



## GAS ETF and CGI index

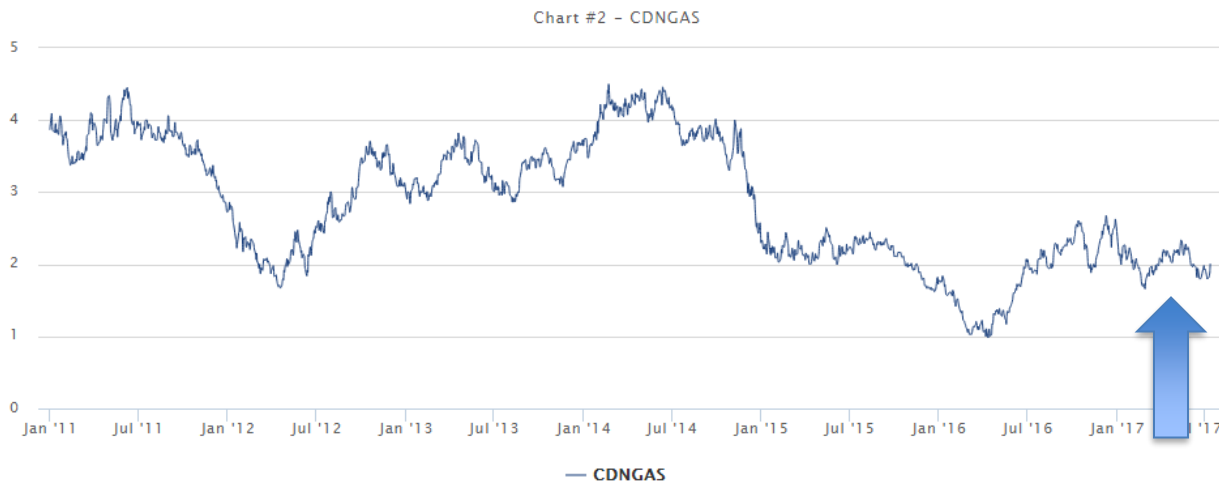
After a multi-year post Claymore hiatus, the GAS ETF relaunched October 27<sup>th</sup>- 2016 directly in the Auspice brand.

### Index Performance Review: First Half 2017

After rallying from early November 2016 to the end of the year, Natural Gas has traded sharply either way in 2017. Per Table 1, the CNGER (Canadian Gas Index Excess Return with is the underlying to the GAS ETF) has outperformed both the Nymex (US) gas market and ETFs as well as the TSX Capped Energy index both on upside trends (eg. Nov-Dec 2016 and March-May 2017 rallies) as well as falling less most recently.

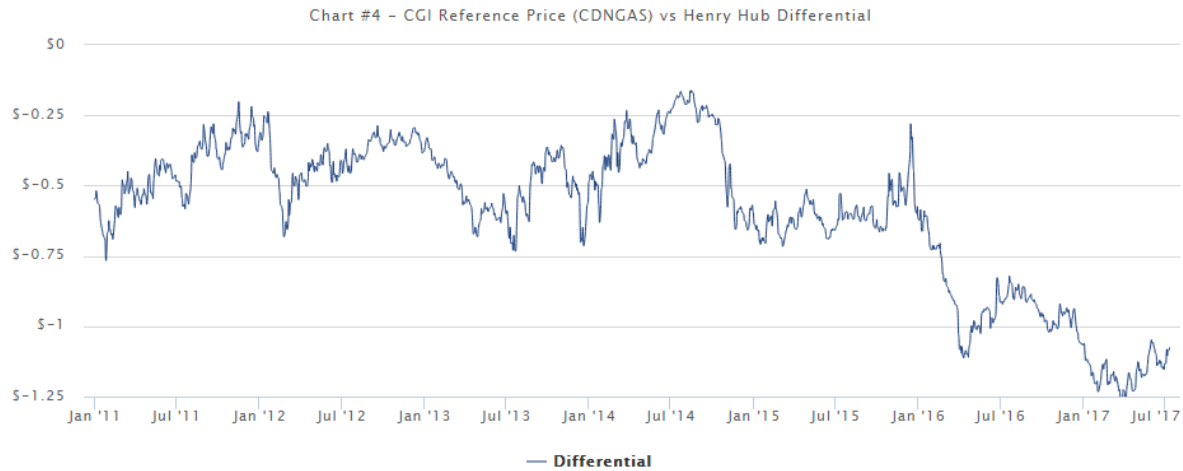
**Table 1:**

Term	Nymex Henry Hub (prompt)	UNG ETF	CGI Reference Price (CDNGAS)	<b>CNGER (Investable underlying of the GAS ETF)</b>	TSX Capped Energy Index
Nov 8 – Dec 30/16	33%	33%	34%	<b>40%</b>	9%
First 60 days 2017	-26%	-28%	-31%	<b>-31%</b>	-11%
March 1 to May 11th	25%	16%	32%	<b>29%</b>	-0.3%
May 12 to June 30	-14%	-27%	-17%	<b>-19%</b>	-22%



The commodity softened to start the new year, with the CGI dropping over 30% in the first 60 days of 2017. However, from the beginning of March, the prices rose steadily gaining approximately 30% due to winter dragging on and lower production. At March 31st, inventories were at 2925 Bcf, greater than the 5 year average but 192 Bcf lower than 2016 at that time. Moreover, there was a growing concern that despite the price rally gas storage may have trouble filling in the summer. This is possible given the lack of incentive for producers at these price levels, which could cause them to maintain current production levels despite existing declines.

