

# The Strategic **Commodity** Fund

an innovative investment approach by  **THE STRATEGIC FUNDS**



# Who is The Strategic Funds?



**The Strategic Funds, LLC was founded in 2018 by experienced investment executives as an alternative asset management firm, to source innovative strategies with a distinct and identifiable edge.**

The Strategic Group (“TSG”), founded in 1996 and based in Dorado Beach, Puerto Rico since 2013, is a diversified asset management holding company that engages in proprietary investments in private equity and alternative investment strategies. The founders of TSG launched The Strategic Funds, LLC (“TSF”) in 2018 to offer certain curated alternative investment strategies to accredited, high-net worth individuals and institutions.

These strategies are offered through Strategic Capital Advisors, LLC (“SCA”, a registered Commodity Trading Advisor and Commodity Pool Operator) via managed accounts and Strategic Capital Fund Advisors, LLC (“SCFA”, an exempt private fund advisor) via private fund offerings as further described herein. SCA and SCFA are affiliates controlled by TSF.

Strategic Commodity Fund, LP, which is the focus of this presentation, is managed by Strategic Capital Advisors, LLC, is a member of the National Futures Association and registered as a Commodity Trading Advisor and a Commodity Pool Operator and only provides services to Qualified Eligible Participants as defined in section 4.7 of the Commodity Exchange Act. Since May 2020, Strategic Capital Advisors, LLC has been acting as a Commodity Trading Adviser to managed accounts. Currently, it manages the investments of Strategic Commodity Fund, LP and Strategic Bear Fund, LP.



# Our Investment Approach



**We harness global cross-asset opportunities by applying algorithmic systems to major macro trends around the overlooked edges of global markets.**

The foundation of our trading is systematic, following rules-based logic designed to capitalize on the latest research and technology.

Our mission is to identify distinct strategies that are uncorrelated with major market indexes; to create efficient access for our clients; to support our clients' understanding of the essentials of our strategies and how they can be accretive to their portfolios; and to manage each individual strategy to achieve its objectives.

An allocation to one of our strategies has the potential to offer diversification benefits which may be especially valuable in the context of traditional long-only portfolios containing bonds and equities and even other alternatives such as Private Equity. Our strategies have risk/return profiles and volatility characteristics that are notably differentiated. Our proprietary ML/AI driven trading models have embedded risk management that is automatically deployed in response to changing levels of risk and on the flipside, automated to harness opportunity in volatility.

# The Commodity Opportunity



**Commodities are the indispensable building blocks of modern life. Without reliable, stable, and cheap access to commodities, economic growth is not possible.**

For centuries, hydrocarbons like oil, natural gas, and coal powered growth to new heights. Climate change, however, necessitates change. Renewables like solar, nuclear, wind, and hydrogen are rising.

Access to the basics is no longer assured: 2021's price spikes in food, water, and fertilizers were a prelude of what's to come. Changing weather patterns and zero-sum geopolitical competition are reshaping supply chains in real time.

Meanwhile: The Fourth Industrial Revolution is nigh.

The digital revolution of the 90s has come of age. The build-out of 5G and advances in IoT creates data flows akin to the economy's circulatory system.

**The Strategic Commodity Fund** gives Accredited Investors and Qualified Eligible Participants (QEP) instant exposure to lucrative and difficult-to-access markets:

**The Commodities we literally can't live without.**

# The Strategic Difference



## Extraordinary outcomes rarely come from doing the ordinary.

Too many traditional commodity funds miss the bigger picture and do not account for the rapidly expanding digital component of the global economy and too many technology funds appear to think that commodities are beneath them. We seek the full picture. Our investment universe straddles both of these key areas of the global economy.

We aim to avoid the siloed thinking that all too often leads to misunderstanding of risk and limits to one's potential. There is an Edge to be found in doing things differently, and exploring another perspective than that of the herd.

This observation informs our work at The Strategic Funds.

*“The task is not so much to see what no one has yet seen, but to think what nobody has yet thought, about that which everybody sees.”*

**Erwin Schrodinger**

# Our Investment Thesis



## **1** Fiat currency debasement

*The path of least resistance for governments, and a risk and opportunity for investors.*

