management company pays reimbursements to investors and/or trailer fees to distributors, this shall be stated in the prospectus.

2. Furthermore, the fund management company and the custodian bank shall be entitled to reimbursement of the following costs incurred in the course of executing the fund contract:

   (a) annual fees for the supervision of the fund in Switzerland;

   (b) cost of printing and translating the annual and semi-annual reports;

   (c) cost of publishing prices in the print media and feeding them into electronic media and price transmission systems (including TIF/SIX);

   (d) cost of providing notices to investors in the fund's official media of publication;

(e) fees charged by the auditor for regular auditing of the fund;

(f) expenses resulting from any necessary exceptional activities, including the cost of legal advice, incurred while acting in the interests of the investors;

(g) fees and costs relating to the listing and approval for trading of fund units in Switzerland.

3. The fund shall also bear all incidental costs for the purchase and sale of investments (standard brokerage fees, commissions, taxes and duties) incurred in the management of the fund's assets. These costs will be offset directly against the stated acquisition or saleable value of the respective investments.

4. The following costs may also be charged to the fund's assets:

(a) normal banking expenses incurred in connection with the safekeeping of investments by third parties;

(b) all taxes and duties levied on the fund's assets, income and expenses.

5. The rates actually applied with respect to the maximum commission as per the present § 19 are stated in the annual and semi-annual reports.

VI. Financial statements and audit

§ 20 Financial statements

1. The fund's unit of account is the Swiss franc.

2. The fund's financial year runs from October 1 to September 30. The first financial year ended on September 30, 2006.

3. The fund management company shall publish an audited annual report for the fund within four months of the end of the financial year.

4. The fund management company shall publish a semi-annual report for the fund within two months following the end of the first half of the financial year.

5. The investor's right to obtain information under § 5 prov. 3 is reserved.

§ 21 Audit

The auditors shall examine whether the fund management company and the custodian bank have acted in compliance with the provisions of the fund contract, the CISA and the code of conduct of the Swiss Funds Association SFA. The annual report shall contain a short report by the auditors on the published annual financial statements.

VII. Appropriation of net income

§ 22

1. The net income of the fund will be distributed to the investors annually, by the end of January, in the fund's accounting currency.

2. Up to 30% of the net income may be carried forward to the new account. If the net income in an accounting year including income carried forward from previous accounting years is less than 1% of the fund's net assets, a distribution may be waived and the entire net income may be carried forward to the new account.

3. Capital gains realized on the sale of assets and rights may be distributed by the fund management company or retained for the purpose of reinvestment.

VIII. Locations where the prospectus with integrated fund contract, simplified prospectus and annual and semi-annual reports may be obtained

§ 23

The prospectus with integrated fund contract, simplified prospectus and latest annual and semi-annual reports may be inspected and obtained free of charge from the fund management company, the registered office of the custodian bank and its Swiss branches, as well as all distributors and paying agents of the fund.

IX. Publication of official notices by the fund

§ 24

1. The media of publication of the fund are deemed to be the print or electronic media specified in the prospectus. Notification of any change of medium of publication shall be published in the media of publication.

2. The following information shall in particular be published in the media of publication: summaries of material amendments to the fund contract, indicating the offices from which the amended wording may be obtained free of charge, any change of fund management company and/or custodian bank, the creation, dissolution or merger of unit classes, as well as the liquidation of the fund. Amendments that are required by law that do not affect the rights of investors or are of an exclusively formal nature may be exempted from the duty to publish subject to the approval of the supervisory authority.

3. The fund management company publishes the issue and redemption prices or net asset value together with a footnote "excluding commissions" of all unit classes on a daily basis on the electronic platform www.fundinfo.com. Prices may be published in other newspapers, periodicals and electronic media as determined by the fund management company.

X. Restructuring and dissolution

§ 25 Mergers

1. Subject to the consent of the custodian bank, the fund management company can merge funds by transferring – as of the time of the merger – the assets and liabilities of the fund(s) being acquired to the acquiring fund. The investors of the fund(s) being acquired shall receive the corresponding number of units in the acquiring fund. The fund(s) being acquired is/are terminated without liquidation when the merger takes place, and the fund contract of the acquiring fund shall also apply for the fund(s) being acquired.

2. Investment funds may only be merged if:

   (a) provision for this is made in the relevant fund contracts;

   (b) they are managed by the same fund management company;

   (c) the relevant fund contracts are basically identical in terms of the following provisions:

      - the investment policy, risk diversification, as well as the risks associated with the investment
      - the appropriation of net income and capital gains
      - the type, amount and calculation of all fees, the issue and redemption commission together with the incidental costs for the purchase and sale of the investments (brokerage fees, charges, duties) that may be charged to the fund's assets or to the investors
      - the redemption conditions
      - the duration of the contract and the conditions of dissolution;

   (d) the valuation of the fund assets, the calculation of the exchange ratio and the transfer of the fund's assets and liabilities must take place on the same day;

   (e) no costs shall arise as a result for either the fund or the investors.

