

Silver Users Association

Silver ETF

Making the Case Against It

Overview

What is an ETF?

What are its Pros and Cons?

Top 10 ETF's

Gold ETF

iSHARES® SILVER TRUST

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Benefits of the SUA

What is an ETF?

EXCHANGE TRADED FUNDS:

- **index-based products, which hold a portfolio of securities that is intended to provide investment results that, before fees and expenses, generally correspond to the price and yield performance of the underlying benchmark index.**
- **sponsors exchange large blocks of ETF shares in turn for the securities of the companies that make up the underlying index plus a cash component representing accumulated dividends.**
- **Some larger institutional investors will hold the shares but most broker/dealers will break it up and offer the ETF shares on the exchanges**
- **listed on a stock exchange and can be traded by investors whenever the market is open**
- **Shares of common stock are issued at a fixed unit of conversion to represent fractional ownership**

What is an ETF?

- **Redemption of ETF's: Broker/dealers buy enough ETF shares and exchange with the ETF sponsor for the basket of securities and the appropriate amount of cash.**
- **It is the creation/redemption process that regulates the net asset value/price relationship for the ETF**

What are its pros and cons?

Pros for investors:

- **Can be more liquid than traditional investments**
- **Stock format makes it permissible for Retirement accounts to invest**
- **Lower price to invest**
- **Invest in market without the necessity of taking physical delivery**
- **Expense ratios are generally low**
- **both the flexibility of a stock and the diversification of an index fund**
- **Can be bought on margin and sold short**

Cons to investors:

- **Unlike stock based funds, commodity ETF's have storage and handling costs**
- **Only institutions and the extremely wealthy can deal directly with the ETF sponsors (others must buy through a broker)**
- **ETF could potentially trade above or below the value of the underlying portfolios**
- **There are still taxation issues for commodity ETF's**

Top 10 ETF's

Rank	Fund Name	Symbol	Current Price	Avg Daily Volume
#1	Nasdaq-100 Trust 1	QQQQ	38.67	85,554,400
#2	SPDR Trust;1	SPY	119.78	66,351,700
#3	iShares:Russ 2000 Idx	IWM	63.51	26,676,400
#4	iShares:Japan	EWJ	11.77	22,362,900
#5	Semiconductor HLDRS Tr	SMH	34.29	18,688,100
#6	Sel Sector:Energy SPDR	XLE	47.72	17,052,900
#7	Sel Sector:Finl S SPDR	XLF	29.45	8,229,300
#8	DIAMONDS Trust 1	DIA	104.31	7,485,000
#9	Oil Service HOLDRS Tr	OIH	111.01	6,583,200
#10	Retail HOLDRS Tr	RTH	93.56	4,367,600
#17	streetTRACKS Gold	GLD	46.34	1,913,800

Source: www.marketwatch.com as of cob Oct 19th,2005

1992 - Spiders (SPDR; SPY US Equity) are developed. The fund, based on the S&P 500 index was launched on January 29, 1993 and now has approximately \$36 billion under management.

Gold ETF

NewGold Issuer Ltd	South Africa	GLD	287.62 mm ZAR
streetTRACKS Gold Trust	USA	GLD US	3,144.30 mm USD
Gold Bullion Securities Ltd	London	GBS LN	700.75 mm USD
iShares Comex Gold Trust	USA	IAU US	240.06 mm USD
Gold Bullion Securities Ltd	Australia	GOLD AU	162.59 mm AUD
Brent Oil Securities**	London	OILB	116.48 mm USD

**** financially settled futures**

In aggregate there are 4.25 billion USD worth of gold in ETF's with approximately 9 million ounces of physical vaulted metal

