



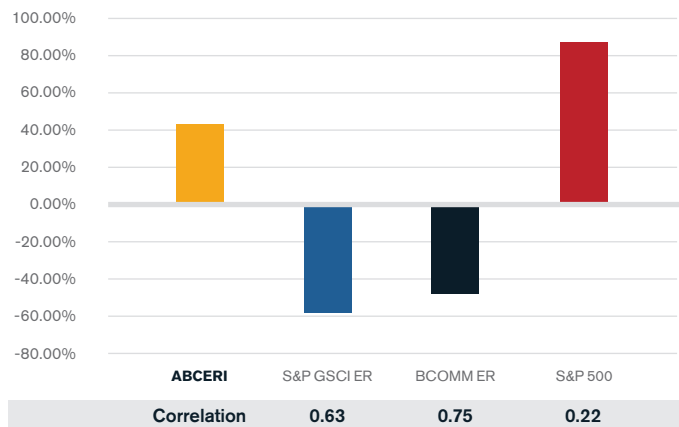
# BROAD COMMODITY INDEX

COMMENTARY +  
STRATEGY FACTS

MARCH 2018



CUMULATIVE PERFORMANCE  
(SINCE JANUARY 2007\*)



## INVEST WITH AUSPICE

Call us

888 792 9291

Visit us online to find out more

[auspicecapital.com](http://auspicecapital.com)

**AUSPICE** Capital Advisors

SUITE 510 - 1000 7TH AVE SW  
CALGARY, ALBERTA CANADA T2P 5L5



5 Star 5Year Morningstar  
Rating for Direxion Indexed  
Commodity Strategy Fund,  
which tracks ABCERI

Futures trading is speculative and is not suitable for all customers. Past results are not necessarily indicative of future results. This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise. \*The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. See Important Disclaimers and Notes on last page.

**SUMMARY**

Commodity benchmarks produced mixed results. Strength in Energy led the energy tilted GSCI to gain 2.1% while the more diverse Bloomberg Commodity Index fell 0.8% on the month. It should be no surprise that the diversity of the commodity sector can produce disparate results especially as volatility has increased. After the “risk-off” reaction last month, the month ended strong for many commodities and sector benchmarks adding to the general sector strength that re-emerged in mid-2017.

Global equities started strong before falling back in the second half of the month, most to near the February lows. The S&P and Nasdaq ended off 2.7% and 2.9% respectively while the MSCI World fell 2.4% for reference. The resource tilted Canadian TSX/S&P60 lost 0.5% to be down 5.3% for the year – weakest among benchmarks while the Nasdaq leads and remains slightly positive. There is no doubt that sentiment has shifted and even historically outperforming areas such as technology are causing recent concerns.

Interest Rate futures rallied for the month against the long-term downtrend and despite the US Fed raising rates 0.25% while signaling further rate increases in 2018. Currencies consolidated with a slightly stronger tone vis-a-vis the US Dollar which stabilized.

**Auspice Broad Commodity gained 0.40% outperforming the more broad BCOM benchmark long commodity index performance for the month. On a longer term basis, the tactical value is illustrated and performance outstrips benchmarks with positive returns along with lower volatility and drawdowns. See Table 1.**

**OUTLOOK**

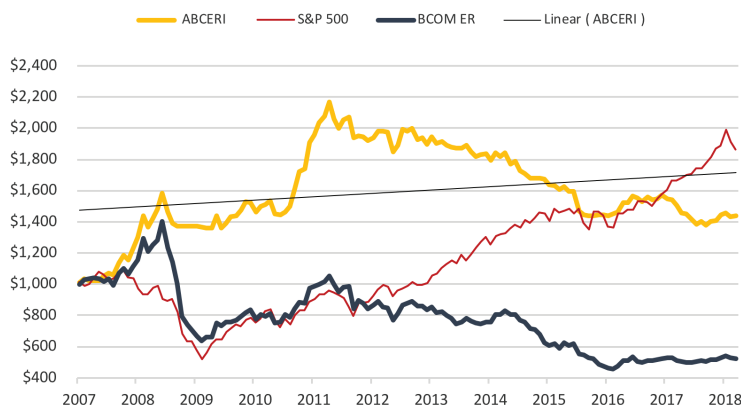
Volatility across many asset classes has moved back to a more “normal level” with the equity benchmark VIX moderating to the 20’s, approximately the long-term average – seemingly a big change from the single digit lows at the start of the year.

