Report #1

How to use weather to invest in Commodity ETF's/ETN's




Best Weather Inc.

CLIMATELLIGENCE

Long Range Weather Forecasts, Enviornmental Awareness and Investing in Commodity ETF's, stocks and Options.

PHILOSOPHY

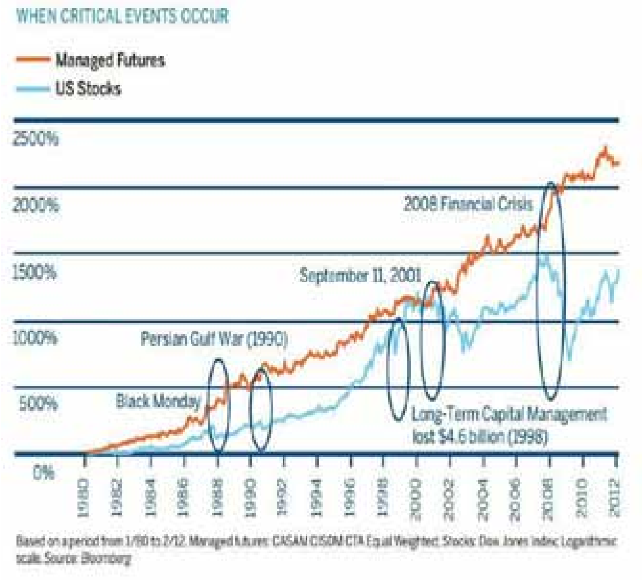
Climatelligence aims to enlightenment subscribers to the tremendous impact weather has in the commodity markets and the global economy. It strives to capitalize on longer term commodity trends, and stocks affected by weather, using keen wisdom of the fundamentals of both global weather and economic events. The monthly newsletter (available later in 2017) will offer investors a potential place of refuge, from the volatility of other markets in an attempt to help you diversify your investment portfolio in weather related commodity ETF's and Options.

What are Commodities?

A Commodity is a marketable item produced to satisfy wants or needs. Economic commodities comprise goods and services. A commodity has full or partial exchangeability; that is, the market treats its instances as equivalent or nearly so with no regard to who produced them.

Commodity ETF's/ ETN's are a relatively new product that helps mitigate risk associated with futures trading and allows the novice investor to buy commodities through his stock brokerage firm (Fidelity, Schwab, etc.)

The chart (only updated through 2012) shows how managed commodity futures have fared vs. U.S. stocks.

