S&P Dow Jones Indices

A Division of S&P Global

S&P Quantix Commodity Index
Methodology

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Introduction

Index Objective

The S&P Quantix Commodity Index measures the performance of a diversified basket of commodity futures. Constituents are selected and weighted according to a rules-based methodology that considers historical relationships to different types of inflation and the cost of maintaining long-term futures exposure.

Data Source

To facilitate transition of the indices, Quantix will temporarily provide parallel intermediate rebalancing calculations, including the Quality Score calculation.

For more information on Quantix, please refer here.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Commodities Indices Policies & Practices Methodology	Commodities Indices Policies & Practices
S&P Dow Jones Indices' Commodity Index Mathematics Methodology	Commodity Index Mathematics Methodology

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Index Eligibility

Eligible Index Universe

The eligible index universe consists of contracts that satisfy the following criteria as of each rebalancing reference date:

- be listed on either a U.S. or U.K. exchange and denominated in USD.
- be permitted for investment for U.S. persons under applicable Commodity Futures Trading Commission (the “CFTC”) regulations.
- be one of the 40 most actively traded contracts by volume.

Last Day Financial (LDF) contracts — which are cash-settled futures contracts with pricing based on exchange-traded, physically settled futures contracts — are not eligible.

Constituent Selection

From the eligible index universe, select the 24 most liquid commodity futures based on historical open interest, utilizing data from the prior three-year rolling average, specifically the prior 35 end-of-month data points plus one data point on the construction date.

Index Weighting

At each rebalancing, the index sets maximum sector weights, as well as maximum and minimum market weights, according to the below process.

Weighting Constraints

The index weighting constraints are as follows:

- **Long-Only Constraint:** No market can have a negative weight.
- **Sum of All Weights Constraint:** The sum of all market weights must be 100%.
- **Market Floors and Ceilings**: Any market that has a positive weight must have a minimum weight of 2% and a maximum weight of 20%, excluding Gold, which can have a weight up to 40%.

Sectors are subject to maximum weight caps according to the table below:

Sector	Maximum Weight
Petroleum	50%
Natural Gas	15%
Grains and Soybean Products	20%
Softs	15%
Livestock and Dairy	15%
Industrial	40%
Precious	50%

Stage 1: Quality Score Adjustment and Market-Level Capping

Determine Stage 1 weights according to the following process.

1. Calculate the economic significance weights (see *Appendix B*) and Quality Scores (see *Appendix C*) for each of the markets in the universe on the weight determination date.
2. Multiply the Quality Scores by 5% and add to the economic significance weights.
3. Sort the resulting adjusted weights in ascending order by Quality Score.
4. Constrain the first market's corresponding adjusted weight by flooring its value at 0% and capping its maximum value at 20%. Add any excess weight from this constraining procedure, positive or negative, to the next market's adjusted weight.
5. Constrain the second market in the same way and add its excess weight to the third market. Iteratively apply this procedure until the excess weight from the second-to-last market has been added to the last market.
6. Because the last market may have a weight higher than 20%, apply the same procedure in the reverse order, starting with the last market's constrained adjusted weight, with the resulting excess weight allocated to the second-to-last market's adjusted weight. Iteratively apply the procedure until the excess weight from the second market has been added to the first market. Note that the excess weight may be zero during any part of the process.

Stage 2: Sector-Level Capping and Weight Redistribution

Determine Stage 2 weights according to the following process:

1. Determine whether each sector's aggregate Stage 1 weights are over the maximum described above in *Weighting Constraints*. For any sector that exceeds the maximum, reduce the sector's weight by reducing the weight of the market with the lowest Quality Score within that sector. If the sector weight needs to be reduced by more than the weight of the lowest-scoring market, reduce the weight of the market with the next lowest Quality Score iteratively until the sector's weight is at the sector's maximum.
2. Allocate the total excess weight equally across the markets in the sector with the highest Sector Quality Score that has not met its maximum up to its corresponding maximum. Repeat this step iteratively until all excess weight has been distributed.

