AUSPICE

Canadian Crude – Update for June 2019

CCX

Stats:

- **CCX +24% in June and +90% in 2019! Top performing global market.**
    - After correcting in May, the CCX ETF remains the strongest oil and commodity market to be up over 90% in 2019 while USO (WTI) gained 28%.

- **CCX ETF NPU gained 24% from $7.76 to $9.63.**
    - CCI (Canadian Crude Index) gained 16% from $36.12 US/bbl to $41.96 while WTI added 9%

- **CCI = WTI +WCS   41.96 = 58.46 + ($16.50).**
    - WCS discount narrowed slightly from -17.50 to -16.50 (over the 90day term structure covered).
    - See Auspice website.

What's new in Canadian Crude?

- After oil storage exceeded all time high levels in May, it has started to draw substantially by over 5MM barrels and is now below of last year.
    - There remains a risk of wider differentials unless rail transport continues. Rail has indeed picked up as the differential widened but storage remains high.
- The forward discount curve widens: -$13.25 August, -$16.75 September, -$19.50 October and Calendar 2020 at -$ 21.00. See Auspice website. Widening of differential has been good for moving barrels given economic level for rail transport.
- OPEC meeting resulted in an extension of output cuts in 2020.
- Canadian Government has approved the Trans Mountain expansion with a goal of 2022 or 2023 online.
    - This could narrow the differential substantially long term.
- To keep in mind:
    - **For investors with a view on oil, the CCX has provided the most direct way to express this view while the Canadian resource energy sector stocks have languished only up 2% year to date.**
    - With CCI 28% under WTI, there is a substantial leverage effect.
    - With the differential widening closer to the long-term average of -$18.50, the discount represents a good opportunity to benefit from lower Canadian oil prices by using the inherent leverage: eg. a $10 rally in WTI is a 17% gain while a 24% gain in CCI.
    - Demand for Canadian heavy crude is exceptionally strong as it represents the cheapest feedstock for US refineries who look for replacement for lost Venezuelan barrels and recent US Trump tariffs make Mexican barrels more expensive.

AUSPICE Capital Advisors | SUITE 510 - 1000 7TH AVE SW CALGARY, ALBERTA CANADA T2P 5L5 | 888 792 9291 auspicecapital.com

Disclaimers :

This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Commissions, management fees and expenses all may be associated with an investment in the Canadian Crude Oil Index ETF (the "ETF") offered by Auspice Capital Advisors Ltd. The ETF is not guaranteed and the value changes frequently and past performance may not be repeated. The prospectus contains important detailed information about the ETF. Please read the prospectus before investing. All trademarks/service marks are registered by their respective owners and licensed for use by Auspice Capital Advisors Ltd. and none of the owners thereof or any of their affiliates sponsor, endorse, sell, promote or make any representation regarding the advisability of investing in the ETF.

The CCI™ Excess Return Index (CCIER) reflects the returns that an investor would expect to receive from holding and rolling the contracts that comprise the CCI™. DISCLAIMER: The Canadian Crude Index™ (the "Index") is calculated by NYSE or its affiliates ("NYSE"). Any product which tracks or is based on the Index, is not issued, sponsored, endorsed, sold or promoted by NYSE, and NYSE makes no representation regarding the advisability of investing in such product. NYSE makes no express or implied warranties, and hereby expressly disclaims all warranties of merchant ability or fitness for a particular purpose with respect to the Canadian Crude Index™ or any data included herein. In no event shall NYSE have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

The Canadian Crude Oil Index ETF (CCX), seeks to replicate, to the extent possible, the performance of the Canadian Crude Excess Return Index (CCIER) net of expenses, and allows investors to access the price of Oil produced in Canada. The ETF does not employ leverage, but in order to achieve its investment objectives, CCXTM will invest in derivatives and other financial instruments from time to time, which may include interest bearing accounts and T-Bills.

DISCLAIMER: The CANADIAN CRUDE OIL INDEX ETF may be subject to aggressive investment risk and price volatility risk, which are described in the prospectus. The ETF seeks a return that is 100% of the performance of a specified underlying index, commodity or benchmark (the "target"). Investors should monitor their holdings, as frequently as daily, to ensure that they remain consistent with their investment strategies. Commissions, management fees and expenses all may be associated with the ETF. The ETF is not guaranteed and the value changes frequently and past performance may not be repeated. All trademarks/service marks are registered by their respective owners and licensed for use by Auspice Capital Advisors Ltd. and none of the owners thereof or any of their affiliates sponsor, endorse, sell, promote or make any representation regarding the advisability of investing in the ETF. The prospectus contains important detailed information about the ETF. Please read the prospectus before investing.