



# BROAD COMMODITY INDEX

COMMENTARY  
+ PROFILE

SEPTEMBER 2024

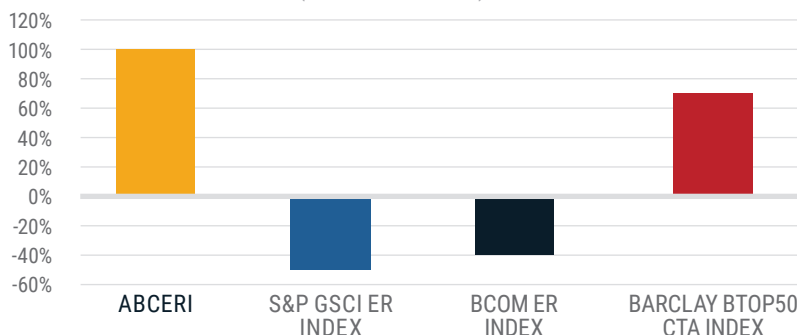
All performance data, portfolio information  
and pricing contained herein is as of  
September 30th, 2024.

**AUSPICE** Capital Advisors

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CALGARY, ALBERTA CANADA T2P 5L5



## CUMULATIVE PERFORMANCE (SINCE JANUARY 2007)



Correlation	0.63	0.75	0.35
Correlation	0.63	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.

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5 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 08/31/2024\*

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## SUMMARY

Source of data is Bloomberg unless otherwise indicated.

Commodities were generally stronger led by Metals and Ags. While petroleum Energies softened, both Soft Commodities and Grains gained notably with Sugar moving sharply higher. So-called “Agflation” does not appear to be going away.

The long-only commodity benchmarks were mixed with the more diverse Bloomberg Commodity Index (BCOM ER) up 4.4% while the energy tilted Goldman Sachs Commodity Index (GSCI ER) softened 0.5% for 1.7% and 1.1% for the year per Table 1.

After starting the month with another jump higher, the VIX moderated and markets rallied. The S&P500 and global benchmark MSCI ACWI gained 2.0% and 2.3% respectively while the Canadian TSX60 added 2.7%. Chinese markets led global equity performance following stimulus discussed below. The China A50 gained 19.2% while the Hang Seng added over 17.5%.

US year-over-year CPI fell from 2.9% to 2.5% (for the August reading see Chart 2). This is now under the long-term CPI average of 3% over the last 100 years since 1925. Surprisingly, the US Fed started their rate reduction efforts by cutting 50bps. They joined the European Central bank which cut for a second time in three months and Canada dropping for a third time. The other surprise came from China towards month end with the Peoples Bank of China initiating a significant stimulus package including cutting the one-year policy the most ever alongside cutting bank reserve requirements, mortgage rates, and downpayment requirements in an effort to stimulate the world’s second largest economy.

Rates continued to soften in September with the benchmark US 10-year Note moving from 3.9% to 3.8%. The US Dollar Index again softened 0.7% vis-à-vis global currencies with the Japanese Yen gaining 1.2% alongside the Aussie Dollar up 2.1%. The Canadian Dollar went the other way, softening 0.4%.

## RESULTS

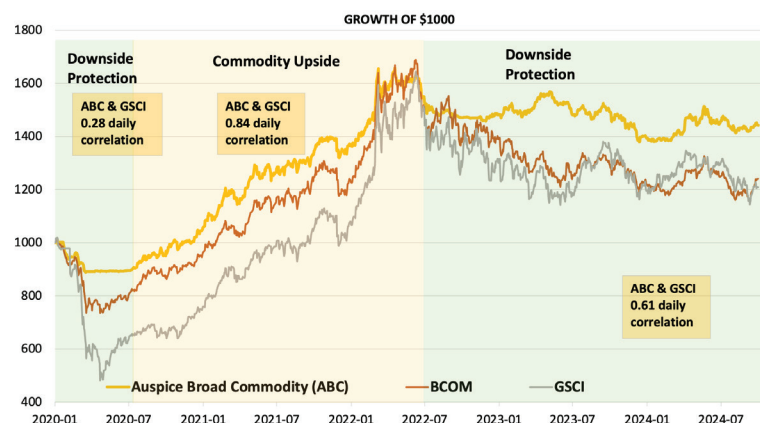
Per Table 1, Auspice Broad Commodity Excess Return Index (ABCERI) added 1.0% outperforming the GSCI while underperforming the BCOM. The ABCERI is outperforming both long-only commodity benchmarks, for the year up 3.5%

ETFs that track ABCERI (NYSE “COM” and TSX “CCOM”) have benefitted by earning a cash return on over 90% of the ETF AUM, a structural alpha and edge in managing this portfolio using futures contracts. Year-to-date this has added approximately 3.3% of additional gains over the underlying ABCERI index (which does not include collateral cash return). COM and CCOM added an average of 1.4% in September to be up 6.8% year-to-date.