However, the rally ended in mid May as the momentum was not sustained and a down trend has continued to present. In addition, the differential between US Nymex Henry Hub has widened from approximately \$1.00 to as wide as almost \$1.30 US per mmbTU as gas rallied while subsequently narrowing to \$1.10. See Chart #4.



In Canada, storage levels are approximately 338 Bcf and 69 Bcf or 17% below last year's but only 5 Bcf or 1.5% ahead of the 5 year average. In the US storage levels are 285 bcf or 9% below last year's but 187Bcf or 6.9% ahead of the 5 year average. (EIA storage data, US Energy Information Administration: <http://ir.eia.gov/ngs/ngs.html>) The same concerns are being voiced after the selloff experienced since May. For the first year in many, gas may go into the fall of 2017 without reaching its full storage capacity. A seasonally normal or cold winter season then could cause upwards price pressure.

While the weather and the 11-15 day weather forecast are always important to gas prices and ongoing volatility, there are some other factors to consider:

**Bullish (tightening the year over year supply/demand balance)**

- US production has fallen over the first half of the year, (-1.4 Bcf/d)
- Canadian summer production once again impacted by extensive maintenance outages
- Favorable demand growth expectations most notably from LNG and Mexican exports with significant demand increment coming from permitted US LNG facilities already under construction. Potential for +1.7 Bcf/d demand growth from today's levels by December 2017, rising to 3 Bcf/d by Q3 2018 and 4 Bcf/d by late 2018/early 2019
  - This is the key demand growth component that will help to soak up any supply side increases anticipated over the next 18 months
- Expectation for the rest of the year has changed in favor of incremental gas burns, with gas prices declining (especially in the northeast US) and coal prices steady to higher
- Industrial core demand in the April-October period showing only modest growth but with expectations of stronger growth over the balance of 2017 (+0.5 Bcf/d) with additional industrial (petrochemical) infrastructure

**Bearish (loosening the year over year supply/demand balance)**

- Ramp-up of US production
- Declining power burn driven demand

The Canadian natural gas market plays a critical role in supplying both the Canadian domestic marketplace and massive US market. Natural gas remains fundamentally important even in weak environments. Given the substantial discount and highly variable correlation to the US market, the Canadian gas market often outperforms both up and down, on a relative return basis. Given the volatility remains high, the trading opportunities are plentiful.

### Strategy and Indices for Reference

The GAS ETF (Exchange Traded Fund) seeks to replicate, to the extent possible, the performance of the Canadian Natural Gas Excess Return Index (CGIER) net of expenses, and allows investors to access the price of Natural Gas produced in Canada. The Canadian Natural Gas Excess Return Index is designed to measure the performance of the Canadian natural gas market in an investable format.

The Canadian Gas Index (CGI) "Reference Price" represents a simple, transparent and liquid benchmark price for natural gas that is produced in Canada. The CGI Excess Return Index reflects the returns that an investor would expect to receive from holding and rolling the contracts that comprise the CGI. The current global benchmarks are not representative of actual Canadian natural gas prices. The CGI gives investors a tool to better understand the price of Canadian Natural Gas.

The **CANADIAN NATURAL GAS 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.

**DISCLAIMER:** The Canadian Natural Gas 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 Natural Gas Index™ 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.

**Nymex Henry Hub:** Natural gas futures prices are based on delivery at the Henry Hub in Louisiana. Traded via open outcry, electronically on CME Globex and off-exchange for clearing only as an EFS, EFP or block trade through CME ClearPort.

**UNG ETF:** The United States Natural Gas Fund® LP (UNG) is an exchange-traded security that is designed to track in percentage terms the movements of natural gas prices. UNG issues shares that may be purchased and sold on the NYSE Arca. The investment objective of UNG is for the daily changes in percentage terms of its shares' net NAV to reflect the daily changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana, as measured by the daily changes in the Benchmark Futures Contract, less UNG's expenses. The Benchmark is the futures contract on natural gas as traded on the NYMEX. If the near month contract is within two weeks of expiration, the Benchmark will be the next month contract to expire. The natural gas contract is natural gas delivered at the Henry Hub, Louisiana. UNG invests primarily in listed natural gas futures contracts and other natural gas related futures contracts, and may invest in forwards and swap contracts. These investments will be collateralized by cash, cash equivalents, and US government obligations with remaining maturities of two years or less.

**TSX Capped Energy Index:** The S&P/TSX Capped Sector Indices provide liquid and tradeable benchmarks for related derivative products of Canadian economic sectors. Constituents are selected from a stock pool of S&P/TSX Composite Index stocks, and the relative weight of any single index constituent is capped at 25%. The indices are based upon the Global Industry Classification Standards (GICS®).