AUSPICE

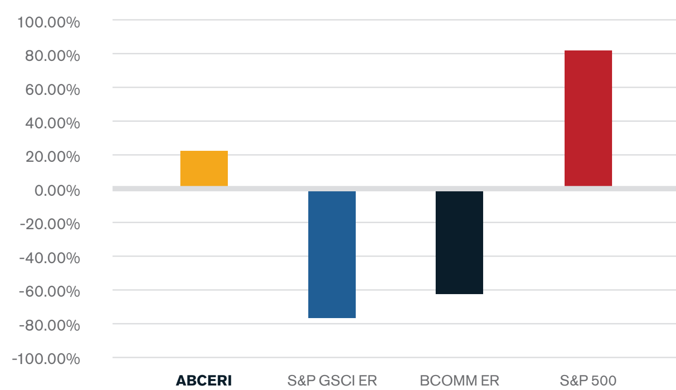
BROAD COMMODITY INDEX

COMMENTARY + STRATEGY FACTS

MARCH 2020

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	S&P GSCI ER	BCOMM ER	S&P 500
Correlation	0.61	0.75	0.27

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MORNINGSTAR ★★★★★

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

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SUMMARY

The January sell-off that started the commodity collapse indeed looks to have been the canary in a long dark coal-mine. Commodities continued to sell off as demand destruction due to global economic slow-down (and in many places shut-down) is a reality. Energy was amongst the hardest hit sectors while almost all markets traded lower. As such, the energy weighted GSCI lost 29.46% while the more diverse Bloomberg Commodity index dropped 12.85%.

Global equities continued the trend lower that started in late February. The S&P fell -12.51% to be down 20% for the year, while the Nasdaq and MSCI World lost 10.12% and 13.47%. The Canadian TSX/S&P60 lost 15.66% while the TSX Energy sub-index collapsed by an astonishing 45.14%.

Bond futures were volatile and initially sold off sharply alongside equities, providing little safe-haven. Prices recovered and made news highs as a series of global stimulus programs were launched alongside central bank rate reductions. The US dollar was similarly volatile selling off before recovering and making new highs.

RESULTS

The ABCERI lost a mere 2.89% in March before exiting all exposures. While all losses are disappointing, the tactical approach of the Auspice Broad Commodity program again controlled the downside far better than long-only sector benchmarks (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 is now massive at almost 30% for 1-year results, 50% for 10-year and 12% annualized since 2007.

OUTLOOK

The low and further falling commodity to equity ratio (at right) illustrates picking a bottom is very difficult to do. We must recognize that despite the equity weakness in the last two months, commodities have fallen even more on relative basis and indeed led the reaction to reduced economic activity caused by the global coronavirus pandemic.

We now believe this has widespread implications for global economies and is likely to remain a factor for an extended period of time. The prices of commodities have told you as much.

However, from here, we believe there is a risk of inflation. Given the extent of stimulus, coupled with a trend to de-globalization and supply chain disruptions, the unexpected consequence of higher prices is relevant.

Chart 1 HISTORICAL GROWTH SINCE 2007

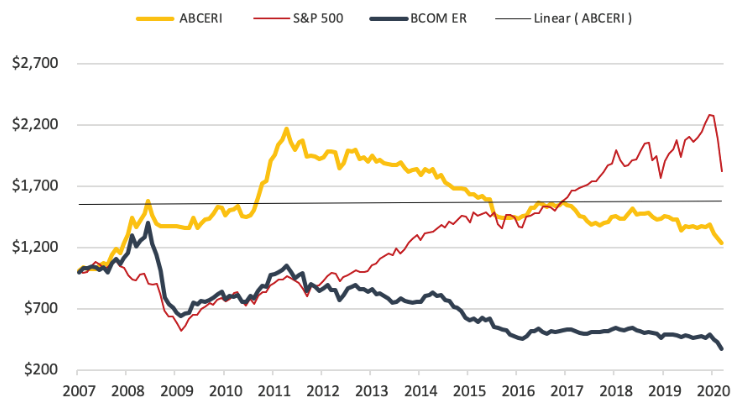
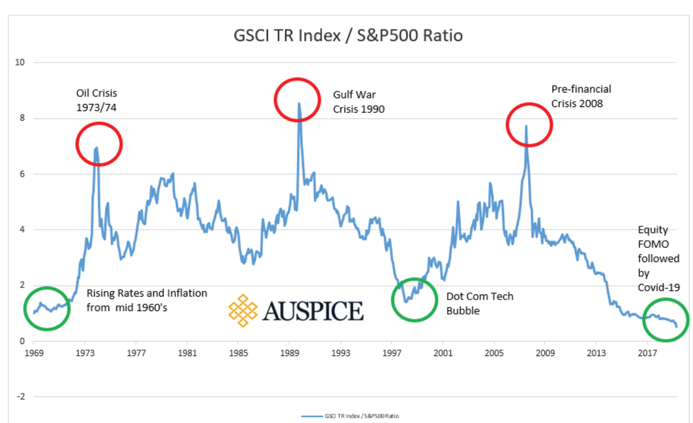


Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	**-2.89%**	-12.85%	-29.46%	-12.51%
2020 YTD	**-10.87%**	-23.53%	-42.52%	-20.00%
1 yr (Apr 19)	**-13.36%**	-23.71%	-42.08%	-8.81%
3 yr (Apr 17)	**-17.64%**	-27.53%	-38.19%	9.39%
5 yr (Apr 15)	**-22.98%**	-36.96%	-52.44%	24.99%
10 yr (Apr 10)	**-18.02%**	-53.19%	-68.71%	121.01%
13 yr (Apr 07)	**21.28%**	-64.03%	-77.40%	81.90%
Annualized (Jan 07)				
Return	**1.62%**	-7.20%	-10.36%	4.63%
Std Deviation	**10.42%**	16.60%	23.54%	15.11%
Sharpe Ratio	**0.22**	-0.34	-0.30	0.43
MAR Ratio	**0.04**	-0.10	-0.12	0.09
Worst Drawdown	**-41.90%**	-73.46%	-86.78%	-52.56%

GSCI TR INDEX / S&P500 RATIO



Source: Dr. Torsten Dennin, Incrementum AG

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OUTLOOK (CONTINUED)

Moreover, we believe that given commodities were the canary, it is also possible that they react to a rebound in activity or a lack of supply significantly. While we don't know which market will react, we wouldn't advise betting solely on gold. Given the diversity of the sector, the tactical approach we employ is a disciplined way to participate in the commodity sector, focused on price momentum on an individual commodity merit basis. This gives the investor the best chance to catch commodity upside or inflationary pressure from this point while mitigating further downside risk. We can only add positions from here.

ATTRIBUTIONS AND TRADES

The portfolio continued to exit commodity exposures in March as very few markets maintained strength.

The portfolio exited long positions in Wheat and Sugar alongside Silver and Gold. The portfolio is now without a long commodity exposure, completely in cash (see Chart 3).

While Metals had a small loss, the majority of the negative portfolio attribution came from Ags as Sugar reversed its sharp up-trend in a sharp down-trend. See Chart 2.

SECTOR HIGHLIGHTS

ENERGY

The portfolio had no exposure to the collapsing energy markets. The weakness was violent after Saudi Arabia and Russia announced they were locked in a market-share war March 7th. Crude Oil traded below $20 for the first time in two decades while Gasoline traded at all-time lows.

METALS

Both Copper and Silver sold off sharply and Silver was exited on the first day of the month to protect capital. Gold was exited mid-month but ended up higher by 1.5% for the month. We remain without exposure across the sector at this moment but keep a close eye on Gold.

AGRICULTURE

The sole long Grain exposure in Wheat lasted until mid-month and then was exited. However, the market rallied post and this will be another market to watch closely. Sugar, which had been in a strong trend higher, literally collapsed, falling 26%. No exposures.