Gold ETF

streetTRACKS Gold Trust

NYSE: GLD

**Initial investment of 30 million shares in first 3 days
each share equals 1/10 ounce of gold = \$1.3 billion USD**

Current holdings: 6.7 mm ounces

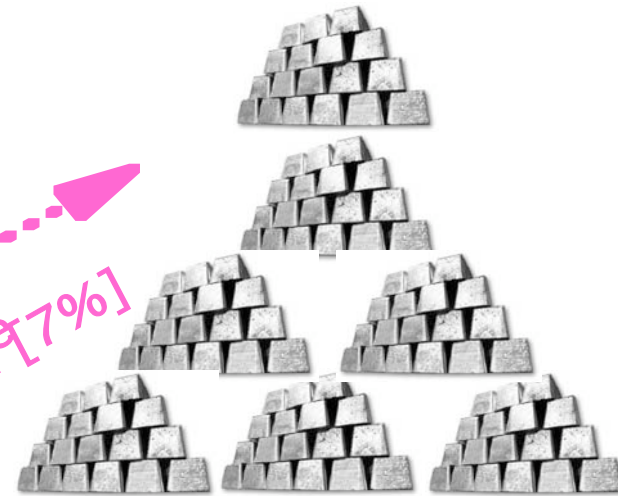
NAV: 3.16 Billion USD

Gold share prices have been negatively impacted as investors seek exposure to the gold price without political, mining, currency, accounting or management risks

iSHARES® SILVER TRUST

Silver ETF ??

Gold ETFs
250 tonnes



15,000 tonnes



1,900 tonnes

*if silver ETF same [7%]
% of total demand*

if silver same value

iSHARES® SILVER TRUST

As filed with the Securities and Exchange Commission on June 17, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

iSHARES® SILVER TRUST

SPONSORED BY BARCLAYS GLOBAL INVESTORS INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

New York 6189 N/A(State or other jurisdiction of
incorporation or organization) (Primary Standard Industrial Classification Code Number) (I.R.S. Employer
Identification No.)c/o Barclays Global Investors International Inc.

45 Fremont Street

San Francisco, CA 94105

Attn: BGI's Product Management Team, Intermediary Investors and Exchange-Traded Products Department

(415) 597-2000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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45 Fremont Street

San Francisco, CA 94105

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

iSHARES® SILVER TRUST

In response to the attention the Gold ETF's were capturing, the Silver Institute approached Barclays to investigate the merit of a silver ETF in 2004.

June 2005 filing proposes:

Listed on AMEX under symbol "SLV"

Initial Offering of 13 million shares

Each share equals 10 ounces of silver

Potential for 130 million ounces of investment

"Basket" = a block of 50,000 Ishares (500,000 ounces)

Date of commencement: "as soon as practicable"

Trust objective: iShares to reflect the price of silver owned by the trust less the trust's expenses and liabilities

iShare = Silver Price - Expenses

To retain original price of iShare, the silver price must rise. Without increases in the price of silver sufficient to cover expenses, the price of iShares will also decline

The Trustee must sell silver to pay for expenses

iShares are only redeemable for physical silver in baskets

Individual iShares can be traded on the AMEX and cash settled

iSHARES® SILVER TRUST

Owners of iShares will be treated as if they owned a corresponding share of the assets of the trust and taxed at a “collectible” rate of 28% rather than 15% long term

The trust is not subject to regulation by the SEC or CFTC

Some Termination events:

Holders of at least 75% of outstanding iShares can notify the trustee and terminate the trust;

if the aggregate market capitalization of the trust was less than \$350 million for 5 consecutive trading days, the sponsor has 6 months to file notice of termination

Year 2045, on 40th anniversary of creation

Sponsor:	Barclays Global Investors International Inc.
Trustee:	The Bank Of New York
Custodian:	JP Morgan Chase Bank N.A.
Authorized Participants:	Barclays Capital Inc. and other registered broker/dealers

Initial Purchase: 1,500,000 ounces of silver as consideration for 3 baskets

“Whenever we develop a product, it is something that the market needs”

Barclays Global Investors International Inc. (Sponsor) :

