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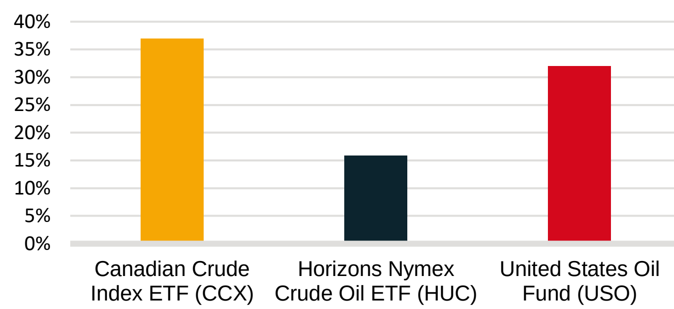
CCX

THE ONLY PURE PLAY IN CANADIAN CRUDE

OUTPERFORMANCE

(December 31, 2017 - June 30, 2018)



*Returns expressed in Canadian dollars

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At Auspice, we believe that if you have a view on oil, the best way to express that view is directly in oil.

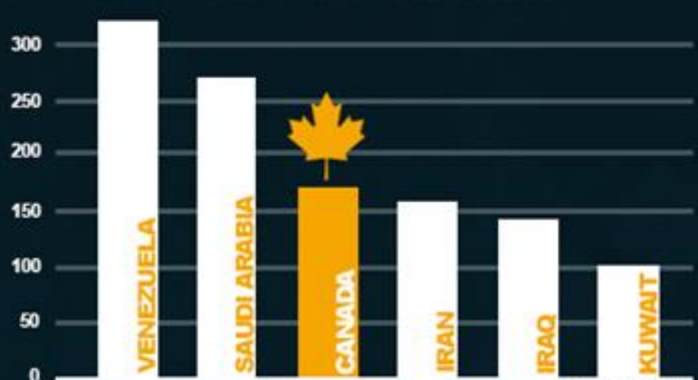
THE IMPORTANCE OF CANADIAN CRUDE

Despite many believing that the majority of US oil imports come from the Middle East, Canada is actually the largest exporter of crude to the US.

CANADA **OPEC** **SAUDI ARABIA**

In 2016, 41% of all US oil imports were of Canadian origin.

CHART 1 - TOP OIL RESERVES

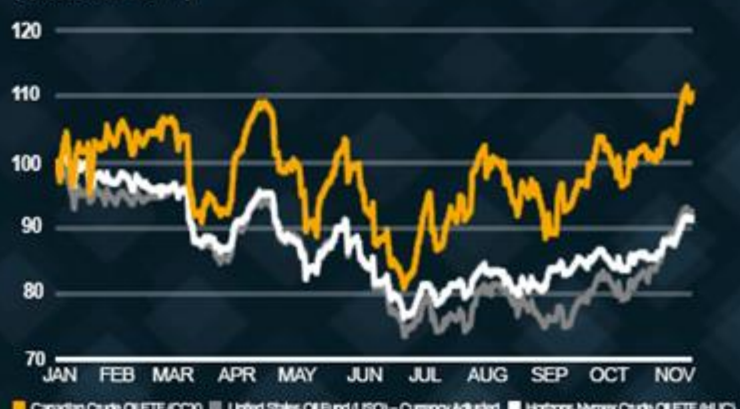


(Source: EIA, 2017)

Canada ranks as the most socially progressive of the top global oil-producing nations and has the 3rd largest oil reserves in the world.

CHART 2 - NORMALIZED RETURNS ON COMPETING ETFS

(Since Jan 2017)



Source: Bloomberg

ADVANTAGES

Canadian Crude is vital in meeting US demand and its discounted price creates an opportunity.

LEVERAGE

Canadian Crude outperforms, trading higher and lower on a normalized return basis (see chart 2 & 5). If the differential remains at a similar level or narrows, the return from a long position on a Canadian barrel will be better than the return from an identical position in WTI in a rising crude oil environment.

VOLATILITY

Canadian crude prices are more volatile which can create greater tactical trading opportunities.

STABILITY

The differential between the CCI and WTI has become stable recently due to additional takeaway capacity and storage for Canadian oil.