## **2** Data is the new oil

*The global economy is increasingly powered by data, is your portfolio?*

## **3** Unpacking the data stack

*The pick-and-shovel play for the digital economy.*

## **4** Global energy shift

*Renewables have unleashed powerful trends.*

## **5** Transportation transition

*Decarbonization is driving opportunities across the commodity sphere.*

## **6** Agriculture and fresh water

*Investing in enduring assets.*

# Our Investment Thesis



## 1 Fiat currency debasement

### Ongoing fiat currency debasement leads to rising valuations for real assets.

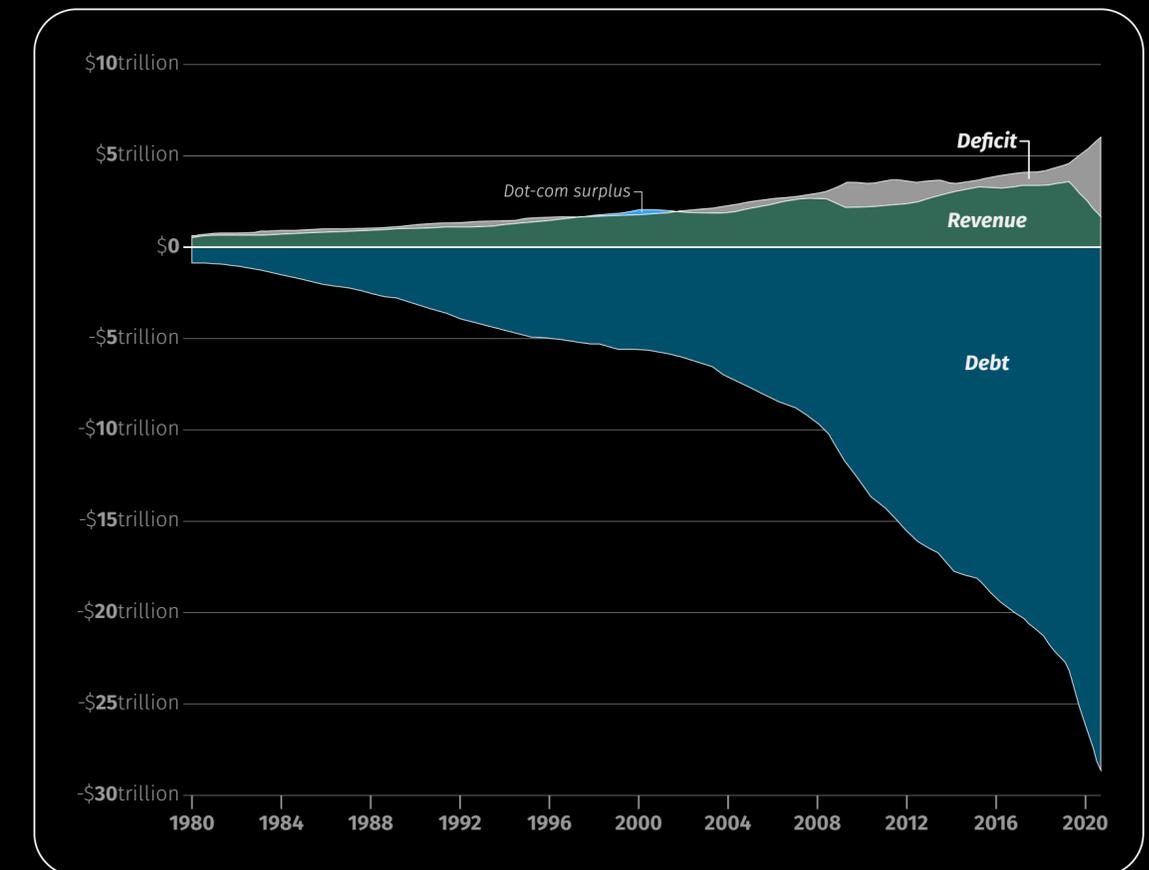
Total global debt is set to hit a record \$277trln by the end of 2020 according to the IIF. They reported that the debt had already ballooned by \$15trln this year to \$272trln through September. Governments, mainly from developed markets, accounted for nearly half. The developed markets' debt to GDP overall has jumped to 432% in Q3 2020 up from a ratio of about 380% at the end of 2019. Emerging market debt-to-GDP hit nearly 250% in Q3 led by China with 335%. These are levels you can't earn your way out of. You can default outright, or you can enter the path of least resistance and debase your currency and keep rolling the debt.

**The bad news:** debasement is baked into the cake this decade.

**The good news:** History is full of useful examples of how this tends to play out so investors can establish strategies that provide protection and even harness these strong forces.

**Real assets, including commodities, are a major part of the solution.**

America's Finances | 1980-2021



Source: Jon Gabriel

# Our Investment Thesis



## 2 Data is the new oil

**The world doesn't just run on oil anymore. It runs on oil and data.**

As a result, semiconductors are now the World's fourth-most-traded product after only crude oil, refined oil, and cars.

According to the International Data Corporation (IDC) IoT applications alone are expected to produce 90 zettabytes (90 billion terabytes) of data annually by 2025. In addition, 40% of global data will be stored in public Cloud environments by 2025.

Data in the Cloud is still supported by infrastructure. **Sensors** gather data, **networks** transmit data, **semiconductors** process data, and both **humans and machines make decisions** as a result.

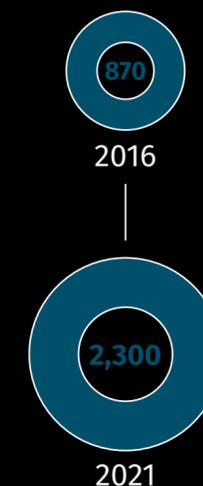
**These are the inputs of our digital economy.**

As the the use of digital tools increases, so does the amount of data created. The World Bank estimates that, by 2022, annual total internet traffic will increase by about 50% from 2020 levels, reaching 4.8 zettabytes. If you were to store 4.8 zettabytes on DVDs, your stack of DVD's would be long enough to circle the Earth six times.

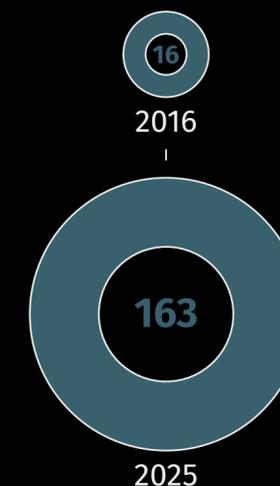
**An entire data ecosystem is literally being built from scratch in real time. We are positioned to take advantage of it.**

### Growth of the Global Datasphere

Global data center capacity (exabytes\*)

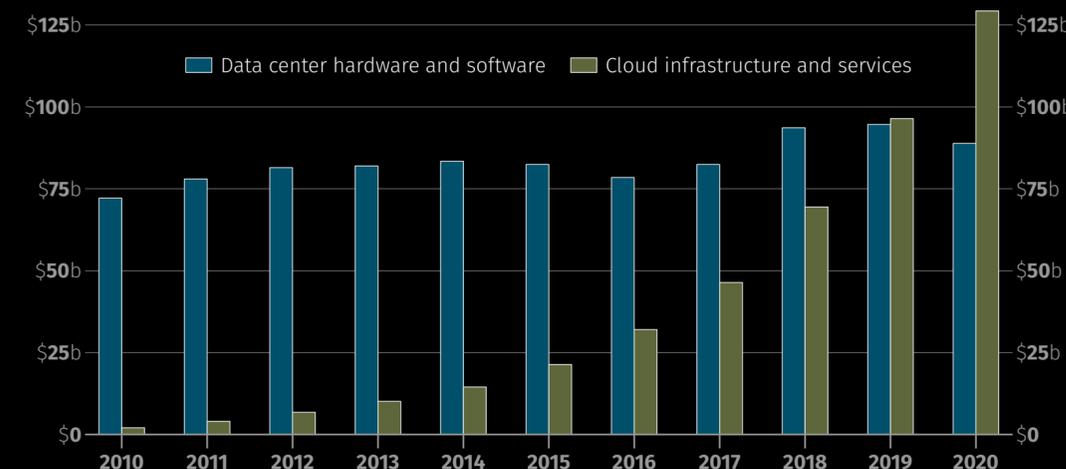


Projected size of the global datasphere in 2025 (zettabytes\*)



\* One exabyte is 1,000,000,000 (1 billion) gigabytes. One zettabyte is 1,000 exabytes.

Enterprise spending on cloud and data centers (billion USD)



Sources: IDC, Synergy Research Group

# Our Investment Thesis

## 3 Unpacking the data stack

**The seed of our data-driven digital reality today is the semiconductor.**

Between 1971 and 2015, the number of transistors per chip multiplied nearly 10 million times, making computing exponentially faster and cheaper. This performance and cost improvement made possible the evolution from mainframes to PCs, to the web and the smartphone.