Chart 2 **INDEX RETURN ATTRIBUTION**

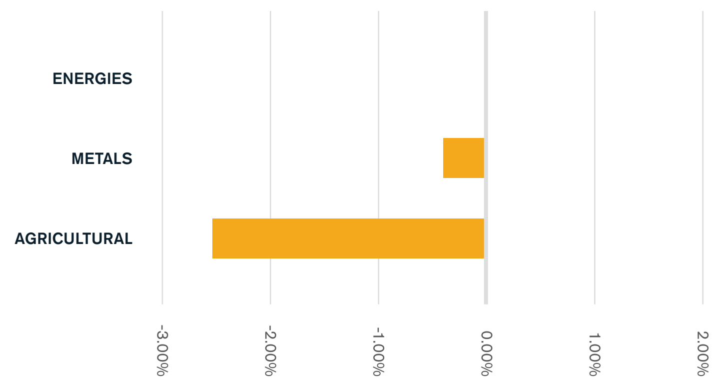
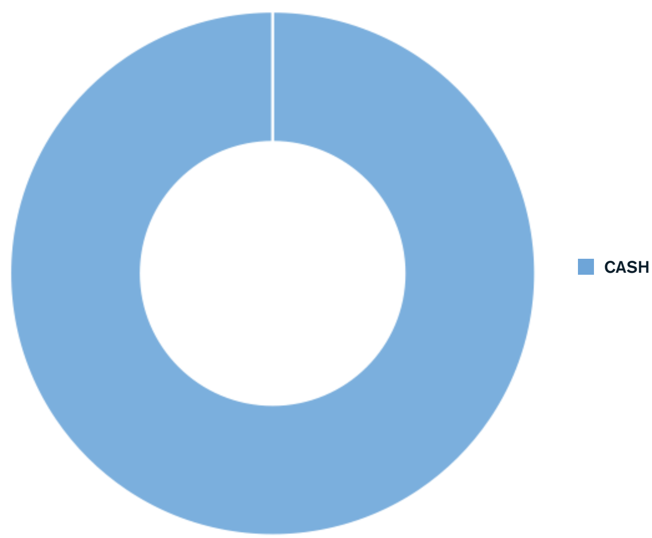


Chart 3 **COMPONENT EXPOSURE: LONG / CASH**



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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.

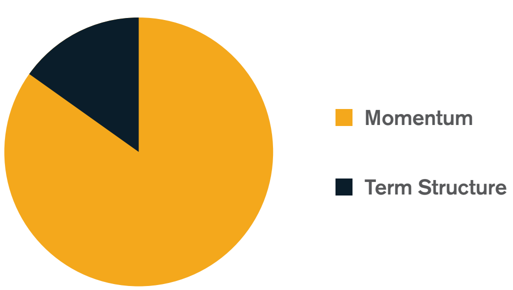
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

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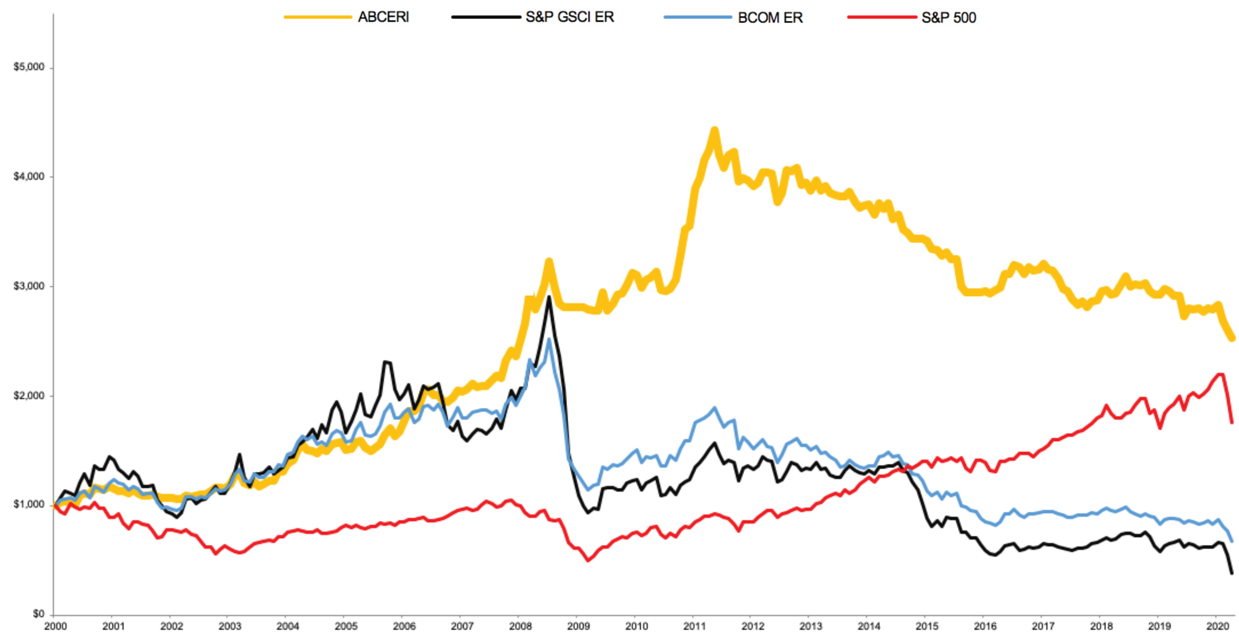
COMPARATIVE BROAD COMMODITY INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2020	-5.36%	-3.02%	-2.89%										**-10.87%**
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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