



## March 2017 Review

### Market Review

After starting the year correcting and stabilizing in February, March was generally weak for commodities. The benchmarks in GSCI and Bloomberg Commodity were both weak (-4.24% and -2.72% respectively). While we noted a positive bounce post the February 28th evening Trump speech to Congress regarding infrastructure and military spending, the market remains cautious despite the positive trend over the last 18 months.

The equity markets generally continued their trend higher: While the S&P 500 paused falling a mere 0.04%, the MSCI World gained 0.82%. The VIX softened to under 13, remaining near all time lows, as the market gained.

Interest Rates ended up relatively unchanged while the US Dollar weakened.

### Index Review

Auspice Broad Commodity softened 2.38% in March, not quite as weak as long-only benchmarks. See Table 1.

Table 2 illustrates that on a long term basis (9 year annualized) the ABCERI has not only outperformed its benchmarks and is the only positive return of the group through both up and down commodity cycles, but the volatility is far lower. Importantly, this highlights the strategy's ability to limit the downside and volatility significantly while providing the same or better gains.

Table 3 reveals the index's ability to protect capital better than its benchmarks over this prolonged period of commodity weakness by a significant margin since its publication by NYSE.

*Of note, product linked to the index was awarded a 5 Star rating by Morningstar (on all time frames) this past month: link here: <http://www.morningstar.com/funds/xnas/dxcix/quote.html>*

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**Note:** Please refer to "Important Disclaimers" regarding comparable indices used herein.

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

2017	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
1 Month	<b>-2.38%</b>	-4.24%	-2.72%	-3.55%
YTD	<b>-4.35%</b>	-5.45%	-2.47%	-2.88%
1 Yr Rolling	<b>2.56%</b>	7.71%	8.28%	9.09%

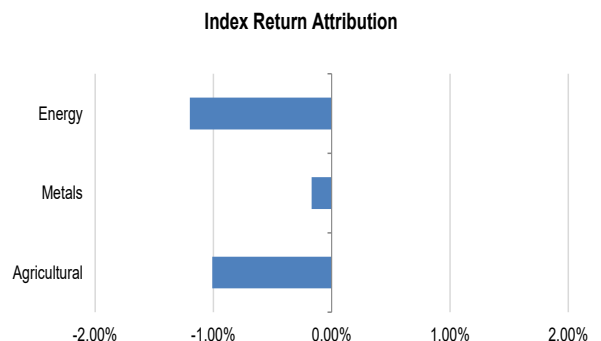
**Table 2: Long Term Performance**

9 year Annualized Return	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
Annualized Return	<b>1.06%</b>	-13.42%	-9.11%	-9.90%
Annual Std. Dev.	<b>10.29%</b>	23.73%	17.82%	20.58%
Sharpe Ratio	<b>0.16</b>	-0.43	-0.40	-0.38
MAR Ratio	<b>0.03</b>	-0.17	-0.14	-0.14
Largest Drawdown	<b>33.68%</b>	81.12%	67.41%	72.03%

**Table 3: Cumulative Return Since Inception**

From Oct. 2010	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
Cumulative Return	<b>-6.37%</b>	-44.12%	-47.91%	-39.16%

**Chart 1: Index Return Attribution**



The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. All performance data for all indices assumes the reinvestment of all distributions. To the extent information for the index for the period prior to its initial calculation date is made available, any such information will be simulated (i.e., calculations of how the index might have performed during that time period if the index had existed). Any comparisons, assertions and conclusions regarding the performance of the index during the time period prior to the initial calculation date will be based on back-testing. These results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown. The index does not have commissions, management / incentive fees, or operating expenses.

**Portfolio Recap:**

There was only one change to the portfolio during the month. The strategy exited the weakest of the Grains.

The portfolio is now long 7 of 12 commodity components (or 58%) and includes all 3 sectors – Energy, Metals, and Ags.

Performance was negative in all 3 sub-sectors of the index with Energy and Ags leading weakness (see Chart 1).

**Energy**

The long petroleum side of the energy market corrected lower after trading a tight \$5 range from early December. However, the month ended with a sharp reversal back up taking WTI crude again over \$50. All positions have been maintained with Natural Gas the only market avoided at this time.

**Metals**

Base and Precious Metals started the month selling off yet both sub-sectors rallied from mid-month to make up most of the ground. While Precious metals recovered slightly better but remained down on the month, the strategy remains on the sidelines. Copper remains long for a small sector loss.

**Agriculture**

While exiting Soybeans to protect the risk of further deterioration in the weakest of the Grains, softness in Corn and Wheat pulled down the sector. A gain was made in the Cotton market as its gain was not enough to offset the weakness.

**Outlook**

While Q1 has started the year with a correction in the commodity sector and the strategy performance, we believe that the commodity sector remains on the positive trajectory. This is a trend that started 18 months ago and these cycles are typically long. Currently the shift that started in late 2015 remains intact and most positions have been maintained.

**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.

**Important Disclaimers**

The S&P Goldman Sachs Commodity Excess Return Index (**S&P GSCI ER**), is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

The Bloomberg Commodity (Excess Return) Index (**BCOM ER**), is a broadly diversified index that allows investors to track 19 commodity futures through a single, simple measure.

The Deutsche Bank Liquid Commodity Optimum Yield Index (**DB LCI OY**), is an index composed of futures contracts on 14 of the most heavily traded and important physical commodities in the world.

The **SG CTA Index** (formerly Newedge CTA) provides the market with a reliable daily performance benchmark of major commodity trading advisors (CTAs). The SG CTA Index calculates the daily rate of return for a pool of CTAs selected from the larger managers that are open to new investment.

**Excess Return (ER)** Indexes do not include collateral return.