

## Key Highlights

- The DJ-UBS Commodity Index returned 1.2% in December, with YTD returns down 9.5%.
- Energy and industrial metals were the best-performing sectors in the index MTD, up 5% and 4.9%.
- Grains and precious metals were the worst-performing sectors in the index MTD, down 3.9% and 3.7%.

## Market Snapshot

The DJ-UBS Commodity Index was up 1.2% MTD but closed the year down 9.5%, marking its third annual decline. Soybeans, soybean meal, cotton, and crude (Brent and WTI) were positive YTD but only eight commodities closed the year on a positive note out of the 22 commodities that compose the index.

In 2013, commodities in general and gold specifically were pressured by a government shutdown, a strengthening economy, lower-than-expected inflation and concerns over the growth in the Chinese economy.

Of the six sectors in the index, only energy and industrial metals were positive, up 5% and 4.9%. Grains and precious metals were the worst-performing sectors in the index, down 3.9% and 3.7%.

## Sector Review

### Energy

The DJ-UBS Energy was up 5% MTD and 5.4% YTD. All commodities in the sector were positive for the month of December, led by natural gas, up 6.9% MTD and 5.0% YTD. Brent and WTI crude oil were up 1.4% and 6% for the month. Unleaded gasoline and heating oil were up 3.6% and 0.8%.

Brent crude gains were positive but softer after production resumed in Libya. Libyan oil production has been running at a fraction of its capacity after protests at production sites and key ports broke out. An EIA (U.S. Energy Information Administration) report showed a large drop in WTI crude oil and gasoline inventories due to strong demand and less-than-expected supply, which supported the price increases. Natural gas benefited from lower-than-expected temperatures.

### Grains

The DJ-UBS Grains was down 3.9% MTD and 16.9% YTD. All commodities in the sector were down in December. Corn declined 0.58%; soybeans, 2.2%; soybean meal, 2.3%; soybean oil, 4.2%; Chicago wheat, 9.5%; and Kansas wheat, 9.7%.

Soybeans benefited from strong demand, especially from China, and the increasing use of soybean oil and soybean meal in the production of biodiesel. Corn's price declines were due to a record harvest in 2013, which resulted in a buildup of inventories and price declines. Wheat was hurt by large inventories and corn replacing it in feed for cattle due to lower corn prices.

#### Contributors:

Jodie Gunzberg, CFA, Vice President [jodie.gunzberg@spdji.com](mailto:jodie.gunzberg@spdji.com)

Marya Alsati-Morad, Associate Director [marya.alsati-morad@spdji.com](mailto:marya.alsati-morad@spdji.com)

## Softs

The DJ-UBS Softs lost 0.41% for the month, closing the year down 16.8%. Cotton was up 6.7% MTD and 9% YTD. Coffee was down 13 basis points in December but remained down 30.5% YTD, and sugar was down 4.3% MTD and 20% YTD.

Cotton price increases were driven by high demand from mills and large export numbers. Coffee is suffering from global oversupply as a result of more coffee-growing acreages and the recent trend of utilizing sturdier and more productive coffee bean plants. According to the International Coffee Organization, global coffee output rose 7.8% in the season ending Sept. 30. The S&P GSCI Coffee has declined 64% over the last three years.

Sugar price declines were driven by a global oversupply. In Brazil, the world's largest sugar-maker and the top producer of ethanol made from cane, government subsidies for gasoline reduced domestic demand for biofuels and added to the preexisting oversupply in the market.

## Livestock

The DJ-UBS Livestock was down 2% MTD and 3.5% YTD. Live cattle was fairly flat, gaining 0.29%, but remained negative at 5.0% YTD. Lean hogs were down 5.7% MTD and 2.0% YTD.

Ranchers continue to struggle to recover from last year's drought, which hurt beef stockpiles and is estimated to be the worst since the 1930s. Texas, the largest cattle-producing state, remains in drought conditions.

Despite a deadly swine virus that thwarted pork producers' efforts to rebuild herds, lean hog prices were pressured down by oversupply and seasonal bearish patterns.

## Industrial Metals

The DJ-UBS Industrial Metals was up 4.9% MTD but remained down 13.6% YTD. In December, zinc was the best-performing commodity in the index, up 9.2%, followed by copper, up 6%; nickel, up 2.7%; and aluminum, up 1.8%.

Industrial metals closed the month on a positive note due to low inventories and sustained demand from China, the largest consumer, despite expectations of reduced demand due to disappointing Chinese PMI manufacturing data that saw the official reading drop to 51.

LME copper inventories fell to 366,425 tons on Dec. 31, the lowest level since Jan. 28. Copper benefited from better-than-expected demand from China, a big producer of copper and also the world's biggest importer, accounting for around 40% of global demand. In June 2013, zinc saw the closure of the Brunswick and Perseverance mines. The shutdown of the two mines is estimated to have removed a combined 350,000 tons of yearly metal capacity.

