



# BROAD COMMODITY INDEX

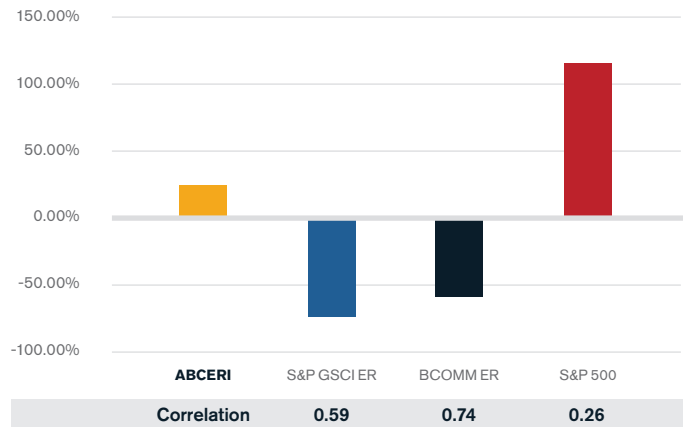
COMMENTARY +  
STRATEGY FACTS

JUNE 2020



## 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 were extraordinarily volatile with many markets changing by 5-10% and have continued to strengthen as global economic activity gains strength. However, the gains were not universal even within sub-sectors: for example, as oil gained near 10%, natural gas traded to a 25-year low. The energy weighted GSCI added 5.08% while the more diverse Bloomberg Commodity index added a more modest 2.27%.

Stock markets have ignored risks, including a surge of COVID cases in the US and performed exceptionally: the S&P500 added 1.84% to only be down 4.04% for the year while the Nasdaq added 5.99% for a 12.11% year-to-date gain and an all-time high. The Canadian TSX/S&P60 also added 1.86% while the TSX Energy sub-index remains weak softening 2.39% to be off 48.03% in 2020.

Bond futures sold off early in the month but gained back as central banks including the US Fed indicated interest rates will remain low for years to come. As in May, the US dollar continued to lose ground as “commodity currencies” such as the Canadian and Aussie Dollars made gains.

**RESULTS**

The ABCERI gained 0.19% in June as the tactical approach of the Auspice Broad Commodity program continues to remain cautious to jump back in given the long-term trends established to the downside and exceptional volatility. Controlling the downside remains a core focus of the approach, which was accomplished during the significant commodity weakness through April. As such while the long-only benchmarks have made stronger gains off the deep lows (Table 1), the ABCERI long-term results (13 year and annualized returns since 2007) are the only positive results amongst comparables. The spread to the GSCI benchmark remains over 26% year-to-date alongside an 11.2% annualized spread since 2007.

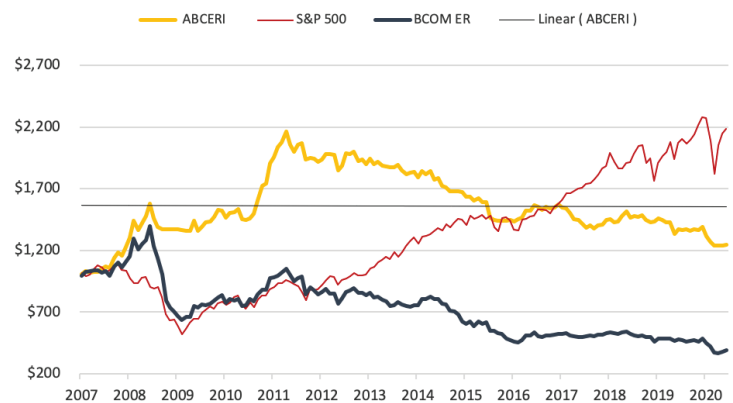
**OUTLOOK**

As illustrated in the commodity to equity ratio chart at right, after bottoming in April, the ratio has gained modestly. Given the extent of the equity rally this is notable. While markets such as Gold have remained more stable, the gains in Copper, Sugar and Cotton alongside petroleum energies may provide signs of prolonged and renewed economic activity globally.

While commodities sold off in advance of the equity losses and fell further, the challenging part to gauge is the change in supply. As this becomes more clear, the price may shift from its current correction higher in a downtrend to renewed uptrend.