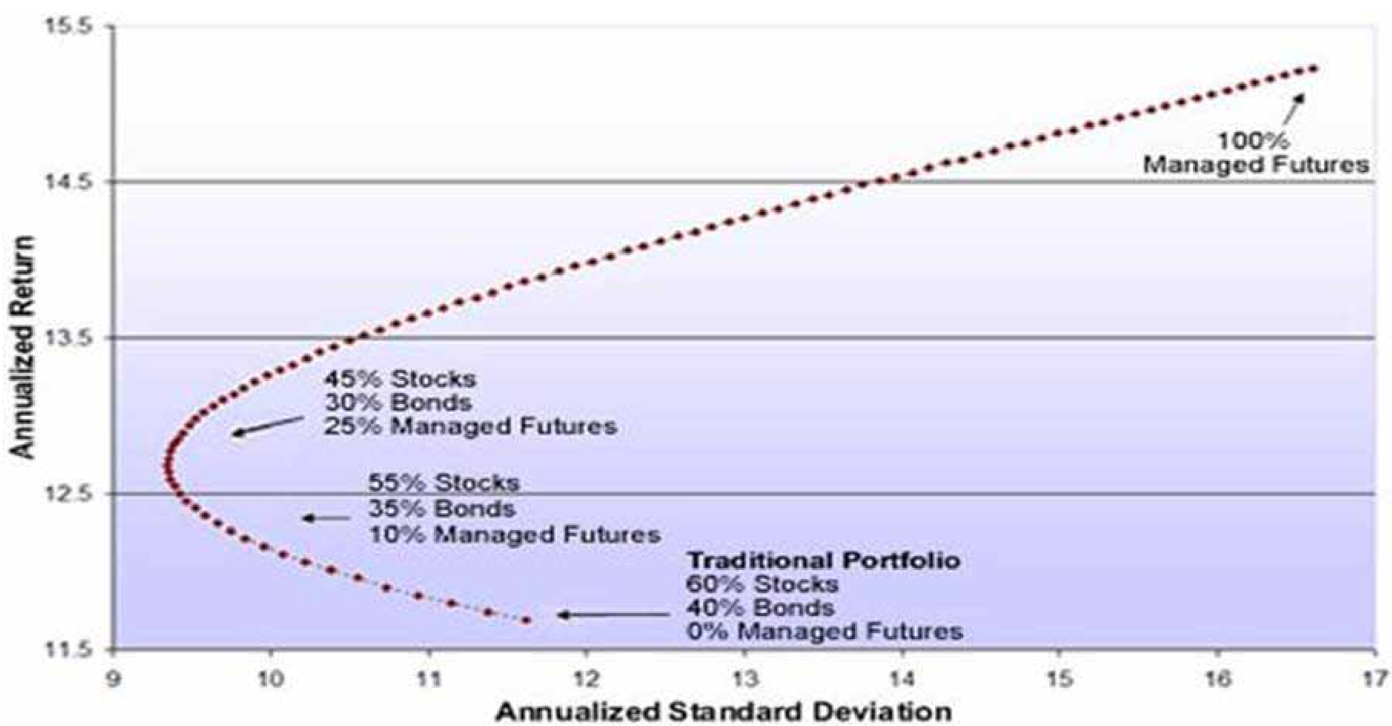


Are trading Commodities risky?

The simple answer is yes, trading individual commodities can be risky. Why? Because commodity price fluctuations depend upon fundamental forces such as weather and economic factors. The effects of these price fluctuations on investors' returns can be magnified by the reactive nature of producers and speculators. In addition, the low capital requirements necessary to control the commodity investment can create adverse effects on investors' return.

In addition, simply owning a basket of commodities like the DJ UBS Commodity Index (See chart below), a composite value of all of the commodities, can still result in significant volatility in one's portfolio. Note that since 1990, the DJ UBS Commodity Index valuation has shown significant volatility though being 100% invested in certain managed commodity futures has outperformed various mixes of stocks and bonds.

Climatelligence helps to mitigate this risk by introducing both novice and experienced equity and commodity traders to the world of "weather related" commodity ETF's, commodity options and equities affected by global weather.



An example from 2012 illustrates annualized return of stocks, bonds and managed futures vs. just managed futures. Notice the greater volatility (x axis) but greater reward (Y axis)

What is a Commodity ETF?

Commodity ETFs can invest in futures contracts that track the price of a commodity, such as corn, or directly in physical metals, such as gold. These funds invest in a range of commodity markets including agricultural, energy, and metals. Commodity ETFs are occasionally used as a hedge against inflation, used for speculation and, as in the case of our portfolio, used to reduce risk through portfolio diversification between asset groups.

A commodity ETF may be designed to focus on a single commodity (i.e. Gold, Oil, or Soybeans), a commodity sector (i.e. Agricultural) or to track the performance of a commodity index, such as the DJ UBS Commodity Index, that includes dozens of individual commodities through a combination of physical storage and derivatives positions.

Visit **http://etfdb.com/etfdb-categories/** to view ETFs by Categories or by Asset Class at **http://etfdb.com/types/**

Commodity ETN's

An exchange-traded note (ETN) is a senior, unsecured, unsubordinated debt security issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks.

A complete list of Commodity ETN's can be found here:
http://www.ipathetn.com/US/16/en/static/strategies-commodity.app

Advantages of Commodity ETFs/ ETNs versus Commodity Futures

Investors wanting to participate in commodity markets, such as natural gas, gold, crude oil or soybeans, can do so with a commodity ETF/ETN. More diversification and without the risk and volatility associated with a futures contract leverage. With a futures contract, the owner typically buys/sells 100% of a particular commodity, with less than 5-10% of their money down. This makes any sudden price spike or collapse, exponentially more risky than in an ETF/ETN which is deleveraged. . Many savvy end users of natural gas use natural gas futures and options to hedge their price risks related to higher prices. Weather conditions are extremely important for determining both short and longer term price direction.