We believe a positive takeaway is the increased volatility has created opportunities for trends to develop in Commodities.

We continue to see a shift in fund flows towards real assets including commodities. This shift in asset allocation discussions appears to be accelerating as investors realize how undervalued commodities are on a historic basis coupled with the real threat of inflation and rate increases. This typically starts institutionally and with macro funds and then appears in retail products overtime.

(CONTINUED NEXT PAGE)

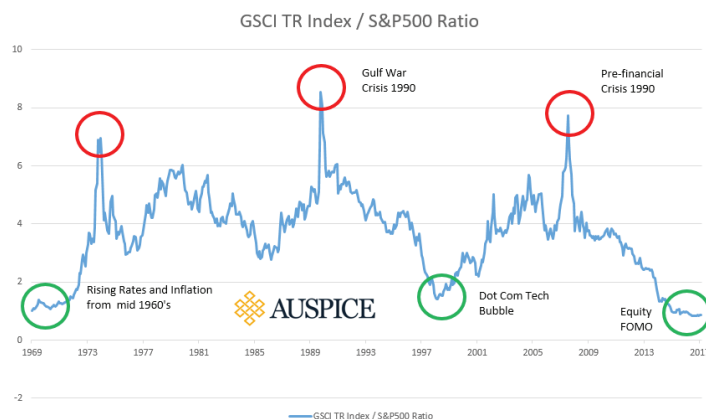
**Chart 1 HISTORICAL GROWTH SINCE 2007**



**Table 1 ABSOLUTE PERFORMANCE**

	ABCERI	S&P GSCI ER	BCOM ER	S&P 500
1 Month	0.40%	2.08%	-0.76%	-2.69%
2018 YTD	-0.67%	1.79%	-0.79%	-1.22%
1 yr (Apr 17)	-4.37%	12.49%	2.49%	11.77%
3 yr (Apr 15)	-10.57%	-13.45%	-10.85%	27.71%
5 yr (Apr 13)	-25.04%	-47.64%	-35.85%	69.05%
10 yr (Apr 08)	5.18%	-69.17%	-56.61%	99.66%
Annualized (Jan 07)				
Return	3.27%	-7.28%	-5.56%	5.68%
Std Deviation	10.72%	22.46%	16.99%	14.66%
Sharpe Ratio	0.37	-0.20	-0.23	0.50
MAR Ratio	0.09	-0.09	-0.08	0.11
Worst Drawdown	-36.44%	-81.12%	-67.41%	-52.56%

**GSCI/S&P500 RATIO: EQUITIES EXPENSIVE, COMMODITIES CHEAP?**



Source: Dr. Torsten Dornin, Incrementum AG

**OUTLOOK (CONTINUED)**

Given we believe that commodities are undervalued versus equities long-term this creates an additional potential opportunity as these cycles are often multiple year in duration.

However, the path is seldom a straight line nor universal in a diverse sector like commodities and as such, a tactical program based on individual market momentum is historically favored over a long benchmark approach.

We encourage you to download and read our recently published paper - **Commodities: When is the right time? Benefits and Timing the Cycle.** Available in the Resources/Research section of the website.

**ATTRIBUTIONS AND TRADES**

With the addition of Wheat added on the first day of March, Grains are now all long. Grains varied in performance as Corn and Soybeans managed to make gains while the Wheat fell for a net sector loss.

While Precious Metals displayed strength, the remaining long exposure in the Industrial Metal Copper was exited late in the month.

The portfolio is long 7 of 12 commodity components (or 58%) and includes 2 sectors, Ags and Energies (see Chart 3).

Performance was positive in only the Energy sector of the index (see Chart 2) while Metals and Ags struggled.

The top performing components were petroleum energies and Corn while the biggest drags were Copper and Wheat which shifted exposure during the month.

**SECTOR HIGHLIGHTS**

**ENERGY**

Petroleum markets bounced back strongly after February weakness. Natural Gas remains without an exposure.