## Precious Metals

DJ-UBS Precious Metals was down 3.7%, bringing its YTD return to -30.8%. Gold and silver were down 3.8% and 3.3% MTD and 28.7% and 36.6% YTD, respectively.

Gold and silver closed the year on a negative note due to an upbeat global economic outlook and concerns of an imminent end to U.S. monetary stimulus.

Gold's last decline was in 1981, when it lost 32.8% and took about 25 years to recover back its drawdown. Though gold rebounded 12.5% in 1982, it lost another 32% in the next two years. If the present is reminiscent of the past, it could take a long time for gold to recover before returning to the trend that gained it over 700% in the last 12 years.

## Performance Recap

### Exhibit 1: Index Performance Sorted by MTD

	Total Return			
	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
Dow Jones-UBS Commodity Yen	3.95	9.98	0.56	24.99
Dow Jones-UBS Commodity	1.24	-9.52	-22.40	7.80
Dow Jones-UBS Roll Select Commodity	1.00	-9.08	-17.40	21.58
Dow Jones-UBS Commodity 2-4-6 Forward Blend	0.94	-9.18	-17.59	20.53
Dow Jones-UBS Commodity 3 Month Forward	0.89	-8.49	-18.18	18.99
Dow Jones-UBS Commodity Pound Sterling	0.13	-11.20	-26.65	-6.42
Dow Jones-UBS Commodity Euro	0.03	-13.43	-24.45	8.74

Source: S&P Dow Jones Indices. Data as of Dec. 31, 2013. Charts and graphs are provided for illustrative purposes only. Indices are unmanaged statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities the index represents. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is not an indication of future results. This table may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance. \*S&P GSCI Dynamic Roll Alpha Light Energy is Excess Return since the market neutrality negates collateral return

### Exhibit 2: DJ-UBS Total Return Group Subindices Performance

Name	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
Dow Jones-UBS Agriculture	-2.76	-14.25	-23.63	20.28
Dow Jones-UBS Energy	5.01	5.40	-19.72	-32.00
Dow Jones-UBS Grains	-3.92	-16.90	-15.89	7.78
Dow Jones-UBS Industrial Metals	4.89	-13.63	-34.12	37.84
Dow Jones-UBS Livestock	-1.96	-3.54	-9.10	-15.64
Dow Jones-UBS Petroleum	3.71	5.17	7.53	35.58
Dow Jones-UBS Precious Metals	-3.71	-30.80	-23.10	41.74
Dow Jones-UBS Softs	-0.41	-16.84	-44.48	28.06

Source: S&P Dow Jones Indices. Data as of Dec. 31, 2013. Charts and graphs are provided for illustrative purposes only. Indices are unmanaged statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities the index represents. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is not an indication of future results. This table may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 3: DJ-UBS Total Return Single-Commodity Subindices Performance				
Index Name	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
Dow Jones-UBS Aluminum	1.78	-20.74	-40.39	-15.94
Dow Jones-UBS Brent Crude	1.39	7.22	34.85	93.21
Dow Jones-UBS Coffee	-0.13	-30.52	-63.95	-33.60
Dow Jones-UBS Copper	5.98	-8.76	-27.58	115.76
Dow Jones-UBS Corn	-0.58	-30.29	-16.09	-1.46
Dow Jones-UBS Cotton	6.67	9.05	-25.48	92.16
Dow Jones-UBS WTI Crude Oil	6.04	6.84	-9.17	-1.60
Dow Jones-UBS Gas Oil	0.06	3.53	31.10	76.82
Dow Jones-UBS Gold	-3.84	-28.65	-17.02	31.23
Dow Jones-UBS Heating Oil	0.83	0.36	17.21	53.08
Dow Jones-UBS Kansas Wheat	-9.69	-26.19	-39.90	-34.92
Dow Jones-UBS Lean Hogs	-5.68	-2.02	-9.21	-29.40
Dow Jones-UBS Live Cattle	0.29	-5.03	-9.65	-6.28
Dow Jones-UBS Natural Gas	6.88	5.01	-61.46	-88.91
Dow Jones-UBS Nickel	2.70	-20.10	-45.97	10.63
Dow Jones-UBS Silver	-3.30	-36.64	-39.00	63.75
Dow Jones-UBS Soybean Meal	-2.26	19.96	46.50	174.01
Dow Jones-UBS Soybean Oil	-4.21	-22.44	-40.66	-9.35
Dow Jones-UBS Soybeans	-2.17	10.54	14.62	90.04
Dow Jones-UBS Sugar	-4.31	-19.98	-38.65	41.66
Dow Jones-UBS Unleaded Gasoline	3.60	1.95	46.73	189.78
Dow Jones-UBS Wheat	-9.49	-27.19	-47.23	-52.70
Dow Jones-UBS Zinc	9.17	-6.97	-26.74	32.45

Source: S&P Dow Jones Indices. Data as of Dec. 31, 2013. Charts and graphs are provided for illustrative purposes only. Indices are unmanaged statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities the index represents. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is not an indication of future results. This table may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

**Like What You Read? Sign up** to receive complimentary updates on a broad range of index-related topics and events brought to you by S&P Dow Jones Indices.



