

## Key Highlights

- The DJ-UBS Commodity Index returned 0.3% MTD, with YOY returns down 11.4%.
- Energy was up 3.4%, and livestock was up 4.3% in January.
- The best-performing commodities were natural gas, up 17.9% MTD, and coffee, up 13.1% MTD.
- Wheat was down 8.2% and aluminum was down 6.10% on the month.

## Market Snapshot

The DJ-UBS Commodity Index was slightly up, with a return of 0.3% for the month. Despite the positive returns in energy, livestock, precious metals, and softs, the index was weighed down by industrial metals (down 4.91%) and grains (down 1.1%).

In China, the National Bureau of Statistics stated that the official Non-Manufacturing PMI fell from December's 54.6 to 53.4 in January. This could indicate a slowing in the world's second-largest economy. This level is at its lowest since December 2008, but remains above 50, which still indicates growth. The slowing growth could also be due to a deceleration in factories because of the Lunar New Year, China's biggest holiday.

Recently announced non-farming payrolls, new home sales, and durable goods orders raised concerns over the growth of the U.S. economy. Despite these concerns, the Fed announced at the end of January that it will reduce its bond-buying or quantitative easing (QE) program by USD 10 billion to USD 65 billion per month, citing a pickup in the economy.

## Sector Review

### Energy

DJ-UBS Energy was up 3.4% MTD, bringing the YOY to 5.2%. Natural gas was the best-performing sector in the index, up 17.9% MTD. All of the components in the petroleum sector were down for the month, with unleaded gasoline performing the worst, down 5.7%. For the month, Brent crude was down 4.1% and WTI was down 1.1%. Additionally, gasoil and heating oil were down this month at 3.2% and 1.9%, respectively.

Record low temperatures across much of the U.S. drove natural gas prices. Platts reported that natural gas demand is at its highest level since the winter of 2005. The current natural gas depletion rate is significantly higher than the five-year average rate, according to the U.S. Energy Information Administration.

Seasonality affected unleaded gasoline, as demand increases during the summer months and declines as the winter weather approaches. The drop in WTI prices was due to lackluster Chinese manufacturing data and Service PMI data. In January, the Chinese Manufacturing PMI dropped to a six-month low of 50.5 from 51.0 in December.

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## Grains

DJ-UBS Grains lost 1.1% for the month. The declines were driven by Chicago and Kansas wheat, down 8.2% and 3.9%, respectively. Soybean oil was down 3.8% and soybeans was off 0.8%, while soybean meal gained 2.2%. Corn fared well, returning 2.9%.

Corn prices benefited from the cold weather, as it became too cold for farmers to work outside, and stronger export demand. According to the USDA quarterly Grain Stocks Report, 72.4 million bushels of corn were exported during the week that ended Jan. 24, and according to the most recent USDA Export Report, this represented a 150% increase from the 10-week average.

Wheat was hurt by excess supply. The USDA increased world carryout stocks of wheat to 185.4 million metric tons, up from December's estimate of 182.78. This was primarily due to large supplies in Canada, as reported by USDA's January World Agricultural Supply and Demand Estimates.

## Softs

In January, DJ-UBS Softs gained 1.1%, led by coffee, which was up 13.1%. Cotton was also positive, up 1.4%. Severe drought conditions in Brazil decreased coffee supply due to crop damage. Brazil's coffee largely comes from the southeast, and it is this part of the country that has been hit with some of the most severe weather (this includes São Paulo, Minas Gerais, and Paraná). January was also the hottest month on record in some parts of Brazil.

Sugar was down 5.2% MTD; prices are at their lowest levels in three years as supplies continue to flow from the biggest exporters, including Brazil and Thailand. Both countries are expected to produce record amounts of sugar crops in the current season, which began on Oct. 1, 2013, and ends Sept. 30, 2014, according to the International Sugar Organization.

## Livestock

DJ-UBS Livestock was up 4.3% for the month, with both commodities in the index showing positive returns. Lean hogs was up 4.7%, and live cattle returned 4.1%.

Per capita beef consumption in China will increase 0.32 kg-5.19 kg per year between 2011 and 2015, according to the National Development and Reform Commission (NDRC). This is essentially due to the rise of the middle class of China, much like the reason for the increase in demand for coffee and cocoa. As incomes grow, people like to try new things that may have been unattainable with less disposable income. The price of beef was also supported by the supply shortages that have been occurring for various reasons, such as weather.

## Industrial Metals

DJ-UBS Industrial Metals was down 4.9% MTD, with all commodities returning negative except for nickel (slightly up 0.48). For the month, aluminum decreased 6.1%, copper was down 5.9%, and zinc was off 4.4%.

