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Super returns without the supercycle

How to invest in a tough new era for commodities

Presenting companies include:

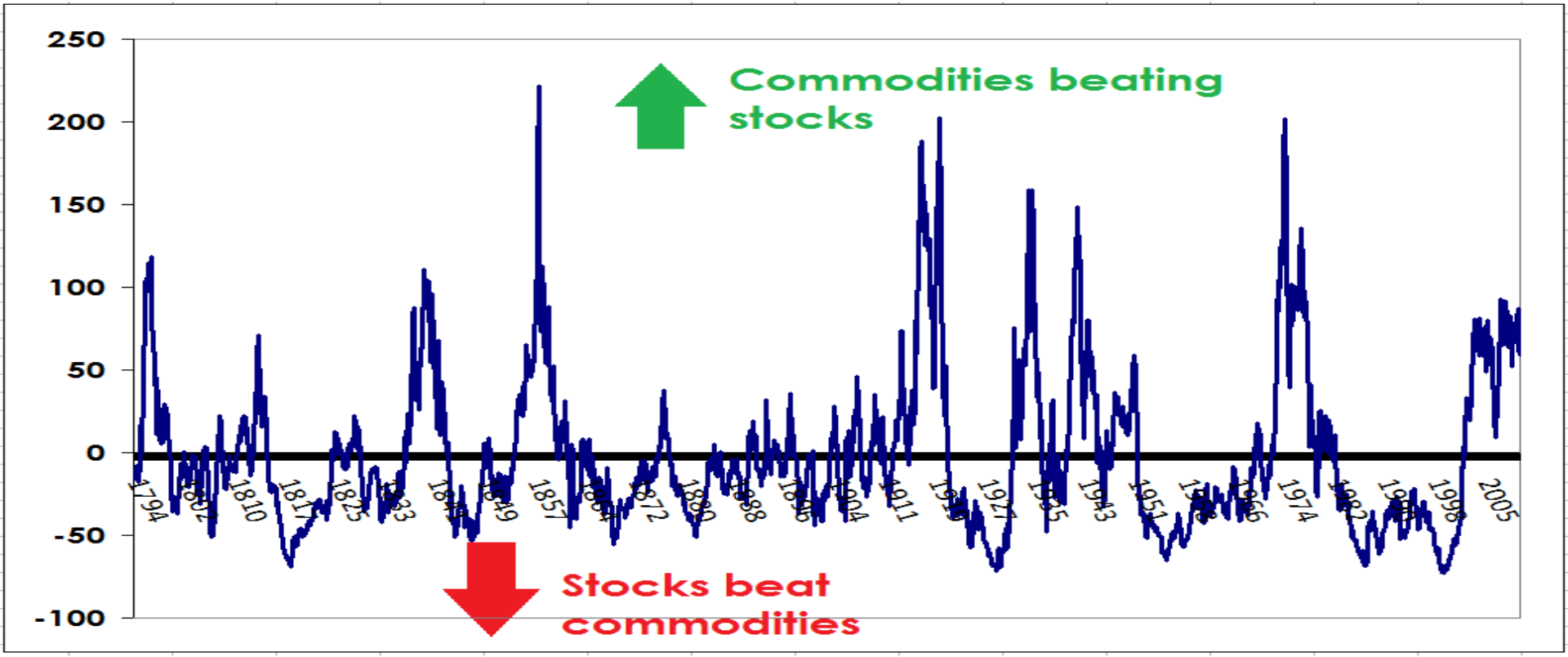






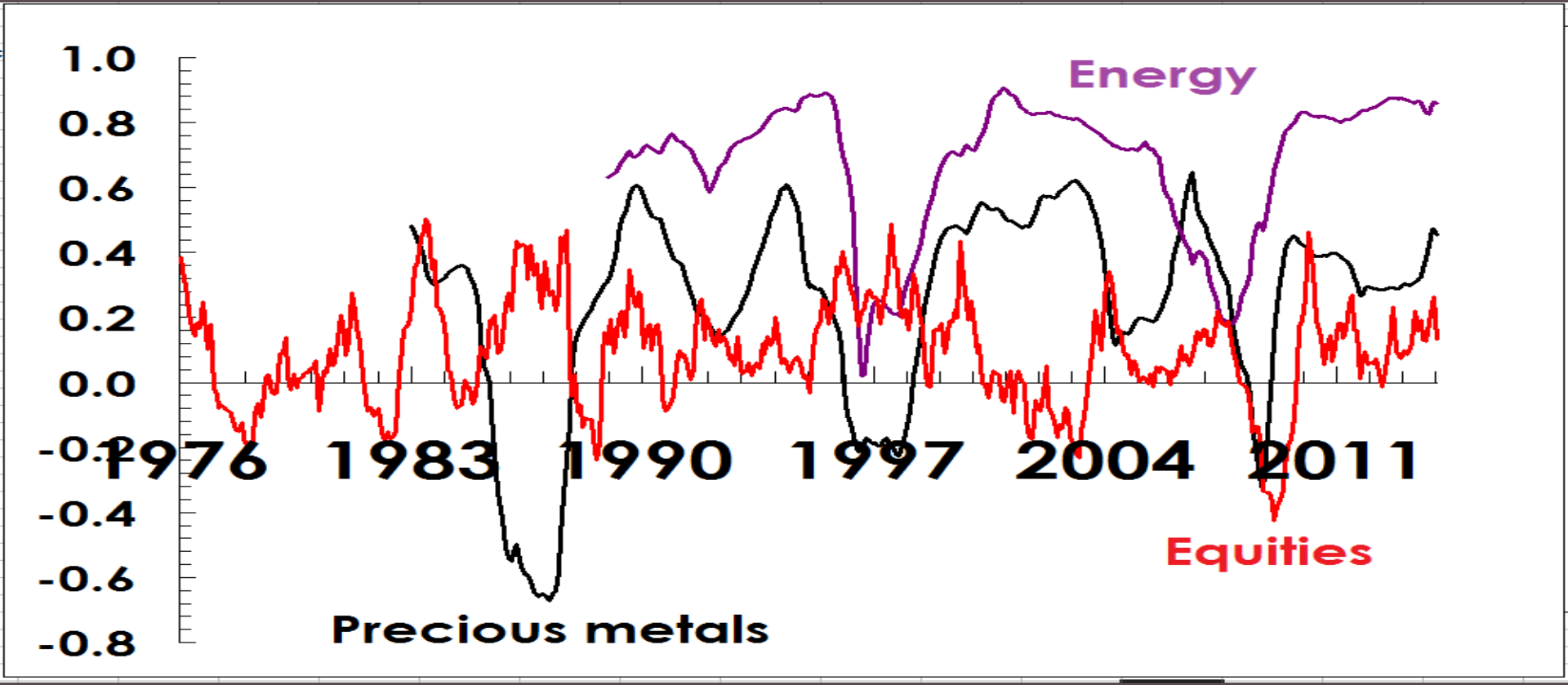
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The equity/commodity cycle since 1789



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Correlations with inflation



Rolling correlations with inflation; GSCI indices, Dow, US CPI. Source: Datastream

Evolution of Commodity Indices

Gen	Features
