

## June Review

### Market Review

Commodities were mixed in June, some stronger, some weaker. Commodities appear to be in transition, with a number of markets moving against recent trends. Markets that have recently rallied fell while other, weaker sectors rallied back. While too early to call a complete shift, we would suggest that this type of movement may foreshadow that a transition may be afoot.

Volatility in commodities continues to be modest and slightly choppy which is typical in times of trend changes. This volatility was also seen in Equities this month as geo-political concerns appear to be spreading. This in itself is generally good for commodity trends.

While the strategy had little to no exposure to commodities while the asset class correction took place, it has continued to add back components (after exiting positions completely last fall due to the lack of sustained upside and predominant downtrend that started in mid-2014).

The strategy remains positioned to selectively capture upward trends in the commodity markets while minimizing risk during downtrends.

### Index Review

The ABCERI lost 0.08% in June (see Table 1), performing similarly to several of the more volatile long-only Commodity indices. While underperforming some benchmarks year to date, the strategy provides a more disciplined way to be exposed in the longer term by generating selective long exposures based on trends and volatility of specific markets.

As Table 2 illustrates, the ABCERI has performed well as a store of value over this period of significant commodity weakness. The index has produced better long term absolute returns and risk-adjusted returns than its peers while minimizing drawdowns. Importantly, this highlights the strategy's ability to limit the downside and volatility significantly versus benchmarks. Table 3 reveals the index's ability to retain value over time despite a very challenging period for commodities.

The ABCERI does not attempt to track the broad commodity markets or predict their direction. It aims to capture upward price trends tactically from only commodities that are making sustained moves higher, while preserving capital on those commodities that are making sustained moves lower.

**Continued on next page >>**

**Table 1: Month and 2015 Year-To-Date**

2015	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
June 2015	<b>-0.08%</b>	-0.11%	1.73%	3.03%
2015 YTD	<b>-4.77%</b>	-0.22%	-1.57%	-2.35%

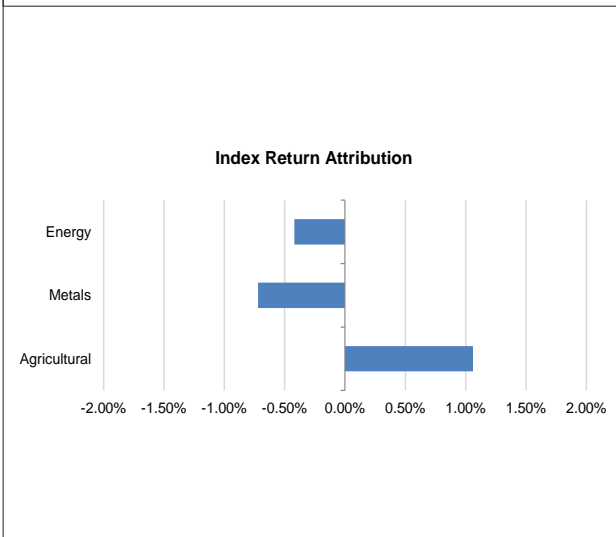
**Table 2: 7 Year Annualized Performance**

7 year Annualized Return	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Annualized Return	<b>0.10%</b>	-15.71%	-11.05%	-11.55%
Annual Std. Dev.	<b>10.46%</b>	24.24%	18.53%	21.28%
Sharpe Ratio	<b>0.01</b>	-0.65	-0.60	-0.54
MAR Ratio	<b>0.00</b>	-0.23	-0.21	-0.21
Largest Drawdown	<b>26.52%</b>	68.28%	52.17%	55.02%

**Table 3: Cumulative Return since Inception**

From Oct. 2010	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Cumulative Return	<b>-0.76%</b>	-26.20%	-26.82%	-24.35%

As outlined in an independent report by ETF Securities, the Auspice Broad Commodity Index remains one of the top performing global broad commodity indices. If you would like a copy of the most recent report, please contact Auspice.



### Portfolio Recap:

The Broad Commodity index added a new long exposure in Wheat late in the month and it appears that there are early signs of transition from the prolonged commodity sell-off. The index is now long 6 of 12 components (or 50%) of the possible basket, representing a significant change from last fall when all components were without a weight. Further long additions appear likely.

### Energy

After adding long weightings during May in Gasoline and Heating Oil - the first since exiting energy weightings last summer- the sector softened in June. With a 50% exposure in the sector (of the possible basket), there was a negative attribution from Energy on the month.

### Metals

Metals also softened in June. We continue to hold Gold and Copper while the strategy remains without a weighting in Silver. Negative performance contribution on the month.

### Agriculture

Ags performed well this month, led by the long position in Cotton while significant strength in Wheat erupted late in the month. Wheat eclipsed highs not seen since early January and the strategy has added a long weighting. A similar story in Corn and Soybeans has the strategy poised to add exposure there.

The strong sector performance helped to offset losses in Energy and Metals.

### Outlook

There continue to be signs of a shift in the commodity sector as a whole. In broad terms, the decline has slowed its pace and we have seen the pockets of strength and volatility required for a sustained shift in trends.

While moves in Energies made headlines, it has not been limited to this sector and more broad commodity upside has appeared, highlighting the value of a tactical long/flat approach in gaining long commodity exposure and inflation protection based on the merits of individual market momentum and volatility (versus a long only method). The long term outperformance in absolute and risk adjusted terms in Tables 1,2 and 3 confirms this.

### Strategy and Index

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends. The index, which is considered to be a “third generation commodity index”, considers both risk and reward. The index uses a quantitative methodology to track either long or flat weights in a diversified portfolio of 12 commodity futures which cover the Energy, Metal, and Agricultural sectors.

The Broad Commodity index is available in Total and Excess Return versions. The cash return for the total return index will be calculated daily using the 3-month CDOR (Canadian Dealer Offered Rate). The CDOR is the average rate for Canadian bankers’ acceptances for specific terms-to-maturity (one year or less), determined daily from a survey on bid-side rates provided by the principal market-makers, including the major Canadian banks.

### About Auspice

Auspice Capital Advisors Ltd. is a registered Portfolio Manager / Investment Fund Manager / Exempt Market Dealer in Canada and a registered Commodity Trading Advisor (CTA) and National Futures Association (NFA) member in the US. Auspice’s core expertise is managing risk and designing and executing systematic trading strategies.