



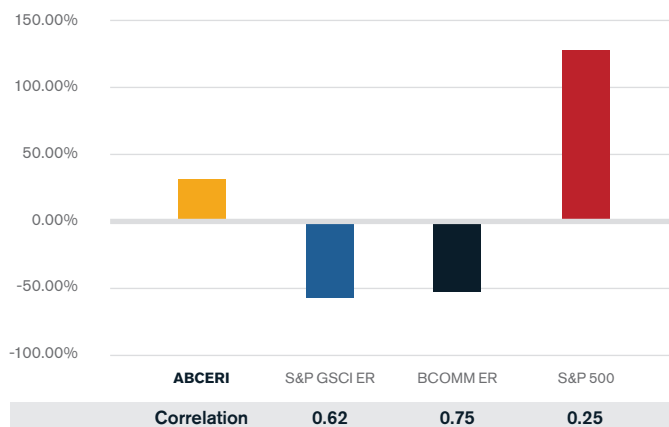
BROAD COMMODITY INDEX

COMMENTARY +
STRATEGY FACTS

JANUARY 2020



CUMULATIVE PERFORMANCE (SINCE JANUARY 2007*)



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SUMMARY

After a very strong end to 2019, commodities took a hit as fears that Chinese and global economies are at risk and demand may suffer long-term. Petroleum energies and Copper suffered most while Gold gained. The energy weighted GSCI lost 2.21% while the more diverse Bloomberg Commodity index dropped 7.48%.

Global equities were relatively unphased to start 2020 despite number of geo-political events, natural disasters and health epidemics. While the S&P posted a small loss at -0.16%, the Nasdaq and MSCI World gained 1.99% and 0.57%. The historically resource influenced Canadian TSX/S&P60 had a strong month at 1.78% despite the TSX Energy sub-index losing 10.60%, highlighting the current low weight.

Bond futures rallied regaining their trend while the US dollar followed similar pattern. Commodity currencies sold off while the British Pound was steady into Brexit.

RESULTS

The ABCERI lost 5.36% in January. Given the severity of the commodity sector correction, the tactical approach of the Auspice Broad Commodity program controlled the downside volatility better than the most comparable long-only sector benchmark in the BCOM (Bloomberg Commodity Index) (Table 1). The ABCERI long-term results (12 year and annualized returns since 2007) are the only positive results amongst comparables.

OUTLOOK

Just a month ago we wrote that we were coming into 2020 very excited about the commodity markets. As such we will reiterate why that was and current stance:

1. The commodity to equity ratio (at right) is at an all time low
2. While demand has been steady, 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.
3. 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

Despite the reversal in price in the last 30 days, we have not reversed our long-term view. The knee-jerk, fear driven reaction has written-off the commodities sector. However, until there is more concrete data regarding the longevity and severity of the economic effect, we feel this is overdone. As such, the tactical approach we employ, is a disciplined way to participate in the commodity sector, focused on price momentum on an individual commodity basis and not the psychological fear of the sectors as a whole.

