



# BROAD COMMODITY INDEX

COMMENTARY +  
STRATEGY FACTS

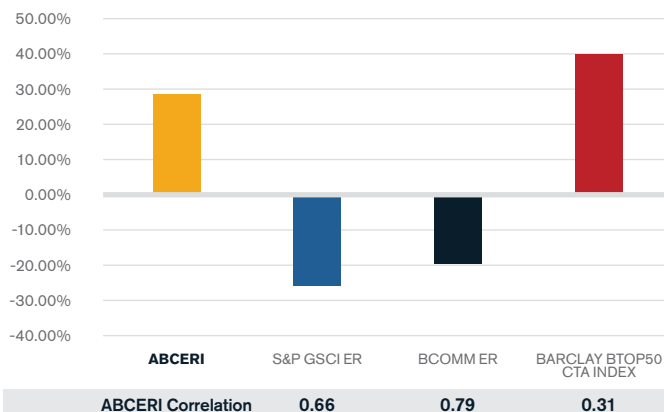
DECEMBER 2022

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## CUMULATIVE PERFORMANCE ( SINCE OCTOBER 2010 )



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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 12/31/2022¹

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## SUMMARY

The commodity market ended the year in classic fashion with both sub-sectors and their components volatile in different directions. Depending on the strategy, long-only passive or active trend following, this created a similar disparity in investment results linked to these indices. Generally, Metals were stronger while Natural Gas pulled down the energy sector despite neutral petroleum markets. Ag markets moved up overall. The year ended with various groups including Goldman Sachs highlighting commodities as the anticipated "best-performing asset class for 2023". The Auspice blog and Outlook highlights our view.

The long-only benchmarks corrected during the final month of the year, with the energy heavy GSCI falling 1.73% while the more diverse Bloomberg Commodity Index (BCOM) fell further, off 2.80%. Despite this, commodities were the strongest asset class in 2022 with those indices gaining 13.75% and 23.44% respectively.

Global equity markets ended the year as they trended for much of it, sharply lower. The NASDAQ and S&P500 lost 8.7% and 5.9% for -33.1% and -19.4% while the global benchmark MSCI ACWI was off 3.9% ending down 18.4%. Canada's S&P/TSX60 remained the best of the worst softening 5.7% for -9.2% in 2022.

US CPI inflation again softened to 7.1% (from 7.7% in October) per Chart 2, but central banks continued to hike rates. The US, Canada and UK all raised 0.50% during the month. Bond yields rose with the benchmark US 10-year note rate closing at 3.88% from 3.65% ending November. The US Dollar fell over 2% as many global currencies rallied including the Yen by almost 5% and the Euro by 2.5%.