1st:	Long-only, not often rebalanced, ignore term structure: GSCI, CRB, DJ-UBS
2nd:	Long only, take acct of term structure: DBCLI, Merrill Xtra
3rd:	More active selection: UBS Bloomberg CMCI, MLM Like buying into an actively-managed strategy, robust in downturns, good diversification

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Sources of index returns

Spot price - price changes in the commodity

Roll return – from rolling into the next futures contract

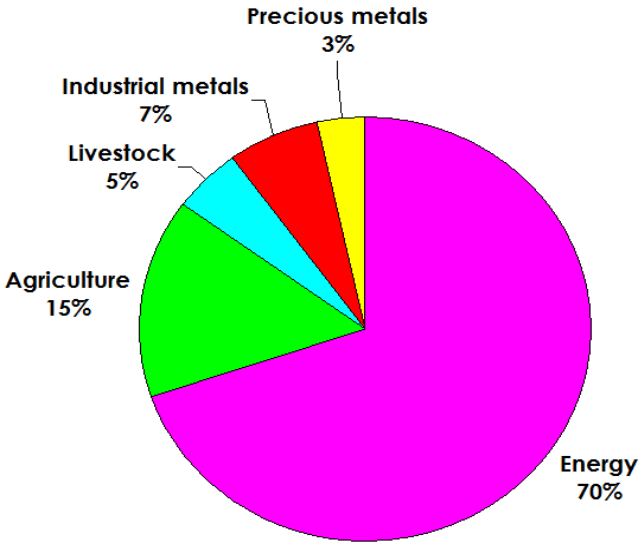
Momentum – buying recent winners and shorting recent losers