Further advancements in semiconductor technology will be essential to enable a new wave of transformative technologies, including **Artificial Intelligence, 5G, autonomous electric vehicles** and the **Internet of Things (IoT)**.

From the trunk of this innovation tree many powerful branches have grown:

**Wireless communications, data centers, the Cloud, software as a service (SAAS), cybersecurity, data-driven services, IoT, data analytics, the AI/Machine learning-driven business model** and the powerful network platform **companies** that dominate our economy today – **Alphabet, Amazon, and Meta**.

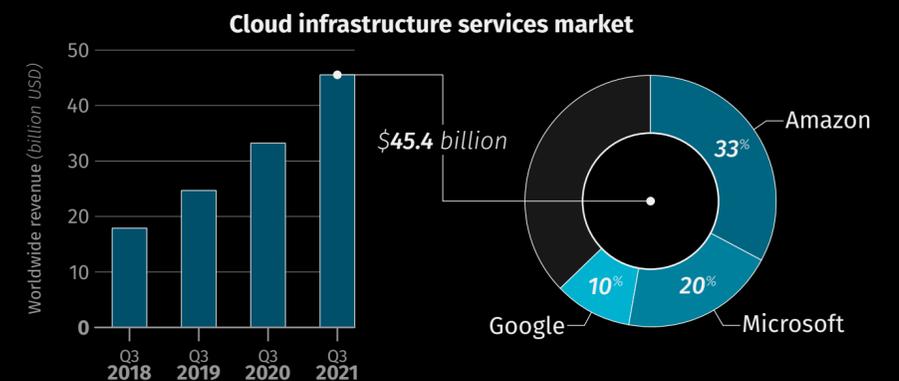
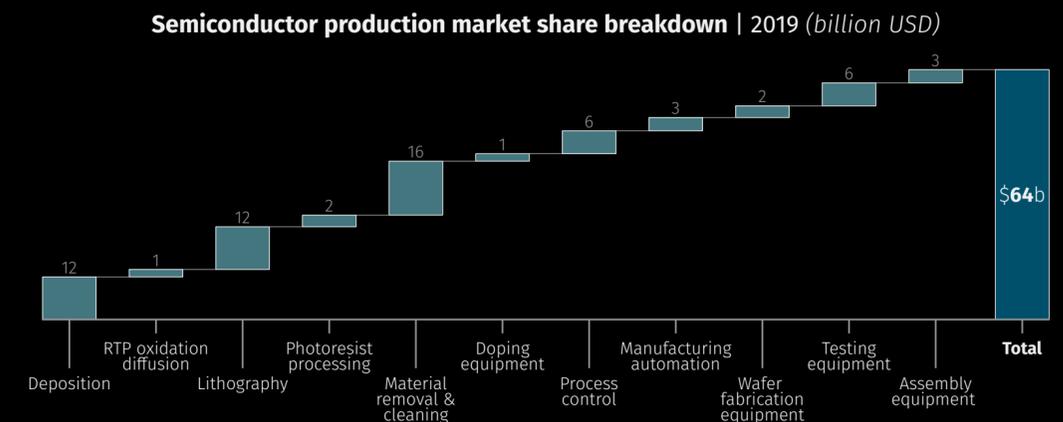
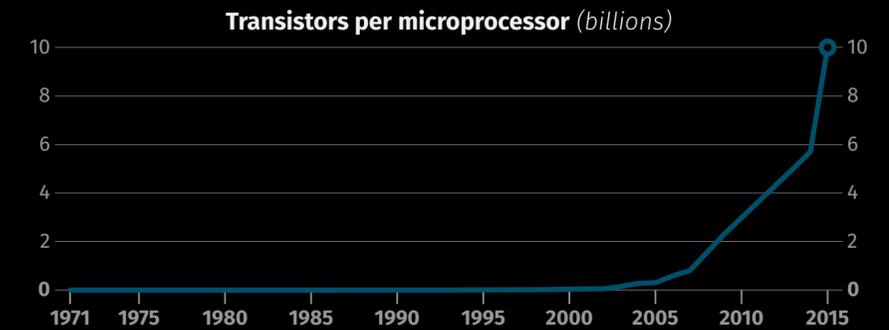
### How do you invest in data?

The investable universe we have identified is both deep and broad. Continuing the thread of the semiconductor, one can identify the manufactures and commodity inputs of the hundreds of unique materials and specialty chemicals required for their fabrication. From there one can look at the more than 50 types of sophisticated specialized equipment required for their manufacturing.

Beyond these ‘picks and shovel’ plays one can climb the value chain through communications infrastructure, Cloud services & data centers right up to the highly profitable data businesses and the global platform companies that today drives R&D across the tech space based on their powerful moats and high-profit business models.



### Semiconductors | The Trunk of The Innovation Tree



Sources: Karl Rupp, Gartner, Synergy Research Group

# Our Investment Thesis



## 4 Global energy shift

### A paradigm shift is underway.

Since the First Industrial Revolution, modern economic life has been powered by hydrocarbons. Coal, oil, and natural gas create energy. Energy enables industry, investment enables innovation, and the result is change – growth and contraction in equal measure.

Now, human civilization is doing something unprecedented: **it wants to change where it gets its energy from. Out of pollutive hydrocarbons; and into renewables like nuclear, solar, wind, and hydrogen.**

The 2020s will be a decade of transition. It is not clear which of the renewables, or what mix of them, will make up for lost hydrocarbons. Meanwhile, the economies of most countries are still dependent on oil, natural gas, and coal, which are increasingly facing political and financial constraints, leading to erratic supply.