Chart 1 COMMODITY UPSIDE VS DOWNSIDE

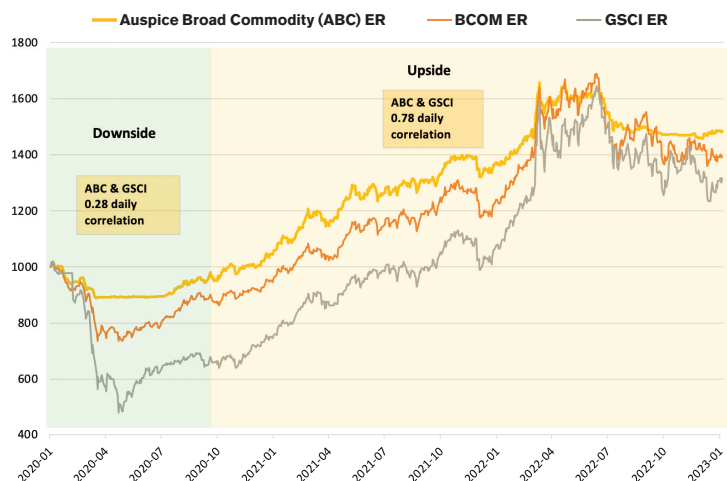


Table 1 CUMULATIVE PERFORMANCE

	COM	ABCER	BCOM ER	S&P GSCI ER	MSCI ACWI
December	1.15%	1.16%	-2.80%	-1.73%	-3.94%
2022 YTD	9.17%	8.68%	13.75%	23.44%	-18.36%
1 yr (Jan 22)	9.17%	8.68%	13.75%	23.44%	-18.36%
3 yr (Jan 20)	49.00%	48.33%	39.46%	31.58%	12.50%
5 yr (Jan 18)	48.69%	42.37%	27.94%	28.03%	29.01%
10 yr (Jan 13)	-	8.45%	-18.89%	-33.99%	115.45%
Since Public (Oct 10)	-	28.33%	-19.59%	-26.10%	152.04%
Annualized Return	-	2.06%	-1.76%	-2.44%	7.84%
Std Deviation	-	9.54%	14.89%	21.69%	14.57%
Sharpe Ratio	-	0.28	-0.05	0.00	0.60
Worst Drawdown	-	-42.90%	-65.28%	-77.91%	-25.62%

Table 2 PERFORMANCE

COM									
Monthly	1M%	3M%	YTD%	1Y%	3Y%	5Y%	Since Inception	Inception Date	Expense Ratio (Gross/Net%)
NAV	1.44	1.48	9.44	9.44	14.21	8.24	6.81		
Market Close	1.14	1.58	9.18	9.18	14.18	8.24	6.79	03/30/17	0.72 / 0.72*

As of December 31, 2022

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For the most recent month-end performance go to Direxion.com

\* The Net Expense Ratio includes management fees, other operating expenses and Acquired Fund Fees and Expenses. If Acquired Fund Fees and Expenses were excluded, the Net Expense Ratio would be 0.70%. The Fund's adviser, Rafferty Asset Management, LLC ("Rafferty") has entered into an Operating Services Agreement with the Fund. Under this Operating Services Agreement, Rafferty has contractually agreed to pay all expenses of the Fund as long as it is the advisor of the Fund other than the following: management fees, Rule 12b-1 distribution and/or service fees, taxes, swap financing and related costs, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization, acquired fund fees and expenses, and extraordinary expenses. If these expenses were included, the expense ratio would be higher.

Standard Deviation: A measure of the dispersion of a set of data from its mean (average) and is often used as a measure of relative risk of an asset.

Worst Drawdown: A measure of an asset's largest price drop from a peak to a trough.

Sharpe Ratio: A measure of risk adjusted return.

Past performance is not indicative of future results. You cannot invest directly in an index.

<sup>1</sup> <https://www.bnnbloomberg.ca/goldman-says-commodities-will-gain-43-in-2023-as-supply-shortages-bite-1.1859696>



## RESULTS

After ending October with a neutral stance (no exposures) preserving the gains and earning a cash return on related products, the Auspice Broad Commodity Index began re-positioning in November, adding exposures, which continued in December. The positive result to end the year while the long-only benchmarks fell, highlights the risk-management oriented trend-following edge of being long the markets rising while being comfortable on the sidelines in other markets. Per Table 1, Auspice Broad Commodity gained 1.16%, a healthy spread of 3 to 4% to both the BCOM and GSCI. While the result didn't keep up with the absolute return from the benchmarks for the year, it should be noted that the strategy operates at a fraction of the risk in terms of volatility and drawdown. On a 3-year basis, the ABCERI gain is over 14% annualized versus 11.7% and 9.6% for the comparables at a far lower volatility and drawdown. ABCERI is 11.2% and 8.8% while BCOM is 18.7% and 18.6%. GSCI is even more volatile at 30.2% with a 41.7% drawdown with the worst annualized result. Anything beyond the last year shows the Auspice strategy outperforming on an absolute and risk-adjusted basis.

Chart 1 shows the visual story relayed above. It is clear to see the strategy making gains after being in cash in 2020 and in the fall of 2022 while the comparables remain volatile and have pulled back. The Auspice index shows better upside capture alongside the long-only benchmarks but with a fraction of the volatility and much smaller pullbacks. For portfolio managers and asset allocators, the Auspice strategy not only has better absolute and risk-adjusted results, but results in a more accretive addition and experience for client portfolios.

## OUTLOOK

2022 marked a reversal of the four-decade period of declining interest rates and inflation. The new regime of greater macro and market volatility appears to be playing out.

Barclays Capital says 2023 will go down as one of the worst for the world economy in four decades<sup>2</sup>. Their call is not an outlier, more than two-thirds of economists at 23 major financial institutions expect the U.S. to have a downturn this year<sup>3</sup>.