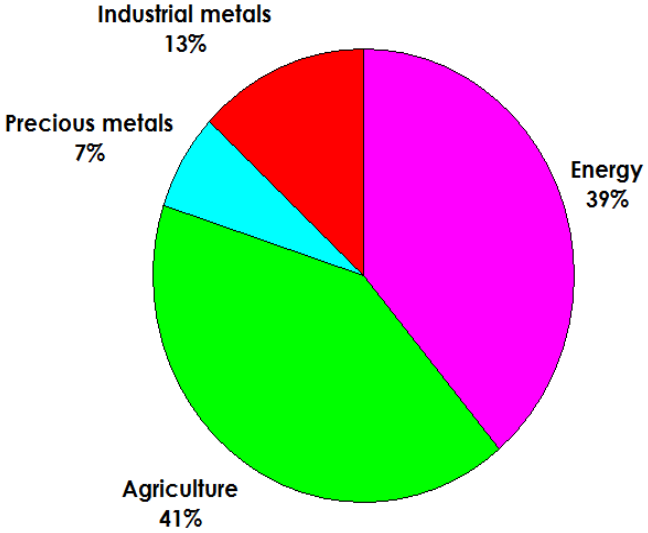
Diversification – from owning a spread of uncorrelated, volatile commodities

Weighting – from the structure of an index

Collateral – interest earned on securities held as collateral

GSCI vs RJ CRB index make-up





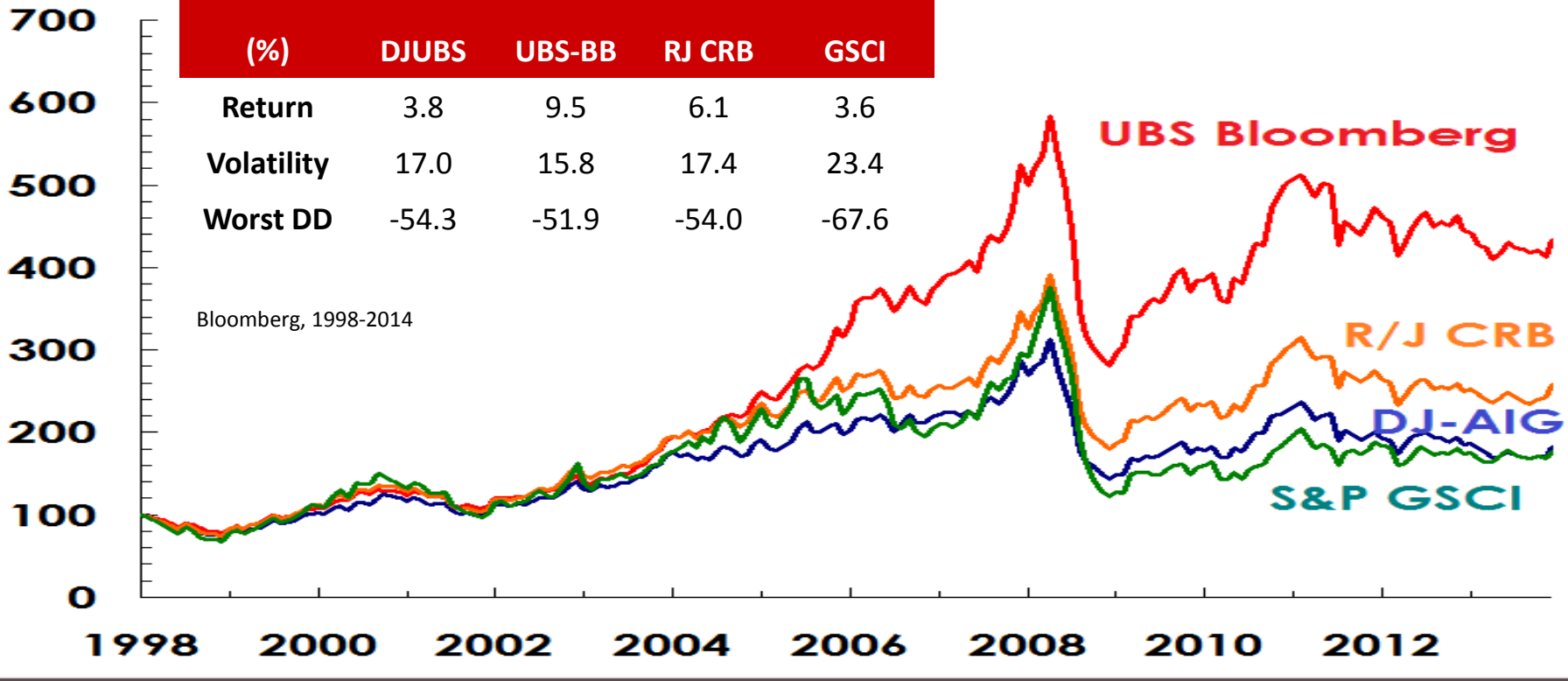
Sources: GSCI, CRB

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Index performance

(%)	DJUBS	UBS-BB	RJ CRB	GSCI
Return	3.8	9.5	6.1	3.6
Volatility	17.0	15.8	17.4	23.4