Because of the volatility of natural gas future prices, a vigorous basis market has developed in the pricing relationships between Henry Hub and other important natural gas market centers in the continental United States and Canada.

The extremely cold U.S. winter of 2013-2014 resulted in a 50% rise in natural gas prices and the associated natural gas ETF (UNG). However, that rise was also associated with extreme short-term volatility with price swings of as much as 3-8% per day. An investor with a futures trading account, rather than exposure to the ETF (UNG), might have sustained substantial losses much greater than 3-8%, in any one day. With an ETF, both potential profits and volatility can be reduced, which translates to a more conservative investment approach. However, ETFs provide plenty of opportunity for the investor.

Disadvantages of Commodity ETF'S/ETN'S versus Commodity Futures

• While there are greater risks associated with commodity futures trading, they offer the potential for much larger returns through the use of various strategies.

• There are more opportunities to capitalize on short term commodity price fluctuations, whereas with ETFs/ETNs usually a more medium to longer term view must be established.

• Some ETFs/ETNs are not as liquid as commodity futures and not all of them have an "inverse" component that is associated with shorting a futures contract.

• ETFs/ETNs are not tradable 24 hours a day as are some futures contracts. This reduces the advantage of establishing or exiting a position when fundamentals, such as weather, change.

Exchange-Traded Fund Portfolio Risks (ETF's and ETN's)

Investing in equity securities involves a risk of loss that the investor should be prepared to bear. We recommend trade strategies in certain weather related Exchange-Traded Funds (ETFs). Relative to mutual funds, ETFs are more transparent, trade efficiently throughout the day on stock exchanges, have better tax scenarios, give pure market access to global markets and asset classes, and are significantly less expensive on the whole.

ETFs have the following risks:

• *Transaction costs*: Can erase or erode gains. Need monitoring.
• *Lack of liquidity*: New or non-supported funds can raise bid/ask spread costs and impede quick exits.
• *Fund closure*: ETF sponsor can close fund (inconvenient).
• *Trading intricacy*: Due to market exchange mechanism, trading can be more complex.

Why Buy ETFs and Inverse ETF?

Global climates are exhibiting more and more extremes, the world's natural resources are being jeopardized by over-population and industrial growth, and there are increasingly more geopolitical tensions around the world. The purchase of a commodity ETF may get your investment portfolio on the right side of price trends in markets such as oil, natural gas, coffee, soybeans and even water.

We have also found many circumstances in which betting on a specific commodity "falling in price" could also reap potential rewards for clients. An inverse ETF, which benefits from a particular commodity, sector or index declining in price, can at times offer even greater diversity to one's portfolio, particularly when sentiment is too heavily long a particular market. The only real weather related inverse ETF available presently is in the natural gas market (DGAZ). The warm, February, 2017 U.S. weather pattern resulted in nearly a 60% return in this ETF betting on a collapse in prices.

CHECK OUT SOME OF THE MAJOR BULL MOVES IN RECENT WEATHER RELATED COMMODITY ETF'S:

s3x Natural Gas Inverse ETF (DGAZ) rises 100% in a month--Fall 2017

The autumn chill was certainly not in the air during October 2017. Most areas had temperatures 4°F to 7°F above normal from mid-October to mid-November. This is right around the time when warm temperature anomalies typically transition to less heating demand, rather than more cooling demand. Prices climbed 100% on this decrease in heating demand. The warmth exacerbated worries of a third consecutive warm winter that would decrease demand in a currently glutted market.

In mid November, 2013, Mr. Roemer began forecasting one of the coldest winters in recent memory, due to his long range research.

