

INVESCO DB AGRICULTURE FUND

Form 10-Q

November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-33238

INVESCO DB AGRICULTURE FUND

(A Series of Invesco DB Multi-Sector Commodity Trust)

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware (State or Other Jurisdiction of Incorporation or Organization) | 87-0778078 (I.R.S. Employer Identification No.) |
| c/o Invesco Capital Management LLC 3500 Lacey Road, Suite 700 | 60515 |

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Downers Grove, Illinois
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (800) 983-0903

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically an Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of outstanding Shares as of September 30, 2018: 32,200,000 Shares.

INVESCO DB AGRICULTURE FUND

(A SERIES OF INVESCO DB MULTI-SECTOR COMMODITY TRUST)

QUARTER ENDED SEPTEMBER 30, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Invesco DB Agriculture Fund

Statements of Financial Condition

September 30, 2018 and December 31, 2017

(Unaudited)

| | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| Assets | | |
| United States Treasury Obligations, at value (cost \$453,501,627 and \$514,764,046, respectively) | \$ 453,409,077 | \$ 514,714,860 |
| Affiliated Investments, at value (cost \$90,491,454 and \$124,826,575, respectively) | 90,548,131 | 124,748,306 |
| Other investments: | | |
| Variation margin receivable- Commodity Futures Contracts | 157,658 | 442,552 |
| Cash held by custodian | — | 2,260,923 |
| Receivable for: | | |
| Dividends from affiliates | 38,369 | 33,612 |
| Total assets | \$ 544,153,235 | \$ 642,200,253 |
| Liabilities | | |
| Payable for: | | |
| Management fees | \$ 385,190 | \$ 444,415 |
| Brokerage commissions and fees | 3,633 | 4,091 |
| Total liabilities | 388,823 | 448,506 |
| Commitments and Contingencies (Note 10) | | |
| Equity | | |
| Shareholder's equity—General Shares | 676 | 750 |
| Shareholders' equity—Shares | 543,763,736 | 641,750,997 |
| Total shareholders' equity | 543,764,412 | 641,751,747 |
| Total liabilities and equity | \$ 544,153,235 | \$ 642,200,253 |
| General Shares outstanding | 40 | 40 |
| Shares outstanding | 32,200,000 | 34,200,000 |
| Net asset value per share | \$ 16.89 | \$ 18.76 |
| Market value per share | \$ 16.91 | \$ 18.75 |

See accompanying Notes to Unaudited Financial Statements which are an integral part of the financial statements.

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Invesco DB Agriculture Fund

Schedule of Investments

September 30, 2018

(Unaudited)

| Description | Percentage of | | Principal Value |
|--|---------------|-----------------|-----------------|
| | Equity | Value | |
| Shareholders' | | | |
| United States Treasury Obligations ^(a) | | | |
| U.S. Treasury Bills, 2.010% due November 8, 2018 | 26.61 | % \$144,683,941 | \$145,000,000 |
| U.S. Treasury Bills, 2.095% due December 6, 2018 | 3.11 | 16,933,849 | 17,000,000 |
| U.S. Treasury Bills, 2.175% due January 3, 2019 ^(b) | 28.16 | 153,118,371 | 154,000,000 |
| U.S. Treasury Bills, 2.210% due February 28, 2019 | 25.50 | 138,672,916 | 140,000,000 |
| Total United States Treasury Obligations (cost \$453,501,627) | 83.38 | % \$453,409,077 | |
| Affiliated Investments | | | Shares |
| Exchange-Traded Fund | | | |
| Invesco Treasury Collateral ETF (cost \$78,999,188) ^(c) | 14.54 | % \$79,055,865 | 749,700 |
| Money Market Mutual Fund | | | |
| Invesco Premier U.S. Government Money Portfolio - | | | |
| Institutional Class, 1.95% | | | |
| (cost \$11,492,266) ^(d) | 2.12 | 11,492,266 | 11,492,266 |
| Total Affiliated Investments (cost \$90,491,454) | 16.66 | % \$90,548,131 | |
| Total Investments in Securities (cost \$543,993,081) | 100.04 | % \$543,957,208 | |

(a) Security may be traded on a discount basis. The interest rate shown represents the discount rate at the most recent auction date of the security prior to period end.

(b) United States Treasury Obligations of \$101,418,600 are on deposit with the Commodity Broker and held as maintenance margin for open futures contracts.

(c) Affiliated company. The security and the Fund are affiliated by having the same investment adviser. See Note 8.