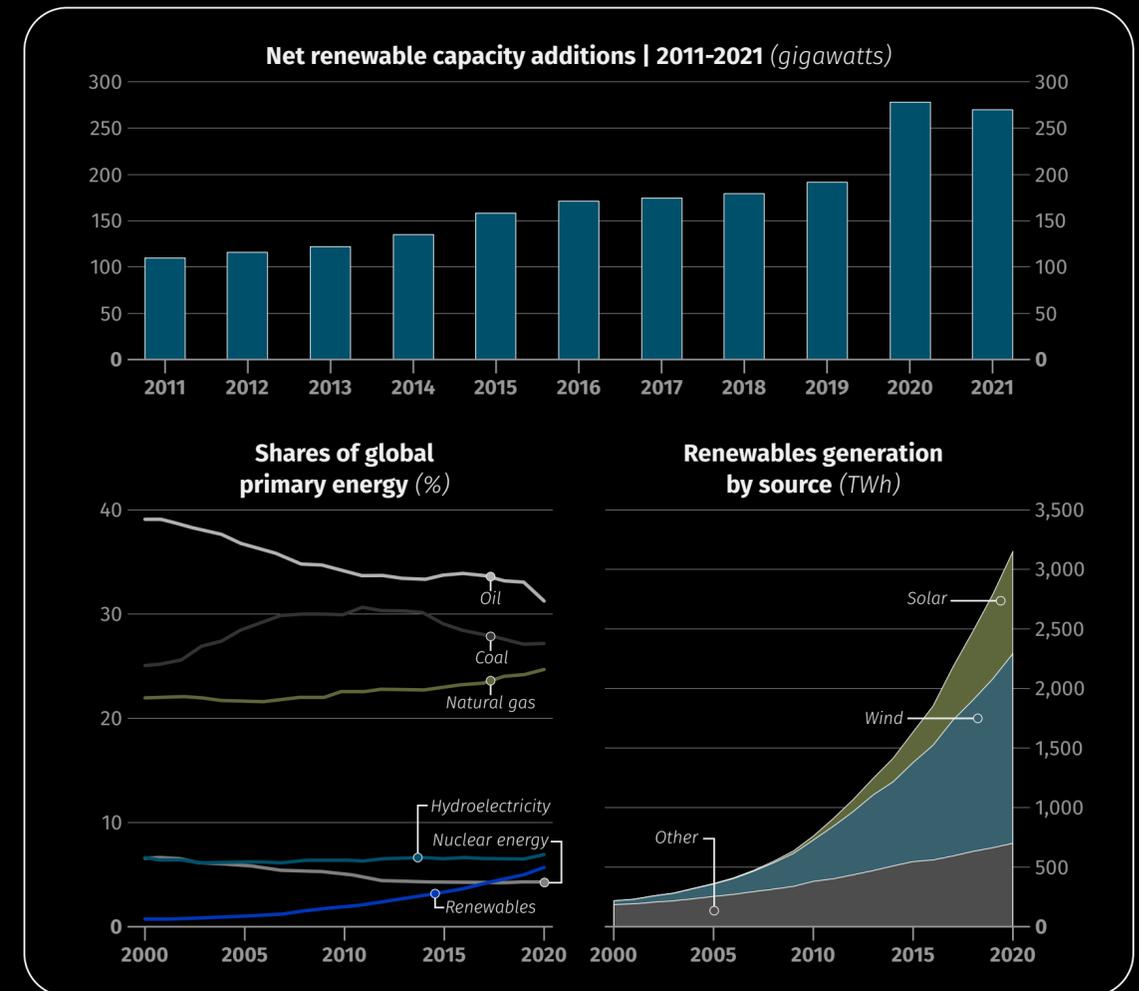
A transition of this scale is more of an evolution than a revolution and these themes are not mutually exclusive – We see opportunity in both. Short-term and tactical exposure to our current energy mix is coupled with long-range allocations towards technological innovation.

Renewable energy is based on technology and as such can mirror the exponential growth path seen in computing – higher and higher output at lower and lower cost – in line with the essence of Wright's Law; 'We learn by doing'.

**Change is not an event; it is a process. The process is well underway for our transition to a new energy system. It will create winners and losers in the commodity space and real opportunities for savvy investors.**

**We look to harness the paradigm shift.**

### Renewable Revolution



Sources: IEA, BP

# Our Investment Thesis



## 5 Transportation transition

**A second and adjacent paradigm shift is underway in transportation where the move to decarbonization is well underway.**

Like the energy transition it is unleashing rapid change across manufacturing, our infrastructure, and the commodity space.

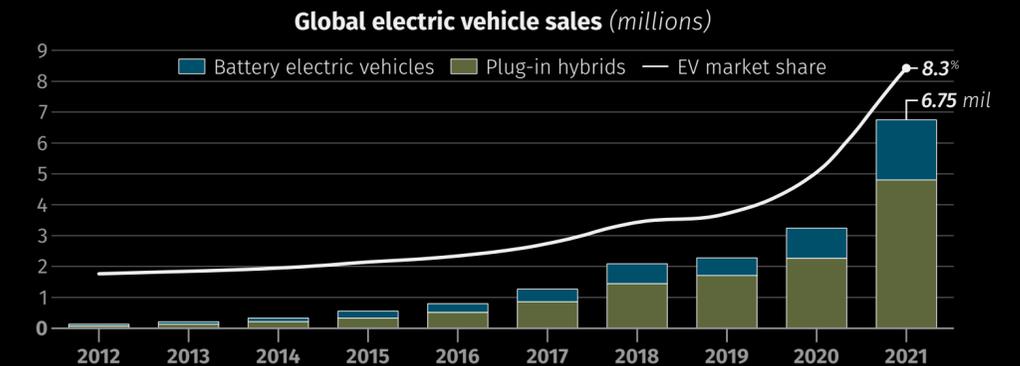
The auto industry is undergoing a paradigm change as it moves to **EVs** and **autonomous transportation**. This brings forward the use of new materials and these vehicles are comprised of fewer components with the battery and software increasingly the key inputs.

While much of the focus has been on electric cars the story is broader, with the **electrification of public transportation fleets**. This is especially true in China and the EU. Urban delivery fleets are also increasingly harnessing the benefits of integrated renewable power, smart micro-grids and vehicles.

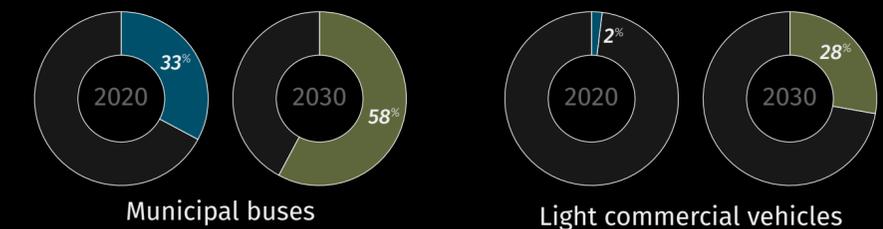
Shipping, once upon a time powered only by the wind, has begun to explore both electrification and autonomous solutions. Ammonia – a colorless fuel that emits no carbon dioxide when burned – may power ships in the future. The EU is even retrofitting its natural gas grid to store and transport hydrogen.

