



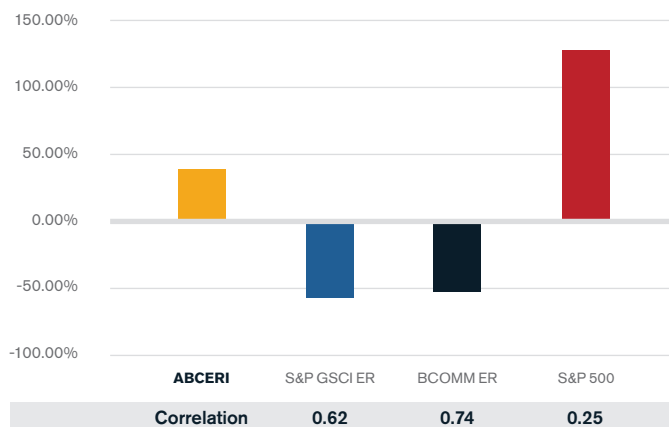
BROAD COMMODITY INDEX

COMMENTARY +
STRATEGY FACTS

DECEMBER 2019



CUMULATIVE PERFORMANCE (SINCE JANUARY 2007*)



INVEST WITH AUSPICE

Call us

888 792 9291

Visit us online to find out more

auspicecapital.com



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

AUSPICE Capital Advisors

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

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

Commodities had a very strong end to a generally sideways year with some markets pulling benchmarks to positive territory for the year. Strength was widespread in December with gains in petroleum Energies, Grains, Metals and Soft Commodities. The energy weighted GSCI gained 6.84% while the more diverse Bloomberg Commodity index bounced back adding 4.90%, the bulk of the 2019 gain.

Global equities finished the year up in December adding to one of the strongest years in history. Optimism regarding a US-China trade pact along with the US Fed holding rates steady and low helped. Many markets are at all-time highs. The S&P and Nasdaq added 2.86% and 3.38% to end up 28.88% and 35.00% respectively while the MSCI World gained 2.89%. The resource tilted Canadian TSX/S&P60 was muted down 0.36% despite the TSX Energy sub-index adding 11.02%.

Bond futures softened to end the year, continuing the recent correction despite a strong move higher for the year overall. The US dollar followed similar pattern while “commodity currencies” of Canada and Australia led gains alongside a strong British Pound post-election following a decisive win and a mandate to pull the U.K. out of the European Union.

RESULTS

The ABCERI gained 1.75% in December with the tactical approach of the Auspice Broad Commodity program performing as expected, slightly lagging the long-only sector benchmarks (Table 1). The ABCERI long-term results (12 year and annualized returns since 2007) are the only positive results amongst comparables.

OUTLOOK

We come into 2020 very excited about the commodity markets. While the commodity to equity ratio (at right) touched and all time low in 2019, there are signs that change is afoot. We believe both supply and demand factors are beginning to line up. The need for materials including petroleum products, metals, agricultural for foods and other soft commodities is not miraculously going away, the supply side has got harder, more expensive, less profitable and thus less focused on resulting in falling capex in the sector as a whole.

We aren't the only ones who have recognized this with Goldman Sachs stating late year its top 2020 trade recommendation is to be long its commodities index, reasoning that a decline in overall capital expenditure would in turn result in reduced supply. a “sharp and visible drop” in capex.¹

More about this topic in the monthly Blog and the Research section on the Auspice website.

Chart 1 HISTORICAL GROWTH SINCE 2007



Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	1.75%	4.90%	6.84%	2.86%
2019 YTD	-3.06%	5.44%	15.17%	28.88%
1 yr (Jan 19)	-3.06%	5.44%	15.17%	28.88%
3 yr (Jan 17)	-11.62%	-7.57%	1.95%	44.31%
5 yr (Jan 15)	-16.97%	-22.47%	-24.06%	56.92%
10 yr (Jan 10)	-8.74%	-41.89%	-46.06%	189.73%
12 yr (Jan 08)	12.84%	-56.27%	-67.79%	120.03%
Annualized (Jan 07)				
Return	2.56%	-5.40%	-6.66%	6.54%
Std Deviation	10.33%	16.23%	21.90%	14.60%
Sharpe Ratio	0.31	-0.24	-0.18	0.56
MAR Ratio	0.07	-0.08	-0.08	0.12
Worst Drawdown	-38.34%	-67.41%	-81.12%	-52.56%

GSCI TR INDEX / S&P500 RATIO



Source: Dr. Torsten Dornin, Incrementum AG

1. Goldman Sachs recommends going long on commodity index, oil in 2020
<https://rb.gy/d3sbna>

ATTRIBUTIONS AND TRADES

The portfolio went through a significant shift in December.