(d) The security and the Fund are advised by wholly-owned subsidiaries of Invesco Ltd. and are therefore considered to be affiliated. The rate shown is the 7-day SEC standardized yield as of September 30, 2018.

| Open Commodity Futures Contracts | Number of Contracts | Expiration Date | Notional Value | | Unrealized |
|----------------------------------|---------------------|------------------|----------------|----------------------|--|
| | | | Value | Value ^(e) | Appreciation (Depreciation) ^(e) |
| Long Futures Contracts | | | | | |
| CBOT Corn | 3,703 | September - 2019 | \$71,282,750 | \$(4,268,467) | \$(4,268,467) |
| CBOT Soybean | 1,557 | November - 2018 | 65,822,175 | (11,653,189) | (11,653,189) |
| CBOT Wheat | 1,466 | July - 2019 | 39,636,975 | (3,630,587) | (3,630,587) |
| CBOT Wheat KCB | 1,455 | July - 2019 | 40,012,500 | (4,349,082) | (4,349,082) |

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| | | | | | |
|-----------------------------------|-------|------------------|------------|----------------|-----------------|
| CME Feeder Cattle | 320 | November - 2018 | 25,288,000 | 929,002 | 929,002 |
| CME Lean Hogs | 1,931 | December - 2018 | 44,741,270 | 1,723,808 | 1,723,808 |
| CME Live Cattle | 1,517 | December - 2018 | 72,118,180 | 2,905,900 | 2,905,900 |
| NYB-ICE Cocoa | 2,951 | December - 2018 | 60,702,070 | (2,526,129) | (2,526,129) |
| NYB-ICE Coffee | 1,325 | December - 2018 | 50,904,844 | (4,457,752) | (4,457,752) |
| NYB-ICE Cotton | 506 | December - 2018 | 19,321,610 | (3,743,746) | (3,743,746) |
| NYB-ICE Sugar | 4,098 | September - 2019 | 53,883,782 | (2,827,004) | (2,827,004) |
| Total Commodity Futures Contracts | | | | \$(31,897,246) | \$(31,897,246) |

(e) Unrealized Appreciation (Depreciation) and Value are presented above, net by contract.

See accompanying Notes to Unaudited Financial Statements which are an integral part of the financial statements.

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Invesco DB Agriculture Fund

Schedule of Investments

December 31, 2017

(Unaudited)

| Description | Percentage of Shareholders' | | Principal Value |
|--|-----------------------------|-----------------|-----------------|
| | Equity | Value | |
| United States Treasury Obligations ^(a) | | | |
| U.S. Treasury Bills, 1.180% due January 4, 2018 | 23.37 | % \$149,990,594 | \$150,000,000 |
| U.S. Treasury Bills, 1.245% due January 18, 2018 | 4.98 | 31,982,453 | 32,000,000 |
| U.S. Treasury Bills, 1.285% due February 22, 2018 | 7.47 | 47,914,320 | 48,000,000 |
| U.S. Treasury Bills, 1.285% due March 1, 2018 ^(b) | 23.17 | 148,695,730 | 149,000,000 |
| U.S. Treasury Bills, 1.450% due June 7, 2018 | 21.21 | 136,131,763 | 137,000,000 |
| Total United States Treasury Obligations (cost \$514,764,046) | 80.20 | % \$514,714,860 | |
| Affiliated Investments | | | Shares |
| Exchange-Traded Fund | | | |
| PowerShares Treasury Collateral Portfolio (cost \$78,999,188) ^(c) | 12.30 | % \$78,920,919 | 749,700 |
| Money Market Mutual Fund | | | |
| Invesco Premier U.S. Government Money Portfolio - | | | |
| Institutional Class, 1.15% | | | |
| (cost \$45,827,387) ^(d) | 7.14 | 45,827,387 | 45,827,387 |
| Total Affiliated Investments (cost \$124,826,575) | 19.44 | % \$124,748,306 | |
| Total Investments in Securities (cost \$639,590,621) | 99.64 | % \$639,463,166 | |

(a) Security may be traded on a discount basis. The interest rate shown represents the discount rate at the most recent auction date of the security prior to period end.

(b) United States Treasury Obligations of \$99,790,000 are on deposit with the Commodity Broker and held as maintenance margin for open futures contracts.

(c) Affiliated company. The security and the Fund are affiliated by having the same investment adviser. See Note 8.

(d) The security and the Fund are advised by wholly-owned subsidiaries of Invesco Ltd. and are therefore considered to be affiliated. The rate shown is the 7-day SEC standardized yield as of December 31, 2017.

| Open Commodity Futures Contracts Long Futures Contracts | Number of Contracts | Expiration Date | Notional Value | | Unrealized |
|--|---------------------|-----------------|----------------|----------------------|--|
| | | | Value | Value ^(e) | Appreciation (Depreciation) ^(e) |
| | | | | | |

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| | | | | | |
|-----------------------------------|-------|------------------|--------------|----------------|-----------------|
| CBOT Corn | 4,314 | September - 2018 | \$80,833,575 | \$(6,550,383) | \$(6,550,383) |
| CBOT Soybean | 1,646 | November - 2018 | 80,304,225 | (893,025) | (893,025) |
| CBOT Wheat | 1,766 | July - 2018 | 40,021,975 | (5,174,053) | (5,174,053) |
| CBOT Wheat KCB | 1,749 | July - 2018 | 40,073,962 | (5,319,693) | (5,319,693) |
| CME Feeder Cattle | 357 | March - 2018 | 25,467,488 | (426,800) | (426,800) |
| CME Lean Hogs | 1,982 | February - 2018 | 56,903,220 | 32,068 | 32,068 |
| CME Live Cattle | 1,613 | February - 2018 | 78,424,060 | (5,834,068) | (5,834,068) |
| NYB-ICE Cocoa | 3,370 | March - 2018 | 63,760,400 | (7,642,315) | (7,642,315) |
| NYB-ICE Coffee | 1,522 | March - 2018 | 72,028,650 | (1,419,248) | (1,419,248) |
| NYB-ICE Cotton | 536 | March - 2018 | 21,072,840 | 2,588,909 | 2,588,909 |
| NYB-ICE Sugar | 4,864 | October - 2018 | 82,859,213 | (1,112,530) | (1,112,530) |
| Total Commodity Futures Contracts | | | | \$(31,751,138) | \$(31,751,138) |