CURRENCY EXPOSURE

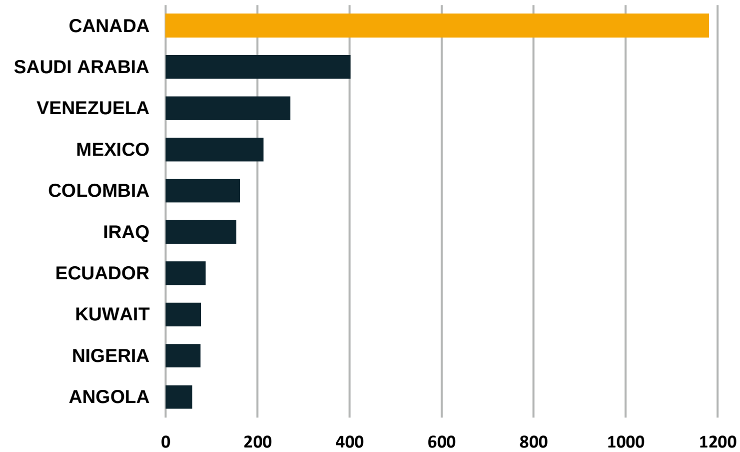
The Canadian economy is dependent on oil. As prices rise, the Canadian currency historically strengthens, further enhancing the return for oil investors.

THE IMPORTANCE OF CANADIAN OIL

Canadian crude is arguably the marginal barrel of oil in North America. It is vital to US Energy security. When you trade it, you are trading the barrel that helps set the price for all other grades.

- Canada is the largest foreign supplier of oil to the US, exporting over 3.0 million barrels per day – twice as much as 2nd place, Saudi Arabia.
- The nation sends more oil to the US than all twelve OPEC members combined.
- The Canadian Oil Sands are a long term, liquid reserve.
- US Gulf Coast refineries are receiving less oil from South American countries, increasing Canadian heavy sour crude's market share and importance.
- 100% of US PADD 2 Midcontinent Heavy Oil demand is met by oil imported from Canada.

Chart 3 TOP 10 COUNTRIES EXPORTING OIL TO THE U.S.
(Millions of Barrels, 2016)



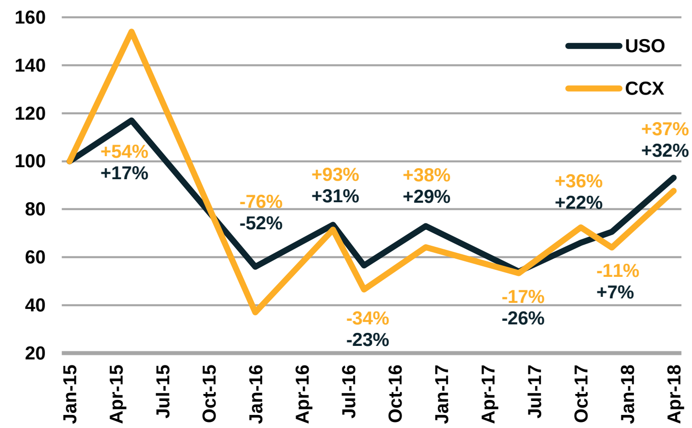
Source: US Energy Information Administration

BETTER PERFORMANCE

Since 2015, the CCX has outperformed its peer group (see Chart 4), rising and falling further.

- The spring rally experienced in 2016 illustrates that if there is an upturn in price, the percentage return on a barrel of Canadian crude can outstrip a barrel of WTI seeing as it trades at a discount.
- From the lows reached on January 20th to June 8th, the CCX rose 93%. During the same period, USO rallied 51% (See Chart 4). If you consider currency exposures over this time, this reduces the gain in USO for a Canadian investor to only 31%, while representing a gain of 122% for US investors buying the Canadian product.
- While the rally from June is still playing out, it is plain to see the outperformance of the CCX ETF (See Chart 2).

Chart 4 CCX VS. USO
(Normalized returns in CAD)



Disclaimer: Chart uses the CCI Excess Return Index (CCIER) as reference prior to the CCX launch on May 12, 2015.

THE RIGHT EXPOSURE TO OIL

There are a number of ways to gain exposure to oil: indirectly via producer stocks or MLPs in the US, or more directly, using futures or ETFs.

