



November 2015 Review

Market Review

After stabilizing briefly in October, commodities fell hard in November. This month it was equities that took pause.

While commodities are still looking for the right balance of supply to long-term global demand, the asset class has continued to weaken in 2015. As such, exposure to commodities using an approach that protects capital and downside first, followed by a tactical exposure to only those markets showing upside momentum, is prudent.

We believe that this low price environment provides a compelling entry point for the continued use of commodities for asset class diversification, event risk protection, and, importantly, inflation protection for a portfolio.

This view is highlighted in a recent paper published by Auspice (*"Are commodities still a valid inflation hedge in this low price environment?"*) located in the 'resources' tab of our website, under 'research'.

Index Review

The ABCERI gained 0.13% in November (see Table 1), a strong departure from long-only commodity index benchmarks which fell sharply. The strategy's absolute return is significantly outperforming the benchmarks year to date with far less volatility.

The gain comes from the strategy's tactical ability to generate and adjust selective exposures - and enter or exit markets based on pervasive trends and risk of specific sectors (versus the traditional and more volatile ways of gaining the beneficial portfolio exposure) - which provides a more disciplined way to be exposed to the commodities asset class in the longer term.

As Table 2 illustrates, on a long term basis the ABCERI has outperformed benchmarks and is the only positive return of the group. It has produced better long term absolute and risk-adjusted returns than its peers while minimizing drawdowns. Importantly, this highlights the strategy's ability to limit the downside and volatility significantly. Table 3 reveals the index's ability to protect capital over this prolonged period of commodity weakness.

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Table 1: Month and 2015 Year-To-Date

2015	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Nov 2015	0.13%	-8.98%	-7.26%	-7.68%
2015 YTD	-13.70%	-26.54%	-22.29%	-23.84%

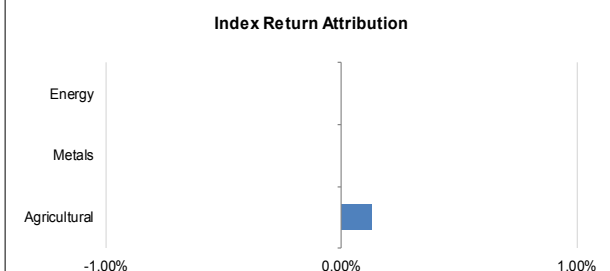
Table 2: 8 Year Annualized Performance (11/07 - 11/15)

8 year Annualized Return	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Annualized Return	2.81%	-12.98%	-9.32%	-8.35%
Annual Std. Dev.	11.83%	24.61%	19.11%	21.84%
Sharpe Ratio	0.24	-0.53	-0.49	-0.38
MAR Ratio	0.08	-0.17	-0.14	-0.12
Largest Drawdown	33.49%	77.75%	65.21%	66.97%

Table 3: Cumulative Return Since Inception

From Oct. 2010	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Cumulative Return	-10.07%	-45.67%	-42.22%	-41.00%

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 holds 1 of 12 components (or 8.3%) of the possible portfolio long. While remaining in cash in both the Energy and Metals sectors, it holds a single position in the Soft Commodity portion of the Agricultural sector.

Energy

While Gasoline bounced higher at month end, the month as a whole was weak for the Energy sector. Both the petroleum complex and Natural Gas trended lower and the strategy remains on the sidelines with no position.

Metals

Metals moved lower with a sharp sell-off that started in late October. Both Precious and Industrial metals followed this pattern, only slowing their decent near month end. The strategy remains without a weight in the sector.

Agriculture

Grains led the sector lower with a marked sell-off and the strategy remains on the sidelines. Weakness was led by Wheat and complemented by Corn. On the Softs side, the story was different. Sugar continues its ascent higher, where the strategy shifted long last month. This provided the positive attribution for the sector and the index as a whole.

Outlook

A recent trip to Asia by our lead portfolio manager and CIO, Tim Pickering, confirmed some of our long term beliefs.

We believe the runway for Chinese demand isn't the same as the North American investment timeframe of 3, 5, or 7 years. It is more like 33, 35, or 37. And this is exactly what he saw and heard from people on the ground in Asia.

In response to their significant investment in the region, one senior Public Pension official highlighted they "like to focus on the demand side of the equation long term". We couldn't agree more. The current state of commodities is oversupply. This is a lot better than a lack of demand. Supply can adapt more quickly to falling price - and it has. Demand takes longer to adapt if it isn't already there...if it is, it is a much better scenario.

Based on our time in Asia - we believe long term demand is there.

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.