

The AIS Optimized Commodity strategy

Enhanced, diversified returns from a distinct source

Strategy Overview

The AIS Optimized Commodity strategy is a quantitative, long-short strategy that invests primarily in commodities, as well as currencies and fixed income, to capture uncorrelated return and reduce volatility.

The strategy has a 14-year track record with around \$750 million in assets currently under management.

The strategy's potential benefit to an asset allocator is its ability to improve the risk/return profile of an investors overall portfolio. It has historically provided:

- Better than commodity market index returns
- Reduced risk
 - Low volatility, around 7% (average p.a.)
 - One-half that of the broader commodities market
 - One-half that of global equities
 - Low / negative correlation with equities and bonds
 - Hedge against inflation

Investment Philosophy and Process

Commodities are a relatively underinvested institutional asset class, due to their historic high volatility and modest long-term returns, despite having a global market size of more than \$20 trillion. Individual commodities experience wide price swings over varying time periods, driven by supply and demand imbalances, geopolitics, climate, and speculation, coupled with price reversion toward fair value. AIS's long/short strategy enables investors to take advantage of that volatility to capture return while still harnessing the risk benefit from the uncorrelated nature of the returns.

The strategy seeks to capture price trends across 16 different commodities in four key areas: energy, metals, agriculture and livestock/meats, along with currencies and bonds. Long-, medium-, and short-term price trends are analyzed and long and short positions are driven by proprietary quantitative signals that have been developed and refined by our team over the past 14 years.

The portfolio is diversified by design and positions are regularly rebalanced. The strategy does not use leverage.

Commodities: An Opportunity

Commodities are essential resources that touch every facet of our daily lives, fueling industries and driving economic growth.

They can also transform the risk and return characteristics of investor portfolios. Returns are uncorrelated with equity and fixed income assets and are considered an inflation hedge.

Due to a history of high volatility and low returns commodities have been an underinvested asset class, typically representing less than 1% of institutional allocations. By 2025, the commodities market is estimated to grow to approximately \$24 trillion.

AIS has historically enhanced returns and reduced volatility with its proprietary quantitative insights and long/short strategy.

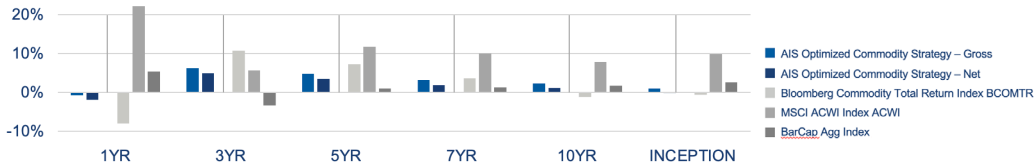


Returns and Volatility

The 14-year track record has been tested in diverse market environments

Inception: June 30, 2009

Returns (Annualized)

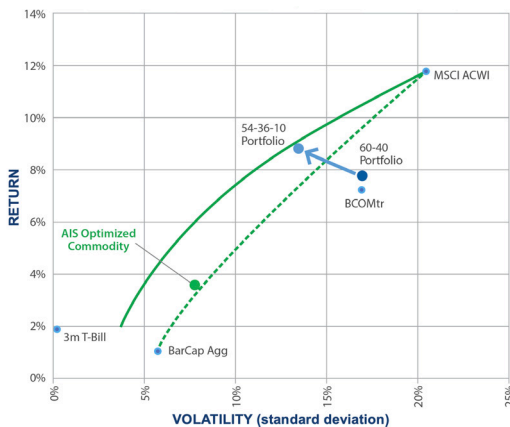


Index Ticker	RETURNS (ANNUALIZED)						
	1YR	3YR	5YR	7YR	10YR	INCEPTION	
AIS Optimized Commodity Strategy - Gross	-0.69%	6.23%	4.81%	3.25%	2.41%	1.09%	
AIS Optimized Commodity Strategy - Net	-1.93%	4.91%	3.51%	1.97%	1.13%	-0.16%	
Bloomberg Commodity Total Return Index	BCOMTR	-7.91%	10.76%	7.23%	3.59%	-1.11%	-0.56%
MSCI ACWI Index	ACWI	22.20%	5.75%	11.72%	10.05%	7.93%	9.91%
BarCap Agg Index	BarCap	5.43%	-3.34%	1.08%	1.28%	1.80%	2.63%

