



# BROAD COMMODITY INDEX

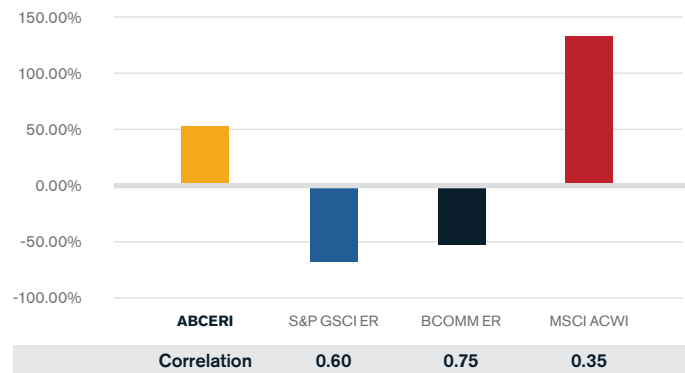
COMMENTARY +  
STRATEGY FACTS

JANUARY 2021



## 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 started the year where they ended 2020, strong momentum overall, but with a lot of disparity within markets and sub-sectors. The diverse Bloomberg Commodity Index (BCOM) gained 2.62% while the energy tilted GSCI added 4.94% yet remains down 18.47% on a year over year basis.

Global stock markets started the year moving higher before correcting sharply in the last week. This is despite the “Reddit rally” a new financial term. While some markets managed to remain positive, major diverse benchmarks ended the month on a weak footing. The S&P500 lost 1.11% and the global benchmark MSCI ACWI fell 0.45% while the NASDAQ maintained a 1.42% gain. The Canadian TSX/S&P60 also fell 0.79% alongside the while the TSX Capped Energy index pulled back 1.06%.

Bond futures were slightly lower, specifically in the long end (rates up) with the short end mostly unchanged. While this remains consistent with global central banks guidance of “lower for longer” overnight rates, the cautionary tone remains the “reflation trade” as inflation targeting is being discussed alongside an unmistakable shift in commodities. The long-term breakout in commodity benchmarks may be the beginning of a bull market further highlighted by a recent bounce in the US Dollar within a long-term downtrend that started after Q1 2020.

## RESULTS

Auspice Broad Commodity had a strong month adding 3.09%, a tenth straight month of gains. ABC has significantly outperformed long-only benchmarks over the last year per Table 1. The separation is significant at nearly 34% to the GSCI alongside a 10.7% annualized spread since 2007 illustrating the value of the strategy for disciplined and tactical commodity exposure.

## OUTLOOK

Be cautious.

The last major reflationary trade occurred in 2009 as financial market valuations had been compressed and risk appetite couldn't be much lower. This is in stark contrast to the current environment marked by the Reddit rally and record high financial market valuations.

Equity and bond markets have largely priced in the end of the pandemic, yet the timeline to “back to normal” is largely uncertain. Will we return to business and leisure travel this year? Go to a movie, concert, or ball game? Maybe, maybe not. Significant risks lie ahead for global economies and financial markets.