**All of these solutions are part of the decarbonization story – and we are investing in all of them.**

### EV Explosion

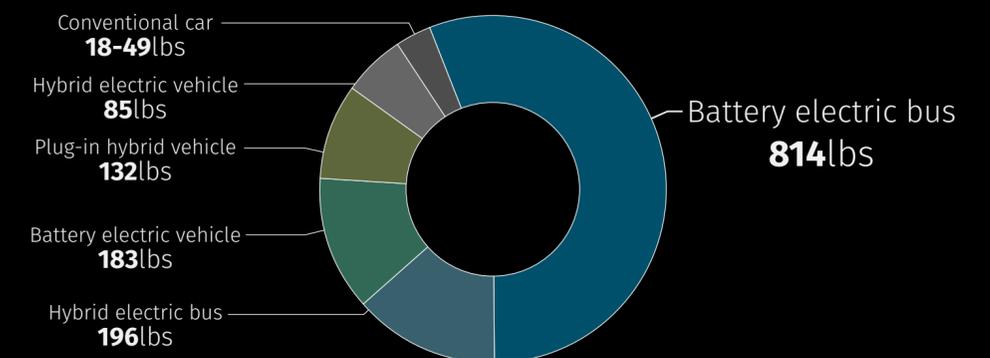


### Share of global vehicle fleet electrified | 2020 & 2030\*



\* 2030 is an estimate

### Copper use by vehicle type



Sources: EV Volumes, Bloomberg NEF, Copper Alliance

# Our Investment Thesis



## 6 Agriculture and fresh water

Global demographic trends combined with a changing climate leads to a situation with higher demand for agricultural products, and the water embedded in them, with increasingly challenging conditions for those who produce them.

**Change is assured. Innovation will gradually provide solutions, but it will be a bumpy road.**

Investors, experts, and governments have been predicting Malthusian-like scarcity for centuries. The Population Bomb of the 1970s never came to pass. Populations kept growing – kept finding new ways to produce food and source water.

**We don't expect the world to end – but we do expect things to change.**

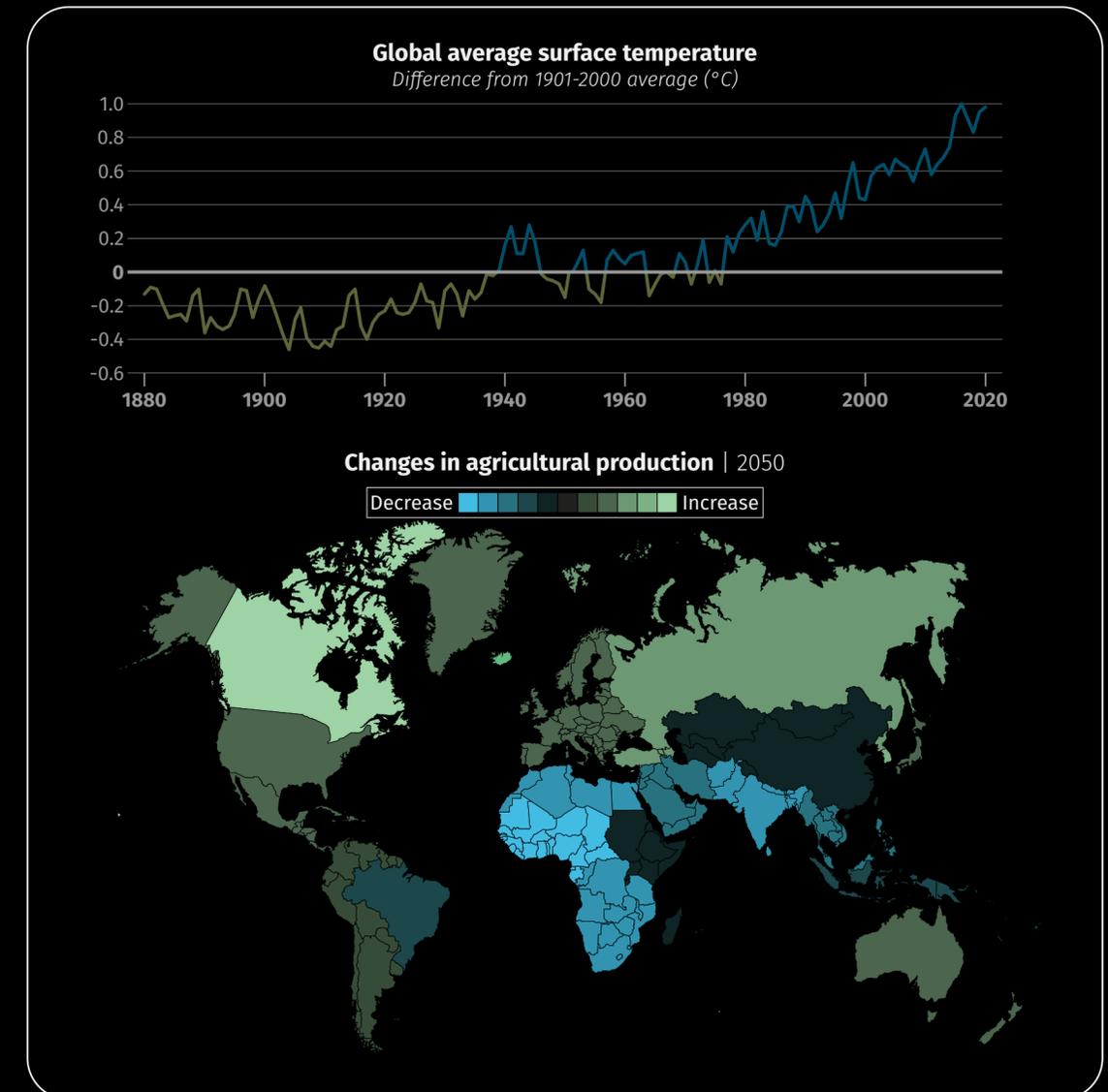
Climate change is simultaneously turning once-fertile land to desert and once frozen-tundra to fertile land. Changing weather patterns and ground water depletion are; causing conflicts, driving investments in technology like desalination, and even migration.

Water-stressed countries in the Middle East are experiencing with hydroponics to make the desert bloom.

We think shifts in where and how food is produced and where and how water is sourced will drive huge change in the decade ahead.

**From the materials required for the major infrastructure upgrades required to improve our fresh-water systems, to fertilizers, to water futures, to plant-based proteins that taste like the real deal, we want to stay ahead of the curve.**

### A Changing Agricultural Landscape



Sources: NOAA, FAO

# Our Investment Philosophy



## **Commodities and Hard Assets have historically played an import role as a source of uncorrelated returns.**

Going forward the definition of commodities needs to be updated beyond the conventional black energy heavy strictures. Over the next decades, the energy and transportation transitions, climate and demographic driven trends in agriculture, as well as the continued rise of the digital economy, will become the driving forces behind opportunities in the commodity space.