## PERFORMANCE DISCLOSURES

The DJ-UBS 3-Month Forward Index was launched on Jan. 3, 2008. All information presented prior to the Launch Date is back-tested.

The S&P Dynamic Futures Index (DFI) was launched on Feb. 19, 2010. All information presented prior to the Launch Date is back-tested.

The S&P World Commodity Index (WCI) was launched on June 5, 2010. All information presented prior to the Launch Date is back-tested.

The DJ-UBS Dynamic Roll Index was launched on Jan. 27, 2011. All information presented prior to the Launch Date is back-tested.

The DJ-UBS Systematic Global Macro Index was launched on Aug. 9, 2011. All information presented prior to the Launch Date is back-tested.

The DJ-UBS Multiple Contract Index was launched on Jan. 26, 2012. All information presented prior to the Launch Date is back-tested.

The DJ-UBS Dynamic Roll Alpha Light Energy was launched Nov. 19, 2012. All information presented prior to the Launch Date is back-tested.

The DJ-UBS Soybean Meal was launched on April 5, 2012. All information presented prior to the Launch Date is back-tested.

Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect on the Launch Date. Complete index methodology details are available at [www.spdji.com](http://www.spdji.com).

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency on their products. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the Index is set at a fixed value for calculation purposes. The Launch Date designates the date upon which the values of an index are first considered live; index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public Web site or its datafeed to external parties. For Dow Jones-branded indices introduced prior to July 31, 2013, the Launch Date (which prior to July 31, 2013, was termed "Date of Introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Past performance is not an indication of future results. Prospective application of the methodology used to construct the DJ-UBS, DJ-UBS Enhanced Index, DJ-UBS 3-Month Forward Index, S&P Dynamic Futures Index (DFI), S&P Commodity Trading Strategy Index (CTSI), S&P/BGCantor 7-10 Years U.S. Treasury Bond Index, and S&P World Commodity Index (WCI) may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the index. Please refer to the methodology paper for the index, available at [www.spdji.com](http://www.spdji.com) for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. It is not possible to invest directly in an Index.

Another limitation of back-tested hypothetical information is that generally the back-tested calculation is prepared with the benefit of hindsight. Back-tested data reflect the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities (or fixed income, or commodities) markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

The index returns shown do not represent the results of actual trading of investor assets. S&P/Dow Jones Indices LLC maintains the indices and calculates the index levels and performance shown or discussed, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back-tested performance to be lower than the performance shown. In a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US\$ 10,000) and an actual asset-based fee of 1.5% were imposed at the end of the period on the investment plus accrued interest (or US\$ 1,650), the net return would be 8.35% (or US\$ 8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US\$ 5,375, and a cumulative net return of 27.2% (or US\$ 27,200).

## DISCLAIMER

Copyright © 2013 by S&P Dow Jones Indices LLC, a part of McGraw Hill Financial, and/or its affiliates. All rights reserved. Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a part of McGraw Hill Financial. Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Trademarks have been licensed to S&P Dow Jones Indices LLC. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. All information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties. Past performance of an index is not a guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment vehicle. S&P Dow Jones Indices LLC is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse-engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, are generally provided by affiliates of S&P Dow Jones Indices, including but not limited to Standard & Poor's Financial Services LLC and Capital IQ, Inc. Such analyses and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. Any opinion, analyses and rating acknowledgement decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Dow Jones Indices does not assume any obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Dow Jones Indices LLC does not act as a fiduciary or an investment advisor. While S&P Dow Jones Indices has obtained information from sources they believe to be reliable, S&P Dow Jones Indices does not perform an audit or undertake any duty of due diligence or independent verification of any information it receives.]

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Ratings Services reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. S&P Dow Jones Indices, including S&P Ratings Services disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

Affiliates of S&P Dow Jones Indices LLC may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. Such affiliates of S&P Dow Jones Indices LLC reserve the right to disseminate its opinions and analyses. Public ratings and analyses from S&P Ratings Services are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P Rating Services publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

S&P Dow Jones Indices keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Dow Jones Indices may have information that is not available to other business units. S&P Dow Jones Indices has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.