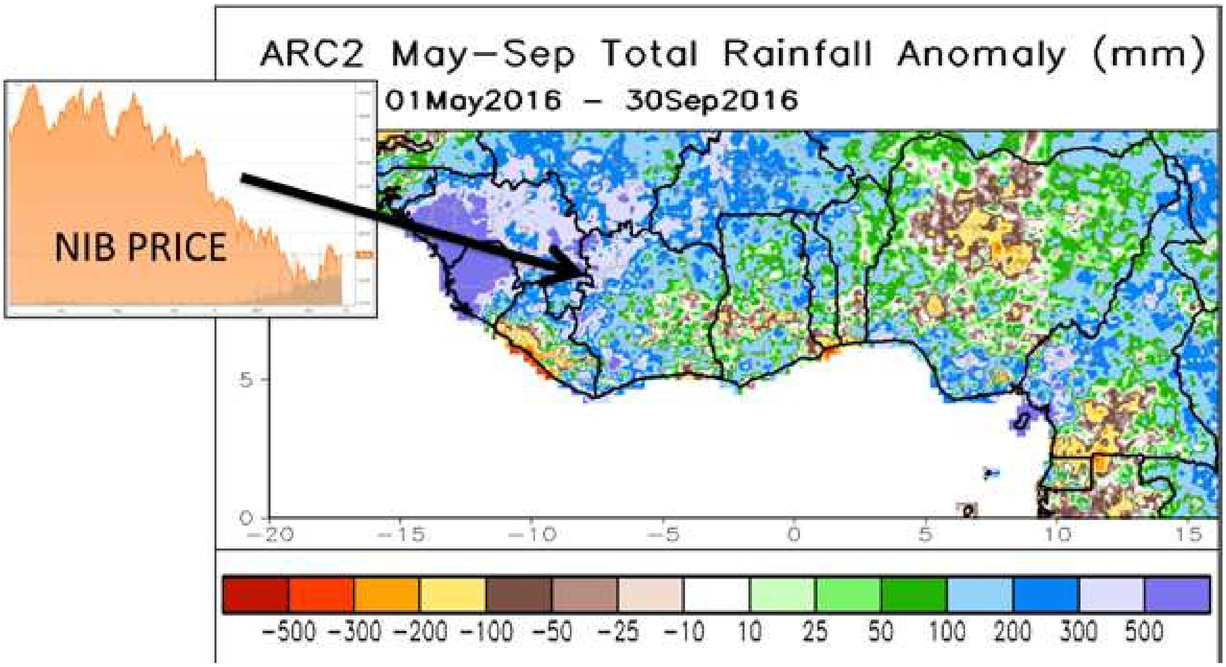
So how did we predict this warm period prior to winter? Several of our long-term indicators favored above normal temperatures.

The Arctic Sea ice extent was near record lows. Atlantic sea surface temperatures were abnormally warm in the Gulf of Mexico and along the East Coast. Our La Nina analogs typically had above normal temperatures in November.

It pays to have accurate forecasts that reach beyond the 15-day models that all other investors have.

Rainfall in West Africa improves causing Cocoa (NIB) ETF to fall nearly 40% in the fall and winter of 2016-17

Cocoa prices were lofty early in 2016 due to a phenomenon called the Harmattan wind, which is a hot dry wind that can damage the mid-crop during the late winter. However, we observed warm South Atlantic sea surface temperatures in May that favors a healthy rainy season (May-Sept). A larger main crop was harvested in the fall due to this rainfall. As you can see below, this led to a significant decrease in prices as the crop came onto the market.



Sugar ETF (CANE) – 65% rally after the 2015-2016 El Nino that hurt world sugar crops

CANE Daily Facts

as of 4/5/2017*

NAV	$11.39	Shares Outstanding	475,004
4pm Bid/Ask Midpoint	$11.41	Shares Available	8,700,000
Premium/Discount	0.18 %	Total Net Assets	$5,409,745.26
Closing Price	$11.60		

* For weekends and holidays: Although this is the date of the last business day, the Total Net Assets reflect expense and interest accruals up to, but not including the next business day. For example, on Fridays the TNA will reflect accruals for Friday, Saturday and Sunday.

