



# BROAD COMMODITY INDEX

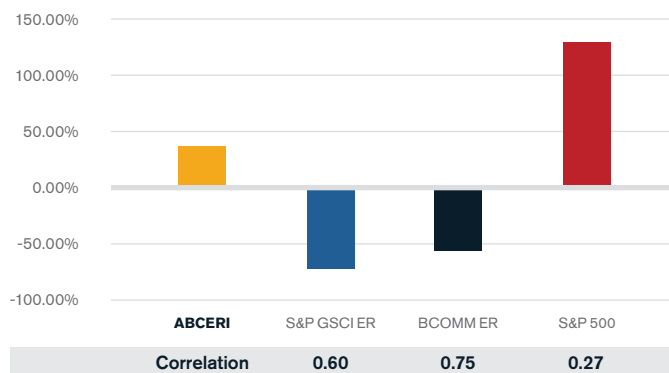
COMMENTARY +  
STRATEGY FACTS

OCTOBER 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

**AUSPICE** Capital Advisors

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## SUMMARY

While the headline commodities fell, led by oil and gold, pockets of strength caused a separation in the benchmarks. Energies pulled down the GSCI yet the more diverse Bloomberg Commodity Index (BCOM) made back some ground lost in September adding 1.40%.

Global stock markets pulled back for a second straight month despite an attempted rally. Weakness was led by European benchmarks as COVID-19 cases escalated, shutdowns and curfews became a reality. The US markets followed suit and "risk-off" sentiment hit many asset classes. The S&P500 lost 2.77%, the NASDAQ lost 2.29% while DJ Eurostoxx 50 was off 7.37% alongside the Canadian TSX/S&P60 losing nearly 4.00%.

Bond futures were slightly lower. Monetary policy of central banks confirms comfort with low rates for the foreseeable future yet higher inflationary targets. The US dollar initially weakened but bounced back while global currencies rallied before pulling back for a similar neutral monthly result.

## RESULTS

Auspice Broad Commodity program gained 0.67% as tactical positioning and adjustments expanded the 2020 outperformance. Per Table 1, while BCOM played catch-up, the gain further separated the results from the GSCI both recently and long-term. The positive spread to the GSCI benchmark is now 33.5% year-to-date alongside an 11.5% annualized spread since 2007 illustrating the value of the strategy for disciplined commodity exposure.

## OUTLOOK

Our comments remain the same in October as last month: While not only significantly limiting the downside versus long-only approaches in the elongated commodity downtrend over recent years, this month again further illustrates that being tactical works in both adding long exposure or reducing risk as need be. This agility and capital allocation discipline continues to demonstrate both absolute and risk-adjusted outperformance.

Given the diversity of the commodity sector and even within sub-sectors (such as Energy this month), we believe this asset class remains one of the most opportune and underutilized. While the headline markets get the talk (gold and oil) and may scare some investors, the value remains being tactical across this vast opportunity set.

Chart 1 HISTORICAL GROWTH SINCE 2007

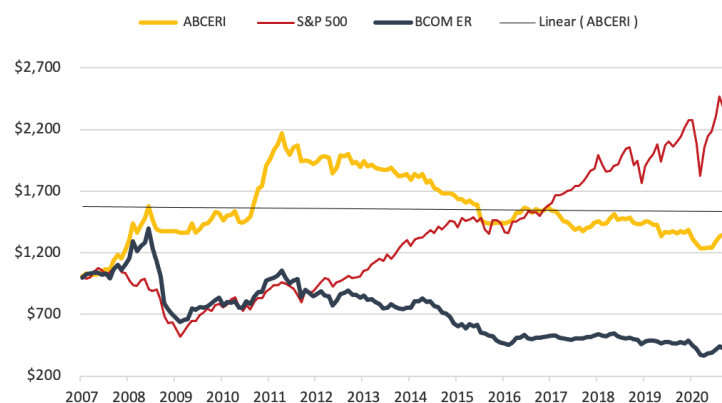
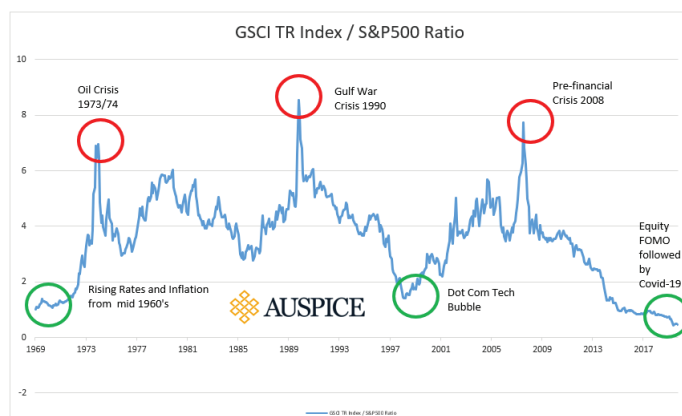


Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	0.65%	1.40%	-3.58%	-2.77%
2020 YTD	-2.54%	-11.18%	-36.00%	1.21%
1 yr (Nov 19)	-1.04%	-8.91%	-28.40%	7.65%
3 yr (Nov 17)	-2.41%	-16.11%	-29.23%	29.98%
5 yr (Nov 15)	-6.74%	-19.32%	-37.40%	57.26%
10 yr (Nov 10)	-16.23%	-49.50%	-62.72%	176.35%
13 yr (Nov 07)	18.05%	-60.25%	-76.35%	111.05%
Annualized (Jan 07)				
Return	2.21%	-5.90%	-9.24%	6.23%
Std Deviation	10.28%	16.54%	23.76%	15.42%
Sharpe Ratio	0.27	-0.27	-0.27	0.51
MAR Ratio	0.05	-0.08	-0.11	0.12
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 exited one market to be long 10 of 12 components, from 92% exposure last month to 83% (see Chart 3). This month's positive attribution again came exclusively from Ags with a small compliment from Metals. Energies pulled down the result (see Chart 2). The top performing positions were Natural Gas, Cotton and Corn.

## SECTOR HIGHLIGHTS

### ENERGY

The petroleum markets continued and accelerated the correction that started last month. Oil lost 11.7% while Natural Gas added 10.9%. The Natural Gas position provided some offset to WTI Crude oil and Gasoline which pulled down the sector. Crude was exited at month end to only hold Gasoline in the petroleum markets.

### METALS

Metals posted a small gain as Copper and Silver moved slightly higher offset by a pullback in Gold.

### AGRICULTURE

Ags had another strong month as Grains were strong across the board while Cotton added significant value rallying 4.8%. Remain long across the diverse sector of Grains and Softs.

Chart 2 INDEX RETURN ATTRIBUTION

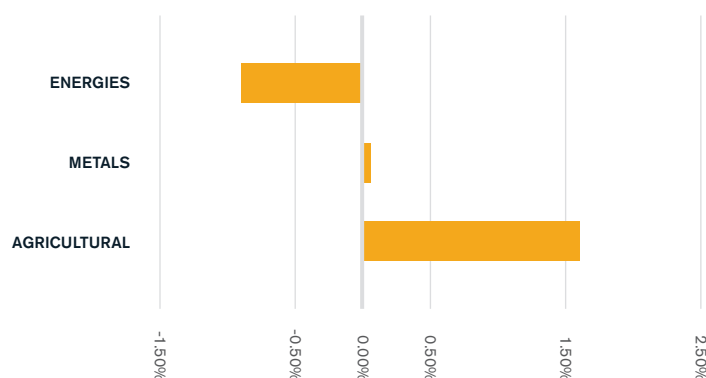
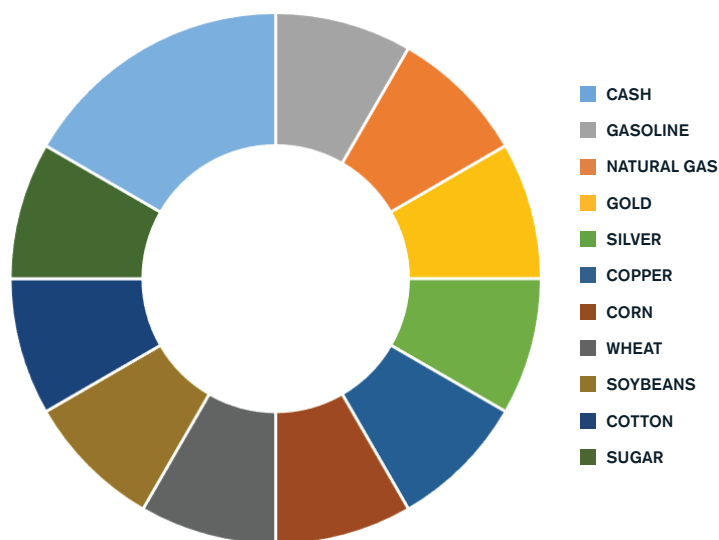


