



# BROAD COMMODITY INDEX

COMMENTARY  
+ PROFILE

JULY 2023

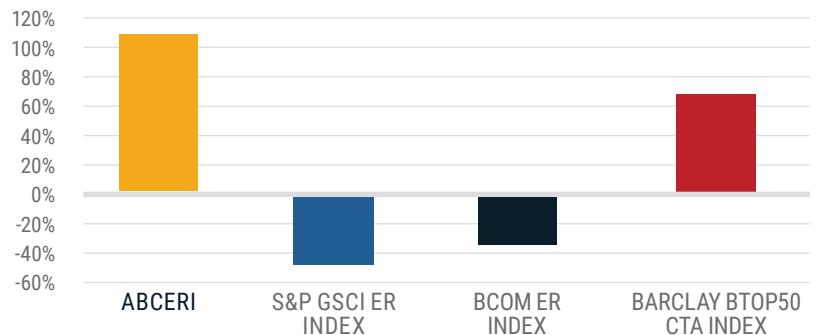
All performance data, portfolio information and pricing contained herein is as of July 31st, 2023.

**AUSPICE** Capital Advisors

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## CUMULATIVE PERFORMANCE (SINCE JANUARY 2007)



Correlation	0.63	0.75	0.35
	ABCERI	S&P GSCI ER INDEX	BARCLAY BTOP50 CTA INDEX

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.

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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

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## SUMMARY

Source of data is Bloomberg unless otherwise indicated.

“Risk-on” sentiment dominated performance across many global assets in July with both equities and commodities rallying. For equities this was an extension of a strong H1 while for commodities it may be a more broad and renewed rally in an advance that started three years ago.

The long-only commodity benchmarks rallied with the energy heavy GSCI outperforming gaining 10.2% while the more diverse Bloomberg Commodity Index (BCOM) added 5.8%. While both remain off in 2023, GSCI approached neutral and BCOM remains off 4.9%.

Most global equity benchmarks gained with the tech heavy Nasdaq advancing 4.1% for a gain of over 37% year-to-date, adding to its outperformance. The S&P500 added 3.1%, similar to the global benchmark MSCI ACWI at 3.6%, while the TSX60 again lagged at 1.9% for a 5.8% gain on the year. Both The Chinese FTSE A50 and the Hang Seng rallied over 6% to finally swing positive.

Year-over-year US CPI inflation softened to 3.0% (from 4.0% in May) per Chart 2. However, central banks have continued to show concern (see Outlook) and we saw rate increases in Canada, US, and with the European Central Bank. Bonds fell during the month, rising rates within an inverted yield curve environment (higher short-term rates) indicating further concerns.

The US dollar lost 1.0% vis-à-vis global currencies with the Yen and Pound gaining 1% alongside gains of over 0.4% in the commodity tilted currencies of Canada and Australia.

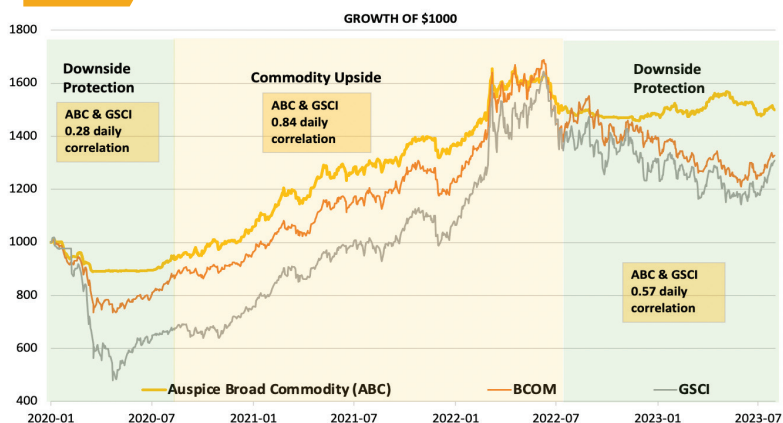
## RESULTS

Per Table 1, Auspice Broad Commodity gained 1.3%, while the long-only indices continued to make back some gains from the aggressive sell-off in H1. The result pulls the ABCERI back to a gain on the year of 1.2% and a greater than 6.0% spread to BCOM. Per Table 1, ABCERI has outperformed on most timeframes beyond the recent couple months, 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 downside weakness and trended higher while benchmarks continued to slide. In Q1 of 2023, the strategy outperformed by participating tactically in markets moving higher, exiting markets that have turned lower, and remaining on the sidelines in markets that are weakening. The recent rally in the long-only broad commodity indices has narrowed the outperformance spread but highlighted the volatility of the different approaches.

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, and adding over 2% of additional gains over the underlying ABCERI index.