## **Change is not an event. It is a process.**

These processes are underway, the signs are everywhere as are the opportunities. With this realization one can move beyond the conventional investment approach to commodities and harness a larger investment universe. That is the philosophy that informs the strategy design and deployment of The Strategic Commodity Fund.

## **The Fund seeks to marry the traditional and digital economy exposure by pairing opportunistic trading in conventional exchange-traded commodities with more difficult-to-access commodity exposure through global equities.**

We specialize in capturing the forces shaping the global economy through exposure to exchange-traded equity and exchange-traded derivatives. The Fund engages in a bidirectional investment policy in global equities and exchange-traded derivatives.

Although we have a disciplined exposure criteria, there is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses.

# Our Investment Process



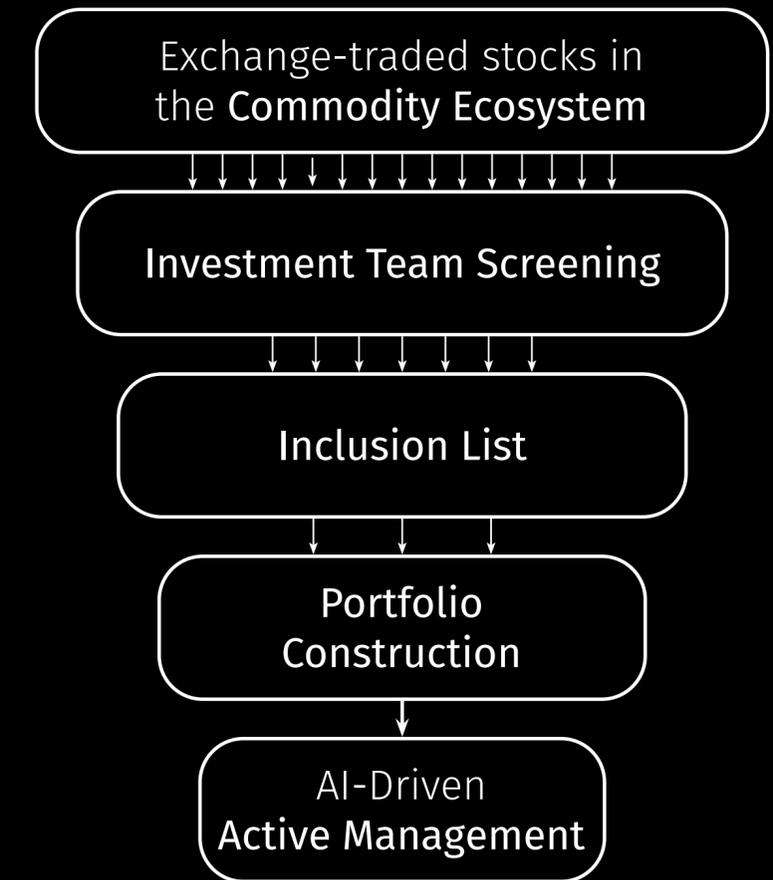
The Strategic Commodity Fund aims to harness the powerful dynamics outlined earlier through an active bi-directional algorithmic approach.

We explore and identify opportunities around the edges of the global economy's most critical inputs and then deploy algorithmic strategies for optimal allocation and risk management.

From the top-down, we identify opportunities in commodity markets most people are missing.

From the bottom-up, we execute with sophisticated technical tactics designed to minimize risk and maximize gain.

Quantitative and qualitative analysis aren't enemies at TSF: **They are partners.**



# Our Investment Process



**The Strategic Commodity Fund** looks to capitalize on a backdrop of inflationary forces and shifts in energy consumption, climate and demographic driven trends in agriculture and the digitization of the economy.

The Fund aims to capitalize on these major trends by deploying a bidirectional, opportunistic trading approach. This is guided by a risk parity approach to smooth returns and reduce the risk of over-concentration.

**We have identified six sub-segments within our defined investment universe:**

**Green Energy**



**Black Energy**



**Data as a Commodity**



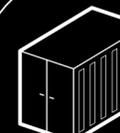
**Metals & Materials**



**Agriculture & Fresh Water**



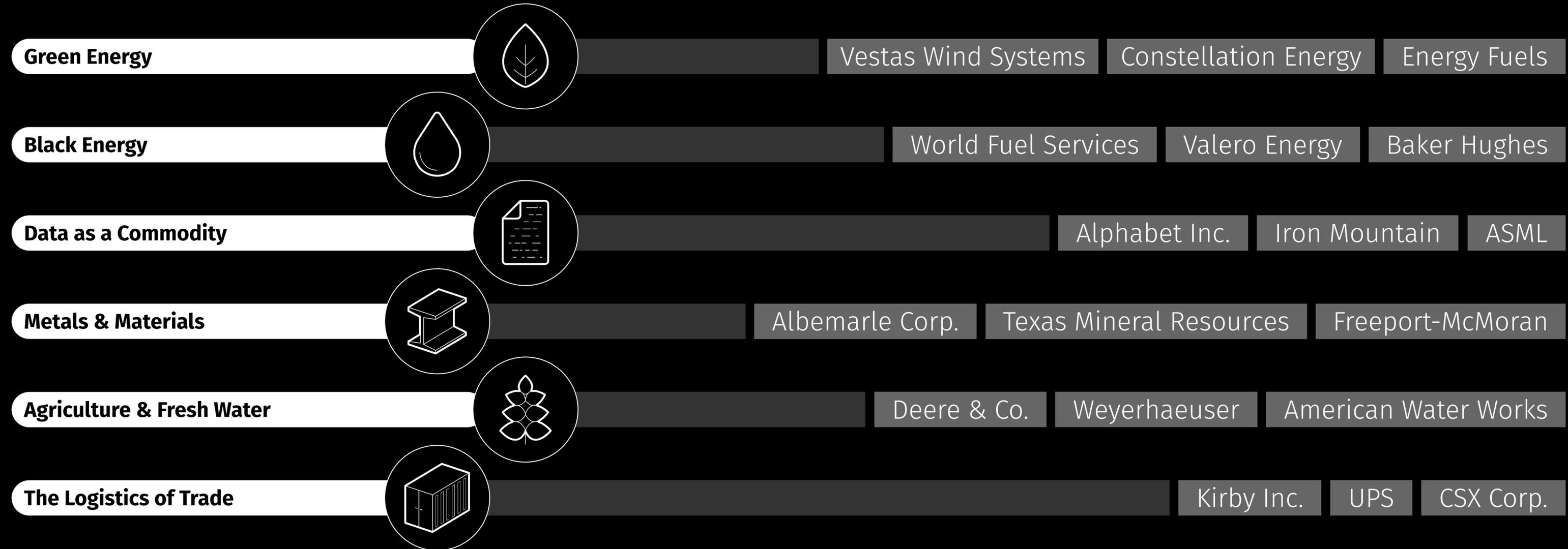
**The Logistics of Trade**



# Key Holdings



Areas of focus and some sample companies from the Fund's investment universe:



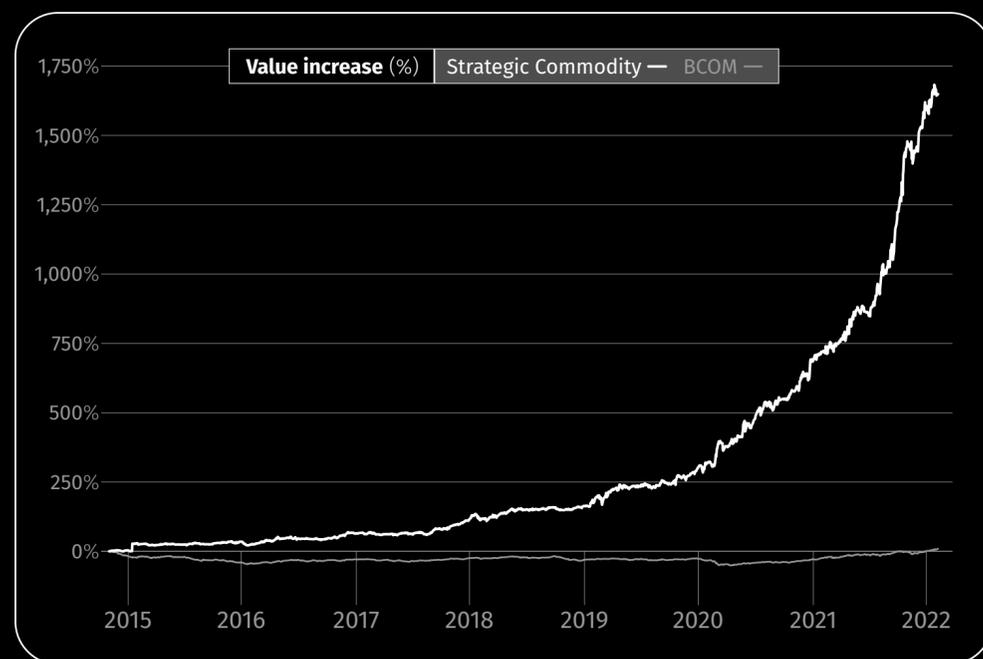
# Fund Performance



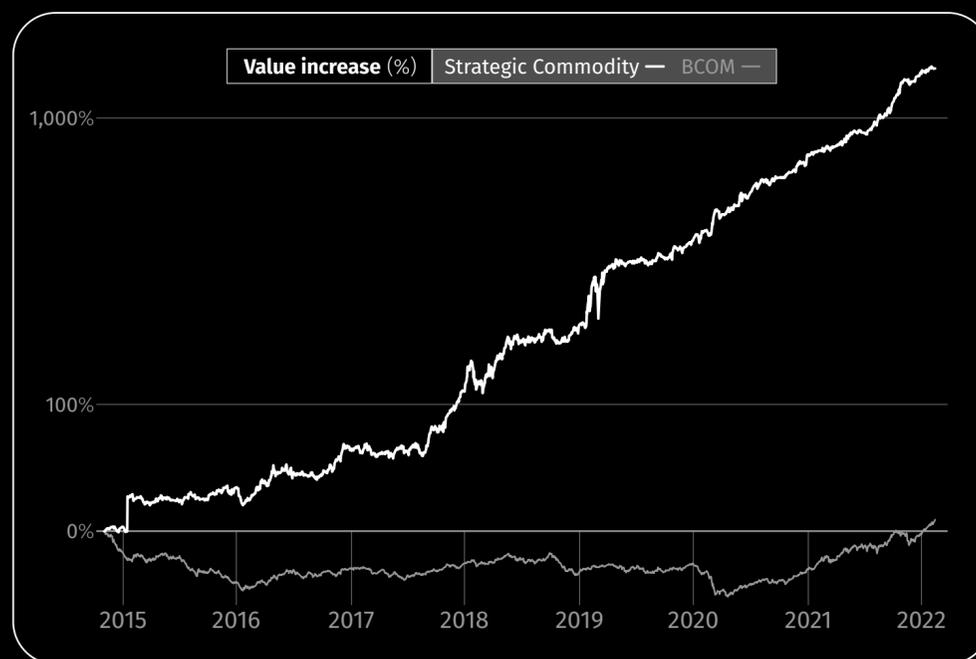
Overview of the strategy's hypothetical performance versus the Bloomberg Commodity Index (BCOM) as of February 23, 2022:

Key performance metrics:	Current Daily % Return	MTD	YTD	3M	6M	1Y	3Y	5Y	10Y	Incep	Max DD	Sharpe	Ann. Volatility	cVar
<b>Strategic Commodity Fund</b>	0.0%	2.75%	7.19%	11.5%	60.88%	114.31%	79.98%	60.3%	47.83%	47.83%	-11.34%	2.07	20.06%	-1.91%

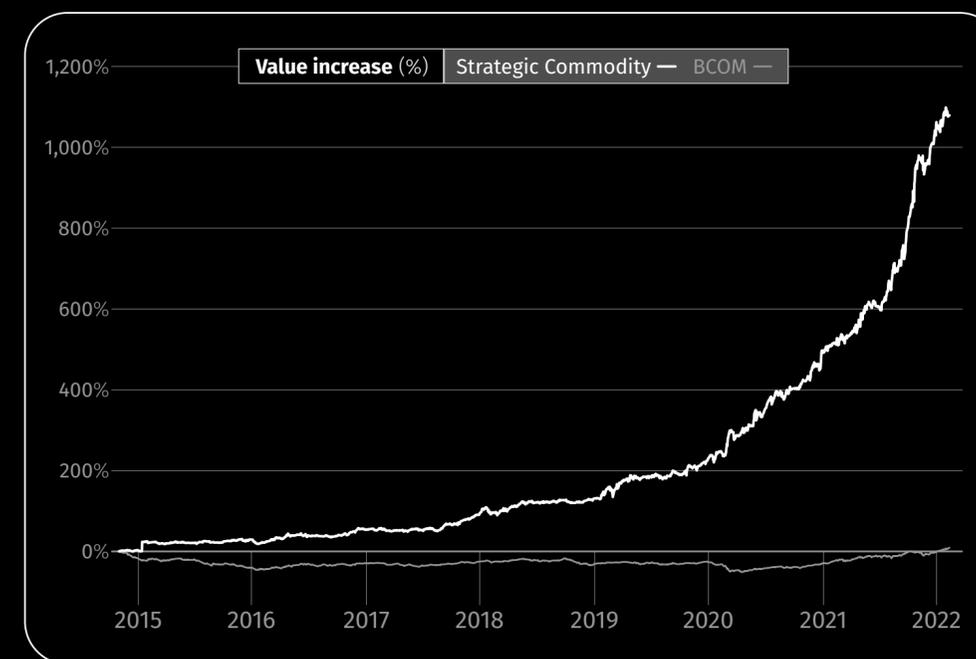
**Hypothetical Cumulative Returns vs. BCOM**