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

Chart 1 HISTORICAL GROWTH SINCE 2007

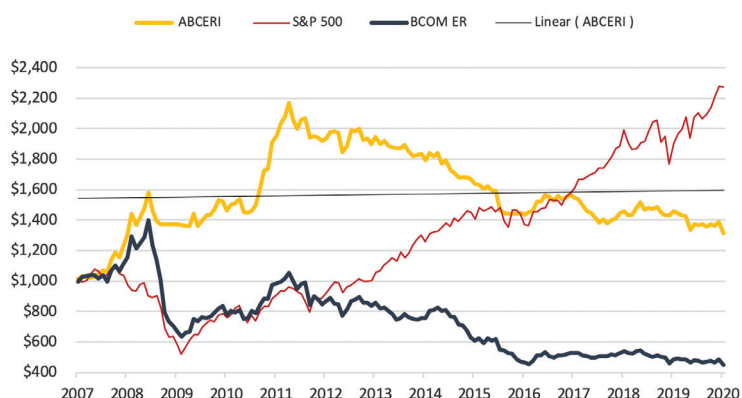


Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	-5.36%	-7.48%	-2.21%	-0.16%
2020 YTD	-5.36%	-7.48%	-2.21%	-0.16%
1 yr (Feb 19)	-9.83%	-7.29%	3.54%	19.28%
3 yr (Feb 17)	-15.01%	-14.56%	1.17%	41.54%
5 yr (Feb 15)	-19.71%	-25.79%	-19.72%	61.68%
10 yr (Feb 10)	-10.21%	-42.01%	-42.73%	200.36%
12 yr (Feb 08)	0.84%	-61.08%	-68.41%	133.98%
Annualized (Jan 07)				
Return	2.11%	-5.93%	-6.77%	6.48%
Std Deviation	10.41%	16.30%	21.83%	14.56%
Sharpe Ratio	0.26	-0.28	-0.19	0.56
MAR Ratio	0.05	-0.09	-0.08	0.12
Worst Drawdown	-39.37%	-67.89%	-81.12%	-52.56%

GSCI TR INDEX / S&P500 RATIO



Source: Dr. Torsten Dennen, Incrementum AG

ATTRIBUTIONS AND TRADES

After adding a number of commodity components in the last month, January started with the same trend. The portfolio shifted to long Crude Oil (WTI) and Heating Oil early in the month. However, this was not long lived as the upside volatility began to reverse as the coronavirus fears became evident. These components were exited alongside Copper which fell 10%.

The portfolio is now long commodities in 6 of 12 components (or 50%) and includes all 3 sectors - Energies, Metals and Ags (see Chart 3).

Energy made up the majority of the negative attribution as petroleum markets, held and recently added, reversed course and dropped sharply. Offsetting gains came from Gold and Sugar for a partial offset. See Chart 2.

SECTOR HIGHLIGHTS

ENERGY

Following a strong late 2019 rally, the portfolio added Crude and Heating Oil only to reverse these position late month. The reversal was drastic as WTI fell 15%.

METALS

While long precious metals made gains as Silver and Gold marched higher, this was offset by a collapsing Copper market. The portfolio exited Copper at month end.

AGRICULTURE

Ags had small gain on the back of Sugar which rallied almost 9% in the face of overall commodity weakness. The portfolio remains long Cotton and Wheat, the strongest of the Grains.

Chart 2 INDEX RETURN ATTRIBUTION

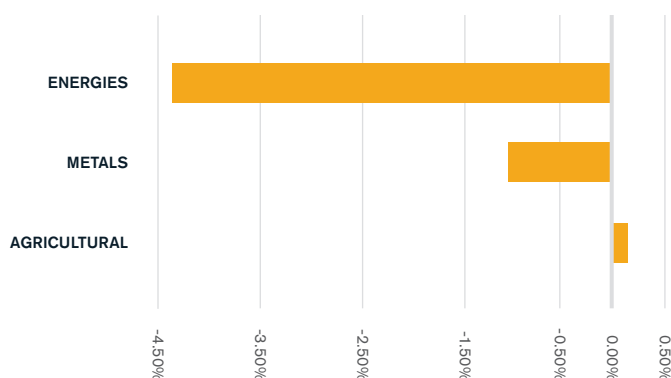
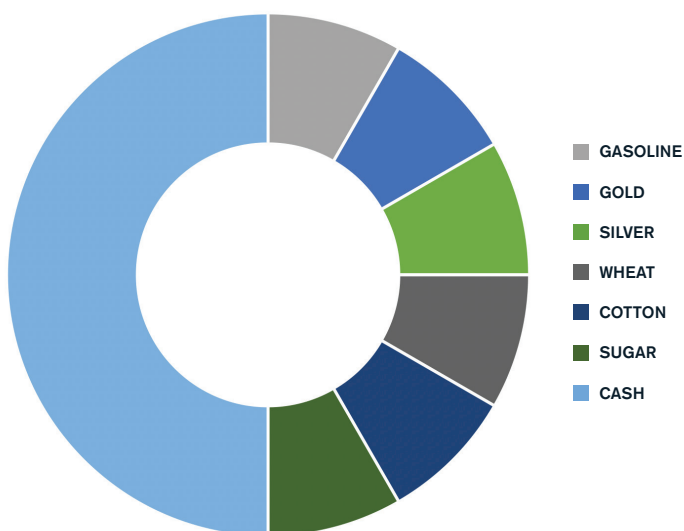


Chart 3 COMPONENT EXPOSURE: LONG / CASH



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.