Handles administrative and marketing expenses of the trust: trustee’s fee, custodian’s fee, AMEX listing fees, SEC registration fees, printing and mailing costs, audit fees and expenses and up to \$100k per year of legal fees

Receives commissions or fees from investors who purchase iShares through their brokerage accounts

The sponsors fee is accrued and paid daily at an annualized rate equal to 0.50% of the adjusted net asset value of the trust

The Bank of New York (Trustee):

Day to day admin of the trust – process orders; coordinate receipts and deliveries with custodian; calculate daily NAV; sell trust’s silver as needed to cover expenses

Receive a transaction fee of \$2,000 from Authorized Participants for each order to create or redeem baskets

Receive an undisclosed Trustee’s fee from Sponsor

JP Morgan Chase Bank N.A. (Custodian):

Responsible for safekeeping up to \$1 billion of silver

Agrees to purchase from the trust silver need to cover expenses

Receives an undisclosed Custodian fee from Sponsor for storage and handling

The Warren Buffet Purchase

The calm before the storm

SILV **7.7800** +.0050 ZKBU 7.7700/7.7900 MACQ Comdty **GPC**
 Screen saved as C:\SCAC\silver chart.gif
Candle Chart SILV Comdty 1/11
 Range 1/1/94 - 7/30/97 Period D Daily Base Currency: USD
 Upper Chart: 2 Candle Chart Moving Averages 1) News



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2005 Bloomberg L.P.
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The Warren Buffet Purchase

In six months the price rallied 77% and then plummeted 31% in the next 5 months

SILV **7.7800** +.0050 ZKBU 7.7700/7.7900 MACQ Comdty **GPC**
 At 17:05 Dp 7.7800 Hi 7.7800 Lo 7.7800