Stage 3: Overall Constraints and Minimum Constituent Application

Determine Stage 3 weights according to the following process:

1. Using the Stage 2 weights for any markets with non-zero weights only, minimize the sum of the squared deviations from those weights, subject to a minimum of 2% and maximum of 20% (with the exception of gold, which is subject to a maximum of 40%) and the sector caps described in *Index Constraints*.
2. If, after Step 1, the resulting weights contain fewer than 15 constituent markets, assign a weight equal to 2% to the market with a zero weight that has the highest Quality Score for the relevant weight determination date, while reducing all markets with existing weights equally, subject to the same 2% floor.
3. Repeat the process until 15 markets have a non-zero weight.

Note that, after this procedure, the sector weights may exceed the ceiling if a 2% weight is assigned to a market that had been set to zero in Stage 2. For the avoidance of doubt, note that the sector weights are not scaled down below the sector's ceiling in Stage 3. Those constraints are applied in Stage 4.

Stage 4: Scarcity and Debasement Adjustment and Final Optimization

Determine the final rebalancing weights according to the following process:

1. Calculate the scarcity and debasement indicators for the relevant weight determination date (see *Appendix D*). For each active scarcity and debasement signal, add 15% to the Gold weight, capping the total at the 40% maximum.
2. Scale the Stage 3 weights of all other markets down proportionally so that the total weight sums to 100%.
3. Finally, determine the weights by minimizing the sum of the squared deviations from those resulting weights for markets with non-zero weights only, subject to a minimum of 2% and maximum of 20% — except for Gold, which uses 40% — and the sector caps described in *Index Constraints* above.
4. Round the resulting weights to six digits to obtain the final rebalancing weights ("Commodity Index Percentages") used in *Index Calculation*.

Weight Determination Date

S&P QCI rebalances quarterly in April, July, October, and January during the roll period and determines new weights in March, June, September, and December on the business day after the scheduled release of the U.S. Consumer Price Index for All Urban Consumers (CPI-U), Seasonally Adjusted (SA), as published by the Bureau of Labor Statistics.

Note that certain data used in the weighting methodology might be published later than this date, in which case the index uses the previously published value for such date.

Index Calculation

S&P Quantix Commodity Index (USD) ER Calculation

The ER index calculates as follows:

$$SPQCIER_t = SPQCIER_{t-1} \times (1 + QDR_t)$$

On the first business day of the month, QDR_t calculates as:

$$QDR_t = \frac{\sum_n LP_{n,t} \times CWO_n}{\sum_n LP_{n,t-1} \times CWO_n} - 1$$

On every other business day, QDR_t calculates as:

$$QDR_t = \frac{\sum_n LP_{n,t} \times CWO_n \times ROW_n + NP_{n,t} \times CWI_n \times RIW_n}{\sum_n LP_{n,t-1} \times CWO_n \times ROW_n + NP_{n,t-1} \times CWI_n \times RIW_n} - 1$$

where:

$LP_{n,t}$ = The Lead Price of commodity *n* on day *t*, as defined under the section *Contract Roll* below

$NP_{n,t}$ = The Next Price of commodity *n* on day *t*, as defined under the section *Contract Roll* below

CWO_n = The Commodity Weight (CW) of commodity *n* of the composition the index is rolling out of, as defined in *Commodity Weight (CW) Calculation* below

CWI_n = The Commodity Weight (CW) of commodity *n* of the composition the index is rolling into, as defined in *Commodity Weight (CW) Calculation* below

ROW_n and RIW_n = The roll-out/in weight for commodity *n* respectively:

From the first to and including the fifth business day of the month:

$$ROW_n = 1, RIW_n = 0$$

From the fifth to and including the ninth business day of the month, ROW_n decreases by 0.2 per day and RIW_n increases by 0.2 per day, subject to non-tradable events like holidays, market disruptions, and limit moves, an example of which is discussed below.

