

## SummerHaven Dynamic Commodity Index ("SDCI") Index Methodology

### SDCI – INDEX PHILOSOPHY

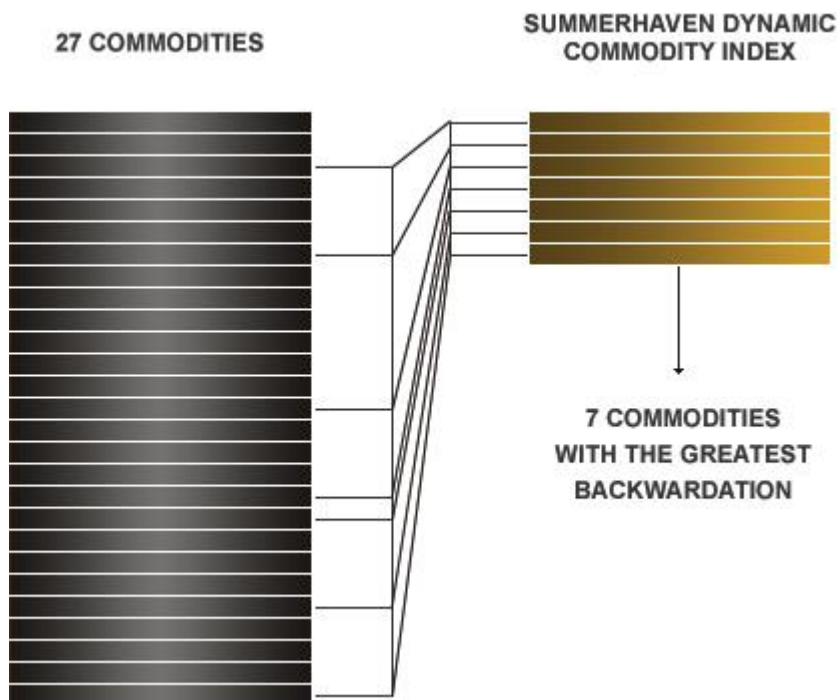
The SummerHaven Dynamic Commodity Index ("SDCI") was developed by SummerHaven Index Management to provide an active commodity index benchmark for investors. The SDCI is based on the notion that commodities with low inventories will tend to outperform commodities with high inventories, and that priced-based measures, such as futures basis and price momentum, can be used to help assess the current state of commodity inventories<sup>1</sup>.

### SDCI – INDEX CONSTRUCTION

The SDCI selects 14 commodity contracts with equal weighting from a universe of 27 eligible commodities each month through three steps:

#### Step 1: Commodity Selection - Backwardation

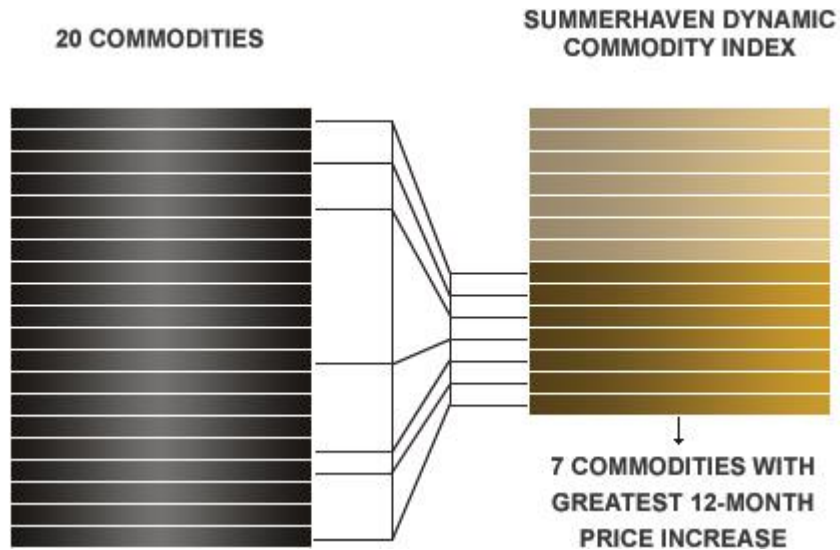
Choose 7 commodities with the greatest backwardation (or least contango). Backwardation is measured as the annualized % price difference between the futures price for the closest-to-expiration contract and the next closest-to-expiration contract for each commodity.