Candle Chart SILV Comdty 1/11

Range 7/30/97 - 6/30/98 Period Daily Base Currency: USD

Upper Chart: Candle Chart Moving Averages

1) News

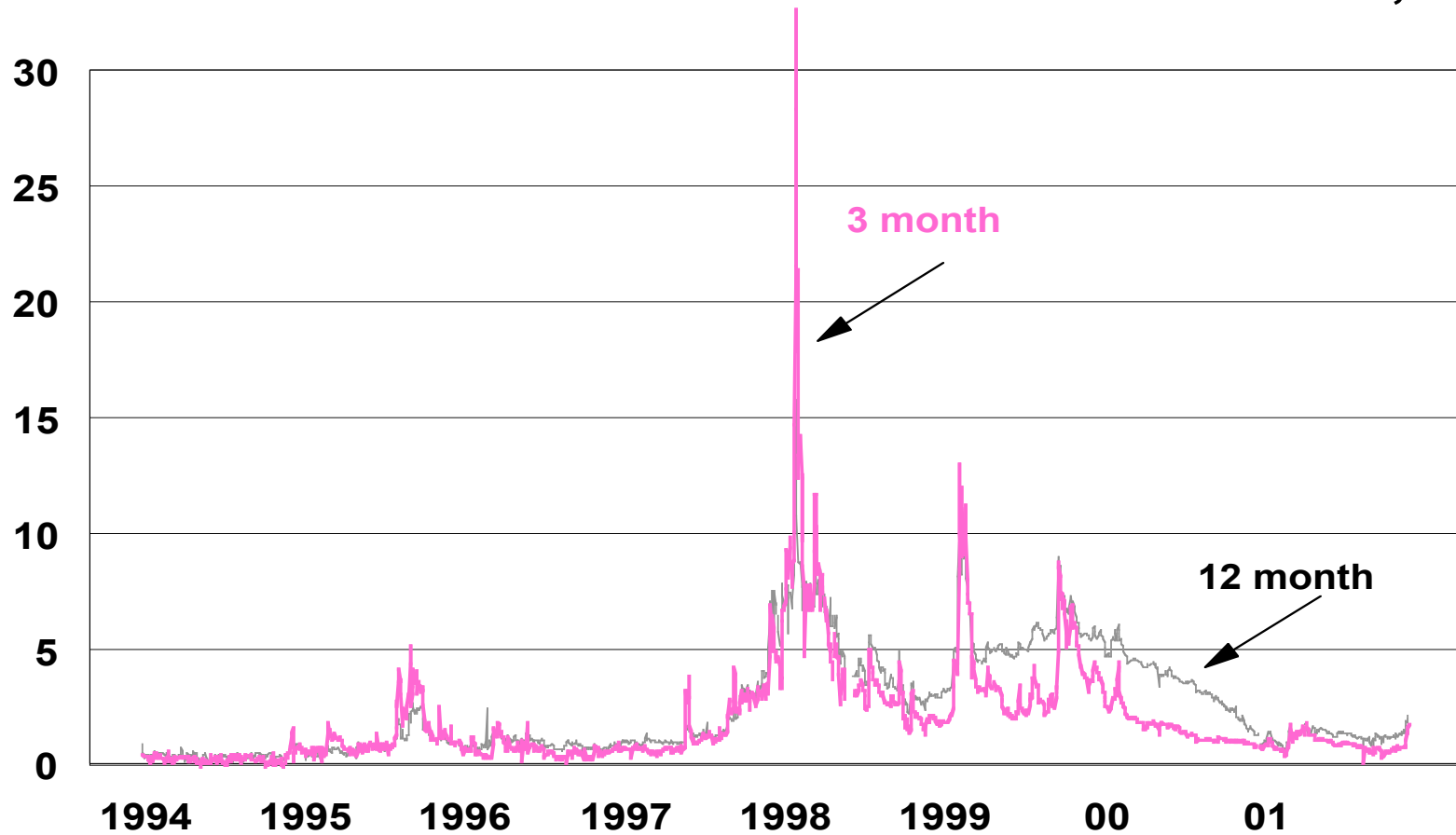


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The Warren Buffet Purchase

Lease rates went through the roof 3 month lease rate, SLIBOR (%)

SILVER LEASE RATES: 3 AND 12 MONTH, %



The Warren Buffet Purchase

Buffet purchased approximately 130 million ounces over a period of one year. His strategy was to buy dips in a way not to disrupt the market

Buffet allocated his silver in London vaults

The silver purchase for Buffet was so insignificant for Berkshire Hathaway, it was not necessary to address in their annual report

Select Banks and hedge funds were informed of his intentions and aggressively purchased options, borrowed forwards and were long outright.

This speculative behavior magnified the purchase program of Buffet

From the iShares Prospectus:

Paradoxically iShares prices may be affected by the temporarily high prices of silver if a very enthusiastic reception of the iShares resulted in large purchases of silver to be deposited in the trust – “that will subside after the initial rush comes to an end”

In the event that the London market for physical silver should become relatively illiquid and thereby materially restrict opportunities for arbitraging by delivering silver in return for Baskets of iShares, the iShares prices may diverge from the value of physical silver and may fall

Summary

Financial markets should be free to let supply and demand dictate price

Silver has long been one of the most volatile markets

The silver market has a modest inflow of capital in relation to other financial markets

This is not a surplus or deficit issue - the issue is the silver market is a small market

A sudden enormous purchase of silver would be a severe strain on the market liquidity

As in the Buffet purchase, certain banks and funds will use this event as an opportunity to reap profits

Markets for Commodities which are consumed (Crude oil, Silver, Nickel, etc) should not be vaulted, artificially changing the fundamentals

“hope it sparks more interest in silver stock investment”

Benefits of the SUA

SUA does not exist to manipulate the silver price and secure cheap silver for its members

Benefits of the SUA

Inform members, government and the public on all facets of the silver market in a timely manner;

Maintain liaison with U.S. Government Executive Departments and independent agencies responsible for silver market oversight;

Serve as industry spokesperson for accurate silver market information;

Provide speakers at financial and industry seminars and gatherings;

Provide a healthy network to building camaraderie between end users, suppliers and refineries