(e) Unrealized Appreciation (Depreciation) and Value are presented above, net by contract.

See accompanying Notes to Unaudited Financial Statements which are an integral part of the financial statements.

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Invesco DB Agriculture Fund

Statements of Income and Expenses

For the Three and Nine Months Ended September 30, 2018 and 2017

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------------|------------------------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Income | | | | |
| Interest Income | \$2,559,948 | \$1,538,961 | \$7,226,157 | \$3,474,114 |
| Dividends from Affiliates | 1,009,036 | 78,766 | 1,260,269 | 187,326 |
| Total Income | 3,568,984 | 1,617,727 | 8,486,426 | 3,661,440 |
| Expenses | | | | |
| Management Fees | 1,304,946 | 1,526,750 | 4,302,163 | 4,663,915 |
| Brokerage Commissions and Fees | 164,324 | 182,461 | 425,619 | 472,355 |
| Interest Expense | 21,994 | 2,848 | 30,368 | 7,119 |
| Total Expenses | 1,491,264 | 1,712,059 | 4,758,150 | 5,143,389 |
| Less: Waivers | (32,840) | (32,956) | (90,844) | (108,844) |
| Net Expenses | 1,458,424 | 1,679,103 | 4,667,306 | 5,034,545 |
| Net Investment Income (Loss) | 2,110,560 | (61,376) | 3,819,120 | (1,373,105) |
| Net Realized and Net Change in Unrealized Gain (Loss) on | | | | |
| United States Treasury Obligations, Affiliated Investments | | | | |
| and Commodity Futures Contracts | | | | |
| Net Realized Gain (Loss) on | | | | |
| United States Treasury Obligations | (3,324) | 853 | (9,420) | (4,097) |
| Commodity Futures Contracts | (55,762,347) | (38,467,059) | (76,464,718) | (49,473,144) |
| Net Realized Gain (Loss) | (55,765,671) | (38,466,206) | (76,474,138) | (49,477,241) |
| Net Change in Unrealized Gain (Loss) on | | | | |
| United States Treasury Obligations | (124,755) | (968) | (43,364) | 62,199 |
| Affiliated Investments | (494,802) | 187,425 | 134,946 | 356,557 |
| Commodity Futures Contracts | 12,196,327 | 4,856,872 | (146,108) | 9,469,795 |
| Net Change in Unrealized Gain (Loss) | 11,576,770 | 5,043,329 | (54,526) | 9,888,551 |
| Net Realized and Net Change in Unrealized Gain (Loss) on | | | | |
| United States Treasury Obligations, Affiliated Investments | | | | |
| and Commodity Futures Contracts | | | | |
| | (44,188,901) | (33,422,877) | (76,528,664) | (39,588,690) |
| Net Income (Loss) | \$(42,078,341) | \$(33,484,253) | \$(72,709,544) | \$(40,961,795) |

See accompanying Notes to Unaudited Financial Statements which are an integral part of the financial statements.

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Invesco DB Agriculture Fund

Statement of Changes in Shareholders' Equity

For the Three Months Ended September 30, 2018

(Unaudited)

| | General Shares | Shares | Total | Total Shareholders' | |
|--|-------------------|--------|--------------|------------------------|----------------|
| | Shares | Equity | Equity | Equity | |
| Balance at June 30, 2018 | 40 | \$ 721 | 38,800,000 | \$ 699,675,608 | \$ 699,676,329 |
| Purchases of Shares | | | — | — | — |
| Redemption of Shares | | | (6,600,000) | (113,833,576) | (113,833,576) |
| Net Increase (Decrease) due to Share Transactions | | | (6,600,000) | (113,833,576) | (113,833,576) |
| Net Income (Loss) | | | | | |
| Net Investment Income (Loss) | 2 | | | 2,110,558 | 2,110,560 |
| Net Realized Gain (Loss) on United States Treasury Obligations, Affiliated Investments and Commodity Futures Contracts | (58) | | | (55,765,613) | (55,765,671) |
| Net Change in Unrealized Gain (Loss) on United States Treasury Obligations, Affiliated Investments and Commodity Futures Contracts | 11 | | | 11,576,759 | 11,576,770 |
| Net Income (Loss) | (45) | | | (42,078,296) | (42,078,341) |
| Net Change in Shareholders' Equity | — | (45) | | | |