Commodity Weight (CW) Calculation

At each rebalancing, the index uses Commodity Index Percentages (CIPs) (determined above in *Index Weighting)* to calculate Commodity Weights (CWs) as follows:

1. On the penultimate business day of the month, *d*, CIPs are converted to CWs as follows:

   $$CW_m = \frac{CIP_m}{\widetilde{NP}_{m,d}} \times \sum_n \widetilde{NP}_{n,d} \times CWO_n$$

   where:

   $\widetilde{NP}_{m,d}$= The subsequent month's Next Price of the commodity *m* on day *d*. The resulting CWs are rounded to six decimal places

2. These new CWs are implemented over the roll period in the subsequent month as CWI_n, and in the months thereafter as both CWI_n and CWO_n, according to the formula for QDR defined above

Contract Calendar

Each commodity rolls according to the following contract schedule. As per the definition of QDR above, these contracts roll equal weighted on the fifth to the ninth business day of each month. The Lead Price (LP) is the price of the contract corresponding to the current calendar month in the table below and the Next Price (NP) is the price of the contract corresponding to the subsequent calendar month. For example, in January the LP for WTI Crude Oil is March (H) and the NP is May (K), such that, during the 5th to 9th business day in January, the index rolls from the LP [WTI Crude Oil March (H)] to the NP [WTI Crude Oil May (K)].

Market	Sector	Jan	Feb	Mar	Apr	May	Jun
CL	Petroleum	H0	K0	K0	N0	N0	U0
HO	Petroleum	H0	K0	K0	N0	N0	U0
LCO	Petroleum	K0	K0	N0	N0	U0	U0
LGO	Petroleum	H0	K0	K0	N0	N0	U0
RB	Petroleum	H0	K0	K0	N0	N0	U0
NG	Natural Gas	H0	K0	K0	N0	N0	U0
BO	Grains and Soybean Products	H0	K0	K0	N0	N0	Z0
C	Grains and Soybean Products	H0	K0	K0	N0	N0	U0
KW	Grains and Soybean Products	H0	K0	K0	N0	N0	U0
S	Grains and Soybean Products	H0	K0	K0	N0	N0	X0
SM	Grains and Soybean Products	H0	K0	K0	N0	N0	Z0
W	Grains and Soybean Products	H0	K0	K0	N0	N0	U0
CC	Softs	H0	K0	K0	N0	N0	U0
CT	Softs	H0	K0	K0	N0	N0	Z0
KC	Softs	H0	K0	K0	N0	N0	U0
SB	Softs	H0	K0	K0	N0	N0	V0
LC	Livestock and Dairy	J0	J0	M0	M0	Q0	Q0
LH	Livestock and Dairy	J0	J0	M0	M0	N0	Q0
HG	Industrial	H0	K0	K0	N0	N0	U0
MAL	Industrial	H0	K0	K0	N0	N0	U0
MNI	Industrial	H0	K0	K0	N0	N0	U0
MZN	Industrial	H0	K0	K0	N0	N0	U0
GC	Precious	J0	J0	M0	M0	Q0	Q0
SI	Precious	H0	K0	K0	N0	N0	U0

Market	Sector	Jul	Aug	Sep	Oct	Nov	Dec
CL	Petroleum	U0	X0	X0	F1	F1	H1
HO	Petroleum	U0	X0	X0	F1	F1	H1
LCO	Petroleum	X0	X0	F1	F1	H1	H1
LGO	Petroleum	U0	X0	X0	F1	F1	H1
RB	Petroleum	U0	X0	X0	F1	F1	H1
NG	Natural Gas	U0	X0	X0	F1	F1	H1
BO	Grains and Soybean Products	Z0	Z0	Z0	F1	F1	H1
C	Grains and Soybean Products	U0	Z0	Z0	Z0	H1	H1

