



# BROAD COMMODITY INDEX

COMMENTARY  
+ PROFILE

OCTOBER 2024

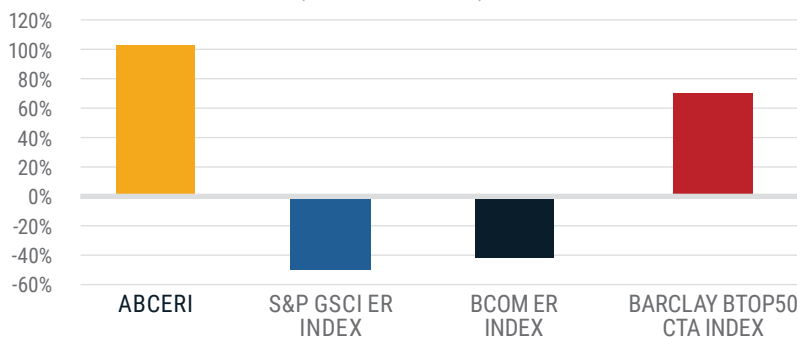
All performance data, portfolio information  
and pricing contained herein is as of  
October 31st, 2024.

**AUSPICE** Capital Advisors

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



## CUMULATIVE PERFORMANCE (SINCE JANUARY 2007)



Correlation	0.63	0.75	0.35
ABCERI	S&P GSCI ER INDEX	BCOM 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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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 09/30/2024\*

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## SUMMARY

Source of data is Bloomberg unless otherwise indicated.

Select commodities were stronger led by Metals.

The long-only commodity benchmarks were mixed with the more diverse Bloomberg Commodity Index (BCOM ER) down 2.2% while the energy tilted Goldman Sachs Commodity Index (GSCI ER) gained 0.1%. This brings benchmark results to -0.6% and 1.2% for the year per Table 1. A more tactical approach has proven valuable.

After starting October selling off, North American markets rallied but ended the month lower. The S&P500 and NASDAQ lost 1.0% and 0.5% respectively while the Canadian TSX60 bucked the trend adding 0.4%. The global benchmark MSCI ACWI reflected weakness in Asia and Europe, off 2.2%, while last month's Chinese market rally stalled with the China A50 off 5.7% and the Hang Seng down 3.9%.

While the US year-over-year CPI fell from 2.5% to 2.4% (for the September reading see Chart 2), US "Core" inflation climbed more than expected, by 0.3%, for a second month with food and housing prices rising<sup>1</sup>. This has led many to question if the US Fed will join Canada and cut another 50 bps in November, by less, or if at all. The bond market is telling a different story, one of concern that inflation is not going away.

The yield curve is now "un-inverting" and rates in the back end rose steadily ending September and throughout October. The benchmark US 10-year Note moved from 3.8% to 4.3%. For many this is a concerning sign regarding a recession and potential stock market correction<sup>2</sup>. The US Dollar Index rallied sharply, adding 3.3% vis-à-vis global currencies with the Japanese Yen dropping 6.0% alongside the Aussie Dollar down 5.0%. The Canadian Dollar continues to fall, off 2.8%.

## RESULTS

Per Table 1, Auspice Broad Commodity Excess Return Index (ABCERI) added 0.9% outperforming both the long-only benchmark commodity indices. The ABCERI is ahead of both long-only commodity benchmarks for the year, up 4.4%.

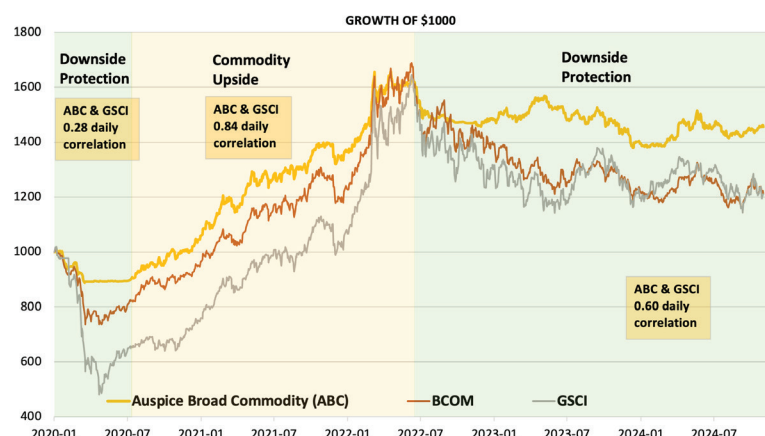
ETFs that track ABCERI (NYSE "COM" and TSX "CCOM") are also outperforming where they have the benefit of earning a cash return on over 90% of the ETF AUM, a structural alpha and edge in managing this portfolio using futures contracts. Year-to-date this has added approximately 3.7% of additional gains over the underlying ABCERI index (which does not include collateral cash return). COM and CCOM added an average of 1.3% in October to be up 8.1% year-to-date.

Per Chart 1, while commodities have broadly moderated since 2022, note that the Auspice strategy has similar upside participation with far better downside protection and moderate volatility while able to earn a significant cash return.

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%.