Worst DD	-54.3	-51.9	-54.0	-67.6

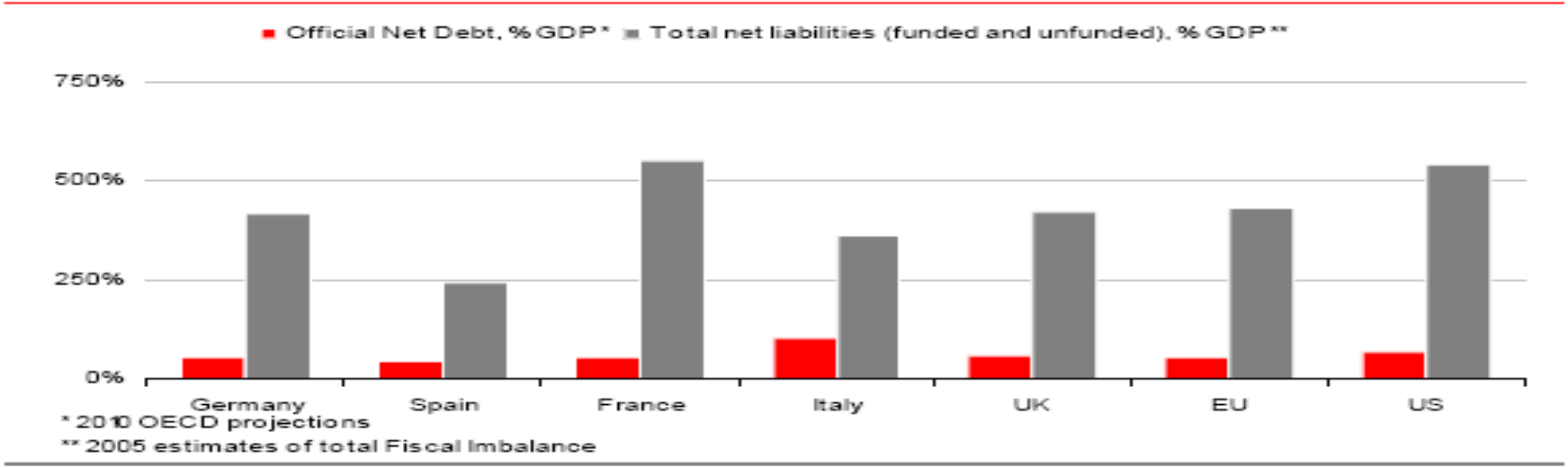
Bloomberg, 1998-2014



Commodity Index ETPs

Product	Index
ETFS All Commodities (AIGC)	DJ-AIG Commodity
UBS-ETF CMCI Composite SF (CMCI)	UBS BB CMCI TR
Lyxor ETF Commodities R/J CRB	Reuters/Jefferies CRB TR
DB S&P GSCI ETC	S&P GSCI

Trillions of reasons why inflation is our future



Source: Albert Edwards, SG

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Coppock confirms recent gold rally



