

## Key Highlights

- Cocoa and soybeans had the largest gains in the S&P GSCI®, closing the year up 18.1% and 10.5%.
- Precious metals closed the year down 29.8%.
- Energy was the only positive sector in the index for the year, up 5.1%.

## Market Snapshot

The S&P GSCI posted a gain of 1.9% in December and declined 1.2% YTD.

The S&P GSCI closed the year on a negative note, marking its third flat or negative consecutive year. Some commodities like cocoa, cotton, soybeans and natural gas rallied, and closed 2013 on a positive note against the backdrop of a broader commodities sell-off. Precious metals closed the year down 29.8%, with energy being the only positive sector in the index, up 5.1%.

## Sector Review

### Agriculture

The S&P GSCI Agriculture declined 3.5% in December and 18% YTD. Cotton was the best-performing commodity in the index, up 6.7% MTD, and was the only commodity in the index to finish the month of December on a positive note. Cocoa and coffee had small declines, down 2.8% and 0.13%. Soybeans, soybean meal and soybean oil were down 2.2%, 2.3% and 4.2%, and sugar was down 4.3%. Chicago and Kansas wheat were the worst-performing commodities in the sector, down 9.5% and 9.7%.

Cotton was the fourth-best-performing commodity in the GSCI, and makes up about 9% of the S&P GSCI Agriculture. Cotton prices have increased due to high mill demand encouraged by healthy U.S. export numbers. At present China has a policy, which is expected to change, of stockpiling domestic crops. The U.S. Department of Agriculture estimates that China holds more than half of the global cotton inventory at present.

Cocoa and soybeans had the largest gains in the S&P GSCI, closing the year up 18.1% and 10.5%. Cocoa was strengthened by deficits in supply while soybeans benefited from strong demand, especially from China.

A large U.S. corn crop in 2013 resulted in a buildup of inventories and price declines. The declines in corn prices hurt wheat because they caused ranchers to switch from wheat to corn for feed. Per the U.S. Department of Agriculture data, there was a 7 million tonne rebuild in world inventories due to a record harvest, which weighed down on prices.

### Energy

The S&P GSCI Energy rose 3.2% MTD and 5.1% YTD. All commodities in the index were positive for the month. Natural gas was the best-performing sector in the index, up 7.1% MTD and 9.2% YTD. Brent and WTI crude were up 1.3% and 5.9%. Unleaded gasoline, heating oil and gasoil were up 4.1%, 1.1% and 0.11%.

Natural gas closed the year as the third-best-performing commodity in the S&P GSCI, benefiting from the cold weather and the withdrawal of large amounts of natural gas from storage.

WTI crude benefited from low stockpiles; an EIA report released the last week of December showed a large drop in WTI crude oil and gasoline inventories due to strong demand and less-than-expected supply. Brent gains softened but remained positive as Libya's national oil company, the Arabian Gulf Oil Co., announced that it has resumed some oil field production. Oil production from Libya was disrupted over much of 2013, which helped to support Brent crude prices

### **Industrial Metals**

The S&P GSCI Industrial Metals was up 4% MTD, remaining negative for the year, down 12.9%. Zinc was the best-performing commodity in the index, up 9.2%. Lead was up 6.5%, copper rose 4.5%, nickel increased 2.7% and aluminum rose 1.8%. Despite disappointing Chinese PMI manufacturing data that saw the official reading drop to 51 from 51.4, industrial metals closed the month on a positive note due to low inventories and sustained demand from China, the largest consumer.

LME copper inventories fell to 366,425 tons on Dec. 31, the lowest level since Jan. 28. 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.

The market will continue to watch industrial metals for the effects of growth in China, the U.S. tapering of QE3 and LME warehousing issues.

### **Livestock**

The S&P GSCI Livestock ended the year on a negative note, off 3.6% YTD and 1.5% MTD. The decline was driven by lean hogs, which were down 5.7%. Feeder cattle and live cattle were positive, up 1.2% and 0.29%.

Despite the decline in the price of feed (corn and soybeans), the price of cattle has been slow to respond since it can take about three years to breed cattle to be ready for slaughter. 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.

### **Precious Metals**

The S&P GSCI Precious Metals was down 3.8% MTD and 29.8% YTD. Gold and silver were down 3.8% and 3.3%. 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.