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CHART 1 COMMODITY & CRISIS ALPHA



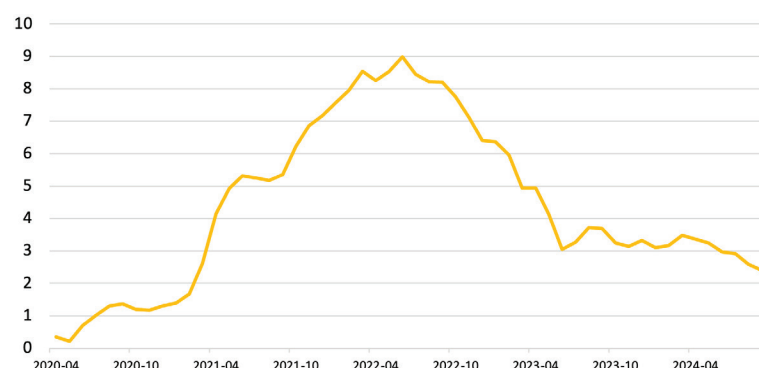
Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. You cannot invest directly in an index.

TABLE 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER INDEX	S&P GSCI ER INDEX	MSCI ACWI INDEX
1 Month	0.86%	-2.24%	0.06%	-2.24%
2024 YTD	4.38%	-0.56%	1.18%	16.00%
1 yr (Nov 23)	-0.51%	-6.23%	-6.55%	32.79%
3 yr (Nov 21)	5.04%	-5.09%	8.94%	17.45%
5 yr (Nov 19)	47.03%	23.80%	29.14%	69.12%
10 yr (Nov 14)	20.19%	-16.68%	-29.29%	138.08%
15 yr (Nov 09)	37.21%	-25.61%	-33.15%	293.47%
Ann. Return (Jan 07)	4.02%	-2.92%	-3.87%	6.77%
Std Deviation	10.22%	16.24%	22.81%	16.34%
Sharpe Ratio	0.46	-0.09	-0.05	0.53
Sortino Ratio	0.75	-0.12	-0.06	0.76
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.

<sup>1</sup> Reference Link

<sup>2</sup> Reference Link

## RESULTS (CONTINUED)

This has led to recent and long-term outperformance where 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 to 8%.

## OUTLOOK

As we write, we are but days away from the US election. As a prelude, futures margin requirements have been expanded as volatility is expected to expand. This comes at a time when central banks have started to cut rates in the face of inflation that is not disappearing from everyday life - we all feel it. While commodities have broadly moderated (price and volatility) the last couple years, the most diverse asset class continuously sends us shocks, spikes and surprises (Cocoa, Sugar, Palm Oil, Uranium). It is now mainstream to consider the tech driven needs for infrastructure and specific commodities like power and metals. We have seen a renewed interest, similar to 2017/2018 out of institutional investors, looking to take advantage of this potential demand but wrapped within an ESG and RI (Responsible Investing) framework, something we believe we can accomplish with both portfolio design and instrument selection (ie futures). Moreover, investors increasingly recognize that bonds do a poor job of hedging equities in periods of normal inflation. Groups like Ontario Teachers have recently increased already significant exposure, now up to 11% of portfolio, on top of 8% in Absolute Return Hedge Funds including CTAs.

No one can predict the future, we only can manage risk. We can add diversification — real diversifiers that make money consistently at critical times — that does not have the same economic growth drivers of public or private equity. Per institutional use, commodities wrapped in trend following and agnostic to market or direction is an accepted way to do this. We don't know what happens next, but we know the strategies that have historically done well, and the reality is many of them are "on sale" as equity has provided upside the last couple years. See the Auspice Blog for more.

## ATTRIBUTIONS AND TRADES

The Auspice Broad Commodity Index portfolio had no changes in October. 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 with a neutral result from Sugar.

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.

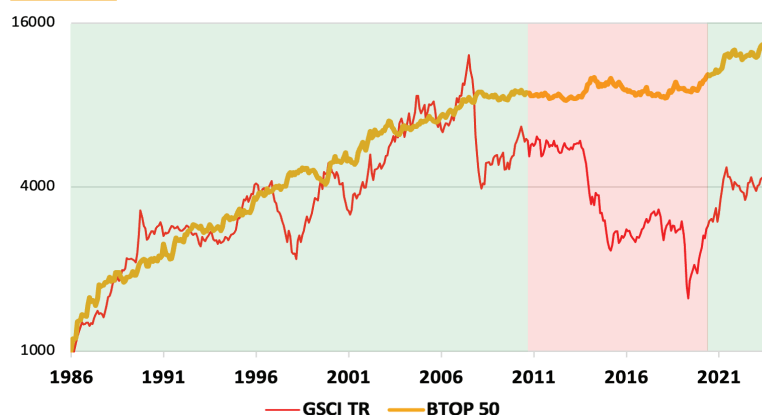
## SECTOR HIGHLIGHTS

**ENERGY** Petroleum markets found support after softening much of the year with both Gasoline and Heating Oil up over 3%. WTI Crude Oil added 2.7%. After Natural Gas rallied over 20% last month, it fell the same in October. We remain on the sidelines in all markets at this time.