Market	Sector	Jul	Aug	Sep	Oct	Nov	Dec
KW	Grains and Soybean Products	U0	Z0	Z0	Z0	H1	H1
S	Grains and Soybean Products	X0	X0	X0	F1	F1	H1
SM	Grains and Soybean Products	Z0	Z0	Z0	F1	F1	H1
W	Grains and Soybean Products	U0	Z0	Z0	Z0	H1	H1
CC	Softs	U0	Z0	Z0	Z0	H1	H1
CT	Softs	Z0	Z0	Z0	Z0	H1	H1
KC	Softs	U0	Z0	Z0	Z0	H1	H1
SB	Softs	V0	V0	H1	H1	H1	H1
LC	Livestock and Dairy	V0	V0	Z0	Z0	G1	G1
LH	Livestock and Dairy	V0	V0	Z0	Z0	G1	G1
HG	Industrial	U0	Z0	Z0	Z0	H1	H1
MAL	Industrial	U0	X0	X0	F1	F1	H1
MNI	Industrial	U0	X0	X0	F1	F1	H1
MZN	Industrial	U0	X0	X0	F1	F1	H1
GC	Precious	Z0	Z0	Z0	Z0	G1	G1
SI	Precious	U0	Z0	Z0	Z0	H1	H1

Non-Tradeable Event Treatment

On any S&P QCI business day during a designated roll period, if a market disruption event were to occur, the roll weights for the subsequent commodity futures contract will need to be held based on the roll weights from the previous business day to reflect a market disruption event. The following table shows an example of how the contract roll weights of an impacted commodity future contract would be held on a day when a Market Disruption Event occurs:

Business Day	Roll Out Contract	Roll In Contract	Market Disruption Event?
5th Business Day	80%	20%	—
6th Business Day	60%	40%	—
7th Business Day	***60%***	***40%***	***Yes***
8th Business Day	20%	80%	—
9th Business Day	0%	100%	—

In any such event, the portion of the roll that would otherwise have taken place on such S&P QCI Business Day will take place on the next Contract Business Day (provided that such Day is also a S&P QCI Business Day) as long as no Market Disruption Event occurs.

For more information of what constitutes a Market Disruption Event, please refer to the Index Policy section of S&P Dow Jones Indices' Commodities Indices Policies & Practices document.

S&P Quantix Commodity Index (USD) TR Calculation

For information on the calculation of the TR index levels, please refer to the *Other Derived Indices* section (specifically *Total Return Index Calculation Using Actual Day Counts*) in S&P Dow Jones Indices' Commodity Index Mathematics Methodology.

Currency of Calculation and Additional Index Return Series

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the *S&P DJI Methodology & Regulatory Status Database*.

For information on index calculation, please refer to the Other Derived Indices section of the S&P Dow Jones Indices' Commodity Index Mathematics Methodology.

For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at www.spglobal.com/spdji/.

Index Governance

Index Committee

An Index Committee oversees daily index management and operations and is responsible for all analytical methods and calculation in the indices. The Committee is comprised of full-time professional members of S&P Dow Jones Indices staff. At each meeting, the Committee reviews any issues that may affect index constituents, statistics comparing the composition of the indices to the market, commodities that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting commodities, or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

All references to methodology-related decisions made by S&P Dow Jones Indices in this document represent decisions made by the Index Committee.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to the Index Governance section of S&P Dow Jones Indices' Commodities Indices Policies & Practices.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at *www.spglobal.com/spdji/,* major quote vendors, numerous investment-oriented Web sites, and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to the *S&P DJI Methodology and Regulatory Status Database* for a complete list of indices covered by this document.

Index Code	Index Name	Launch Date	BBG	RIC	Base Date	Base Value
SPQCIER	S&P Quantix Commodity Index (USD) ER	11/23/2026	SPQCIER	.SPQCIER	12/29/2006	100
SPQCITR	S&P Quantix Commodity Index (USD) TR	11/23/2026	SPQCITR	.SPQCITR	12/29/2006	100

Index Data

Daily index level data is available via subscription.

For product information, please contact S&P Dow Jones Indices, www.spglobal.com/spdji/en/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spglobal.com/spdji/.

Appendix A: Rolling Futures Indices

Futures Price Sources

To calculate multiple intermediate results in the rebalancing weights procedure, the index uses the most proximate commodity futures contract with an option expiration date on or after the observation date (the "First Nearby"). The commodity futures contract with an option expiration date immediately following the First Nearby contract is defined as the "Second Nearby" contract, and subsequent nearby contracts are defined sequentially in an analogous manner (e.g., "Third Nearby," "Fourth Nearby"). For the avoidance of doubt, all listed futures contracts for a market are included in this procedure.

