



# BROAD COMMODITY INDEX

COMMENTARY  
+ PROFILE

JUNE 2023

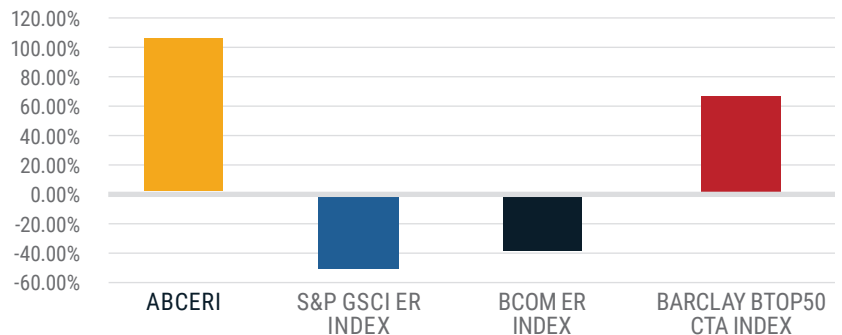
All performance data, portfolio information and pricing contained herein is as of June 30th, 2023.

**AUSPICE** Capital Advisors

SUITE 510 - 1000 7TH AVE SW  
CALGARY, ALBERTA CANADA T2P 5L5



## CUMULATIVE PERFORMANCE (SINCE JANUARY 2007)



Correlation	0.64	0.75	0.35

Source: Bloomberg and Auspice Investment Operations. The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. See Important Disclaimers and Notes on last page. You cannot invest directly in an index. Past performance is not indicative of future results.

## INVEST WITH AUSPICE

Call us at **888.792.9291**

Visit us online **auspicecapital.com**



3 Year Morningstar Rating™ for Direxion Auspice Broad Commodity Strategy Fund ETF (COM), which tracks ABCERI. Overall Morningstar Rating™ out of 100 US Fund Commodities Broad Basket funds based on risk adjusted returns as of 04/30/2023¹

Futures trading is speculative and is not suitable for all customers. Past results are not necessarily indicative of future results. 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. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.

## SUMMARY

Source of data is Bloomberg unless otherwise indicated.

While “risk-off” sentiment dominated performance across many global assets in May, June provided largely the opposite experience.

The long-only commodity benchmarks rallied with both the energy heavy GSCI and more diverse Bloomberg Commodity Index (BCOM) adding over 3% to remain off near 10% in 2023.

Most global equity benchmarks gained with the tech heavy Nasdaq advancing 6.6% for a gain of over 30%, the strongest yearly start in decades. The S&P500 added 6.5% closely followed by the global benchmark MSCI ACWI at 5.8%, while the TSX60 lagged at 3.2% for a 4% gain on the year. The Chinese FTSE A50 and the Hang Seng remain negative on the year.

Year-over-year US CPI inflation softened to 4.0% (from 4.9% in April) per Chart 2. However, the theme of cutting rates or even pausing has largely been extinguished by both central bank rhetoric and outright action. Furthermore, persistent inflation has been acknowledged particularly in food prices from the Ag markets. This aligns with the “Agflation” theme we have discussed in recent blogs. As such, while the US Fed paused it clearly signaled it was not done tightening. Other central banks such as the Bank of Canada and England both raised rates during June as did Switzerland and Norway.

The US dollar lost 1.2% vis-à-vis global currencies with the Euro and Pound gaining 2% alongside rallies of 2.5% in the commodity tilted currencies of Canada and Australia.