The portfolio added 4 markets to be long 7 of 12 commodity components (or 58%) and includes the Metals and Ags sectors (see Chart 3). While a big change already, this still allows for significant growth of positions as the tactical opportunity develops.

For the month, the largest gains came from Gold, Silver and Cotton while complemented by Wheat. There were very few markets weaker across the commodity landscape. See Chart 2.

SECTOR HIGHLIGHTS

ENERGY

After prolonged weakness and consolidation, the petroleum side of energy rallied sharply in December with WTI oil gaining 10%. As such we shifted Gasoline to long while Heating Oil, Crude and Natural Gas remain on the sidelines at this time. Small negative attribution.

METALS

Long precious metals led the portfolio gains. Continued strength in Copper led the portfolio to add exposure late in the month. All components in the sector, precious and base, are now long.

AGRICULTURE

Grains were strong with Wheat continuing to add value from the long side while Corn and Soybeans reversed course and joined the rally. We remain without a weight in both but this will be an area to watch closely. Soft commodities also found upside strength and we have shifted both Cotton and Sugar to long. The sector had a strong gain.

Chart 2 INDEX RETURN ATTRIBUTION

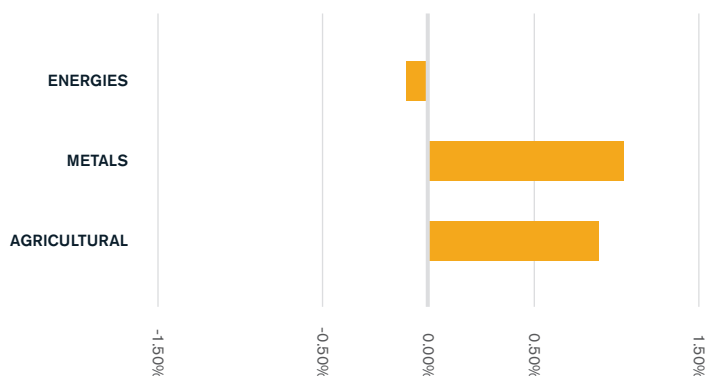
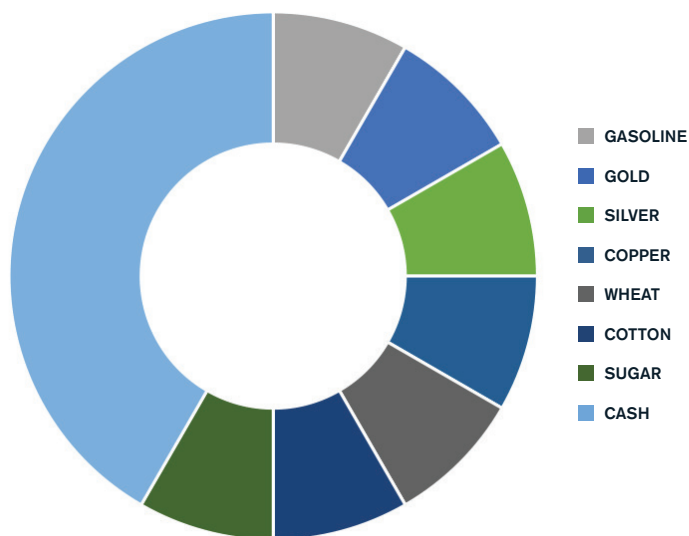


Chart 3 COMPONENT EXPOSURE: LONG / CASH



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.