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**Exhibit 1: Index Performance Sorted by MTD**

	Total Return					
	1-Week (%)	MTD (%)	YTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
S&P Systematic Global Macro	1.17	2.61	4.32	4.32	-4.84	18.89
S&P GSCI Enhanced Commodity	-0.60	1.98	-0.83	-0.83	-0.42	35.82
S&P GSCI Multiple Contract	-0.71	1.94	-0.40	-0.40	-1.75	24.55
S&P GSCI	-0.74	1.93	-1.22	-1.22	-2.31	20.88
S&P GSCI 3 Month Forward	-0.45	1.74	1.08	1.08	0.03	35.50
S&P GSCI Roll Weight Select	-0.61	1.01	-10.75	-10.75	-16.61	22.31
S&P WCI	-0.43	0.84	1.25	1.25	18.35	78.97
S&P GSCI Dynamic Roll	-0.37	0.77	-2.39	-2.39	0.15	29.68
S&P GSCI Light Energy	-0.57	0.43	-8.10	-8.10	-13.30	17.10
S&P GSCI Covered Call Select	-0.65	0.18	-10.99	-10.99	-24.04	11.44
S&P DFI	0.35	-0.02	-0.30	-0.30	-18.58	-21.86
S&P GSCI Risk Weight	-0.23	-0.48	-11.13	-11.13	-11.42	21.71
S&P GSCI Dynamic Roll Alpha Light Energy *ER	0.17	-0.50	-2.61	-2.61	0.99	6.24

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: S&P GSCI Total Return Sector Indices Performance**

Name	1-Week (%)	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
S&P GSCI Agriculture	-1.24	-3.48	-18.00	-26.56	2.30
S&P GSCI Biofuel	-0.64	-3.57	-24.43	-32.50	7.84
S&P GSCI Energy	-0.89	3.18	5.14	8.74	23.25
S&P GSCI Grains	-1.74	-4.61	-20.10	-22.06	-9.50
S&P GSCI Industrial Metals	0.80	4.04	-12.87	-31.40	46.07
S&P GSCI Livestock	0.28	-1.53	-3.61	-8.56	-13.20
S&P GSCI Petroleum	-0.69	3.01	4.96	12.18	40.11
S&P GSCI Precious Metals	-0.14	-3.77	-29.75	-20.44	33.79
S&P GSCI Softs	0.22	-0.07	-11.28	-39.03	32.19

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**Exhibit 3: S&P GSCI Total Return Single-Commodity Indices Performance**

Index Name	1-Week (%)	MTD (%)	12-Month (%)	3-Year (%)	5-Year (%)
S&P GSCI Aluminum	2.22	1.75	-20.92	-40.45	-15.83
S&P GSCI Brent Crude	-0.92	1.29	6.94	36.58	96.74
S&P GSCI Cocoa	-3.93	-2.83	18.12	-14.88	-10.69
S&P GSCI Coffee	-3.53	-0.13	-30.52	-63.95	-33.60
S&P GSCI Copper	1.10	4.45	-7.89	-24.57	130.66
S&P GSCI Corn	-2.88	-0.58	-30.29	-16.09	-1.46
S&P GSCI Cotton	1.76	6.67	9.05	-25.48	92.15
S&P GSCI Crude Oil	-0.80	5.89	6.01	-7.43	-0.92
S&P GSCI Feeder Cattle	0.45	1.21	-4.09	-3.56	10.66
S&P GSCI Gasoil	0.05	0.11	3.03	29.11	77.15
S&P GSCI Gold	-0.08	-3.84	-28.65	-17.02	31.23
S&P GSCI Heating Oil	-0.11	1.12	-0.96	15.13	54.38
S&P GSCI Kansas Wheat	-0.93	-9.69	-26.19	-39.90	-34.92
S&P GSCI Lead	-1.58	6.47	-8.03	-17.47	92.18
S&P GSCI Lean Hogs	-0.52	-5.68	-2.04	-9.24	-29.37
S&P GSCI Live Cattle	0.67	0.29	-5.01	-9.64	-6.29
S&P GSCI Natural Gas	-5.35	7.14	9.20	-54.80	-87.91
S&P GSCI Nickel	-1.89	2.69	-20.10	-45.93	11.00
S&P GSCI Silver	-0.58	-3.30	-36.64	-39.00	63.75
S&P GSCI Soybeans	-2.29	-2.17	10.54	14.62	90.04
S&P GSCI Sugar	1.24	-4.31	-19.98	-38.65	41.66
S&P GSCI Unleaded Gasoline	-0.98	4.07	1.56	56.55	220.33
S&P GSCI Wheat	-0.16	-9.49	-27.19	-47.23	-52.70
S&P GSCI Zinc	-1.37	9.20	-7.22	-26.36	33.20
S&P GSCI Soybean Meal	-3.49	-2.26	20.72	47.54	180.00
S&P GSCI Soybean Oil	-0.71	-4.21	-22.42	-40.63	-9.09

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.

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