



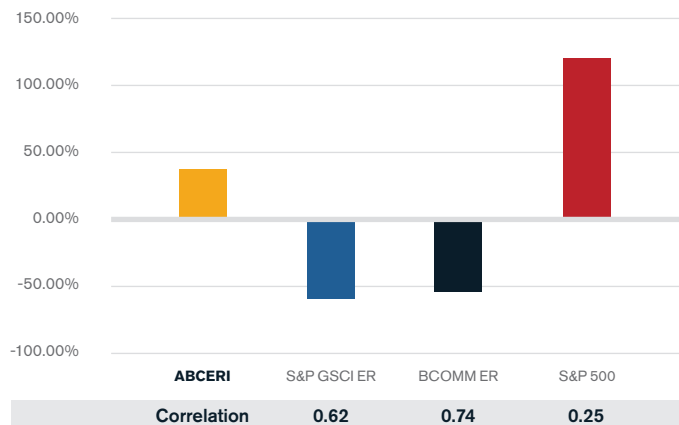
# BROAD COMMODITY INDEX

COMMENTARY +  
STRATEGY FACTS

NOVEMBER 2019



## CUMULATIVE PERFORMANCE (SINCE JANUARY 2007\*)



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## SUMMARY

Commodities went in different directions as we were reminded of the diversity in this broad sector. This was represented in the benchmarks as the energy weighted GSCI gained 2.58% while the more diverse Bloomberg Commodity index fell 2.68%. Energies were strong most of the month before correcting sharply on the last day of the month. Grains were generally weaker while Wheat bucked the sector trend. Most metals markets, precious and base, were weaker.

Global equities continued higher as markets seemed to take comfort that the US Fed has stated it will hold rates steady unless it sees marked economic deterioration. Many markets made new highs for a second month. The S&P added 3.40% while the Nasdaq jumped 4.50% and the MSCI World gained 2.63%. The resource tilted Canadian TSX/S&P60 was strong adding 3.27% as the TSX Energy sub-index added 6.62% continuing its massive volatility.

Bond futures continue a volatile period, selling off before gaining most of the lost ground back into month end. The US dollar reversed its recent correction and moved higher against most global currencies while the British Pound stabilized as the ongoing Brexit drama has confused most observers.

## RESULTS

While the ABCERI softened 0.71% in November, the tactical approach of the Auspice Broad Commodity program performed as expected to sector benchmarks (Table 1), outperforming the weakness in the more broad Bloomberg Commodity Index. The ABCERI long-term results (12 year and annualized returns since 2007) are the only positive results amongst comparables.

The recent 1-year Historical Growth chart illustrates far greater stability in two periods. First, during corrections, note the commodity benchmark performance looks a lot more “equity like” correcting at the same time while the ABCERI protects the downside. Second, the ABCERI continues to experience far less volatility post correction.

## OUTLOOK

While this sector is causing us to be very patient, note the long-term results illustrate low correlation to equities alongside material outperformance with far lower volatility as recently observed.

With the equity market making new all-time highs, volatility has become muted in this sector. The VIX is now back down to near all-time lows and where it was in late 2017. But is this a proxy for all markets and is the world really a beacon of stability? We are observing volatility in many commodities including Grains, Softs, Metals and Energies. While this has not yet transformed into a commodity rally, we believe the tactical approach we use will reward investors providing upside opportunity alongside meaningful portfolio diversification.