Rolling Futures Indices

To measure the returns of rolling futures contracts, the index tracks the levels of "F0" excess return indices. The indices utilize the contract schedules set forth in the table below, which define the contract held at the beginning of each calendar month. The numeric suffix denotes the year offset relative to the current calendar year (e.g., "H0" in January indicates the March contract of the same year as that January, while "F1" in December denotes the January contract of the subsequent calendar year).

Market	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
CL[1]	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
HO	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
LCO	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1	H1
LGO	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
RB	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
NG	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
BO	H0	H0	K0	K0	N0	N0	Z0	Z0	Z0	Z0	F1	F1
C	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1
KW	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1
S	H0	H0	K0	K0	N0	N0	X0	X0	X0	X0	F1	F1
SM	H0	H0	K0	K0	N0	N0	Z0	Z0	Z0	Z0	F1	F1
W	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1
CC	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1
CT	H0	H0	K0	K0	N0	N0	Z0	Z0	Z0	Z0	Z0	H1
KC	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1
SB	H0	H0	K0	K0	N0	N0	V0	V0	V0	H1	H1	H1
LC	G0	J0	J0	M0	M0	Q0	Q0	V0	V0	Z0	Z0	G1
LH	G0	J0	J0	M0	M0	N0	Q0	V0	V0	Z0	Z0	G1
HG	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1
MAL	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
MNI	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
MZN	H0	H0	K0	K0	N0	N0	U0	U0	X0	X0	F1	F1
GC	G0	J0	J0	M0	M0	Q0	Q0	Z0	Z0	Z0	Z0	G1
SI	H0	H0	K0	K0	N0	N0	U0	U0	Z0	Z0	Z0	H1

The contracts roll proportionally from the fifth to the ninth business day of the applicable month, with special treatments in the event of a Market Disruption Event.

For more information on Market Disruption Events, please refer to the Index Policy section of S&P Dow Jones Indices' Commodities Indices Policies & Practices document.

[1] For WTI Crude Oil ("CL"), the contract month at the beginning of June 2020 was specifically designated as the U (September) contract, rather than the standard N (July) contract, due to extreme market circumstances during that period.

Appendix B: Economic Significance Weights

Economic Significance Weight Calculation

The index determines economic significance weights according to the below process:

- **Data Input Identification:** For each eligible market, the index uses two baseline historical data inputs:
    - **Contract Value:** Multiply the settlement price of the first Nearby Futures contract by the standard contract lot size for that market.
    - **Aggregate Open Interest:** The aggregate open interest for the applicable market, utilizing the field for the relevant futures contract.
- **Historical Reference Period & Valuation Business Days:** Both the contract value and aggregate open interest are observed on the last trading day of the month for the most recent 35 months as well as on the weight determination date, yielding 36 distinct observation points. If no data was published on a scheduled observation date for a given market and input, the index uses data from the immediately preceding business day that data was published for such market and input.
- **Calculation of Open Interest Notional:** For each of the 36 observation points for each market, multiply the Contract Value by the aggregate open interest to calculate the historical notional for each market. For each market, average the 36 historical values to determine the economic significance notional for the weight determination date.
- **Final Scaling to Target Weights:** Finally, scale the resulting economic significance notionals proportionally so that the aggregate allocation across all index constituents equals 100%.

Appendix C: Quality Score

Quality Score Calculation

The index uses a calculation engine to systematically derive a Quality Score for each eligible commodity based on its relative signal score across four categories within the eligible universe.

The Quality Score calculates by taking a weighted average of the individual z-scores for each signal (as detailed below), applying the following weights to each respective category:

Signal	Weight
Average Historical Correlation to CPI	20%
High Inflation Correlation to CPI	20%
Roll Yield	50%
Passthrough	10%

The z-score for each of the four signals calculates as a cross-sectional z-score across all eligible markets, i.e., the market signals on the weight determination date are demeaned and divided by the standard deviation.

The resulting Quality Score serves as a directional indicator of the commodity's overall inflation sensitivity and roll yield characteristics. Commodities which have lower inflation sensitivity and/or a poor roll yield return are generally assigned negative Quality Scores. Commodities which have a greater inflation sensitivity and/or a better roll yield return are generally assigned positive Quality Scores.