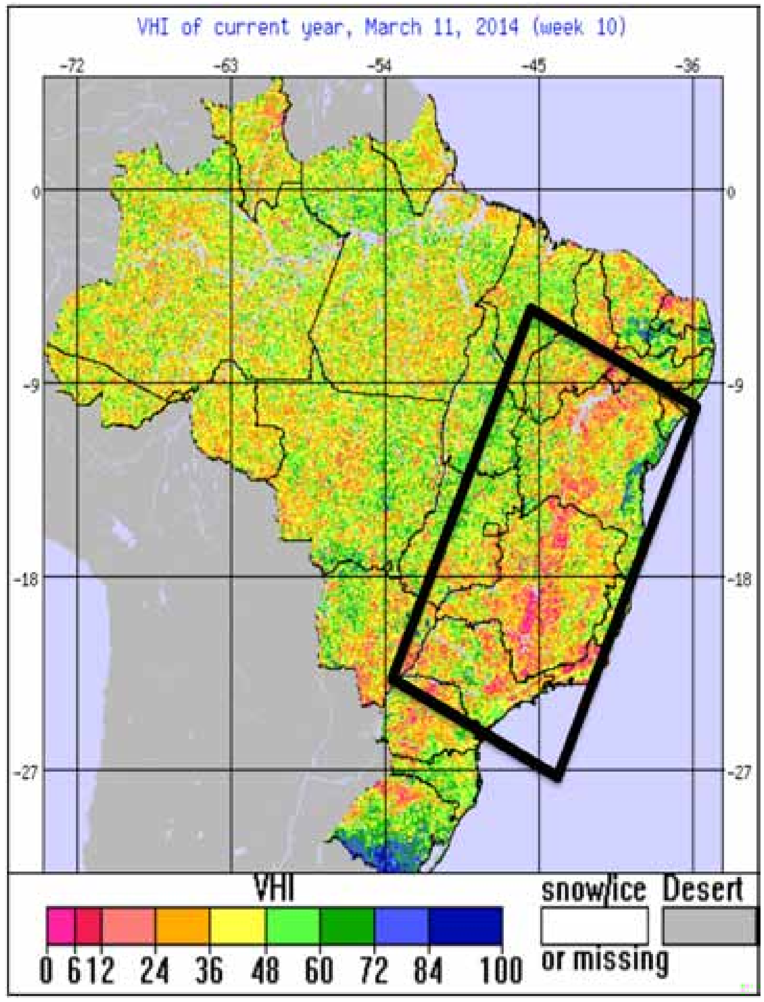
El Nino conditions led to less rainfall during Indian monsoon, a persistent drought for Thailand and too much rainfall during Brazil sugar harvest.

Sugar ETF (CANE) – 65% rally after the 2015-2016 El Nino that hurt world sugar crops

