AUSPICE

Why CCX now versus other Oil ETFs

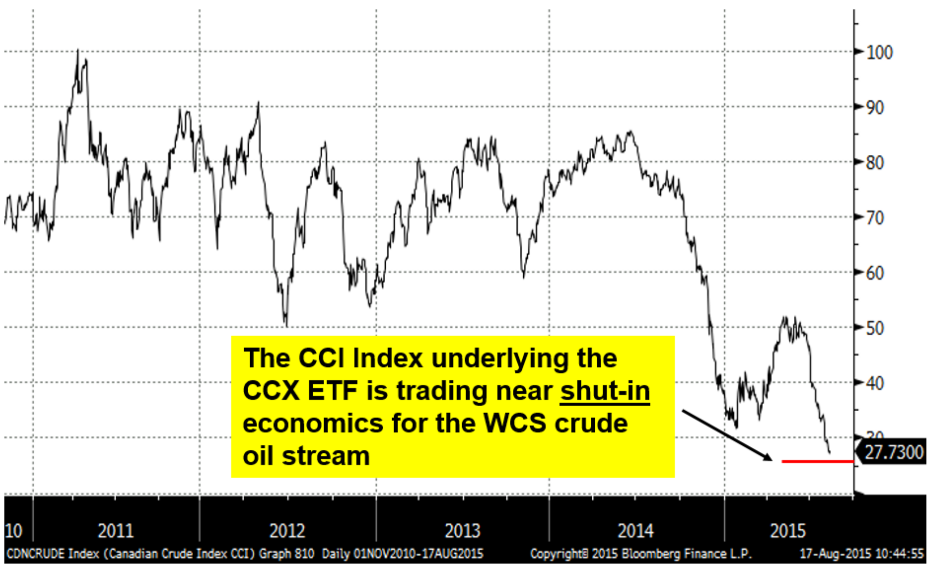
If you believe Crude oil is closer to bottom than top, have a long term view on price recovery, or are looking for the best way to participate in the price volatility of crude oil, the Canadian Crude Oil Index ETF (CCX-TMX) is worth considering as a better way to invest in this view versus making the trade using other Oil ETFs.

According to Tim Simard, Managing Director of Commodity Derivatives at National Bank of Canada, they do not believe the price of Canadian Oil can go much lower. Per Mr. Simard, "a strong argument can be made that we are much closer to a floor for Canadian heavy crude prices than we are for WTI.

Bullet Points and details:

1. **Price level:** With the CCI index (underlying index) price closing at $27.73 US/bbl (barrel) Friday August 14th, the price is not only low, it is $2.68 below its lows for the year, a new 5 year low, while WTI still remains near its low reached earlier in the year. (See Chart 1 next page).
2. **We may be closer to a theoretical low for Canadian Crude than WTI:**
    a. Prices are nearing the point where we may start to see reports of producers curtailing supply or launching maintenance programs (per National Bank).
        i. Canadian crude oil is the marginal bbl supplied to the North American market: It is the most expensive North American bbl produced, and hence the last bbl supplied and the first bbl shut-in. As such, it can be argued that when you trade the CCX, you are trading the bbl that sets the price for all others. The best example of this occurred when we saw the last lows in January 2015 and Canadian producers announced shut-ins in February, which contributed to stronger Canadian differentials (WCS) versus WTI.
        ii. Canadian Crude is an important US import source meeting 100% of US PADD 2 heavy oil refinery demand.
    b. Downside is likely more limited: because price levels are so much closer to shut-in levels than WTI, shut-ins could occur sooner than an equivalent WTI bbl, mitigating some downside risk to a long trade using CCX.
    c. Canadian Crude prices are lower to begin with, and hence the possibility of...
3. **…Material Outperformance in return:**
    a. If there is an upturn in price, the percentage return on a Canadian Crude barrel will be greater than a WTI barrel (or USO ETF) simply because it trades at a discount to WTI. With the CCX index at $27.73, a $10 rally in price generates a return of 36%. With WTI at $42.00, a $10 rally in price generates a return of only 24%. As long as the differential remains at this level or narrows, the return on being long a Canadian barrel will be better than the return being long a WTI barrel in a rising crude oil environment. The current differential - near $20 - is at the long term average.
    b. Differential movement: Some believe that the differential is likely to widen if WTI prices rise, but in fact just the opposite occurred earlier this year with the Q2 2015 rally – differentials tightened materially (to single digits) at the same time the WTI price was moving higher.
4. **Volatility**: Canadian Crude prices are substantially more volatile than WTI, which can create greater investment opportunities. (See Chart 2 next page). CCI is more volatile which can create greater investment opportunities in both bull and bear markets.
5. **Product structure**: The underlying Canadian Crude Index (CCI) represents a rolling 3 month exposure. As such, while considering the liquid part of the oil curve, this creates a better product by: Reducing the negative effects of contango (reducing negative roll yield), taking advantage of times when the Canadian Crude market is in backwardation (as it was earlier this year), minimizing transaction costs by up to 66%.
6. **Currency:** There is a currency hedge component to the CCX ETF. This gives an instrument like CCX a real advantage over other ways to "invest" in Crude Oil. For example, by using USO ETF, the beneficial impact of a positive crude price move may be eroded by a stronger CAD$.

Price level is low



CCI vs. Competing Crude Oil ETF's % Return since Nov 2010

Source: Bloomberg Financial L.P. as of 08/14/15

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