China Commodity Index

财新智库 Caixin Insight

GRESHAM INVESTMENT MANAGEMENT LLC We know commodities® | We know futures®

December 2018

Methodology Construction

· The China Commodity Index gauges price changes in 32 commodity contracts traded on the country's three futures exchanges

· Uses both liquidity data and production data in determining the target weights of the included commodities

Index Attributes

· The index fairly represents the significance of the commodities to the China economy

· Provides diversified exposure to commodities as an asset portfolio

·Aims to become a benchmark for China's commodity futures market

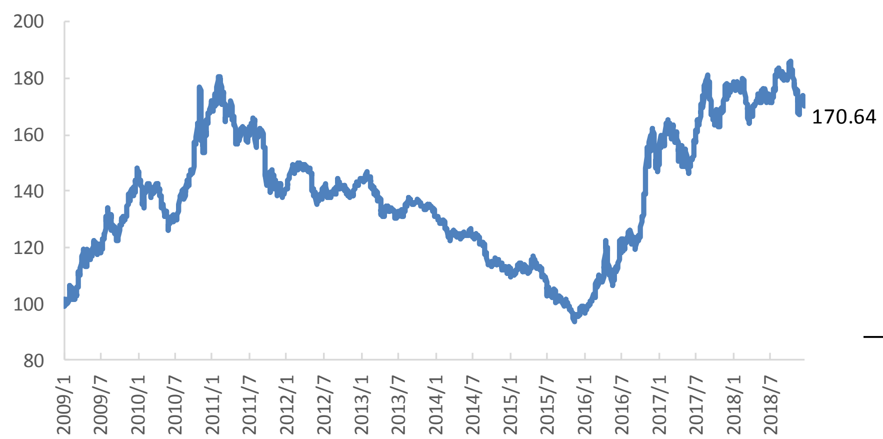
Quick Facts[1] (Data as at : 28 December 2018)

Full Name	Abbreviation	Number of Contracts	Calculation Currency
China Commodity Index	CCI	32	CNY
Launch Date	**Rebalancing Frequency**	**Index Calculation**	**End-of-Day Distribution**
2018/5/9	Yearly in December	End-of-Day	Via FTP and Email
Base Date	**Base Value**	**Index Value (End of Last Month)**	**Index Value (End of This Month)**
2009/1/9	100	167.97	170.64

Index Performance and Risk Tables[2,3] (Data as at : 28 December 2018)

Historical Performance

2009.1-2018.12 (CNY)



Calendar Year Price Returns

Year	CCI
2017	17.65%
2016	51.83%
2015	-11.60%
2014	-14.80%
2013	-7.61%
2012	2.38%
2011	-18.28%
2010	15.44%
2009	44.56%

Performance

	Returns			Annualized Returns			
	YTD	1M	3M	1Y	3Y	5Y	Since January 2009
CCI	-3.39%	1.59%	-4.77%	-2.77%	19.86%	5.06%	5.50%

Risk

	1Y			Since January 2009		
	Volatility	Sharpe Ratio	Max Drawdown	Volatility	Sharpe Ratio	Max Drawdown
CCI	8.65%	-0.49	-10.19%	11.71%	0.34	-48.33%

[1] Data Source：Caixin Insight, Gresham Investment Management LLC

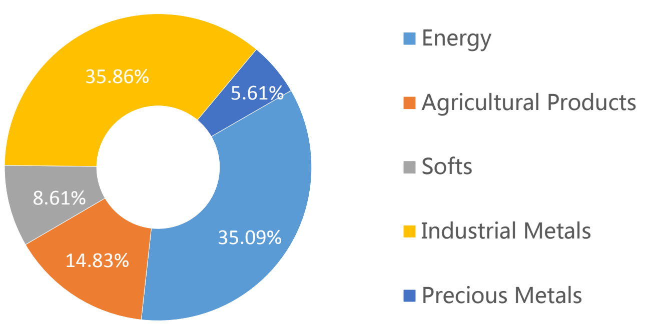
[2] Data Source：Caixin Insight，Past performance is no guarantee of future results

[3] The Index returns are excess returns, without calculation of returns on collateral.

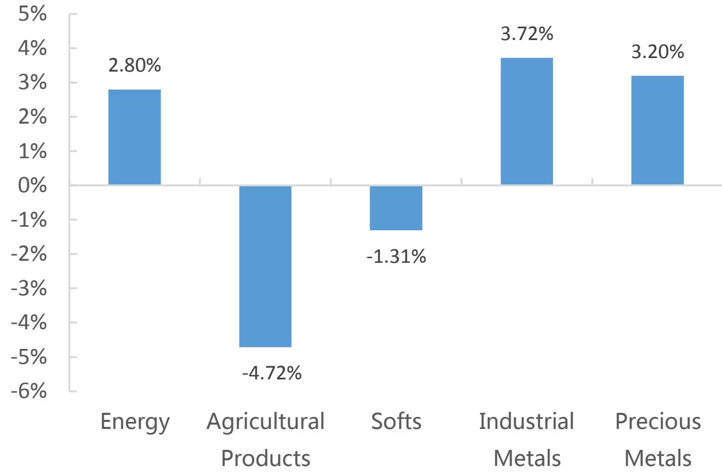
CCI 中国大宗商品指数

Index Characteristics[4, 5] (From 30 November 2018 to 28 December 2018)