Oil ETFs, like traditional assets, are an efficient way to gain exposure given that the product is managed for the investor as opposed to having to personally manage a portfolio of oil futures. They purely reflect the attributes of the underlined commodity without the added distraction and investment risk of the stock market, allowing investors to identify opportunities and speculate outright on the price of oil, and only oil.

Simply put, if you are looking for the best way to capitalize on the commodity, an ETF may be the answer.

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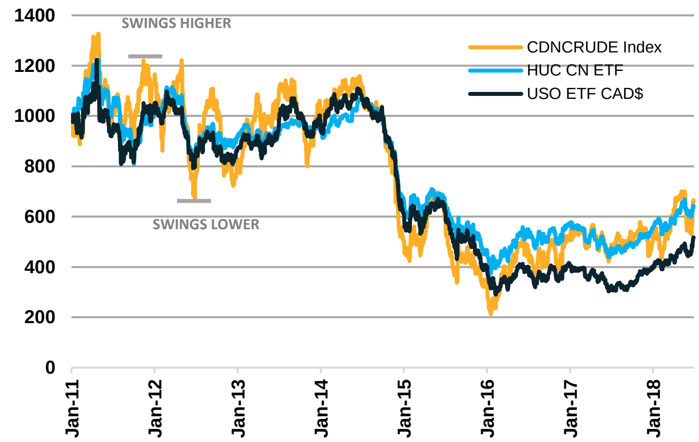
THE CANADIAN CRUDE INDEX ETF

When looking to oil prices in North America, the Canadian Crude Oil Index ETF (CCX-TMX) is worth considering as a potential way to invest when compared to ETFs linked to WTI.

- Unlike WTI-based ETFs, the CCX has more natural leverage with none of the rebalancing risks that are inherent in levered ETFs, simply because it has a lower notional dollar value.
- Its absolute performance has also historically been better as it moves higher and lower without you having to worry about currency risk (see Chart 5).
- It is discounted to the price of WTI, and thus presents an opportunity for material outperformance in price.
- The CCX is linked to the Canadian Crude Index.

Chart 5 **NORMALIZED RETURNS ON COMPETING PRODUCTS**
(Since January 2011)



Source: Bloomberg

Table 1 **ABSOLUTE PERFORMANCE**

	Dates	USO	Canadian Investor Equivalent (for USO)	CCX	US Investor Equivalent (for CCX)	Currency (CAD/USD)
2016 fall rally	August 02, 2016	9.33	12.17	6.32	4.85	0.7668
	December 30, 2016	11.72	15.74	8.73	6.50	0.7448
	Total	26%	29%	**38%**	34%	-3%
2017 spring weakness	December 30, 2017	11.72	15.74	8.73	6.50	0.7448
	June 21, 2017	8.71	11.59	7.27	5.46	0.7513
	Total	-26%	-26%	**-17%**	-16%	1%
2017 second-half rally	June 21, 2017	8.71	11.59	7.27	5.46	0.7513
	October 31, 2017	10.93	14.09	9.87	7.66	0.7756
	Total	25%	22%	**36%**	40%	3%
2017 year end	October 31, 2017	10.93	14.09	9.87	7.66	0.7756
	December 31, 2017	12.01	15.07	8.80	7.01	0.7971
	Total	10%	7%	-11%	-8%	3%
2018 first half	December 31, 2017	12.01	15.07	8.80	7.01	0.7971
	June 29, 2018	15.06	19.83	12.03	9.14	0.7594
	Total	25%	32%	**37%**	30%	-5%

Disclaimer: Table uses the CCI Excess Return Index (CCIER) as reference prior to the CCX launch on May 12, 2015.

The CCI™ Excess Return Index (CCIER) reflects the returns that an investor would expect to receive from holding and rolling the contracts that comprise the CCI™.

The Canadian Crude Oil Index ETF (CCX), seeks to replicate, to the extent possible, the performance of the Canadian Crude Excess Return Index (CCIER) net of expenses, and allows investors to access the price of Oil produced in Canada. The ETF does not employ leverage, but in order to achieve its investment objectives, CCXTM will invest in derivatives and other financial instruments from time to time, which may include interest bearing accounts and T-Bills.

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