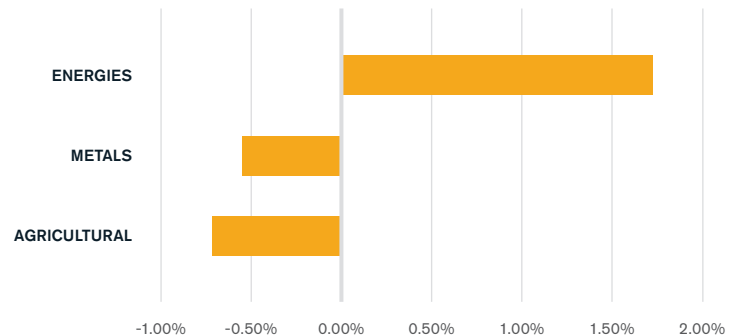
**METALS**

The remaining Metals exposure in Copper was exited for a small gain after spending many months moving sideways for a sector loss on the month. No Metals exposures remain.

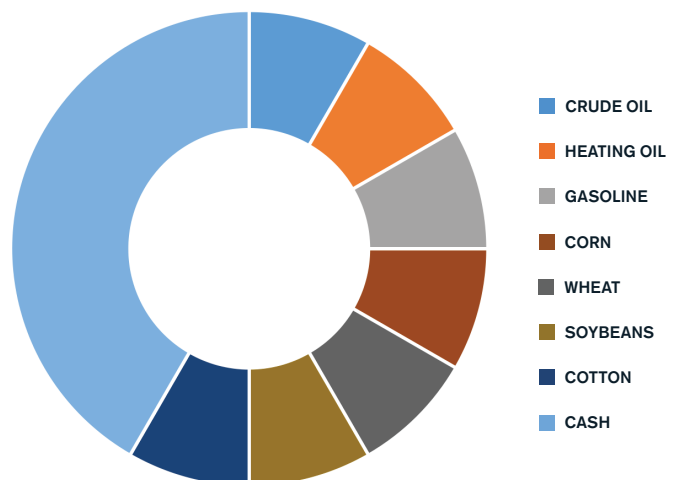
**AGRICULTURE**

While weakness in Cotton was offset by exposures in Corn and Soybeans, the new position in Wheat reversed quickly to pull the sector down. Remaining long all Ag sector components with the exception of Sugar.

**Chart 2** INDEX RETURN ATTRIBUTION



**Chart 3** COMPONENT EXPOSURE: LONG / CASH



**WHY AUSPICE INDICES**

The Auspice Indices are designed to meet the needs of investors that are looking to participate in liquid alternatives through a disciplined approach without sacrificing performance, diversification, and transparency. We believe Auspice Indices encompass everything from alpha to beta, across a return continuum. The indices blend elements of active management and indexing into a transparent, published, single strategy rules-based approach.

**STRATEGY DESCRIPTION**

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends.

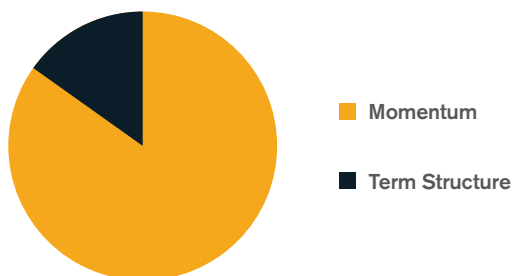
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods. The index is available in total return (collateralized) and excess return (non-collateralized) versions.

**THE MAIN POINTS OF DIFFERENTIATION INCLUDE:**

Auspice Broad Commodity combines tactical commodity exposure with capital preservation. We believe that traditional passive long-only commodity indices do not provide investors with an optimal long term investment solution.

- Seeks to capture upward trends in the commodity markets while minimizing risk during downtrends
- Tactical exposure to a diversified basket of commodities that can individually position long or flat (no position)
- Rules-based quantitative methodology combined with dynamic risk management and contract roll optimization to deliver superior returns

**RETURN DRIVERS**



**AUSPICE BROAD COMMODITY INDEX**

- Long / Flat Approach
- Positions can be changed on an intra-month bases
- Accounts for Short-term Price Trends
- Practices a Smart Roll-Yield to minimize impact of contango and backwardation
- Broadly diversified (when exposed) and less concentrated in any one commodity sector
- Rebalanced monthly based on volatility of each underlying commodity

**LONG-ONLY COMMODITY INDICES**

- Long-Only Approach
- Positions are always 100% long
- Doesn't take into account downward price trends
- Contracts typically roll into next contract month
- Poorly diversified amongst single sectors
- Most rebalance annually based on predetermined weightings for commodity sector