## RESULTS

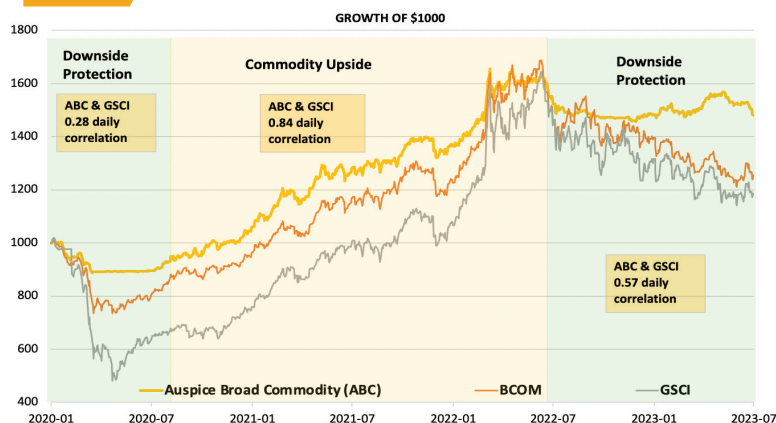
This month it was tactical approaches like ABCERI that underperformed while remaining strong outperformers for the year.

Per Table 1, Auspice Broad Commodity lost 2.87%, while the long-only indices made back some gains from the aggressive sell-off in H1. As such while ABCERI is modestly negative -0.17% in 2023, it continues to have a greater than 9.5% spread to those benchmarks. Per Table 1, ABCERI has outperformed on most timeframes on absolute and risk-adjusted terms even though the strategy operates at a fraction of the risk in terms of volatility and drawdown.

Chart 1 provides a clear visual of the strategy results through both periods of commodity weakness and strength. Since peaking in Q2 2022, the Auspice index has limited the weakness and trended higher while benchmarks continued to slide. This is clear to see in Q1 of 2023 when the strategy has outperformed by participating tactically in markets moving higher, exiting markets that have turned lower, and remaining on the sidelines in markets that are weakening.

For portfolio managers and asset allocators, the Auspice strategy not only has provided better absolute and risk-adjusted results but has resulted in a more accretive addition and experience for client portfolios. ETFs that track ABCERI (NYSE “COM” and TSX “CCOM”) are positive on the year, earning a cash return on over 90% of the ETF AUM.

CHART 1 COMMODITY & CRISIS ALPHA



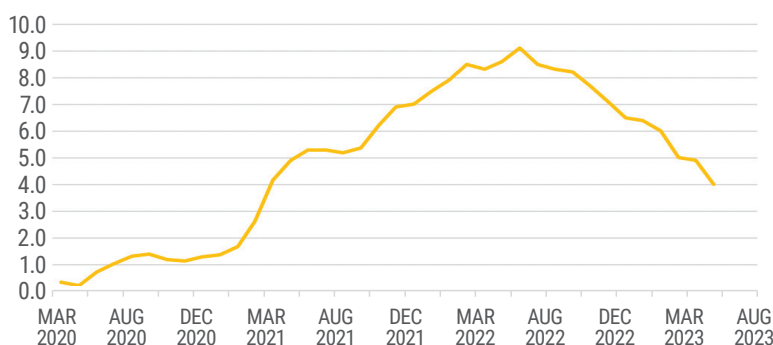
Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. You cannot invest directly in an index.

TABLE 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER INDEX	S&P GSCI ER INDEX	MSCI ACWI INDEX
1 Month	-2.87%	3.59%	3.94%	5.81%
2023 YTD	-0.17%	-10.04%	-9.80%	13.94%
1 yr (Jul 22)	-3.29%	-13.30%	-17.72%	16.53%
3 yr (Jul 20)	65.36%	56.18%	86.98%	36.73%
5 yr (Jul 18)	39.97%	16.10%	5.55%	47.63%
10 yr (Jul 13)	9.71%	-18.47%	-37.03%	131.47%
15 yr (Jul 08)	30.05%	-56.45%	-72.70%	159.36%
Ann. Return (Jan 07)	4.47%	-2.96%	-4.29%	5.93%
Std Deviation	10.50%	16.67%	23.42%	16.60%
Sharpe Ratio	0.49	-0.09	-0.06	0.47
MAR Ratio	0.10	-0.04	-0.04	0.11
Worst Drawdown	-42.90%	-73.87%	-88.06%	-54.92%

Source: Bloomberg and Auspice Investment Operations. The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. See Important Disclaimers and Notes on last page. You cannot invest directly in an index. Past performance is not indicative of future results.

