How COM Navigated Commodity Volatility in Q2

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The second quarter presented both challenges and emerging opportunities for the broader commodity markets. All the major broad commodity indices declined with the Direxion Auspice Broad Commodity Strategy ETF (COM) finishing Q2 down 4.86%, leaving the ETF down only -0.68% year-to-date. The Auspice Broad Commodity Index (ABCERI)*, which COM seeks to track, ended the quarter with long positions in seven of twelve possible commodities, primarily in the Energy and Metals sectors. As of June 30, 2025, COM held long positions in Gold, Copper, Silver, Crude Oil, Heating Oil, and Gasoline.

To view the Fund's full standardized performance, click here.

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. Returns for performance under one year are cumulative, not annualized. For the most recent month-end performance please visit the funds website at www.direxion.com.

Throughout the quarter geopolitical risks, including U.S. tariff threats and Middle East tensions, dominated headlines and drove commodity market volatility*.

The significant price swings in several commodities, most notably within the Energy complex, prompted multiple position changes. COM's rules-based trend-following strategy, which determines exposure based on sustained price trends, was challenged by a lack of sustained momentum—particularly in Energy.

Metals

The Metals complex provided a key bright spot in Q2. Gold rallied further by ongoing tariff concerns and a weaker U.S. Dollar. Silver also rallied for the quarter, though the quarter was marked by volatility: a sell-off in April on tariff-driven uncertainty was later offset by renewed optimism, allowing Silver to finish positively. Copper began the quarter under pressure amid uncertain trade negotiations—especially with China—but rebounded as the quarter progressed. News of a potential trade framework restored prices to roughly their starting levels.

Heading into Q3, COM is now long all three metals—Gold, Silver, and Copper—with Copper being the most recent addition, driven by record highs on renewed tariff-related positivity.

Energy

The Energy complex experienced whipsaw price action. COM began Q2 long three of four Energy positions (all except Gasoline). However, April's price weakness—triggered by OPEC+ production increases, trade policy headwinds, a mild spring, and global growth concerns—led the ETF to exit all Energy positions in May.

By the end of the quarter, a shift in dynamics occurred: positive developments in trade negotiations, renewed Middle East tensions, and threats to the Strait of Hormuz triggered a rebound in Energy prices. With the onset of summer travel demand, the ETF re-entered three Energy positions—Heating Oil, Crude Oil, and Gasoline.

Agriculture & Softs

Grain and Soft commodity prices remained static both quarter-on-quarter and YTD. Due to a lack of price trends, COM held a single long position in Corn, which it liquidated in June. Favorable weather and crop conditions risked excess supply, particularly if demand failed to keep pace.

At the start of Q3, the ETF holds no Agriculture/Soft commodities positions.

To view the Fund's full positioning, please click here.

Q3 Outlook & Market Themes

Entering the second half of 2025, uncertainty remains pronounced—yet volatility often creates opportunity for nimble, trend-following strategies like COM.

- Inflation* and tariffs continue to pose upside pressure on prices and supply chains. The Federal Reserve has held off on rate cuts while remaining on alert to inflation.
- The U.S. Dollar logged its worst first-half performance since 1973, which could act as a tailwind for commodity prices.
- Historically, inflationary regimes coincide with strong commodity returns.
- With geopolitical tensions rising and inflation persisting, conditions appear favorable for a renewed upside in commodities during H2 2025.

If individual commodity price trends emerge, COM's rules-based models are designed to capture them tactically. For those without clear momentum, the ETF will hold Cash, potentially earning return on more than 90% of its capital.

Portfolio Diversification

With U.S. equities near record highs, staying nimble across asset classes is more important than ever. Commodities—especially via a disciplined, trend-following ETF—can play a crucial role in hedging inflation, navigating volatility, and enhancing portfolio diversification.

*Definitions and Index Descriptions

*The Auspice Broad Commodity Index (ABCERI) is a rules-based long/flat broad commodity index that seeks to capture the majority of the commodity upside returns, while seeking to mitigate downside risk. The Index is made up of a diversified portfolio of 12 commodities futures contracts (Silver, Gold, Copper, Heating Oil, Natural Gas, Gasoline, Crude Oil, Wheat, Soybeans, Corn, Cotton, and Sugar) that based on price trends can individually be Long or Flat (in Cash). One cannot directly invest in an index.

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