Aluminum ended the month on a negative note due to weak Chinese manufacturing data and tapering by the Fed. It was also weighed down by low inventories and a drop in orders for durable goods, calling the growth of the U.S. economy into question. Copper prices declined because of reduced demand in large commodity-consuming countries like China. Copper inventories, as tracked by the London Metal Exchange, have been increasing since the beginning of 2013.

## Precious Metals

DJ-UBS Precious Metals was up 1.9% MTD, driven by gold at 3.1% MTD. However, silver declined 1.3% MTD.

Gold prices benefited from the recent slide of the value of the rupee. Gold's attractiveness may also have increased due to a decline in equities. At the end of January, the Dow Jones Industrial Average™ tumbled 5.3% and the S&P 500® slid 3.6%—their worst monthly-percentage declines since May 2012.

## Performance Recap

### Exhibit 1: Index Performance Total Return Sorted by MTD

Index Name	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
Dow Jones-UBS Commodity Euro	2.48	-10.80	-21.66	8.58
Dow Jones-UBS Commodity Pound Sterling	1.08	-14.51	-24.90	0.23
Dow Jones-UBS Commodity	0.30	-11.38	-22.95	14.26
Dow Jones-UBS Roll Select Commodity	-0.05	-10.81	-19.04	27.67
Dow Jones-UBS Commodity 2-4-6 Forward Blend	-1.25	-12.13	-20.18	25.15
Dow Jones-UBS Commodity 3 Month Forward	-1.28	-11.73	-20.63	23.40
Dow Jones-UBS Commodity Yen	-2.68	-0.96	-4.08	29.75

Source: S&P Dow Jones Indices. Data as of Jan. 31, 2014. 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 Disclosures 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

Index Name	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
Dow Jones-UBS Agriculture	-0.46	-17.23	-26.89	21.35
Dow Jones-UBS Energy	3.40	5.18	-18.02	-19.82
Dow Jones-UBS Grains	-1.10	-20.72	-19.56	11.15
Dow Jones-UBS Industrial Metals	-4.91	-19.71	-38.39	38.86
Dow Jones-UBS Livestock	4.32	1.96	-9.41	-6.93
Dow Jones-UBS Petroleum	-2.93	-3.51	2.53	41.52
Dow Jones-UBS Precious Metals	1.92	-29.62	-15.62	35.79
Dow Jones-UBS Softs	1.10	-16.71	-47.61	23.19

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<b>Exhibit 3: DJ-UBS Total Return Single-Commodity Subindices Performance</b>				
Index Name	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
Dow Jones-UBS Natural Gas	17.89	24.76	-54.55	-83.26
Dow Jones-UBS Coffee	13.10	-23.10	-59.95	-29.24
Dow Jones-UBS Lean Hogs	4.67	1.79	-14.04	-21.26
Dow Jones-UBS Live Cattle	4.06	1.38	-7.08	2.86
Dow Jones-UBS Gold	3.07	-25.76	-8.79	29.04
Dow Jones-UBS Corn	2.85	-32.40	-17.70	8.82
Dow Jones-UBS Soybean Meal	2.19	20.56	47.16	169.89
Dow Jones-UBS Cotton	1.41	0.17	-35.04	93.31
Dow Jones-UBS Nickel	0.48	-25.19	-50.8	16.26
Dow Jones-UBS Soybeans	-0.75	5.29	12.94	88.60
Dow Jones-UBS WTI Crude Oil	-1.07	0.03	-10.13	13.48
Dow Jones-UBS Silver	-1.29	-39.70	-33.88	45.29
Dow Jones-UBS Heating Oil	-1.85	-4.72	6.97	53.75
Dow Jones-UBS Gas Oil	-3.18	-5.73	16.60	63.55
Dow Jones-UBS Soybean Oil	-3.80	-29.85	-42.44	-10.49
Dow Jones-UBS Kansas Wheat	-3.90	-29.65	-46.85	-34.45
Dow Jones-UBS Brent Crude	-4.11	-1.80	20.82	99.60
Dow Jones-UBS Zinc	-4.44	-13.70	-29.01	40.30
Dow Jones-UBS Sugar	-5.24	-21.23	-45.03	25.12
Dow Jones-UBS Unleaded Gasoline	-5.74	-12.41	34.58	138.83
Dow Jones-UBS Copper	-5.87	-15.95	-32.01	94.99
Dow Jones-UBS Aluminum	-6.10	-25.75	-44.96	-9.03
Dow Jones-UBS Wheat	-8.17	-33.27	-54.23	-53.30

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