CHART 2 CONSUMER PRICE INDEX (CPI) YOY% CHANGE



Source: Bloomberg and Auspice Investment Operations.

## OUTLOOK

The broad commodity benchmark indexes have now retraced for 12 months, a typical correction historically given the strong two-year commodity rally from the April 2020 Covid lows.

While headline energy and metals markets have been under pressure, agricultural markets, as represented by the DBIQ Diversified Agricultural Index, made new 12-month highs in June.

Food prices, as represented by the UN Food and Agriculture World Price Index, have actually diverged versus agricultural commodities recently and softened. This is a first and unique divergence since 2020, and we think food prices will follow agricultural commodities and revert upwards, leading to increased inflationary pressures. See this month's blog for more.

Is this the signal of the next broader based move up in commodities? Only time will tell. From a fundamental standpoint, little has changed in our opinion to rectify the structural commodity supply shortages. Forward looking investors seem to be positioning for the opportunity: Auspice reaching new firmwide asset highs again in June.

## ATTRIBUTIONS AND TRADES

The Auspice Broad Commodity Index added one market in May: Corn. The portfolio still holds exposures in Metals and Ags while remaining without any Energy exposure. Per Chart 4, the attribution was negative led by weakness in Ags.

The strategy is now holding 4 of the 12 components or 33% of available components (see Chart 5) and able to add significantly to the commodity markets broadly as individual market merit develops.

## SECTOR HIGHLIGHTS

### ENERGY

After months of weakness across both natural gas and petroleum markets, energies rallied - WTI Crude oil gained 3.5%, Gasoline added nearly 9%, Heating Oil 10% and Natural Gas almost 20%. While the strategy remains without exposure in the sector, this will be an area to watch closely.

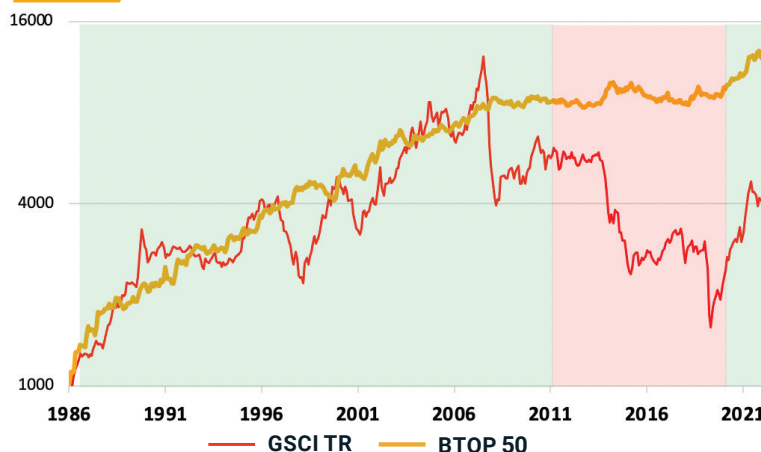
### METALS

Recent outperformers in precious metals of Gold and Silver corrected while Copper rallied back. Fluctuations went against current exposure but positions were held and remain without a weighting in Copper.

### AGRICULTURE

The diverse Ag market, consisting of Grains and Softs, was highly volatile in June, consistent with the Agflation theme we have been describing. Grains started by rallying aggressively due to weather and yield concerns and Corn was added to the portfolio. Other grain markets began to rally including Wheat and Soybeans, adding 7.2% and 14.3% respectively by month end. However, Corn reversed and dropped sharply to close off over 10%. Watch these markets for position changes early in the new month. Sugar, the strategy's top performer in 2023, corrected almost 8% but was held in long trend.