Per Chart 1, while Commodities have broadly moderated since 2022, the benefits of the active and tactical trend-following strategy wrapped in risk management has produced a strong result since the onset of COVID in 2020 in comparison to the passive commodity benchmarks. Note the similar upside participation with far better downside protection and moderate volatility while able to earn a significant cash return.

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**CHART 1** COMMODITY & CRISIS ALPHA



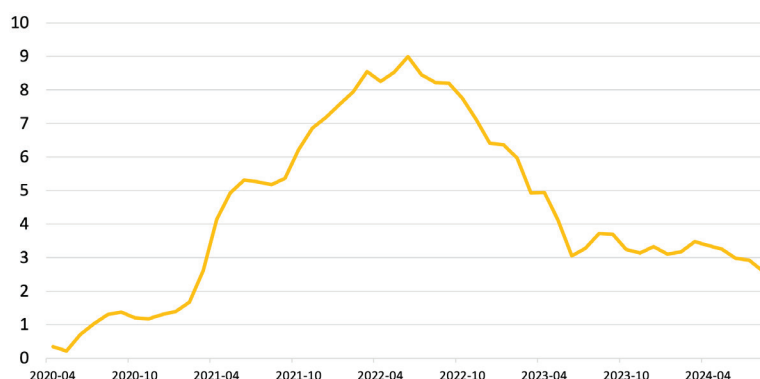
Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. You cannot invest directly in an index.

**TABLE 1** ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER INDEX	S&P GSCI ER INDEX	MSCI ACWI INDEX
1 Month	1.02%	4.43%	-0.50%	2.32%
2024 YTD	3.49%	1.72%	1.12%	18.66%
1 yr (Oct 23)	-3.37%	-4.29%	-10.94%	31.76%
3 yr (Oct 21)	7.70%	-0.41%	15.18%	26.28%
5 yr (Oct 19)	47.49%	29.01%	30.47%	77.73%
10 yr (Oct 14)	19.17%	-15.46%	-33.56%	145.26%
15 yr (Oct 09)	39.48%	-21.41%	-29.28%	296.27%
Ann. Return (Jan 07)	3.99%	-2.81%	-3.89%	6.94%
Std Deviation	10.24%	16.27%	22.87%	16.36%
Sharpe Ratio	0.45	-0.09	-0.05	0.54
Sortino Ratio	0.74	-0.11	-0.06	0.78
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.

## RESULTS (CONTINUED)

With a long-term volatility near 10% per Table 1, the outperformance is highlighted when adjusted for risk in terms of volatility and drawdown. This represents a more “bond-like” volatility, far less than the BCOM or global equities (MSCI) at over 16%, and GSCI over 22%. In addition to outperformance on a 5-year basis, when we look longer representing a full cycle exposure, on a 10- and 15-year basis, Auspice Broad Commodity provides a positive result to the negative benchmark results. Since 2007, the annualized gain is positive versus the benchmarks negative, with a significant annualized spread of 7-8%.

## OUTLOOK

A massive US port strike kicked off October that is estimated to jeopardize \$2.1bn in trade daily, and reduce GDP by as much as \$5bn a day<sup>1</sup>. The 36 affected ports have the capacity to handle as much as half of all US trade volumes, and the closures immediately halted container operations.

In November, the US goes to elections with former President Trump touting a broad range of tariffs while VP Kamala Harris promises parents and homebuyers access to new pots of public cash. Under both leaders US debt, already increasing back towards COVID extreme levels<sup>2</sup>, is expected to significantly increase further<sup>3</sup>.

Outside of the US one of the biggest global escalations of war and conflict in modern history is taking place in Europe and the Middle East alongside the mentioned economic “bazooka” stimulus in China<sup>4</sup>.