Group Breakdown



One-Month Performance by group (%)



Top 10 Constituents By Index Weight

Name	Croup	Index Value (End of This Month)	Index Value (End of Last Month)	1M Perf (%)	Index Weight (%)
Thermal Coal	Energy	17.0952	16.7111	2.30%	10.02%
Steel Rebar	Industrial Metals	16.6260	15.9865	4.00%	9.74%
Coke	Energy	14.2023	13.3973	6.01%	8.32%
Iron Ore	Industrial Metals	13.6551	12.3052	10.97%	8.00%
Copper	Industrial Metals	9.6648	9.9432	-2.80%	5.66%
Corn	Agricultural Products	7.7287	7.9174	-2.38%	4.53%
Hot Rolled Coil	Industrial Metals	7.5577	7.0912	6.58%	4.43%
Soybean Meal	Agricultural Products	7.5058	8.0779	-7.08%	4.40%
PTA	Energy	6.8761	6.8775	-0.02%	4.03%
Gold	Precious Metals	5.8554	5.7045	2.65%	3.43%
Sum		**106.77**	**104.01**	2.65%	**62.57%**

Index Performance Analysis [6]

Highlights :

- In December, the CCI closed at 170.64, up 1.59% from a month ago.
- Energy: The deal of cutting crude oil production reached in early December among OPEC countries brought a slight bounce in crude oil prices. However, under the pressure of inventory and persistent high levels of shale oil production, as well as pessimistic demand expectations brought by market sense of economic slowdown, crude oil prices are still on a downward trend. The sharp fall in crude oil prices further pulled down market participants' expectations for bitumen prices, whereas bitumen price drop, smaller than crude oil prices decline, was considered a normal off-season adjustment. In December, as air quality got worse nationwide, steel mills in large portions carried out furnace overhaul to avoid production restrictions, and the resulting lowered demand suppressed coke prices. The demand of thermal coal reversed as well as its prices in early December when a low temperature weather arrived. However, with the slow consumption of high inventory in power plants and ports, thermal coal prices failed to snap back and continued to go down.
- Agricultural products: The corn futures prices significantly dropped because of the incremental supply of new season corns and the lower demand expectations driven by both African swine fever and the easing of US-China trade tension. The mitigation of US-China trade friction, the gloom demand from breeding industry amid Africa swine fever, and high stocks of soybean meals in oil plants, all these became factors that pushed down the price of soybean meal futures. Due

[4] Commodity groups refer to international standards
[5] Data Source : Caixin Insight, Gresham Investment Management LLC
[6] Data Source : Caixin Insight

to the sufficient supply of imported rapeseed, high stocks of rapeseed in oil plants and low soybean meal price, the prices of rapeseed meal also remained weak.

- Softs: In December, increased new sugar production and large import supported sugar supplies. Seasonal consumption demand warmed up as enterprises entered the stocking period for spring festival. Nonetheless, the trading volume did not exceed expectations, futures prices couldn' t get the seasonal rise and remained relatively weak. In the first half of 2018, massive stocks of cotton were accumulated domestically from continuous imports pushed by high prices at that time. These stocks of cotton were hard to deplete because of diminishing clothing orders year-over-year in December. Meanwhile, new cotton launched to the market suppressed cotton prices, thus, cotton futures prices moved weakly.
- Industrial metals: The iron ore arrivals in the fourth quarter was lower than expectation and the domestic production of iron powder declined. Supported by the overall shrinking supply and continuously decreasing inventories, iron ore prices steadily climbed up in December as steel mills profits stopped falling. End-of-year routine production cut by steel companies brought down their inventories in December, while winter consumptions were still acceptable, the overall supply of steel rebar was less than demand, supported the oscillated upward move of the steel rebar futures prices.
- Precious metals: Due to the macro expectations on global economic slowdown and the risk event of partial US government shutdown since December 22, risk aversion in the market intensified and gold futures prices climbed up all the way.

About Caixin Insight

Caixin Insight was founded by Caixin Media Group's editor-in-chief and internationally acclaimed journalist Hu Shuli. It is a sister company of Caixin Media (www.caixin.com), the leading financial and business news provider. The company focuses on providing best-in-class Chinese business and financial databases, macroeconomic research, big-data analytics, smart beta indexes and strategy consulting services, with the goal of helping Chinese and global institutions better navigate through the structural economic development, internationalization, capital markets and other important strategic agenda on China.(www.caixininsight.com)

About Gresham Investment Management LLC

Gresham Investment Management LLC was founded in 1987 and has pioneered the development and management of diversified commodity investment portfolios using commodity futures ever since. The firm's Tangible Asset Program® (TAP®) began trading in January 1987 and predates both the S&P Goldman Sachs and Bloomberg Commodity Indices. As of March 2018, Gresham manages in excess of US$7.5 billion for a variety of clients, including Public and Corporate Pension Funds, Endowments, Corporations, Health Systems, Insurance Companies, Pooled Investment Vehicles, other Investment Advisors, and Sovereign Wealth Funds, based in the Americas, Europe, Asia and the Middle East.(www.greshamllc.com)

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