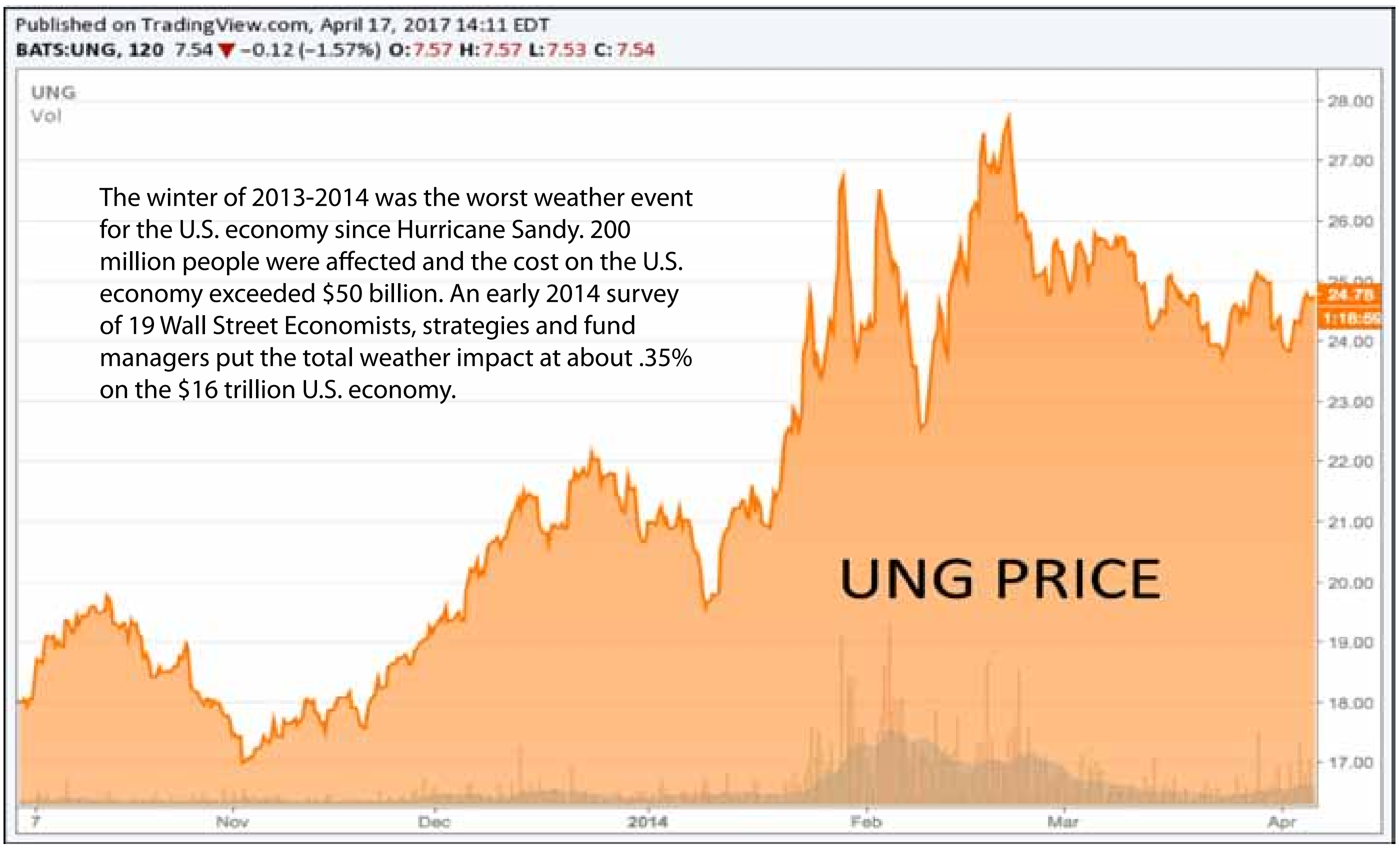
The red areas (poor vegetative health index (VHI) values) you see below, over northern Brazil, depicts the worst drought conditions to occur in more than 3 decades.

While coffee is grown in such countries as Vietnam, Indonesia and Colombia, it is Brazil that accounts for more than 50% of the world's Arabica coffee production. This is the kind coffee you find at the grocery store, such as Folgers or Maxwell House and not necessarily at Starbucks or other boutique outlets.

Due to climatological factors associated with a potential coming El Nino event and warm ocean temperatures east of Brazil, Mr. Roemer was able to foresee this drought days in advance. A trader who potentially would have bought the ETF JO as the drought was forming January, in Brazil could have made 50% by March . Given the heavy short position and oversold nature of coffee futures prior to the drought, understanding market psychology, and timing of when weather events could cause crop damage and subsequent price rallies, is critical.



Natural Gas ETF (UNG); 50% Rise from November 2013 - February 2014



This particular winter was the coldest since the early 1980's, and while much of the rest of the planet continued to experience hot weather and droughts from Northern Brazil to Australia and Ukraine.

What would you do if you could use weather forecasting intelligence to predict global markets? Follow our newsletters for valuable insight into weather patterns, trends, activity and related events.

The information above is to be used as a guide only on the impact weather has had on certain commodity Etf's/Etn's . Past performance is not indicative of future results. Commodity trading does involve risks of monetary loss that investors should be aware of.

Trading commodity ETFs/ETNs could be an easier, less risky, way to get your feet wet in commodity trading and can be executed through your brokerage account like Fidelity, Vanguard, etc.