Chart 1 HISTORICAL GROWTH SINCE 2007

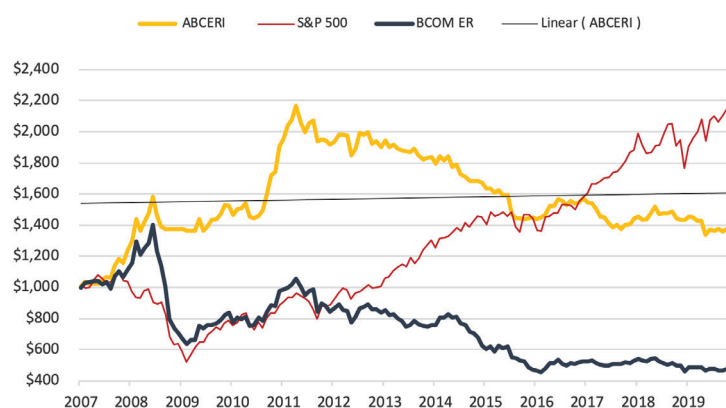


Table 1 ABSOLUTE PERFORMANCE

|                     | ABCERI  | BCOM ER | S&P GSCI ER | S&P 500 |
|---------------------|---------|---------|-------------|---------|
| 1 Month             | -0.71%  | -2.68%  | 2.58%       | 3.40%   |
| 2019 YTD            | -4.73%  | 0.52%   | 10.73%      | 25.30%  |
| 1 yr (Dec 18)       | -4.65%  | -6.62%  | 1.94%       | 13.80%  |
| 3 yr (Dec 16)       | -11.75% | -10.34% | 2.60%       | 42.85%  |
| 5 yr (Dec 14)       | -18.83% | -31.73% | -36.94%     | 51.92%  |
| 10 yr (Dec 09)      | -10.90% | -43.51% | -47.69%     | 186.68% |
| 12 yr (Dec 07)      | 18.02%  | -56.50% | -67.33%     | 112.07% |
| Annualized (Jan 07) |         |         |             |         |
| Return              | 2.44%   | -5.79%  | -6.98%      | 6.35%   |
| Std Deviation       | 10.35%  | 16.22%  | 21.89%      | 14.64%  |
| Sharpe Ratio        | 0.30    | -0.27   | -0.20       | 0.55    |
| MAR Ratio           | 0.06    | -0.09   | -0.09       | 0.12    |
| Worst Drawdown      | -38.34% | -67.41% | -81.12%     | -52.56% |

HISTORICAL GROWTH OF A \$1,000 INVESTMENT



## ATTRIBUTIONS AND TRADES

There were no changes to the long commodity positions held by the portfolio.

The portfolio remains long 3 of 12 commodity components (or 25%) and includes the Metals and Ags sectors (see Chart 3). This allows for significant growth of position as the tactical opportunity develops.

The portfolio experienced a correction in long exposures in precious Metals while gains from Wheat provided a partial offset. See Chart 2.

## SECTOR HIGHLIGHTS

### ENERGY

While there are no energy exposures at this time, the petroleum markets moved higher in November while natural gas sold off sharply, dropping over 15%.

### METALS

Long precious metals led the portfolio gains last month but gave up and led the loss in November. Copper remains one of the stronger base metals on a relative basis but the portfolio is without a weight at this time.

### AGRICULTURE

Wheat had another strong month leading the Grain markets which were generally softer. As such, the portfolio remains on the sidelines in Corn and Soybeans. There are no weights in Soft commodities which remain in long-term downtrends despite a recent rally in Sugar.

Chart 2 INDEX RETURN ATTRIBUTION

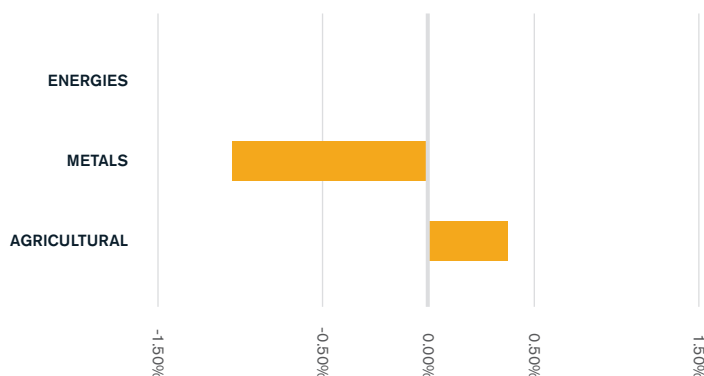
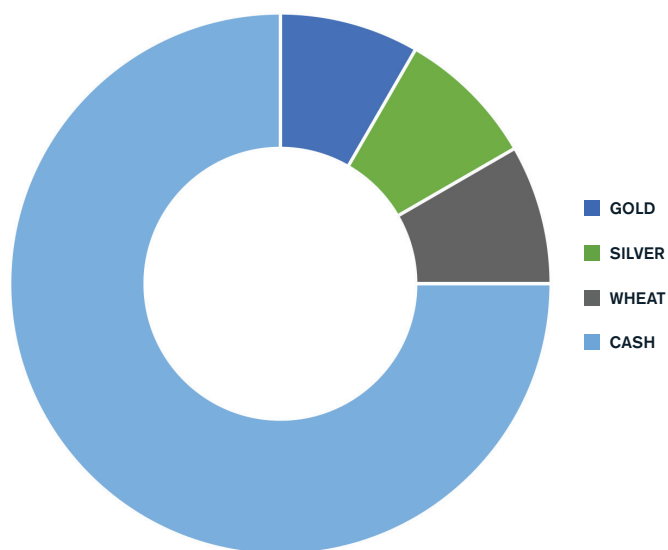