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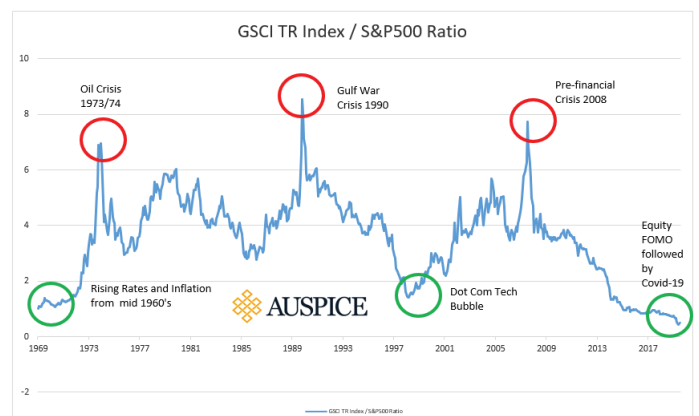
**Chart 1 HISTORICAL GROWTH SINCE 2007**



**Table 1 ABSOLUTE PERFORMANCE**

	ABCERI	BCOMER	S&P GSCI ER	S&P 500
1 Month	0.19%	2.27%	5.08%	1.84%
2020 YTD	-10.45%	-19.67%	-36.52%	-4.04%
1 yr (Jul 19)	-9.24%	-18.43%	-34.73%	5.39%
3 yr (Jul 17)	-12.08%	-21.34%	-27.63%	27.93%
5 yr (Jul 15)	-21.92%	-36.73%	-51.69%	50.27%
10 yr (Jul 10)	-14.04%	-48.33%	-61.42%	200.79%
13 yr (Jul 07)	18.40%	-61.70%	-75.07%	106.23%
Annualized (Jan 07)				
Return	1.63%	-6.74%	-9.52%	5.97%
Std Deviation	10.32%	16.52%	23.95%	15.37%
Sharpe Ratio	0.22	-0.32	-0.27	0.49
MAR Ratio	0.04	-0.09	-0.11	0.11
Worst Drawdown	-42.90%	-73.87%	-88.06%	-52.56%

**GSCI TR INDEX / S&P500 RATIO**



Source: Dr. Torsten Dornin, Incrementum AG

**OUTLOOK (CONTINUED)**

We continue to recognize that the risk of classic or unexpected inflation, or stagflation (the worst kind), given supply risks. Commodities represent an excellent tool to protect a portfolio from these risks and the Auspice Broad commodity program has demonstrated the ability to control the downside price risk consistently.

**ATTRIBUTIONS AND TRADES**

There were no changes to the Broad Commodity portfolio and the portfolio continues to hold a single exposure in Gold (see Chart 3). As such, the only attribution again came from Metals (see Chart 2).

**SECTOR HIGHLIGHTS**

**ENERGY**

Petroleum energies and natural gas went in different directions with WTI up nearly 10% and natural gas off the same. Gasoline also rallied while Heating oil was more muted in its gains. We remain without exposure across the sector given the long-term trend remains down at this time.

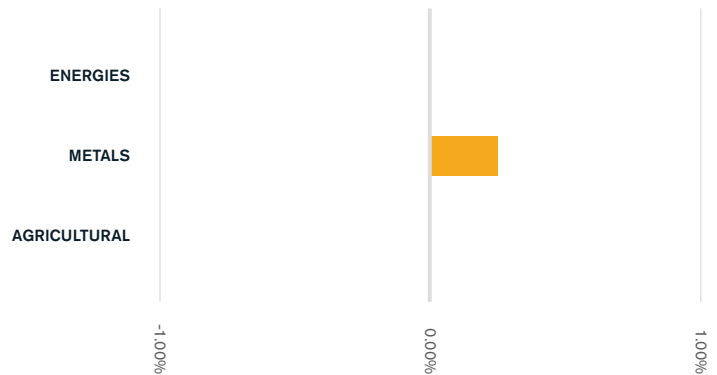
**METALS**

Metals made gains across both precious and base markets. While Silver continues to lag Gold performance, Copper made strong gains in June adding 12%. This sector is currently only in Gold but will be one to watch closely as we are close to shifts in the other markets.