<sup>1</sup> Geert Rouwenhorst, SummerHaven partner and Yale professor, is a recognized leader for his academic research linking commodity futures returns to inventories: "The Fundamentals of Commodity Futures Returns" (March 2007 – Yale International Center for Finance Working Paper No. 07-08 [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=996930](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=996930))

## Step 2: Commodity Selection – Momentum

From the remaining 20 commodities, choose 7 commodities with greatest 12-month price momentum, subject to a diversification requirement\*. Momentum is measured as the % price difference between the futures price for the closest-to-expiration contract and the price of the closest-to-expiration contract 12-months ago for each commodity.



\* Diversification requirement: SDCI requires at least one component from each of the six commodity sectors: Precious Metals, Industrial Metals, Energy, Livestock, Softs, and Grains. If a sector isn't represented after selecting the 7 momentum commodities, the commodity with the highest price change among the commodities of the omitted sector is substituted for the commodity with the lowest price change among the seven momentum commodities.

### Step 3: Contract Month Selection

For each of the 14 index commodities, SDCI selects the contract month with the greatest backwardation (or least contango), taking into account the allowed contracts and maximum tenor for each commodity market.

The maximum eligible tenor is measured as the number of months starting from the maturity of the closest-to-expiration contract. The previous notwithstanding, the contract expiration is not changed for that month if a commodity remains in the index, as long as the contract does not enter expiry or enter its notice period in the subsequent month.

COMMODITY SYMBOL	COMMODITY NAME	SECTOR	ALLOWED CONTRACTS	MAX. TENOR
NG	Natural Gas	Energy	All 12 Calendar Months	12
CL	Crude Oil	Energy	All 12 Calendar Months	12
XB	RBOB	Energy	All 12 Calendar Months	12
HO	Heating oil	Energy	All 12 Calendar Months	12
CO	Brent Crude	Energy	All 12 Calendar Months	12
QS	Gas Oil	Energy	All 12 Calendar Months	12
LC	Live Cattle	Livestock	Feb, Apr, Jun, Aug, Oct, Dec	5
LH	Lean Hogs	Livestock	Feb, Apr, Jun, Jul, Aug, Oct, Dec	5
FC	Feeder Cattle	Livestock	Jan, Mar, Apr, May, Aug, Sep, Oct, Nov	5
W	Wheat	Grains	Mar, May, Jul, Sep, Dec	7
C	Corn	Grains	Mar, May, Jul, Sep, Dec	12
S	Soybeans	Grains	Jan, Mar, May, Jul, Aug, Sep, Nov	12
SM	Soymeal	Grains	Jan, Mar, May, Jul, Aug, Sep, Oct, Dec	7
BO	Bean Oil	Grains	Jan, Mar, May, Jul, Aug, Sep, Oct, Dec	7
LA	Aluminum	Industrial Metals	All 12 Calendar Months	12
HG	Copper	Industrial Metals	All 12 Calendar Months	12
LX	Zinc	Industrial Metals	All 12 Calendar Months	7
LN	Nickel	Industrial Metals	All 12 Calendar Months	7
LL	Lead	Industrial Metals	All 12 Calendar Months	7
LT	Tin	Industrial Metals	All 12 Calendar Months	7
GC	Gold	Precious Metals	Feb, Apr, Jun, Aug, Oct, Dec	12
SI	Silver	Precious Metals	Mar, May, Jul, Sep, Dec	5
PL	Platinum	Precious Metals	Jan, Apr, Jul, Oct	5
SB	Sugar	Softs	Mar, May, Jul, Oct	7
CT	Cotton	Softs	Mar, May, Jul, Dec	7
KC	Coffee	Softs	Mar, May, Jul, Sep, Dec	7
CC	Cocoa	Softs	Mar, May, Jul, Sep, Dec	7



### **SDCI REBALANCING:**

Price observations for the steps described above are taken on the fifth-to-last business day of each month. SDCI rebalancing takes place during the last four business days of the month. At the end of each of these days one fourth of the prior month portfolio positions are replaced by an equally-weighted position in the commodity contracts determined on the selection date. At the end of the rebalancing period, the SDCI targets an equal-weight position of approximately 7.14% in each of the selected commodity contracts.