Recent events should be a stark warning sign for investors expecting a continued softening in inflation. Now may be an opportune time to add tactical Commodity or CTA exposure.

## ATTRIBUTIONS AND TRADES

The Auspice Broad Commodity Index portfolio had two changes in September, exiting WTI Crude Oil and adding Sugar. The portfolio holds exposures in two of the three sub-sectors: Ags and Metals with no current exposure in Energies. Per Chart 4, the attribution was concentrated in Metals and slightly positive in Ags given the recent addition of Sugar while Energy detracted on the exit of Crude oil.

The strategy continues to hold 3 of the 12 components or 25% of available components (see Chart 5) and remains able to add commodity markets broadly as individual market merit develops.

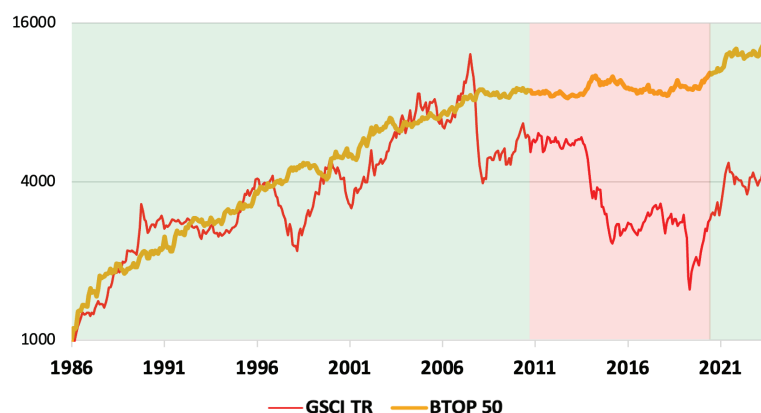
## SECTOR HIGHLIGHTS

**ENERGY** Petroleum markets again led the energy weakness in September with both Gasoline and Heating Oil down over 6%. WTI Crude Oil fell 6.4% and was exited joining Heating Oil and Gasoline on the sidelines. Natural Gas showed strength, rallied 22%, yet we are waiting for further confirmation of a persistent trend.

**METALS** Gold and Silver both continued to gain, adding 5.2% and 7.9% respectively and led the portfolio results. Copper, which had been weak since May, rallied 8.1% and will be one to watch for addition to the portfolio.

**AGRICULTURE** The diverse Ag sector was strong with both Grains and Soft commodity markets showing upside. Given Grains have trended lower for some time, we remain on the sidelines despite Soybeans, Corn and Wheat all adding over 5%. The strongest portfolio performer was Sugar, which was added to the portfolio, rallying 14% while Cotton added 5.2%. This will be a sector to watch closely.

**CHART 3** GSCI COMMODITY & BTOP 50 CTA INDEXES



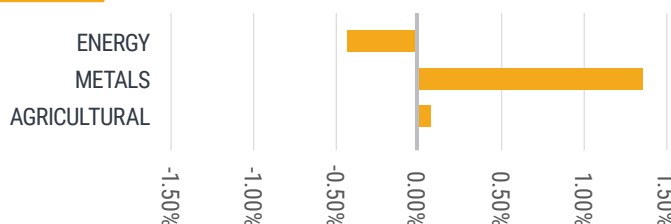
Source: Bloomberg and Auspice Investment Operations.  
You cannot invest directly in an index.

**TABLE 2** CTA REGIME ANALYSIS

	1987-2010	2011-2019	2020-2024
Average CPI	2.9	1.8	4.3
Average VIX <sup>1</sup>	20.4	16.2	21.6
Ann. CTA Return	9.2%	0.2%	6.7%

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

**CHART 4** INDEX RETURN ATTRIBUTION

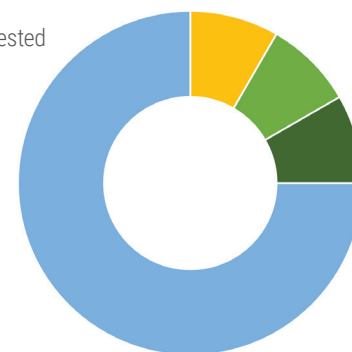


Source: Bloomberg and Auspice Investment Operations.

**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.

■ CASH ■ GOLD  
■ SILVER ■ SUGAR



Source: Auspice Investment Operations.