Chart 1 HISTORICAL GROWTH SINCE 2007

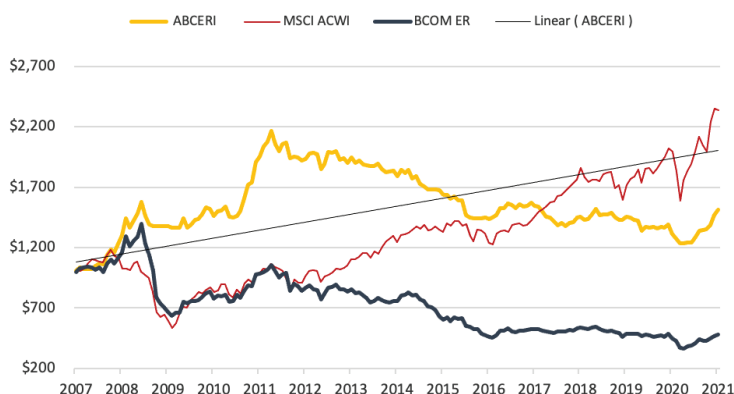


Table 1 ABSOLUTE PERFORMANCE

|                     | ABCERI  | BCOM ER | S&P GSCI ER | MSCI ACWI |
|---------------------|---------|---------|-------------|-----------|
| 1 Month             | 3.09%   | 2.62%   | 4.94%       | -0.45%    |
| 2021 YTD            | 3.09%   | 2.62%   | 4.94%       | -0.45%    |
| 1 yr (Feb 20)       | 15.40%  | 7.03%   | -18.47%     | 17.02%    |
| 3 yr (Feb 18)       | 4.22%   | -10.80% | -24.67%     | 25.62%    |
| 5 yr (Feb 16)       | 5.50%   | 3.72%   | -4.84%      | 88.86%    |
| 10 yr (Feb 11)      | -22.43% | -51.16% | -62.67%     | 134.79%   |
| 13 yr (Feb 08)      | 16.37%  | -58.34% | -74.24%     | 127.74%   |
| Annualized (Jan 07) |         |         |             |           |
| Return              | 3.00%   | -5.06%  | -7.66%      | 6.21%     |
| Std Deviation       | 10.35%  | 16.50%  | 23.89%      | 16.65%    |
| Sharpe Ratio        | 0.35    | -0.23   | -0.21       | 0.49      |
| MAR Ratio           | 0.07    | -0.07   | -0.09       | 0.11      |
| Worst Drawdown      | -42.90% | -73.87% | -88.06%     | -54.92%   |

AUSPICE BROAD COMMODITY INDEX SINCE 2000



## OUTLOOK (CONTINUED)

One thing we do know is that we will continue to eat and continue to buy goods. Commodity demand has been outpacing supply for some years now and commodity indexes are just beginning to reflect this. Whereas equity market sentiment is arguably exuberant, commodities are still largely ignored by retail and institutional investors alike. Here at Auspice, we are always preaching the benefits of diversification—now more than ever we can't stress how important this is going forward.

## ATTRIBUTIONS AND TRADES

The Broad Commodity portfolio remains unchanged and long 10 of 12 components for the same 83% of available components (see Chart 3). January's positive attribution was led by agricultural markets with both Grains and Soft Commodities contributing. Petroleum energies also had a strong month with Metals contributed to a small degree (see Chart 2).

The top performing positions were Soybeans and Cotton along Heating Oil.

## SECTOR HIGHLIGHTS

### ENERGY

The petroleum markets have remained in rally mode continuously since the US election at the start of November. We remain long all markets with the exception of Natural Gas.

### METALS

The Metals sector provided a subtle gain as Silver continues to outperform with a gain approaching 50% in the last year. Gold was slightly softer while Copper also continues its long-term rally started last April. Gold remains in down-trend since August and we remain without an exposure at this time.

### AGRICULTURE

Hit repeat: Ags again led the sector gains with both Grains and Softs adding significant value. Corn led the rally adding over 13% while Cotton moved up over 3%.

Chart 2 INDEX RETURN ATTRIBUTION

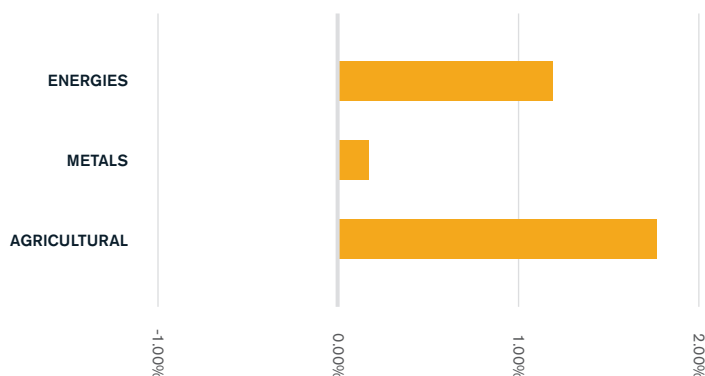
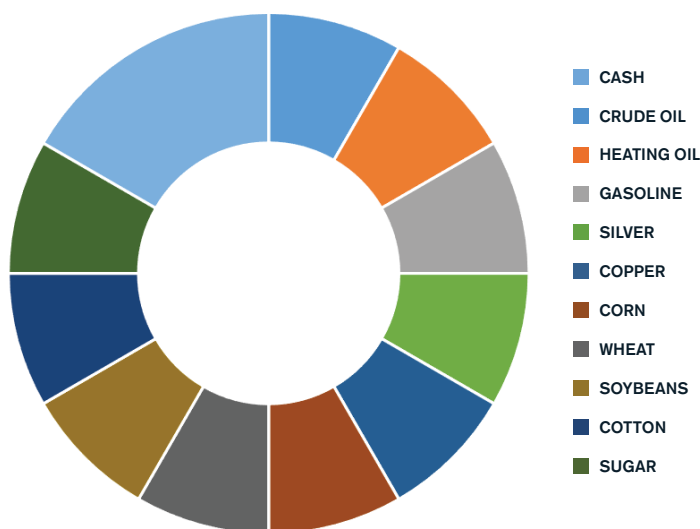