CHART 3 GSCI COMMODITY & BTOP 50 CTA INDEXES



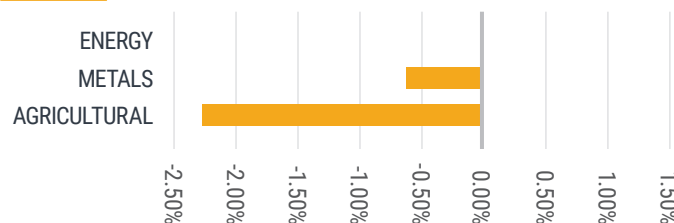
Source: Bloomberg and Auspice Investment Operations. You cannot invest directly in an index.

TABLE 2 CTA REGIME ANALYSIS

	1987-2010	2011-2019	2020-2023
Average CPI	2.9	1.8	4.7
Average VIX <sup>1</sup>	20.4	16.2	24.0
Ann. CTA Return	9.17%	0.78%	8.37%

1 - VIX Data commences in 1990. Source: Bloomberg and Auspice Investment Operations. You cannot invest directly in an index.

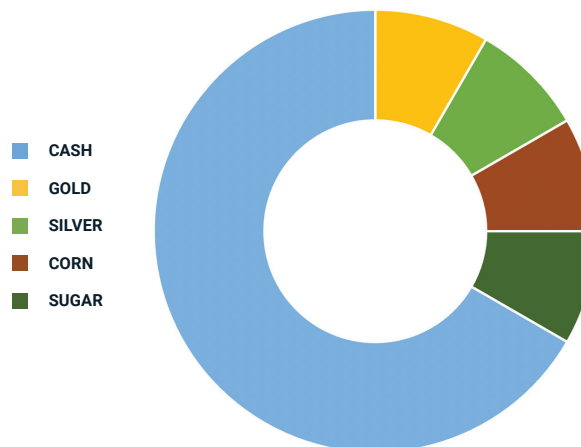
CHART 4 INDEX RETURN ATTRIBUTION



Source: Bloomberg and Auspice Investment Operations.

CHART 5 COMPONENT EXPOSURE: LONG / FLAT

ETFs that track ABCERI historically >90% invested in cash and earn a cash return, regardless of the number of active (long) positions.



Source: Auspice Investment Operations.

## 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.

## WHY AUSPICE INDICES

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends.

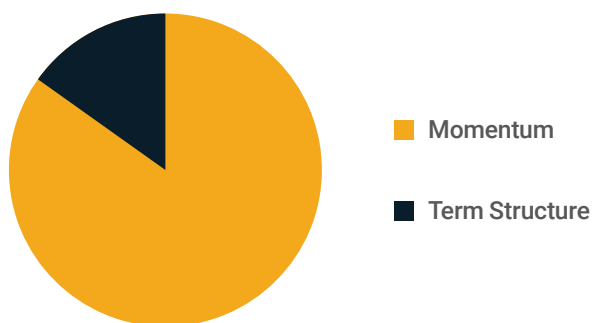
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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



Source: Auspice Investment Operations.