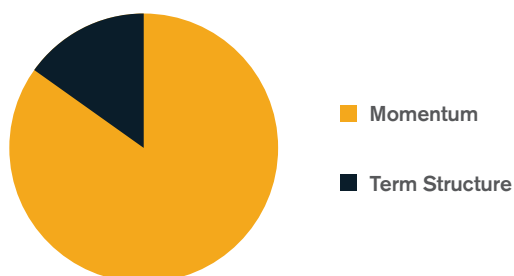
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

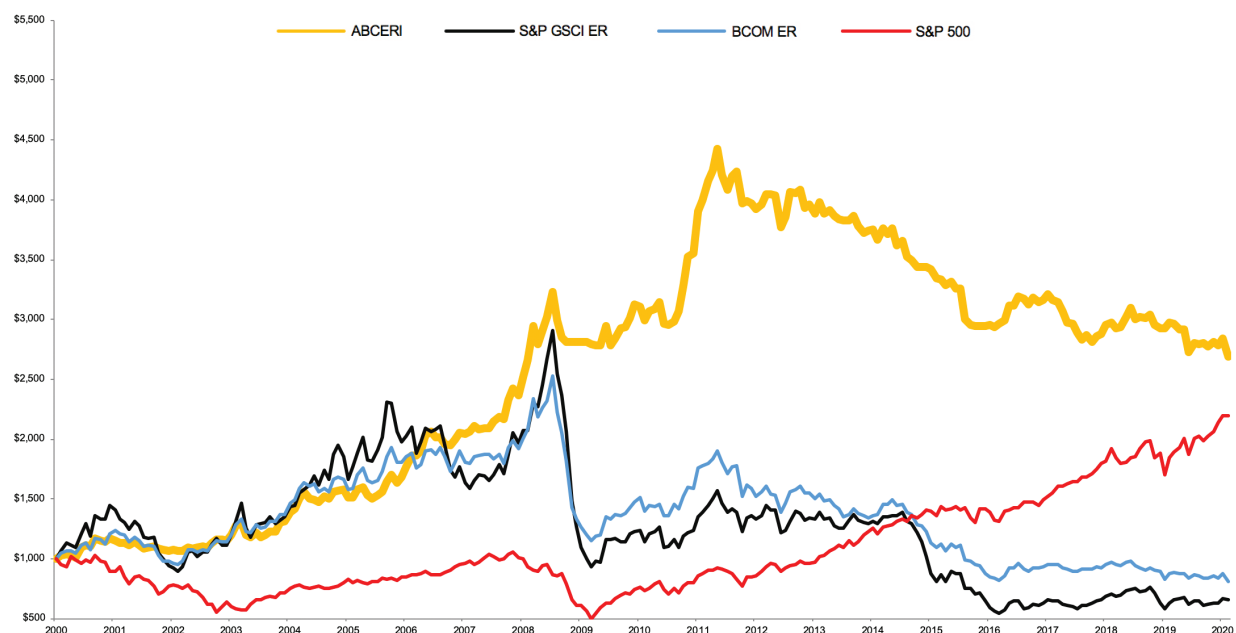
Licensing and/or sub-advisory of the strategy
Bespoke product design
ETFs: through partner firms
40 Act Mutual Funds: US investors through partner firms
Separately Managed Accounts

AUSPICE BROAD COMMODITY INDEX

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JANUARY 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%												-5.36%
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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