<sup>1</sup>. Reference Link

<sup>2</sup>. Reference Link

<sup>3</sup>. Reference Link

<sup>4</sup>. Reference Link

## 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.

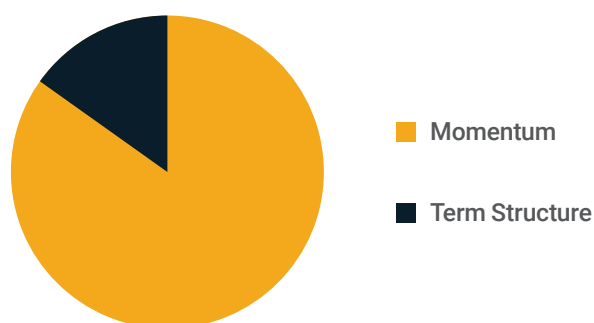
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

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

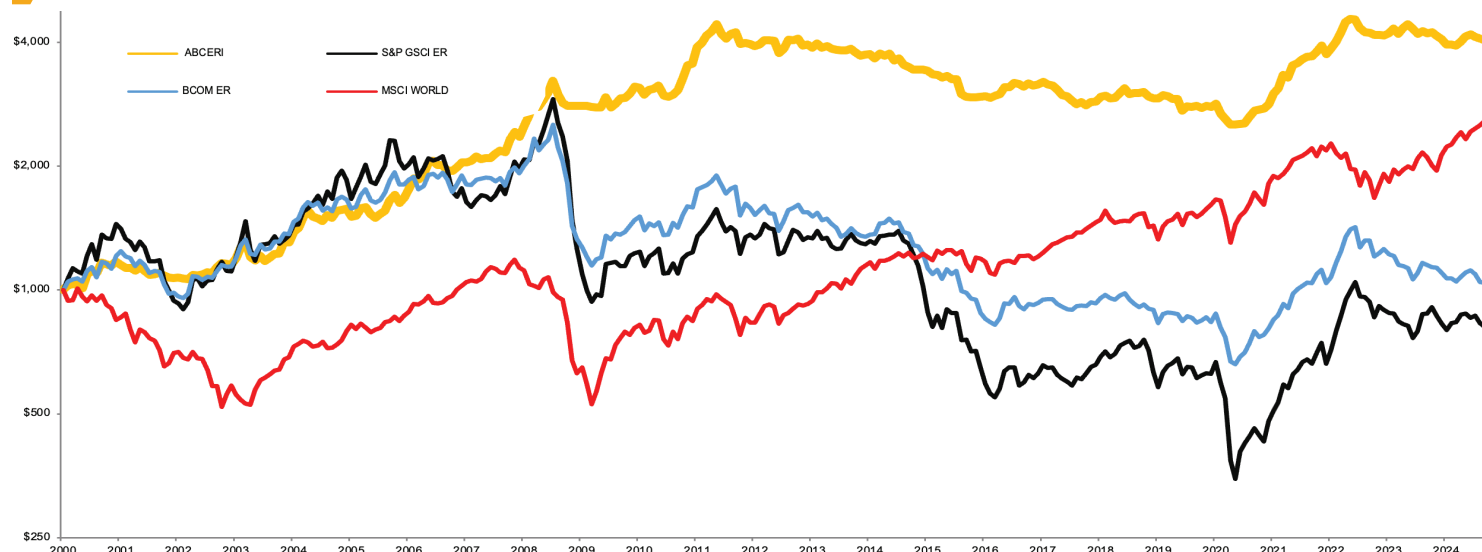
### OTHER DETAILS

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
2024	0.03%	-0.57%	2.14%	2.80%	1.22%	-1.46%	-0.78%	-0.88%	1.02%				3.49%
2023	2.78%	-2.85%	3.23%	2.07%	-2.31%	-2.87%	1.34%	-1.09%	0.61%	-2.04%	-1.85%	-2.89%	-6.00%
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.

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Some of the assumptions and opinions contained herein are the view or opinion of the firm and are based on management's analysis of the portfolio performance.

## 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.

## 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 (**BCOMER**), 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 equity 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 **FTSE China A50 Index** is a stock market index by the FTSE Group. The components were chosen from the Shanghai Stock Exchange and Shenzhen Stock Exchange, which issue A-shares. B-shares (shares for foreigners) are 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.

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