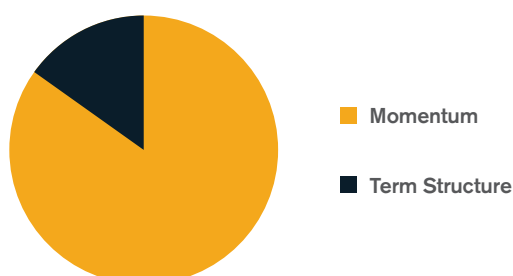
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

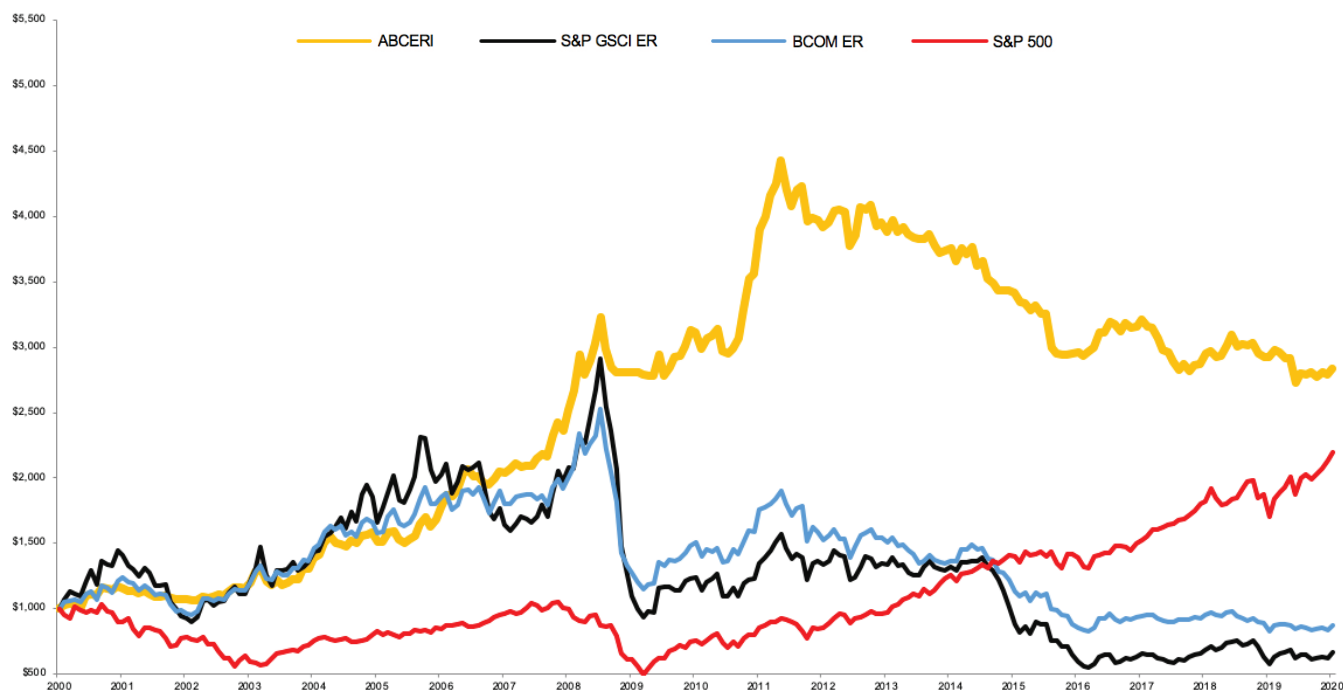
OTHER DETAILS

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
2019	1.74%	-0.55%	-1.44%	-0.18%	-6.28%	2.52%	-0.27%	0.51%	-1.08%	1.17%	-0.71%	1.75%	-3.06%
2018	0.58%	-1.63%	0.40%	2.80%	2.68%	-3.16%	0.60%	-0.20%	0.72%	-2.60%	-1.09%	0.10%	-0.98%
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.

The CTA indexes do not encompass the whole universe of CTAs. The CTAs that comprise the indices have submitted their information voluntarily and the performance has not been verified by the index publisher.

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

AUSPICE Capital Advisors

SUITE 510 - 1000 7TH AVE SW

CALGARY, ALBERTA CANADA T2P 5L5