CHART 1 COMMODITY & CRISIS ALPHA



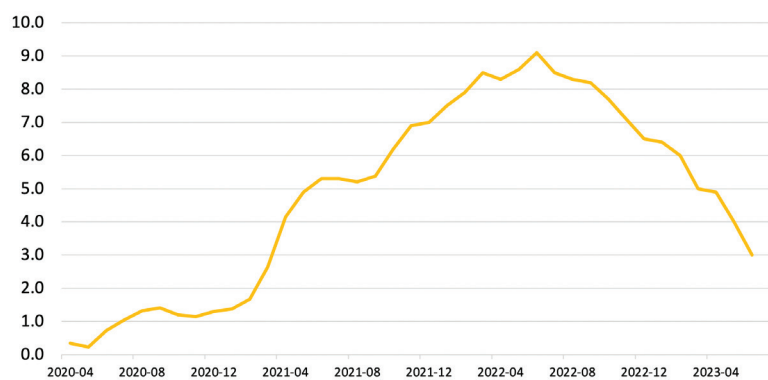
Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. You cannot invest directly in an index.

TABLE 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER INDEX	S&P GSCI ER INDEX	MSCI ACWI INDEX
1 Month	1.34%	5.78%	10.24%	3.66%
2023 YTD	1.17%	-4.85%	-0.56%	18.10%
1 yr (Aug 22)	0.49%	-11.89%	-9.10%	12.91%
3 yr (Aug 20)	61.64%	56.30%	98.60%	34.61%
5 yr (Aug 18)	41.01%	25.70%	20.83%	48.55%
10 yr (Aug 13)	11.30%	-14.92%	-33.83%	128.97%
15 yr (Aug 08)	42.45%	-47.67%	-65.66%	176.03%
Ann. Return (Jan 07)	4.53%	-2.61%	-3.71%	6.13%
Std Deviation	10.48%	16.69%	23.50%	16.58%
Sharpe Ratio	0.49	-0.07	-0.03	0.49
MAR Ratio	0.11	-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

As described ending June, many commodity markets had consolidated or declined in the last 12 months, notably energy and metals, bringing down the broad commodity benchmark indexes along with them. Increasingly we are now seeing signs of commodity strength. Agricultural markets, as represented by the DBIQ Diversified Agricultural Index, have continued to make new highs in July with advances in many grains and soft commodity markets (see this month's blog). Alongside, petroleum energies had their strongest month in over a year, with new uptrends in many markets led by Gasoline.

Some politicians and financial media have noted that falling year-over-year inflation stats (CPI) should provide relief for average citizens, yet in July central banks continued to raise rates despite reported falling inflation stats. Do prices feel cheaper to most people? Gas isn't any cheaper, food prices continue to rise, and mortgage costs have surged. The central banks actions illustrate the reality: they have little control over "cost-push" inflation driven by commodity prices, lack of supply, and increasing wage pressure.

The inflationary risk remains to the upside. We believe we may be entering the second inning of the commodity supercycle and that tactical commodity strategies can provide the best defense and opportunity.

## ATTRIBUTIONS AND TRADES

The Auspice Broad Commodity Index doubled its component exposure by net adding four markets in July – a notable shift: While Corn was exited, Soybeans, Wheat and Cotton were added alongside Heating Oil and Gasoline. The portfolio now holds exposures across all diverse sub-sectors, in Energies, Metals and Ags (including both Grains and Soft Commodities). Per Chart 4, the attribution was positive led by strength in Energy and Metals.

The strategy is now holding 8 of the 12 components or 66% of available components (see Chart 5) and remains able to add commodity markets broadly in all sub-sectors as individual market merit develops.

## SECTOR HIGHLIGHTS

### ENERGY

After consolidating for over a year, the petroleum energy markets are showing upside momentum led by Heating Oil and Gasoline. While we remain on the sidelines in WTI Crude Oil, these markets were added in July. Natural Gas continued to consolidate and the strategy remains without exposure. Gasoline was the top performing component in the portfolio.

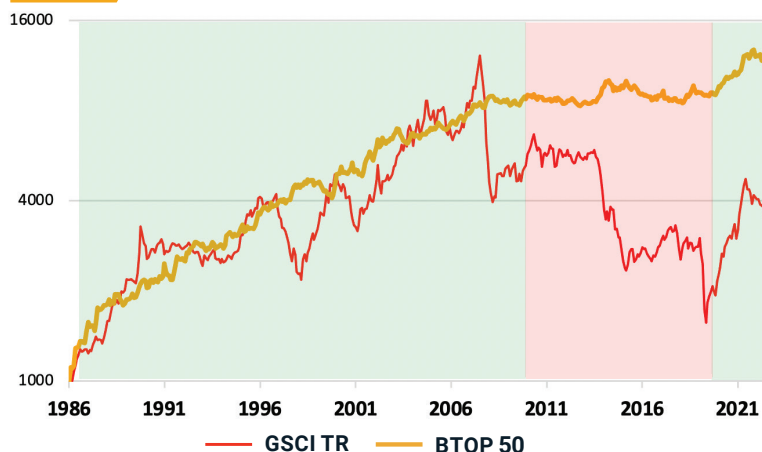
### METALS

While Copper rallied over 6% in July, current positions were held in Gold and Silver and the portfolio remains without a weighting in Copper. Silver rallied over 8%.