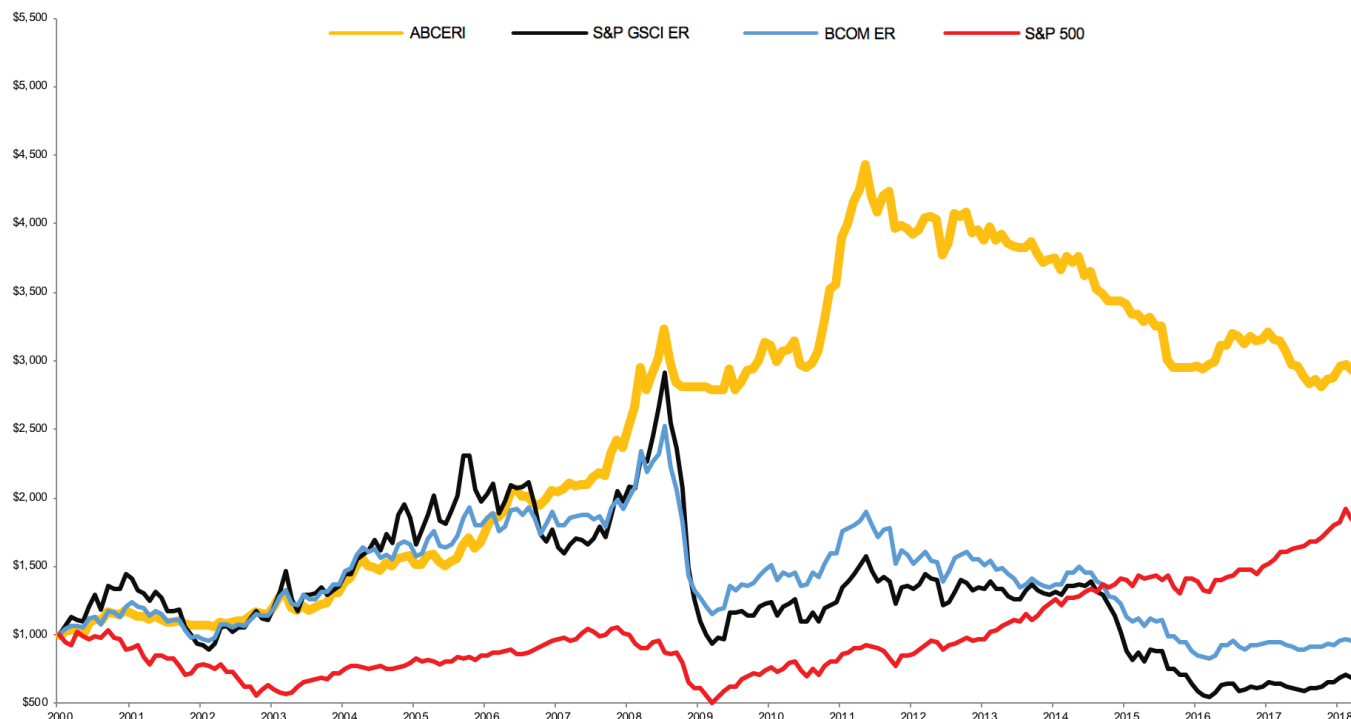
**OTHER DETAILS**

Calculated and published by NYSE since 2010.  
 Tickers: Bloomberg ABCERI, Reuters ABCERI

**PRODUCT AVAILABILITY**

Licensing and/or sub-advisory of the strategy  
 Bespoke product design  
 ETFs: through partner firms  
 40 Act Mutual Funds: US investors through partner firms  
 Separately Managed Accounts