3. If the merger is likely to take more than one day, the supervisory authority may approve limited deferment of repayment in respect of the units of the funds involved.

4. The fund management company must submit the proposed merger together with the merger schedule to the supervisory authority for review at least one month before the planned publication of the intended changes to the fund contract. The merger schedule must contain information on the reasons for the merger, the investment policies of the funds involved and any differences between the acquiring fund and the fund(s) being acquired, the calculation of the exchange ratio, any differences with regard to fees and any tax implications for the funds, as well as a statement from the statutory auditors.

5. The fund management company must publish a notice of the proposed changes to the fund contract pursuant to § 24 prov. 2 and the proposed merger and its timing together with the merger schedule at least two months before the planned date of merger in the media of publication of the funds in question. In this notice, the fund management company must inform the investors that

they may lodge objections against the proposed changes to the fund contract with the supervisory authority within 30 days from the final publication or request redemption of their units.

6. The auditors must check directly that the merger is being carried out correctly, and shall submit a report containing their comments in this regard to the fund management company and the supervisory authority.

7. The fund management company shall inform the supervisory authority of the conclusion of the merger and shall publish notification of the completion of the merger, the confirmation from the auditors regarding the proper execution of the merger and the exchange ratio without delay in the media of publication of the funds involved.

8. The fund management company must make reference to the merger in the next annual report of the acquiring fund and in the semi-annual report if published prior to the annual report. If the merger does not take place on the last day of the usual financial year, an audited closing statement must be produced for the fund(s) being acquired.

§ 26 Duration of the fund and dissolution

1. The fund has been established for an indefinite period.

2. The fund management company or the custodian bank may dissolve the fund by terminating the fund contract with immediate effect.

3. The fund may be dissolved by order of the supervisory authority, in particular if at the latest one year after the expiry of the subscription period (launch) or a longer extended period approved by the supervisory authority at the request of the custodian bank and the fund management company it does not have net assets of at least 5 million Swiss francs (or the equivalent).

4. The fund management company shall inform the supervisory authority of the dissolution immediately and shall publish notification in the media of publication.

5. The provisions of § 17 prov. 7 on payments in kind shall also apply analogously in the event of liquidation. Investors who wish the payment in kind of their liquidation proceedings to be made in physical gold must submit a corresponding application to the custodian bank. Such application must be received by the custodian bank within 15 bank working days in Zurich after the day on which the dissolution was announced. In the event of the liquidation of the fund, the investor's right to payment in kind is limited to the fund's gold holdings. If the gold holdings are insufficient to cover the investors' request for payment in kind in the event of liquidation, payment in kind is reduced on a proportionate basis with the remainder being distributed in cash.

6. Once the fund contract has been terminated and the notice period specified in prov. 5 has expired, the fund management company may liquidate the assets of the fund forthwith provided no payment in kind has been requested. If the supervisory authority has ordered the dissolution of the fund, the fund must be liquidated forthwith after the notice period specified in prov. 5 has expired. The custodian bank is responsible for the payment of the liquidation proceeds, or payment in kind, to the investors. If the liquidation proceedings are protracted, payment may be made in installments. Prior to the final payment, the fund management company must obtain authorization from the supervisory authority.

XI. Amendments to the fund contract

§ 27

If amendments are made to the present fund contract, or if the merger of unit classes or a change of the fund management company or of the custodian bank is planned, the investors may lodge objections with the supervisory authority within 30 days after the last corresponding publication. In the event of an amendment to the fund contract (including the merger of unit classes) the investors can also demand the redemption of their units in cash subject to the contractual period of notice. Exceptions in this regard are cases pursuant to § 24 prov. 2 that have been exempted from the duty to publish with the approval of the supervisory authority.

XII. Applicable law and place of jurisdiction

§ 28

1. The fund is subject to Swiss law, in particular the Swiss Federal Act on Collective Investment Schemes of June 23, 2006, the Ordinance on Collective Investment Schemes of November 22, 2006, and the FINMA Ordinance on Collective Investment Schemes of December 21, 2006.

2. The court of jurisdiction is the court at the fund management company's registered office. The custodian bank and the fund management company reserve the right to recognize the jurisdiction of other countries in which the fund's units are distributed publicly or of other exchanges on which the units are listed, as well as other courts of jurisdiction arising therefrom.

3. The German-language version is binding for the interpretation of the present fund contract.

4. The present fund contract shall take effect on December 15, 2009.

5. The present fund contract replaces the fund contract dated October 23, 2009.

Basel, December 2009 The fund management company:

Balfidor Fondsleitung AG

Zurich, December 2009 The custodian bank:

Zürcher Kantonalbank