Average Historical Correlation to CPI

The index calculates for each market the average of the rolling futures index correlation with CPI (as defined below). This average calculates using all available historical data points from January 1, 1970, through the applicable weight determination date. This result is the Average Historical Correlation to CPI.

- **Year-on-Year Consumer Price Index ("CPI") Change.** To determine the year-on-year change in consumer prices, the index uses the US CPI All Urban Consumers (SA) input. The year-on-year CPI change calculates as the ratio of the CPI level on the observation date to the CPI level 12 months prior minus 1. For any given observation date, the index utilizes the most recently published final CPI data available.
- **Rolling Futures Index Correlation with CPI.** First, the rolling futures excess return index levels for the "F0" excess return indices (as described above) are observed as of the last trading day of each month.

  From these monthly levels, the year-on-year rolling futures change is determined by dividing the resulting values by those from 12 months prior minus 1. Following this, the rolling correlation between the year-on-year CPI change, defined above, and the year-on-year rolling futures change calculates over a window of 36 months.

High-Inflation Correlation to CPI

The index determines which periods have higher than average inflation, first, taking the average year-on-year CPI change since January 1, 1970, and then determining when the average year-on-year CPI change is above this value. Subsequently, for each market, the rolling futures index correlation with CPI, as defined above, is isolated to only those periods and is subsequently averaged to obtain the High-Inflation Correlation to CPI.

Roll Yield

This factor measures the cost of rolling futures for each commodity by calculating the difference in the year-on-year performance of the spot price (estimated via the prompt futures contract) relative to the performance of a long-only exposure rolled forward via a futures investment, thereby demonstrating the cost of contango or the benefit of backwardation.

The roll yield return is defined as the difference between the year-on-year percentage change in a "F0" excess return index and the year-on-year percentage change in the front month rolling futures price.

The index calculates the roll yield signal according to the following process:

- **Data Alignment:** For each market, the price level of the First Nearby contract and its corresponding rolling futures excess return index levels are aligned to the common business days.
- **Generation of Comparative Returns:** On each observation date, both the First Nearby contract price and the excess return index level are divided by the respective values from 252 business days prior to establish year-on-year returns.
- **Spread Subtraction:** The resulting year-on-year price return for the First Nearby contract is subtracted from that of the rolling futures excess return index to obtain the year-over-year roll yield for that market on that observation date.
- **Signal Smoothing:** This year-over-year roll yield value is then averaged over 756 business days to obtain the roll-yield signal for that market.

Passthrough

This factor examines how much of a change in a commodity futures price is passed through to a related product in the real world (for example, Gasoline futures vs. retail Gasoline has a high passthrough cost while Cocoa futures vs. consumer chocolate products have a low passthrough cost). The passthrough cost analysis relies on assumptions regarding which spot retail price best represents the commodity futures price, based on factors including economic linkage, prevailing market convention, and data availability. For some commodities like crude oil, this is very straightforward, as gasoline represents the oil product closest to the consumer. For others, like zinc or aluminum, there are a number of products that could be used. These assumptions are applied consistently across all relevant calculations and may be reviewed periodically by the Index Committee in accordance with its established governance procedures. Data may be sourced from verifiable third-party providers as determined by the Index Committee.

For the determination of the passthrough on the weight determination date S&P QCI uses several methods.

The first method utilizes specific retail price indices, as detailed in *Appendix E* (Retail Price Indices). This list reflects the sources utilized at the time of writing and may be updated or amended on a quarterly basis by the Index Committee in accordance with its established governance procedures. For each market listed in *Appendix E*, the market price is calculated as the average price of the First Nearby futures contract, as defined above, over the last 366 calendar days ending on and including the weight determination date. Then for each market the retail price is determined as the average of the values published under its corresponding retail price index over the same period. Then for each market the passthrough is calculated by taking the market price divided by the retail price and dividing the resulting quotient by its corresponding unit factor.