COMPARATIVE BROAD COMMODITY INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE\*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2018	0.58%	-1.63%	0.40%										-0.67%
2017	-1.59%	-0.44%	-2.38%	-3.08%	-0.56%	-2.35%	-2.06%	1.31%	-1.82%	1.74%	0.43%	2.78%	-7.92%
2016	-0.69%	1.01%	0.92%	4.00%	0.00%	2.64%	-0.61%	-1.75%	1.94%	-1.15%	0.49%	1.59%	8.55%
2015	-2.13%	-0.18%	-1.64%	0.99%	-1.78%	-0.08%	-7.77%	-1.59%	-0.27%	-0.01%	0.13%	0.29%	-13.45%
2014	-2.41%	2.68%	-1.23%	1.27%	-3.79%	1.03%	-3.57%	-0.96%	-1.64%	0.00%	0.00%	-0.54%	-8.97%
2013	2.45%	-2.32%	0.87%	-1.42%	-0.55%	-0.27%	-0.11%	1.03%	-2.26%	-1.57%	0.55%	0.39%	-3.27%
2012	0.90%	2.28%	0.09%	-0.38%	-6.43%	2.24%	5.41%	-0.37%	0.82%	-3.79%	0.64%	-1.92%	-1.02%
2011	2.44%	4.23%	-1.96%	4.32%	-5.11%	-2.84%	2.88%	0.73%	-6.28%	0.59%	-0.46%	-1.25%	0.54%
2010	-3.81%	2.61%	0.53%	1.87%	-5.57%	-0.40%	1.03%	2.64%	6.99%	7.35%	1.02%	9.66%	25.43%
2009	0.00%	-0.66%	-0.24%	0.01%	5.78%	-5.49%	2.20%	2.80%	0.39%	2.52%	4.00%	-0.66%	10.69%
2008	5.89%	10.60%	-5.20%	3.98%	4.05%	6.96%	-7.48%	-4.78%	-1.31%	0.00%	0.00%	0.00%	11.71%
2007	0.90%	2.39%	-1.25%	0.33%	0.13%	2.44%	1.74%	-0.83%	7.48%	4.05%	-2.42%	6.42%	23.04%
2006	5.59%	-0.45%	2.39%	6.87%	1.40%	-2.41%	0.07%	-2.92%	-0.44%	2.39%	2.74%	-0.23%	15.54%
2005	0.40%	4.37%	0.75%	-3.87%	-2.18%	2.07%	1.75%	5.95%	3.24%	-4.19%	2.93%	5.32%	17.16%
2004	2.18%	6.32%	3.54%	-3.42%	-0.70%	-1.49%	3.30%	-1.53%	3.98%	0.57%	0.77%	-4.43%	8.87%
2003	6.32%	2.27%	-7.68%	-1.86%	2.82%	-2.92%	1.80%	2.04%	0.32%	6.34%	0.16%	5.95%	15.63%
2002	-0.62%	-0.17%	2.53%	-0.50%	0.61%	1.42%	-0.78%	3.42%	2.43%	-0.20%	-1.02%	4.31%	11.85%
2001	-1.78%	-0.07%	-1.33%	2.07%	-2.34%	2.22%	0.48%	0.77%	-1.53%	-1.11%	-0.33%	0.21%	-7.04%
2000	2.41%	1.08%	-0.62%	-1.93%	8.62%	1.29%	-0.71%	5.78%	-0.97%	-0.86%	2.49%	-1.77%	15.24%

Represents index data simulated prior to third party publishing as calculated by the NYSE

## IMPORTANT DISCLAIMERS AND NOTES

Futures trading is speculative and is not suitable for all customers. Past results is not necessarily indicative of future results. This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.

## COMPARABLE INDICES

\*Returns for **Auspice Broad Commodity Excess Return Index (ABCERI)** represent returns calculated and published by the NYSE. The index does not have commissions, management/incentive fees, or operating expenses.

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 **S&P/TSX 60 Index** is designed to represent leading companies in leading industries. Its 60 stocks make it ideal for coverage of companies with large market capitalizations and a cost-efficient way to achieve Canadian equity exposure. Price Return data is used (not including dividends).

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Price Return data is used (not including dividends).

The (**MSCI**) **World Index**, Morgan Stanley Capital International, is designed to measure equity market performance large and mid-cap equity performance across 23 developed markets countries, covering approximately 85% of the free float-adjusted market capitalization in each. This index offers a broad global equity benchmark, without emerging markets exposure.

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

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 **SG CTA Index** 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.

The **Barclay BTOP50 CTA Index** seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. The BTOP50 employs a top-down approach in selecting its constituents. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50.

## PERFORMANCE NOTES

The Equity benchmarks used in this material are intended to reflect the general equity market performance. They are shown to illustrate the non-correlated attributes versus other assets. Adding non-correlated assets within a portfolio has the potential to reduce portfolio volatility and drawdowns.

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.

## INVEST WITH AUSPICE

Call us

**888 792 9291**

Visit us online to find out more

**[auspicecapital.com](http://auspicecapital.com)**

## AUSPICE Capital Advisors

SUITE 510 - 1000 7TH AVE SW

CALGARY, ALBERTA CANADA T2P 5L5