Index Ticker	STANDARD DEVIATION (ANNUALIZED)						
	1YR	3YR	5YR	7YR	10YR	INCEPTION	
AIS Optimized Commodity Strategy - Gross	6.5%	8.7%	7.7%	7.1%	6.8%	6.9%	
AIS Optimized Commodity Strategy - Net	6.5%	8.7%	7.7%	7.1%	6.8%	6.9%	
Bloomberg Commodity Total Return Index	BCOMTR	12.7%	17.7%	16.3%	14.9%	14.6%	15.0%
MSCI ACWI Index	ACWI	11.0%	14.5%	17.4%	15.6%	14.6%	14.9%
BarCap Agg Index	BarCap	7.3%	6.5%	5.6%	5.0%	4.5%	4.2%

Index Ticker	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
AIS Optimized Commodity Strategy - Gross	-0.69%	12.26%	7.52%	7.24%	-1.60%	1.28%	-2.32%	1.07%	-4.69%	5.25%	-0.91%	-9.39%	-4.10%	2.31%	4.76%
AIS Optimized Commodity Strategy - Net	-1.93%	10.86%	6.19%	5.90%	-2.83%	0.02%	-3.54%	-0.19%	-5.88%	3.94%	-2.14%	-10.52%	-5.29%	1.03%	4.11%
Bloomberg Commodity Total Return Index	BCOMTR	-7.91%	16.09%	27.11%	-3.12%	7.69%	-11.25%	1.70%	11.77%	-24.66%	-17.01%	-9.52%	-1.06%	-13.32%	16.83%
MSCI ACWI Index	ACWI	22.20%	-18.36%	18.54%	16.25%	26.60%	-9.41%	23.97%	7.86%	-2.36%	4.16%	22.80%	16.13%	-7.35%	12.67%
BarCap Agg Index	BarCap	5.43%	-13.01%	-1.54%	7.51%	8.72%	0.01%	3.54%	2.65%						

Optimal portfolio allocations: 5 years to 31 December 2023



Portfolio components included in the graph

- Efficient frontier 1
 - Efficient frontier 2
 - AIS Optimized Commodity strategy (net of fees)
 - 60/40 Portfolio: 60% MSCI All Country World Index, 40% BarCap Agg Index
 - 54-36-10 Portfolio: 54% MSCI All Country World Index, 36% BarCap Agg Index, 10% AIS Optimized Commodity strategy (net)
 - 3m T-Bill
 - 3-month Treasury Bill
 - BarCap Agg
 - BarCap Aggregate Index
 - MSCI ACWI
 - MSCI All Country World Index
 - BCOMTr
 - Bloomberg Commodities Index
- Data as of 12/31/23
*Methodology notes in Appendix

About AIS

Established in 2009 to develop quantitative strategies for the life insurance industry, Applied Investment Strategies (AIS) specializes in commodities-based strategies, with a focus on rigorous, disciplined research and the development of proprietary insights and models. AIS has an experienced team whose members have also worked together previously at other firms.



In Summary

The AIS Optimized Commodity strategy offers proprietary investment insights in an underinvested asset class that delivers enhanced, diversified returns. We improve investors' overall portfolios with better than market returns, lower risk than commodities and equities, low/negative correlation with equities and bonds, and a hedge against inflation.

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With its history of relatively low volatility and uncorrelated returns, the strategy has the potential to improve the risk/return profile of an overall portfolio.

All data as of 12/31/2023

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BENCHMARK DESCRIPTIONS

Three Month Treasury Bill – The three-month Treasury bill rate is the yield received for investing in a government issued Treasury security that has a maturity of three months. The three-month Treasury yield is included on the shorter end of the yield curve and is important when looking at the overall U.S. economy.

Bloomberg Commodity Index (BCOM) – The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited. The BCOM tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. It currently has 23 commodity futures in six sectors. No one commodity can compose more than 15% of the index, no one commodity and its derived commodities can compose more than 25% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

MSCI ACWI Index – The MSCI ACWI is an index of global equities. It captures large- and mid-cap representation across 23 developed markets and 24 emerging markets countries. With 2,921 constituents, the index covers approximately 85% of the global investable equity opportunity set.

Bloomberg US Aggregate Bond Index (formerly the Barclays Capital Aggregate Bond Index) – The Bloomberg US Aggregate Bond Index, or the Agg, is a broad-base, market capitalization-weighted bond market index representing intermediate-term investment-grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the U.S. bond market. In addition to investment grade corporate debt, the index tracks government debt, mortgage-backed securities (MBS) and asset-backed securities (ABS) to simulate the universe of investable bonds that meet certain criteria. In order to be included in the Agg, bonds must be of investment grade, have an outstanding par value of at least \$100 million and have at least one year until maturity.