The second method uses a weighted average of the passthrough of other markets and is used for the markets below:

Market	Observed Market	Weight
LGO	HO	100%

Market	Observed Market	Weight
SM	LH	70%
	LC	30%
S	BO	50%
	SM	50%
MNI	HG	33 1/3%
	MAL	33 1/3%
	MZN	33 1/3%

Finally, the third method directly defines the passthrough using the table below:

Market	Passthrough
GC	1.0
SI	1.0

Subsequently these signals are grouped into quartiles, i.e., ranked and split into four equal groups (note that if scores are identical across commodities the groups might not be equal), to obtain the passthrough signal used in the cross-sectional z-score described above in the *Quality Score* section.

Sector Quality Scores Calculation

Sector Quality Scores are determined for each sector by calculating the weighted average Quality Score of the markets in such sector, using economic significance weights. These input values are observed on the weight determination date.

Appendix D: Scarcity and Debasement Indicators

The Quantix Scarcity Debasement ("SDI") Indicator signals environments when the source of inflation is more likely to be debasement than commodity scarcity. In such environments, Gold is given a higher weight as its performance characteristics can likely perform better in a debasement regime.

The SDI Indicator is determined by three market-based factors:

Gold-Copper Debasement: Historically, positive momentum in the Gold-Copper ratio can be a signal of Gold outperformance relative to other commodities. For the observation of this indicator, S&P QCI uses the First Nearby Gold and Copper prices. These two series are aligned to the common business days, and the Gold price is divided by the Copper price to obtain the Gold-Copper ratio. From this ratio a long-term average is calculated over 540 common business days, and a short-term average is calculated over 60 common business days. On any weight determination date that the short-term average is above the long-term average, the Gold-Copper debasement signal is active and an indicator of a debasement regime.

Yield Curve Debasement: A flatter yield curve can be a signal of macroeconomic distress, particularly debasement inflation, and a leading indicator of Gold outperformance relative to other commodities. For the observation of this indicator, S&P QCI uses spread between the 2-year yield and the 10-year yield. For the avoidance of doubt, this means the 2-year yield subtracted from the 10-year yield. This data is averaged over 30 business days. On any weight determination date that this average is less than 100.0 basis points, the yield curve debasement signal is active and an indicator of a debasement regime.

Backwardation Scarcity: In calculating the backwardation scarcity indicator, S&P QCI measures the level of backwardation in the S&P QCI Backwardation Basket. The S&P QCI Backwardation Basket is constructed by taking the weights from Stage 3, removing Gold, and allocating Gold's weight to the remaining assets pro rata. More backwardation can be a sign of higher demand for commodities, implying greater scarcity and outperformance relative to Gold.

The level of backwardation for any one market is calculated as the ratio of the First Nearby to Second Nearby futures contract prices for such market. One is subtracted from this ratio, and it is annualized by multiplying by 12 and dividing by the number of months between First and Second Nearby contracts, after which one is added to obtain the annualized backwardation for such market. Each annualized backwardation value is then weighted by the corresponding market's weight in the S&P QCI Backwardation Basket to derive a Backwardation Index.

If the Backwardation Index is less than 1.0 (i.e., the S&P QCI Backwardation Basket is in contango), then this is a signal of a debasement regime and the signal would be active. Conversely, if the index is greater than 1.0 (i.e., the S&P QCI Backwardation Basket is backwardated), then this is considered a scarcity regime and the signal would not be active.

Appendix E: Retail Price Indices

Passthrough Cost Input Summary

Market: WTI Crude Oil
Unit Factor: 42
Retail Pricing Source: AAA Current Avg. for Regular Gasoline
https://gasprices.aaa.com

Market: Brent Crude Oil
Unit Factor: 42
Retail Pricing Source: AAA Current Avg. for Regular Gasoline
https://gasprices.aaa.com

Market: RBOB Gasoline
Unit Factor: 1
Retail Pricing Source: AAA Current Avg. for Regular Gasoline
https://gasprices.aaa.com

Market: Heating Oil
Unit Factor: 1
Retail Pricing Source: EIA STEO Series D2RCAUS_$ (on 2tab) (U.S. Residential Heating Oil Price, $/gallon)
https://www.eia.gov/outlooks/steo/xls/STEO_m.xlsx