### AGRICULTURE

Ags have remained volatile. While Corn, added in June, was exited at the beginning of July, the strategy added both Soybeans and Wheat in replacement - a significant shift in exposure to Grains. Soft commodity exposure also increased as Cotton was added alongside the existing Sugar exposure to shift the diverse Ag market to mostly long.

CHART 3 GSCI COMMODITY & BTOP 50 CTA INDEXES



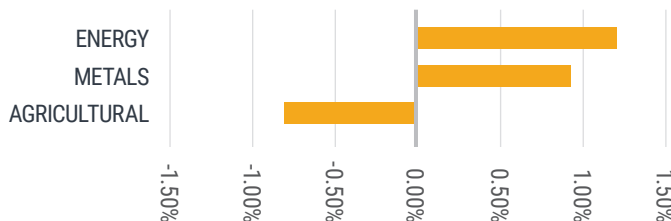
Source: Bloomberg and Auspice Investment Operations. You cannot invest directly in an index.

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	23.7
Ann. CTA Return	9.17%	0.78%	8.22%

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

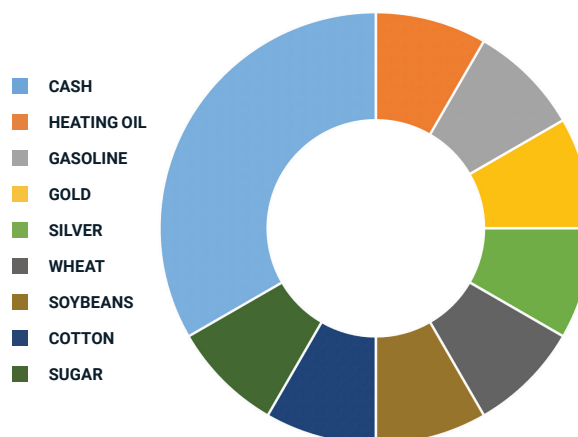
CHART 4 INDEX RETURN ATTRIBUTION



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.

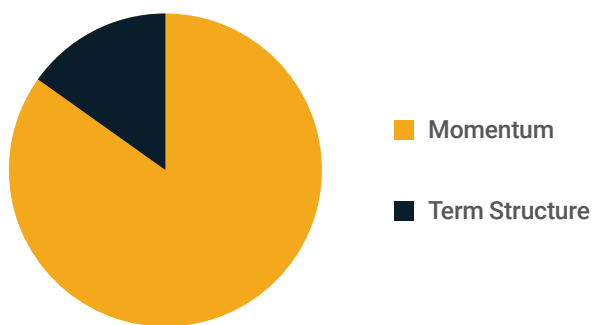
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

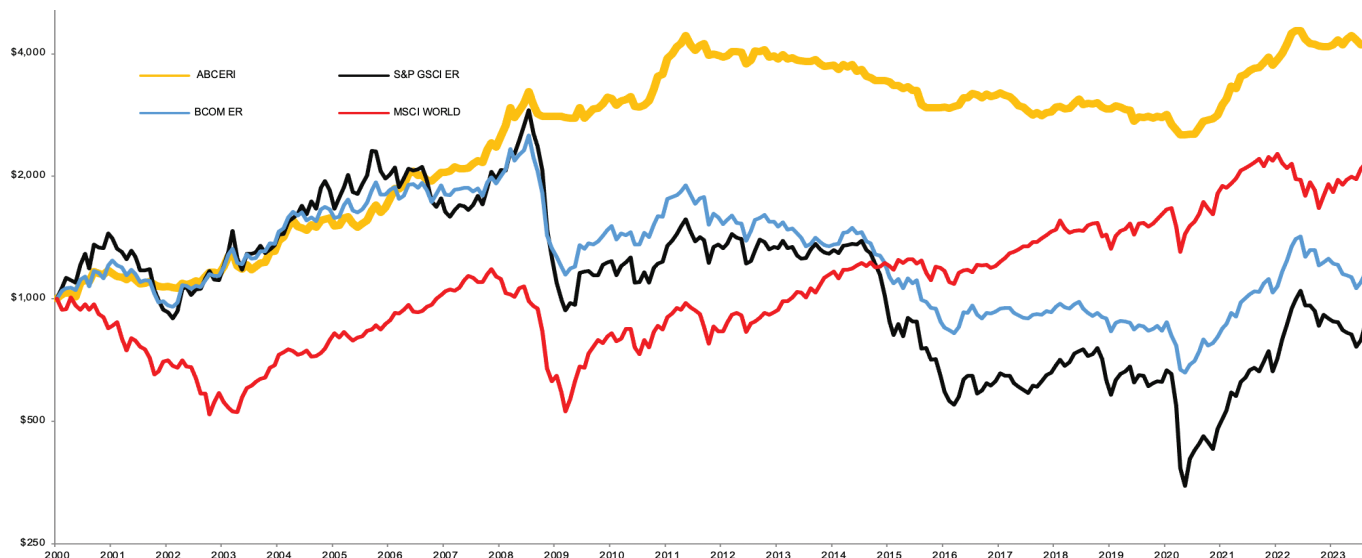
Bespoke product design

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%	1.34%						1.17%
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.

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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.

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.

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