**METALS** Gold and Silver both continued to gain, adding 3.4% and 4.3% respectively, leading the ABCERI portfolio results. Copper corrected 4.7%, after a show of strength in September and continues to be one to watch for addition to the portfolio.

**AGRICULTURE** The diverse Ag sector was weak overall with many Grains and Soft commodity markets showing downside. Grains continue to struggle and we remain without an exposure in Soybeans, Corn, and Wheat, all off over 2%. In Softs we hold Sugar which was sideways in October while Cotton corrected over 5%. This most diverse of commodity sub-sectors will be one to watch closely.

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



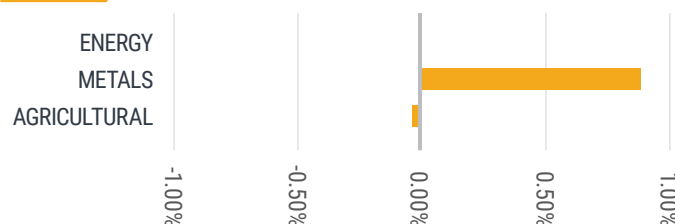
Source: Bloomberg and Auspice Investment Operations.  
You cannot invest directly in an index.

**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%

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

**CHART 4** INDEX RETURN ATTRIBUTION

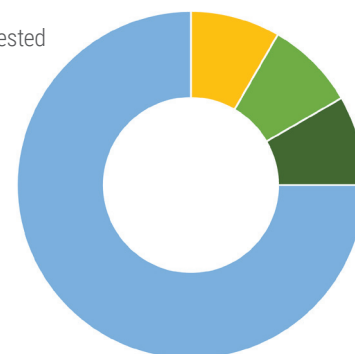


Source: Bloomberg and Auspice Investment Operations.

**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.

## 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.

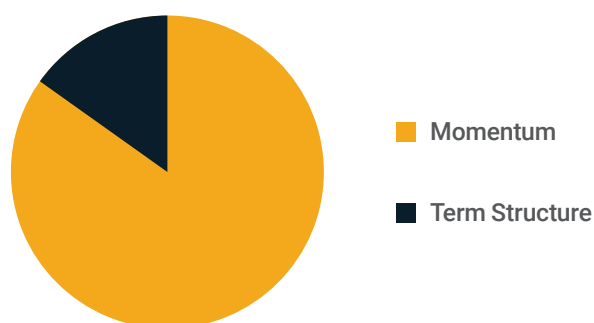
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

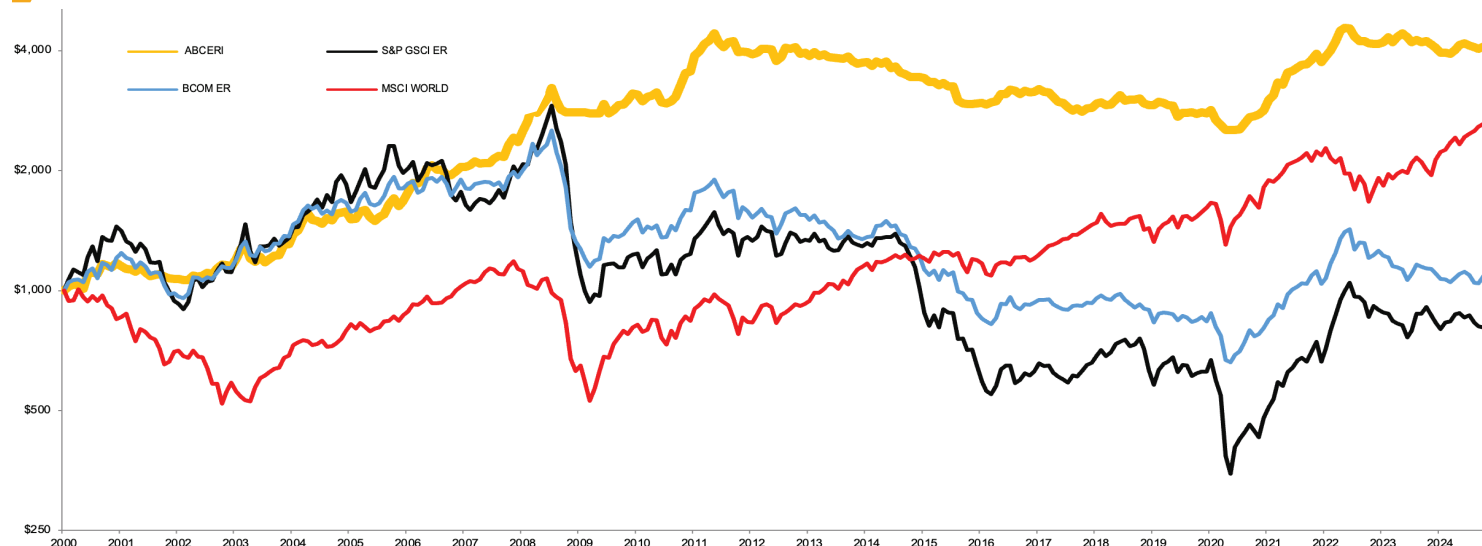
### OTHER DETAILS

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%	0.86%			4.38%
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.

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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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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