**Hypothetical Cumulative Returns vs. BCOM (Log Scaled)**



**Hypothetical Cumulative Returns vs. BCOM (Volatility Matched)**



Before investing, consider the investment objectives, risks, charges and expenses of the fund or trading program and its investment options. Contact The Strategic Funds for a free Offering Memorandum. Read it carefully.

This chart illustrates the performance of a hypothetical \$500,000 investment made in this investment product (and a benchmark) from the beginning date October 31, 2014. Performance is calculated based on real-time pricing during defined execution windows for each strategy. Settlement prices are used where available real-time prices are used for execution estimation. The product's returns calculation reflects profits reinvested and net of expenses. Management fee, incentive fee and trades commissions have been charged monthly. Any fees not reflected would lower the returns. Benchmark returns include reinvestment of capital gains and dividends, if any, but do not reflect any fees or expenses. Past performance is no guarantee of future results. This chart is not intended to imply any future performance of the investment product.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

# Fund Terms



Trading program highlights:

Program	The Strategic Commodity Fund
Fund Launch Date	January 2022
Management Fee	2%
Performance Fee	20%
Minimum Investment	\$250,000
Subscriptions/Redemptions	Monthly
Investment Types	Accredited Investors and Qualified Eligible Participants - US
Investment Advisor	Strategic Capital Advisors, LLC
Banking Partner	Signature Bank
Administrator	Sudrania Fund Services Corp.
Auditor	Boris Popov LLC

# Our Investment Manager



**Nikolas Joyce** | CIO

**Nikolas brings 20 years of experience designing quantitative investment research infrastructure and systematic trading platforms using leading edge technology.**

His systematic framework includes the deployment of artificial intelligence, machine learning, reinforcement learning, algorithmic trading, high-frequency trading, statistical modeling, probability assessment, big data and SWARM intelligence. He has harnessed these tools to create Cyclical Alpha methodology.

Nikolas has developed proprietary technology infrastructure to rapidly prototype and deploy active style indexes representing trend-following, mean reversion and volatility harvesting. He is a former portfolio manager & commodity trading advisor for Trend Management Limited, with \$350mln under management. During his time there he traded a futures portfolio in the energy, equity index, currencies and interest rates markets. He led the equity research and hedging operations, overseeing portfolio reporting, execution, option pricing and interacted with investors regularly to communicate the strategies effectively.

He has B Comm degree in Finance from the University of British Columbia and holds Series 3 & 30.

**In his role as CIO he oversees all of our deployed strategies and works with his team to identify new opportunities and develop the optimal strategies for harnessing them.**

# It's good to talk.



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Reach out to our team for a conversation about our **perspectives, solutions and offerings.**

**Discover how we can help you achieve your goals.**

# Disclaimer



Strategic Commodity Fund, LP (the “Fund”) is a commodity pool and Strategic Capital Advisors, LLC (“SCA”) is a commodity pool operator (“CPO”) and commodity trading advisor subject to regulation by the Commodity Futures Trading Commission (“CFTC”) and the National Futures Association under the Commodity Exchange Act. SCA also acts as investment adviser to the Fund.

This strategy is offered through SCA via a private fund offering (the “Offering”) for Accredited Investors and Qualified Eligible Participants only, as such terms are respectively defined in Regulation D of the Securities Act of 1933, as amended, and the Commodity Exchange Act.

Before investing, consider the investment objectives, risks, charges and expenses of the Fund. Contact The Strategic Funds for a free Offering Memorandum. Read it carefully.

SCA has claimed an exemption with respect to the Fund from certain of the CFTC disclosure, reporting and record-keeping requirements applicable to registered CPOs pursuant to CFTC Rule 4.7.

**THE CFTC HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS POOL NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT.**

**ALTERNATIVE INVESTMENTS ARE SPECULATIVE AND INCLUDE A HIGH DEGREE OF RISK. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE NOR A GUARANTEE OF FUTURE RESULTS.**

The information presented herein is solely for informational purposes only. It is intended for the benefit of Accredited Investors and Qualified Eligible Participants. The information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or a solicitation of an offer to buy any securities of the Fund and is qualified in its entirety by the offering materials of the Fund.

## FORWARD-LOOKING STATEMENTS

Certain statements included herein including, without limitation, statements regarding the Fund’s investment goals, investment strategies and statements as to SCA and/or its management’s beliefs, expectations or opinions are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to risks and uncertainties. The factors discussed herein could cause actual results and developments to be materially different from those expressed in or implied by such forward-looking statements. Accordingly, the information contained herein cannot be construed as guaranteed.

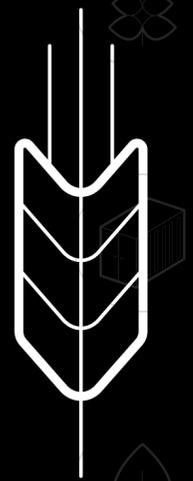
## RISK DISCLOSURE

You should carefully consider whether your financial condition permits you to participate in a commodity pool. In so doing, you should be aware that commodity interest trading can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the pool and consequently the value of your interest in the pool. In addition, restrictions on redemptions may affect your ability to withdraw your participation in the pool.

Further, commodity pools may be subject to substantial charges for management, and advisory and brokerage fees. It may be necessary for those pools that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets.

No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by The Strategic Funds, LLC and/or its affiliates (or any of their respective members, directors, officers, employees, advisers, agents, representatives and consultants) as to or in relation to, the accuracy or completeness of information herein.

Prior to May 2020, SCA was called Paskewitz Asset Management, LLC and its management team changed in August 2019. Team information may change from time to time. This information is current as of February 1, 2022.



# The Strategic **Commodity Fund**

Around the edges of the key inputs of the global economy reside significant opportunities. We work to harness them.