While the outlook for traditional stocks and bonds may be poor, the team at Auspice has never been so optimistic about the commodity opportunity. 2022 capped a 3-year return to strong CTA performance, and we think we are early in this opportunity. In December both the Auspice Broad Commodity Index and flagship Auspice Diversified added long exposure. Importantly, as long price trends re-emerge, the fundamental drivers of a potential super-cycle continue to expand. One that may prove to be the biggest driver, the growing middle class of India, has largely been missed in mainstream analysis. See this month's blog for more.

Chart 2 CONSUMER PRICE INDEX (CPI) YOY % CHANGE

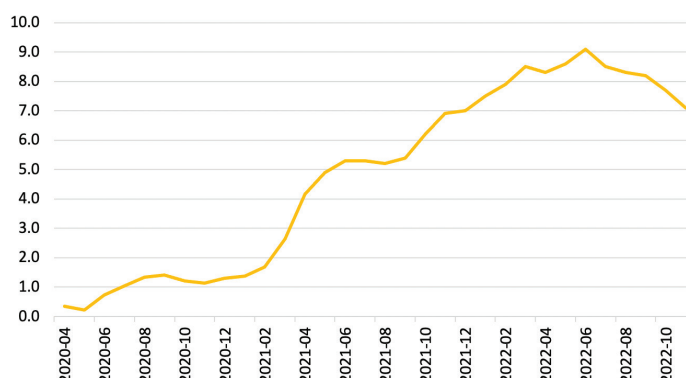


Chart 3 GSCI COMMODITY & BTOP 50 CTA INDEXES

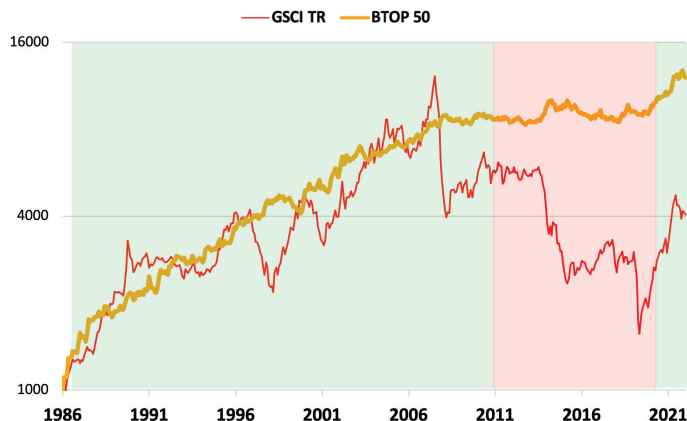


Table 3 CTA REGIME ANALYSIS

	1987-2010	2011-2019	2020-2022
Average CPI	2.9	1.8	4.6
Average VIX <sup>1</sup>	20.4	16.2	24.9
Ann. CTA Return	9.17%	0.78%	9.39%

1 – VIX Data commences in 1990.

<sup>2</sup> <https://www.bloomberg.com/news/newsletters/2023-01-03/what-s-happening-in-the-world-economy-the-most-anticipated-recession-ever>

<sup>3</sup> <https://www.wsj.com/articles/big-banks-predict-recession-fed-pivot-in-2023-11672618563>



## ATTRIBUTIONS AND TRADES

The portfolio continued to add components. This started with adding Gold for a full Metals sector allocation alongside Soybeans to step back into Grains. The strategy remains without Energy exposure.

Per Chart 4, the attribution was positive led by Metals and Ags. The strongest gain came from Silver.

The strategy is now holding 5 of the 12 components or 42% of available components (see Chart 5).

## SECTOR HIGHLIGHTS

### ENERGY

Natural Gas fell over 30% in December while the petroleum markets were neutral overall with some markets making gains. Gasoline gained over 3%, Crude softened less than 1%, and Heating oil was unchanged as weather moderated. The strategy remains without an exposure in the sector.

### METALS

Metals were again the strongest sector and gains came from both precious and base (industrial) exposures. Alongside Silver and Copper, Gold was added and made up the bulk of the strategy gains for the month. Silver led gains on a rally of over 10%.

### AGRICULTURE

Grains helped the Ag sector and Soybeans were added during the month. Soft commodities had a small gain on the back of Sugar which rallied over 2%. The weakest in the sector, Wheat and Cotton, both softened and remain on the sidelines along with Corn.