Market: Gas Oil
Gas Oil passthrough cost ratio is equal to the Heating Oil passthrough cost ratio

Market: Natural Gas
Unit Factor: 1
Retail Pricing Source: EIA U.S. Residential Natural Gas Price ($/Mcf)
https://www.eia.gov/d]nav/ng/hist/n3010us3a.htm

Market: Corn
Unit Factor: 1
Retail Pricing Source: USDA Market News US #2 Yellow Corn (Bulk - $/Bu), Midwest Spot, Avg Price, DLVD-T
https://mymarketnews.ams.usda.gov/viewReport/3802

Market: Soft Red Winter Wheat
Unit Factor: 60 lbs per bushel of wheat
Retail Pricing Source: BLS Average Price: Flour, White, All Purpose, Per lb. (APU0000701111)
https://fred.stlouisfed.org/series/APU0000701111

Market: Hard Red Kansas Wheat
Unit Factor: 60 lbs per bushel of wheat

Retail Pricing Source: BLS Average Price: Flour, White, All Purpose, Per lb. (APU0000701111)
https://fred.stlouisfed.org/series/APU0000701111

Market: Bean Oil
Unit Factor: 0.00380
Retail Pricing Source: BLS Producer index by Commodity, Processed Food and Feeds, Shortening, Cooking Oil, and Margarine (WPU027801)
https://fred.stlouisfed.org/series/WPU027801

Market: Soybean Meal
Passthrough ratio: 70% Lean Hogs and 30% Live Cattle passthrough ratio

Market: Soybean
Passthrough ratio: 50% Soybean Oil and 50% Soybean Meal passthrough ratio

Market: Cocoa
Unit Factor: 120
Retail Pricing Source: BLS Chocolate and Confectionery Manufacturing from Cacao: Primary Products (PCU311351311351P)
https://fred.stlouisfed.org/series/PCU311351311351P

Market: Cotton
Unit Factor: 0.101
Retail Pricing Source: BLS Textile Products and Apparel: Finished Cotton Broadwoven Fabrics (WPU03420104)
https://fred.stlouisfed.org/series/WPU03420104

Market: Aluminum
Unit Factor: 143
Retail Pricing Source: BLS Metals and Metal Products: Extruded Aluminum Shapes, Including Rod, Bar, and Wire (WPU10250162)
https://fred.stlouisfed.org/series/WPU10250162

Market: Zinc
Unit Factor: 123
Retail Pricing Source: BLS Import Price Index (End Use): Zinc (IR14260)
https://fred.stlouisfed.org/series/IR14260

Market: Copper
Unit Factor: 0.0387
Retail Pricing Source: BLS Metals and Metal Products: Copper Wire and Cable (WPU10260314)
https://fred.stlouisfed.org/series/WPU10260314

Market: Nickel
Passthrough ratio: 1/3 Aluminum, 1/3 Zinc, and 1/3 Copper passthrough ratio

Market: Live Cattle
Unit Factor: 1

Retail Pricing Source: BLS Average Price: Ground Beef, 100% Beef (Cost per Pound) in U.S. City Average (APU0000703112)
https://fred.stlouisfed.org/series/APU0000703112

Market: Lean Hogs
Unit Factor: 1
Retail Pricing Source: BLS Average Price: All Pork Chops (Cost per Pound) in U.S. City Average (APU0000FD3101)
https://fred.stlouisfed.org/series/APU0000FD3101

Market: Coffee
Unit Factor: 1
Retail Pricing Source: BLS Average Price: Coffee, 100%, Ground Roast, All Sizes (Cost per Pound) in U.S. City Average (APU0000717311)
https://fred.stlouisfed.org/series/APU0000717311

Market: Sugar
Unit Factor: 1
Retail Pricing Source: BLS Average Price: Sugar, White, All Sizes (Cost per Pound) in U.S. City Average (APU0000715211)
https://fred.stlouisfed.org/series/APU0000715211

Market: Gold
Static Passthrough ratio: 1.0

Market: Silver
Static Passthrough ratio: 1.0

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