Chart 3 COMPONENT EXPOSURE: LONG / CASH



### 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.

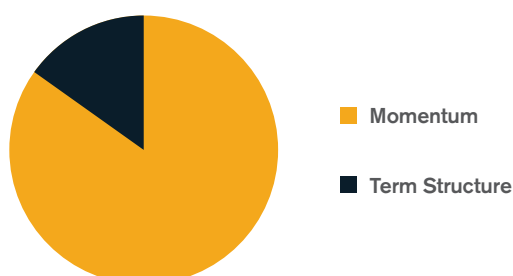
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

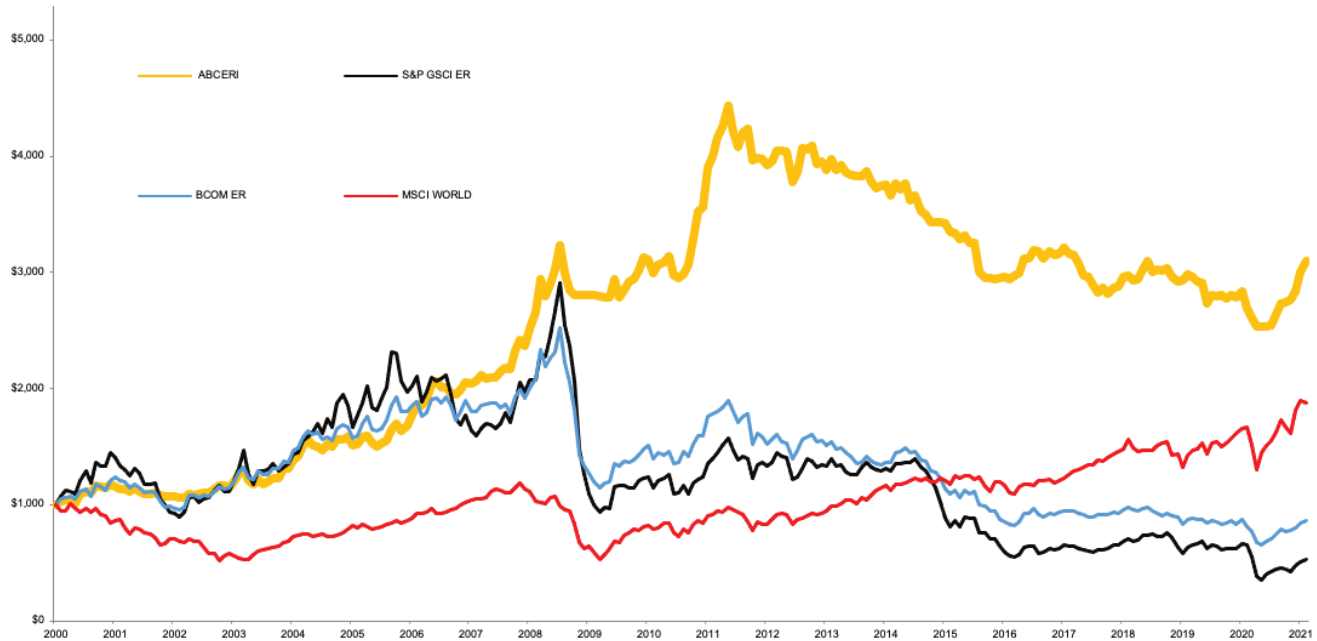
### OTHER DETAILS

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  |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 2021 | 3.09%  |        |        |        |        |        |        |        |        |        |        |        | 3.09%   |
| 2020 | -5.36% | -3.02% | -2.89% | 0.07%  | 0.20%  | 0.19%  | 3.67%  | 3.62%  | 0.65%  | 0.67%  | 2.41%  | 6.13%  | 5.93%   |
| 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.

The **MSCI ACWI (Net) Index**, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets.

**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 **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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