Chart 4 INDEX RETURN ATTRIBUTION

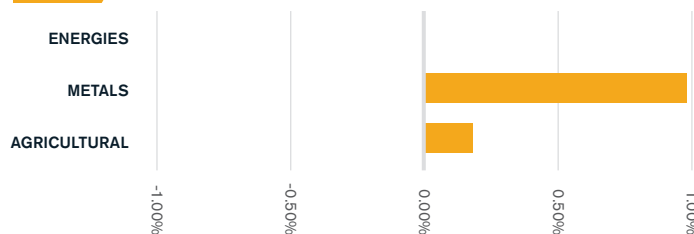
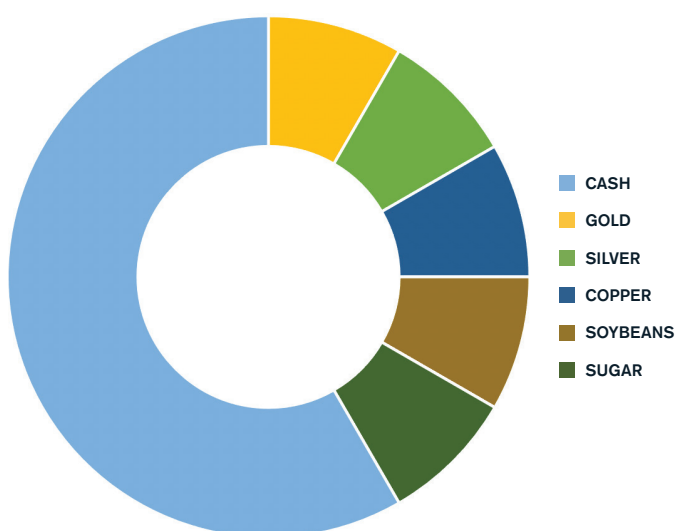


Chart 5 COMPONENT EXPOSURE: LONG / CASH





### 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.

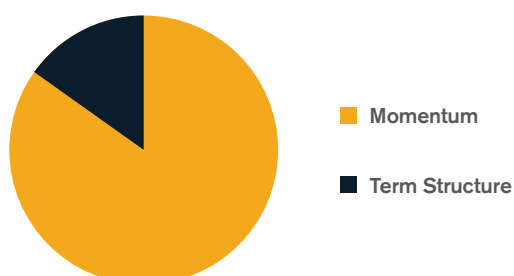
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods.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

### RETURN DRIVERS



### AUSPICE BROAD COMMODITY INDEX

Long / flat approach that positions components long in uptrends and in cash in downtrends

Positions can be changed on an intra-month bases

Accounts for Short-term Price Trends

Practices a smart roll process that selects futures contracts with most beneficial roll yield