Chart 3 COMPONENT EXPOSURE: LONG / CASH



### 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.

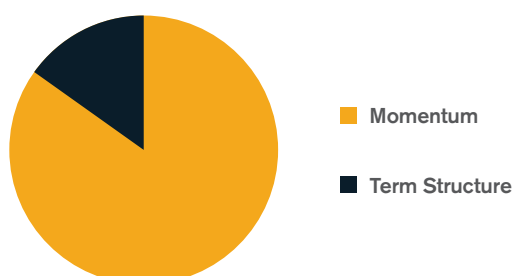
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

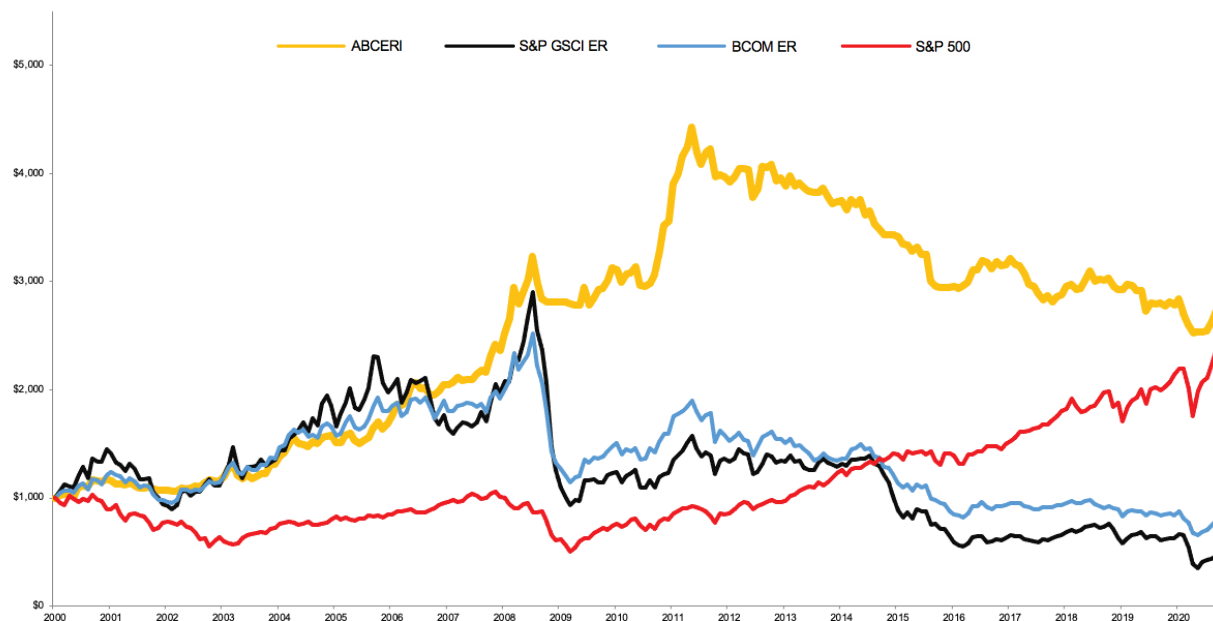
Licensing and/or sub-advisory of the strategy  
Bespoke product design  
ETFs: through partner firms  
40 Act Mutual Funds: US investors through partner firms  
Separately Managed Accounts

# AUSPICE BROAD COMMODITY INDEX

## COMMENTARY + STRATEGY FACTS

OCTOBER 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%	0.65%	0.67%			-2.54%
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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