



# BROAD COMMODITY INDEX

COMMENTARY +  
STRATEGY FACTS

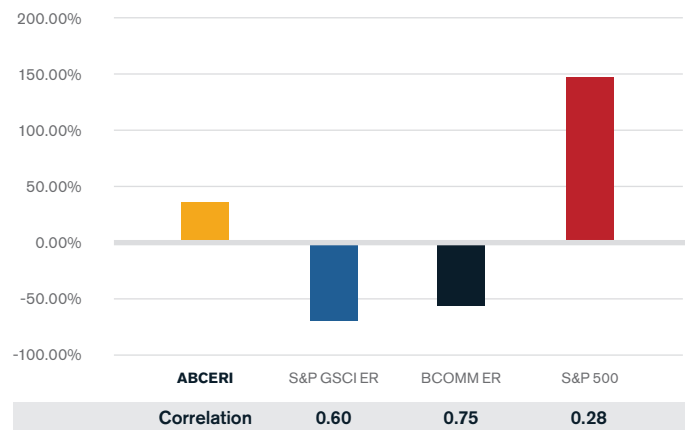
AUGUST 2020

**AUSPICE** Capital Advisors

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## CUMULATIVE PERFORMANCE (SINCE JANUARY 2007\*)



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3 Year Morningstar Rating™ for  
Direxion Auspice Broad Commodity  
Strategy Fund ETF (COM),  
which tracks ABCERI

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### SUMMARY

Commodities continue to perform despite the headliner Gold taking a breather with broad gains in Metals, Ags and Energies. Grains rallied while Silver continued to catch up propelling a stronger gain from the more diverse Bloomberg Commodity index adding 6.75% while the energy weighted GSCI added 4.58%.

Global stock markets continued to move higher led by the US markets where the S&P500 and NASDAQ made new all-time highs. The S&P500 added 7.01% while the NASDAQ added 9.59% for an extraordinary 31.24% gain in 2020. The Canadian TSX/S&P60 was up 2.25% yet still remains down for the year.

Bond futures were slightly lower despite central banks stating rates would remain low for the foreseeable future. The US dollar continued to weaken as global currencies continue to trend higher led by strong "commodity currencies" of Canada and Australia.

### RESULTS

The ABCERI added 3.62% in August as the Auspice Broad Commodity program gained from existing and a number of new positions. The results are positive alongside benchmarks for the month as indicated in Table 1 while the YTD results illustrate more controlled downside during extended commodity weakness. The ABCERI long-term results (13 year and annualized returns since 2007) are the only positive results amongst comparables. The positive spread to the GSCI benchmark is now over 27% year-to-date alongside an 11.0% annualized spread since 2007 illustrating the value of the strategy for disciplined commodity exposure.

### OUTLOOK

Commodities are building momentum across all sub-sectors and August marked a shift with a significant number of tactical shifts occurring. At the same time, the US dollar is weakening and renewed warnings of inflation have been discussed in the context of interest rates (rising despite central bank's "lower for longer" stance) and supply disruptions as the major economies of the US and China charge ahead.

Despite the commodity gains made after bottom in April, have a look at the commodity to equity ratio at right. It remains near a cyclic and all-time low. While this doesn't mean it needs to turn around immediately, it does mean that the downside of adding commodity exposure is limited. Moreover, given the tactical approach of the Auspice Broad Commodity has demonstrated far limited downside risk to long-only benchmarks, it may be the right way to play the cycle for a number of reasons.

Chart 1 HISTORICAL GROWTH SINCE 2007

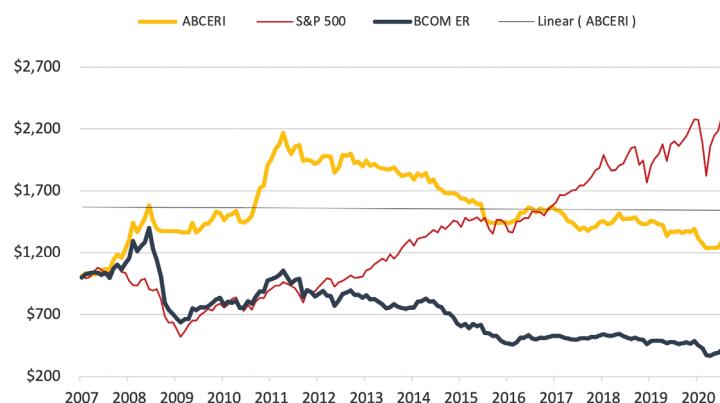
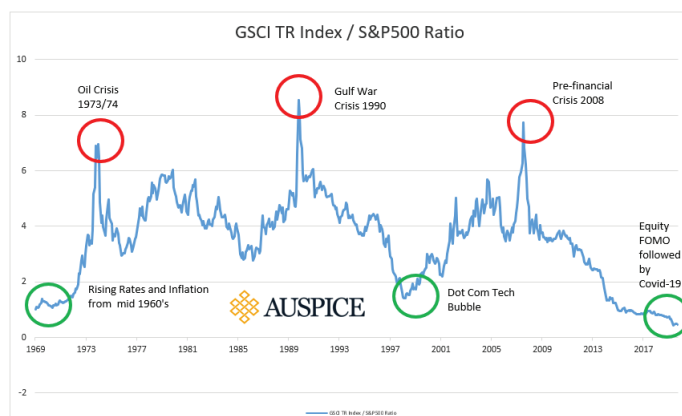


Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	3.62%	6.75%	4.58%	7.01%
2020 YTD	-3.80%	-9.36%	-31.11%	8.34%
1 yr (Sep 19)	-2.73%	-4.79%	-24.51%	19.61%
3 yr (Sep 17)	-4.81%	-13.40%	-24.18%	41.62%
5 yr (Sep 15)	-7.59%	-19.37%	-39.14%	77.48%
10 yr (Sep 10)	-10.95%	-43.95%	-58.03%	233.58%
13 yr (Sep 07)	26.06%	-55.72%	-73.03%	137.47%
Annualized (Jan 07)				
Return	2.14%	-5.83%	-8.86%	6.83%
Std Deviation	10.34%	16.61%	23.88%	15.44%
Sharpe Ratio	0.27	-0.27	-0.25	0.55
MAR Ratio	0.05	-0.08	-0.10	0.13
Worst Drawdown	-42.90%	-73.87%	-88.06%	-52.56%

GSCI TR INDEX / S&P500 RATIO



Source: Dr. Torsten Dennen, Incrementum AG

## ATTRIBUTIONS AND TRADES

The Broad Commodity portfolio added six new markets to the two added last month. This change moves from 25% exposure to 75%, a significant tactical change from holding the single long-term exposure to Gold (see Chart 3). The positive attribution came primarily from Metals and Ags while Energy was slightly negative due to entry timing of three new markets (see Chart 2). The top performing position was Silver and complimented by Copper, Soybeans and Cotton.

## SECTOR HIGHLIGHTS

### ENERGY

Gains in energies were widespread including petroleum markets and an exceptional gain in Natural Gas. As an example, while Gasoline rallied 9%, gas exploded 36% higher. We added WTI Oil, Gasoline and Natural Gas during the month with the only market currently on the sidelines is Heating Oil.

### METALS

Gold took a breather after gaining approximately 30% in 2020 while Silver has continued higher gaining 17% in August. This was complimented by base metals including Copper adding 6%.

### AGRICULTURE

After lagging for some time, Ags have woken up and we have added exposure in both Grains and Softs. Soybeans led Grains moving 7% higher and were added while we remain flat both Corn and Wheat at this moment. We added both Cotton and Sugar within Softs for a well-rounded and diverse exposure.

Chart 2 INDEX RETURN ATTRIBUTION

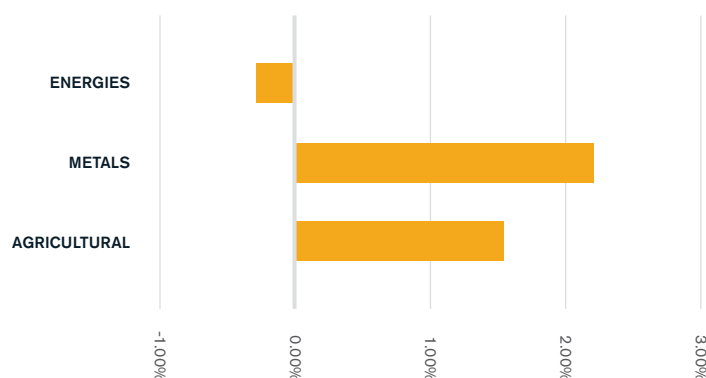
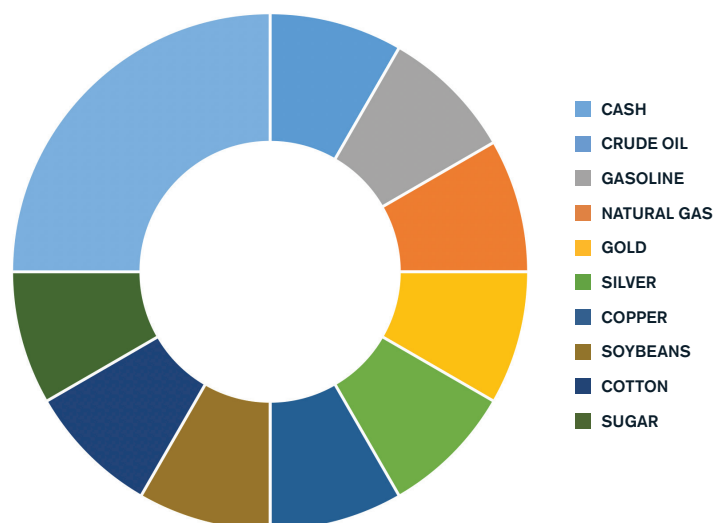