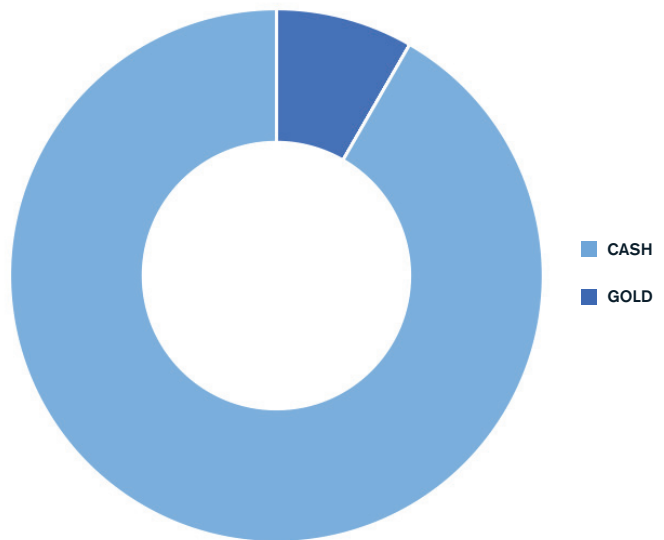
**AGRICULTURE**

Ags continue to have no exposure despite sector strength. While Wheat did not participate, the rally in Corn, Soybeans, Cotton and Sugar was a strong move against the downtrend. Notably, Sugar gained 8% yet we remain without an exposure at this moment.

**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.

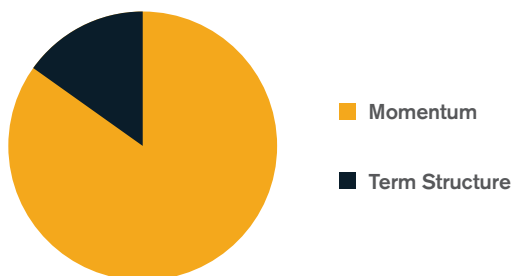
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

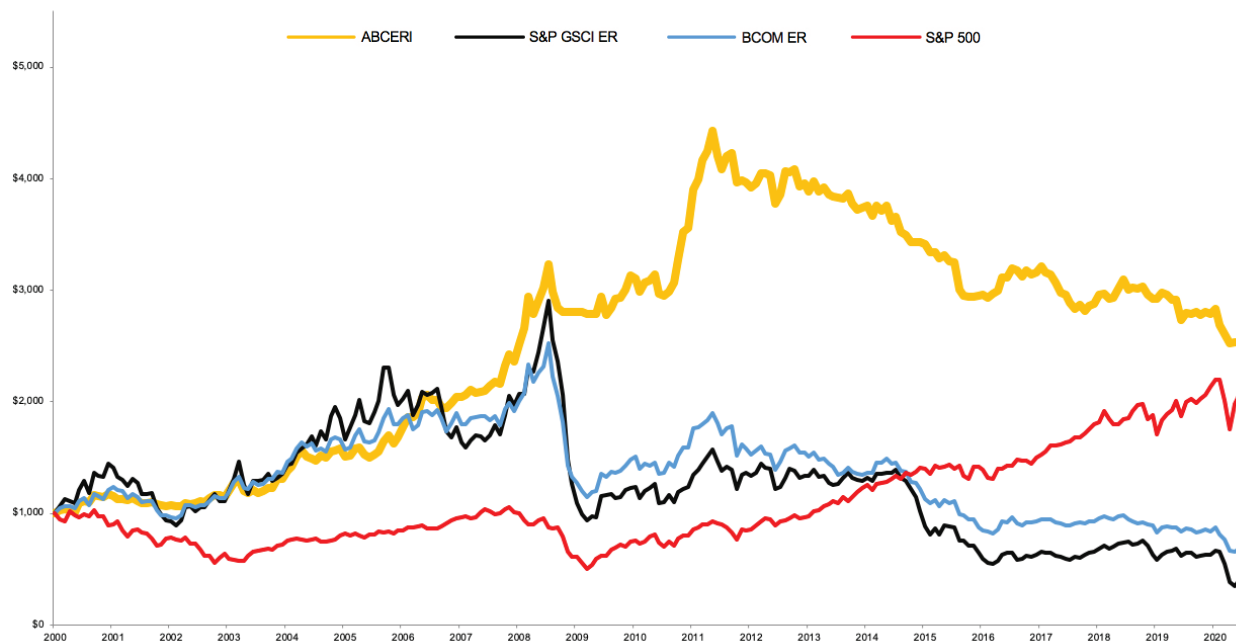
**OTHER DETAILS**

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
2020	-5.36%	-3.02%	-2.89%	0.07%	0.20%	0.19%							-10.45%
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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