Chart 3 COMPONENT EXPOSURE: LONG / CASH



### 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.

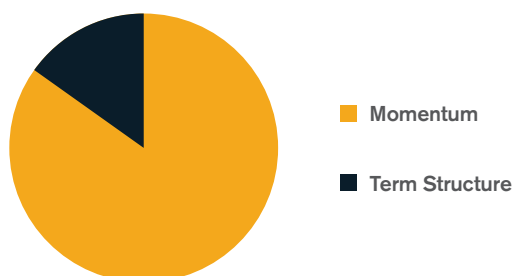
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

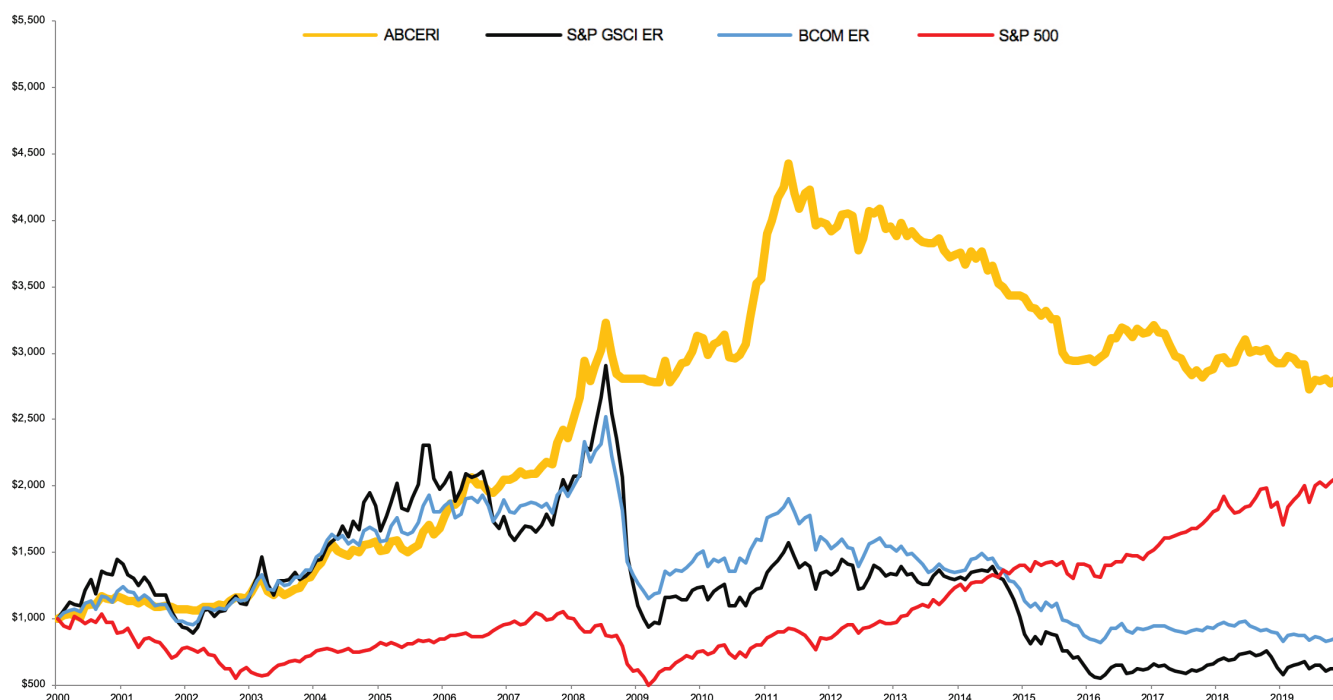
Licensing and/or sub-advisory of the strategy  
Bespoke product design  
ETFs: through partner firms  
40 Act Mutual Funds: US investors through partner firms  
Separately Managed Accounts

# AUSPICE BROAD COMMODITY INDEX

## COMMENTARY + STRATEGY FACTS

NOVEMBER 2019

### 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% |        | -4.73%  |
| 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

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## 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.

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