## 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

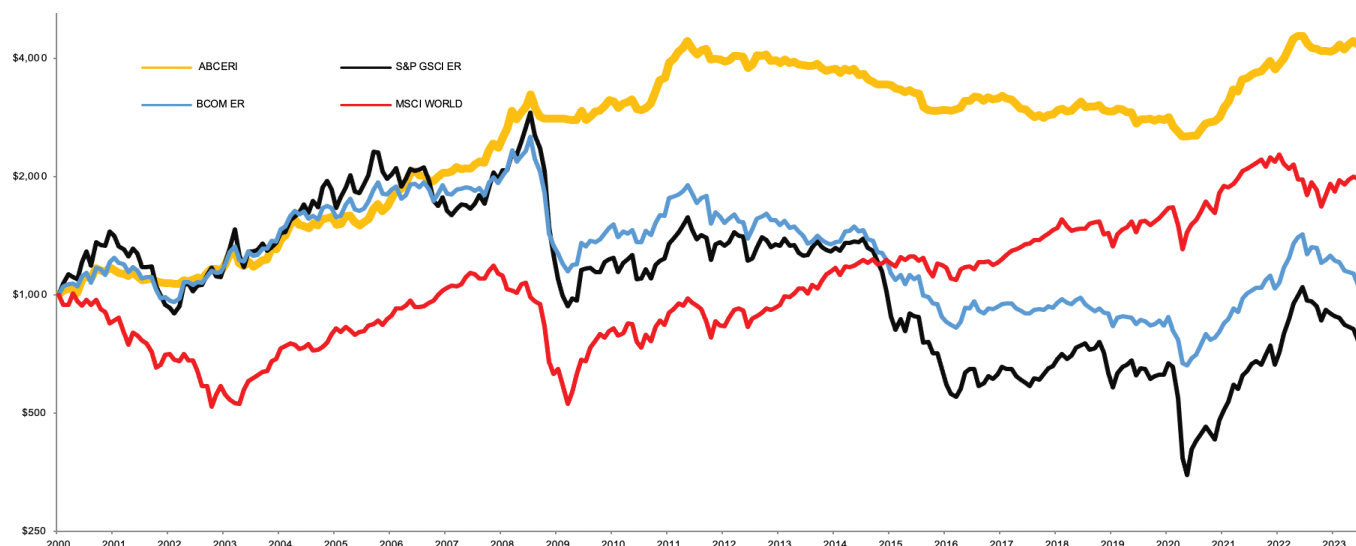
Bespoke product design

ETFs: through partner firms

40 Act Mutual Funds: US investors through partner firms

Separately Managed Accounts

COMPARATIVE BROAD COMMODITY INDEX PERFORMANCE



Source: Bloomberg and Auspice Investment Operations. The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. See Important Disclaimers and Notes on last page. You cannot invest directly in an index. Past performance is not indicative of future results.

MONTHLY PERFORMANCE TABLE\*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2023	2.78%	-2.85%	3.23%	2.07%	-2.31%	-2.87%							-0.17%
2022	3.57%	5.21%	6.42%	1.60%	-0.19%	-4.61%	-2.46%	-0.26%	-1.18%	-0.14%	-0.25%	1.16%	8.68%
2021	3.09%	7.65%	-1.44%	7.25%	1.13%	1.90%	1.55%	0.38%	2.64%	3.41%	-4.62%	3.28%	28.83%
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.

Source: Bloomberg and Auspice Investment Operations. The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. See Important Disclaimers and Notes on last page. You cannot invest directly in an index. Past performance is not indicative of future results.



## IMPORTANT DISCLAIMERS AND NOTES

Futures trading is speculative and is not suitable for all customers. Past results is not necessarily indicative of future results. 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. Auspice Capital Advisors Ltd. has made every effort to ensure the accuracy of the content of the information herein, derived from independent sources. Auspice Capital Advisors Ltd. does not make any representation that the information in any linked site is complete or accurate and will not accept any responsibility or liability for any inaccuracies in the information not maintained by them, such as linked sites. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.

## 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.

The **EURO STOXX 50** is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. As of April 2021, the index is dominated by France and Germany.

The **Hang Seng Index** is a freefloat-adjusted market-capitalization-weighted stock-market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong.

The **China FTSE A50 Index** is a stock market index by FTSE Group, the components were chosen from Shanghai Stock Exchange and Shenzhen Stock Exchange, which issue A-share; B-share were not included.

The DBIQ Diversified Agriculture Index Excess Return is a rules-based index composed of futures contracts on some of the most liquid and widely traded agricultural commodities.

The UN Food and Agriculture World Food Price Index (FAO Food Price Index) is a food price index by the Food and Agriculture Organization (FAO) of the United Nations. It records the development of world market prices of 55 agricultural commodities and foodstuffs.

## 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.

Publication Date: July 5th, 2023.

Visit us online to learn more  
[auspicecapital.com](https://auspicecapital.com)