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

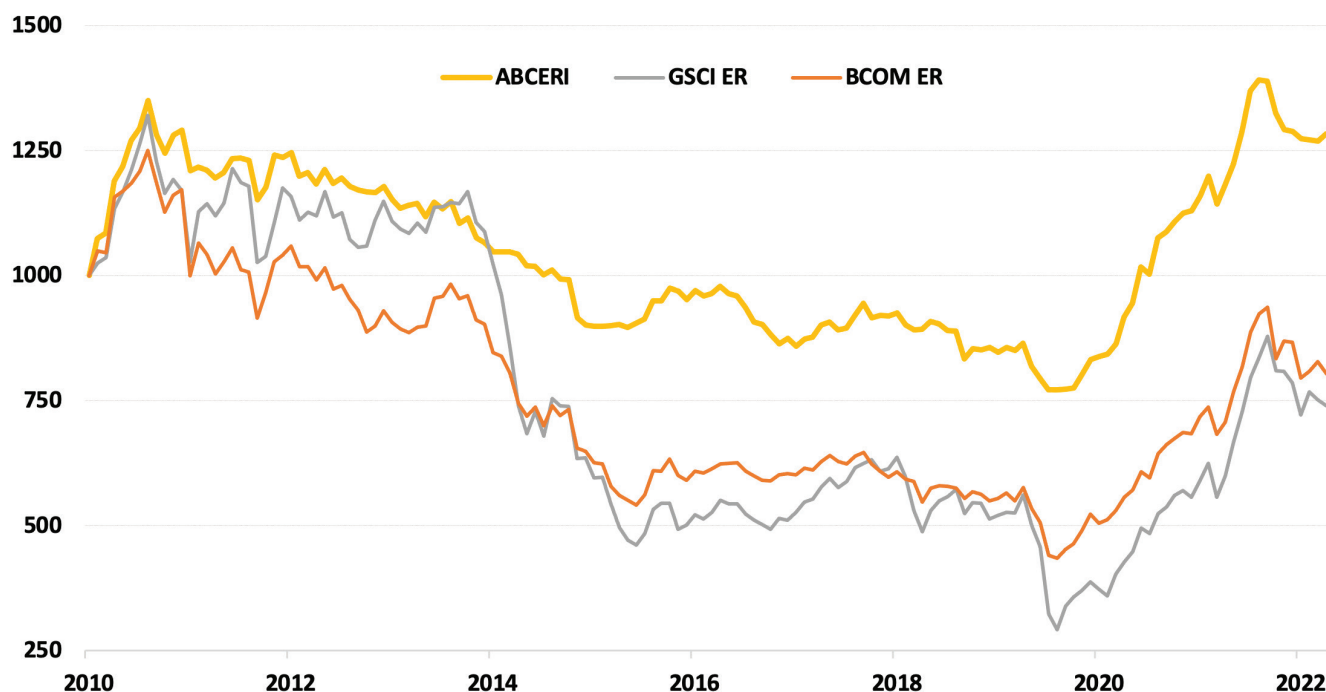
Calculated and published by NYSE since 2010.  
Tickers: Bloomberg ABCERI, Reuters ABCERI

### 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 BENCHMARK PERFORMANCE



## MONTHLY PERFORMANCE TABLE\*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
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										7.35%	1.02%	9.66%	18.92%

Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

The Direxion Auspice Broad Commodity Strategy ETF seeks investment results, before fees and expenses, that track the Auspice Broad Commodity Index. The fund's most recent month-end performance can be obtained by going to [direxion.com](http://direxion.com). There is no guarantee the fund will meet its stated investment objectives.



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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 **S&P GSCI TR Index** in USD is widely recognized as the leading measure of general commodity price movements and inflation in the world economy and includes collateral return.

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 **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 **Nikkei 225**, or the Nikkei Stock Average, more commonly called the Nikkei or the Nikkei index, is a stock market index for the Tokyo Stock Exchange.

The FTSE **China 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 **Nasdaq** Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

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.



## 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.

An investment in the Fund involves risk, including the possible loss of principal. The Fund is non-diversified and includes risks associated with concentration that results from the Fund's investments in a particular industry, sector, or geographic region which can result in increased volatility. The Fund's use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of the Fund include risks related to investments in commodity-linked derivatives and commodities, Futures Strategy Risk, Index Correlation Risk, Index Strategy Risk, Leverage Risk, Market Risk, Counterparty Risk, Cash Transaction Risk, Subsidiary Investment Risk, Interest Rate Risk, and Tax Risk. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

Exchange-traded commodity futures contracts generally are volatile and are not suitable for all investors. The value of a commodity-linked derivative investment typically is based upon the price movements of a physical commodity and may be affected by changes in overall market movements, volatility of the index, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the value of debt securities. The Fund's investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in securities or other investments.

Risks associated with the use of futures contracts are (a) the imperfect correlation between the change in market value of the instruments held by the Fund and the price of the futures contract; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Index's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; (e) the possibility that the counterparty will default in the performance of its obligations; and (f) if the Fund has insufficient cash, it may have to sell securities or financial instruments from its portfolio to meet daily variation margin requirements, which may lead to the Fund selling securities or financial instruments at a time when it may be disadvantageous to do so.

Auspice Capital Advisors Ltd. is a registered Portfolio Manager/Investment Fund Manager in Canada and a registered Commodity Trading Advisor (CTA/CPO) and National Futures Association (NFA) member in the US.

**Distributor for Direxion:** Foreside Fund Services, LLC

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## Direxion Auspice Broad Commodity Strategy ETF

*An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund's prospectus and summary prospectus call 866-476-7523 or visit our website at [direxion.com](http://direxion.com). A Fund's prospectus and summary prospectus should be read carefully before investing.*

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