Chart 3 COMPONENT EXPOSURE: LONG / CASH



### 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.

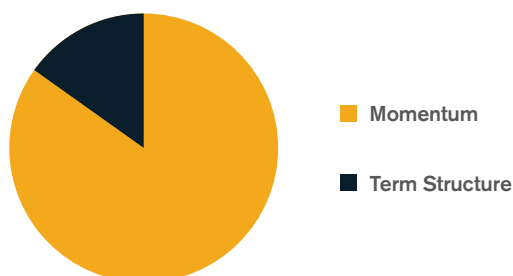
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

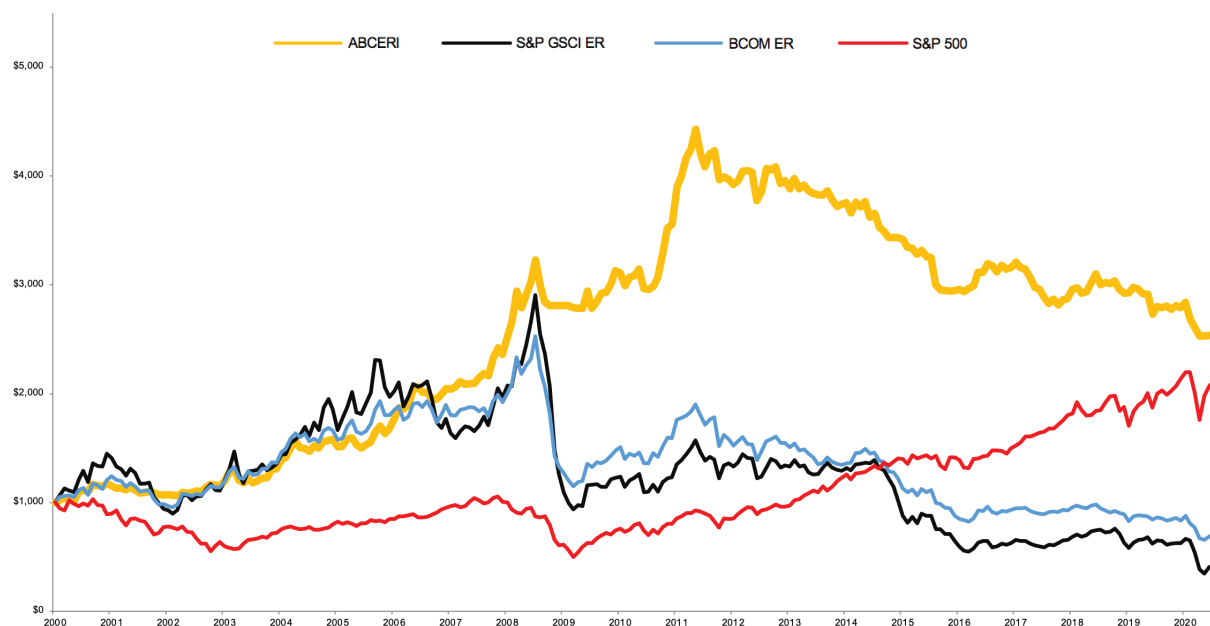
Licensing and/or sub-advisory of the strategy  
Bespoke product design  
ETFs: through partner firms  
40 Act Mutual Funds: US investors through partner firms  
Separately Managed Accounts

# AUSPICE BROAD COMMODITY INDEX

## COMMENTARY + STRATEGY FACTS

AUGUST 2020

### COMPARATIVE BROAD COMMODITY INDEX PERFORMANCE



### MONTHLY PERFORMANCE TABLE\*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2020	-5.36%	-3.02%	-2.89%	0.07%	0.20%	0.19%	3.67%	3.62%					-3.80%
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

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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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