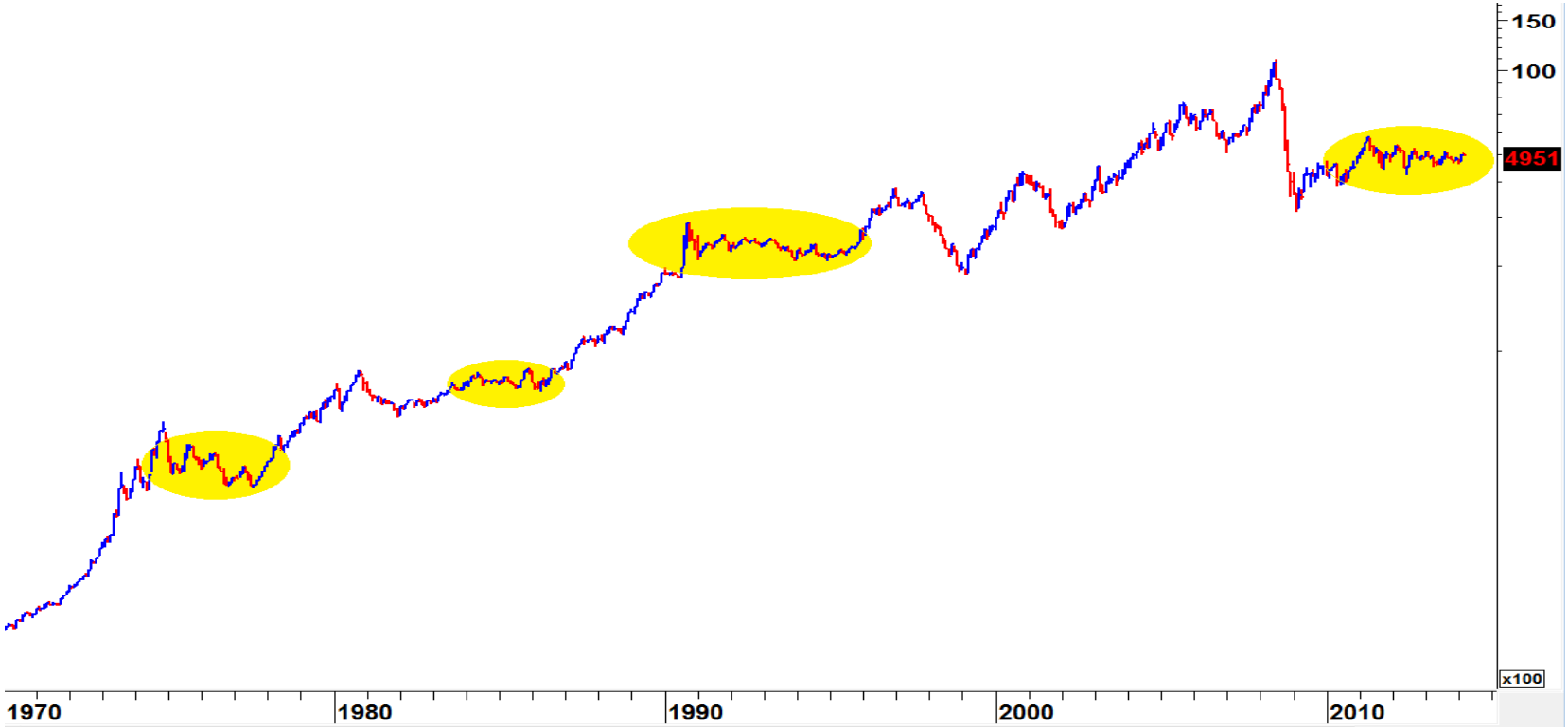
Systematic gold investing

Gold	Coppock		Buy & hold
(%)		Outperformance	
Total return	10.7		8.5
Best yearly return	150.4		177.9
Volatility	16.6	Less risk	21.5
Worst drawdown	-25.0		-61.9
Time invested	50.4		100.0
Calendar years when best	44.2		55.8
Signals/year	1.8	Low trading costs	-
Cancelled signals	38.8		-
Current signal	LONG		-

Datastream; 1970-2014

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When commodities go nowhere



GSCI momentum strategy

