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Auspice Broad Commodity Index Commentary and Performance

Auspice Broad Commodity Excess Return Index (ABCERI)

December 2015 Review

Market Review

Commodities continued to drop to end 2015 alongside further equity market weakness, leaving few safe havens for traditional asset allocations.

Led by Energies, the commodity markets continue to adjust to the reality and/or perception of over-supply while weighing the long-term global demand and inflation risks.

In these environments, strategies with a tactical approach, taking positions only in those markets showing upside momentum and eliminating exposure to declining ones, is a responsible way of growing and protecting capital while maintaining valuable exposure to commodities.

Given the managed downside of this strategy, we believe that this low price environment provides a compelling entry point for the continued use of commodities for asset class diversification, event risk protection, and, importantly, inflation protection for a portfolio.

This view is highlighted in recent paper published by Auspice (located in the 'resources' tab of our website, under 'research').

Index Review

The ABCERI gained 0.29% in December (see Table 1), another strong departure from long-only Commodity index benchmarks, which again fell sharply. The strategy's absolute return has significantly outperformed the benchmarks year to date with far less volatility.

The gains come from the strategy's ability to generate and adjust selective exposures - and enter or exit markets based on pervasive trends and risk of specific sectors (versus the traditional and more volatile ways of gaining the beneficial portfolio exposure) – which provides a more disciplined and risk-managed way to be exposed to the commodities asset class in the longer term.

As Table 2 illustrates, on a long term basis the ABCERI has outperformed its benchmarks and is the only positive return of the group. It has produced better long-term absolute and risk-adjusted returns than its peers while minimizing drawdowns. Importantly, this highlights the strategy's ability to limit the downside and volatility significantly. Table 3 reveals the index's ability to protect capital better than its benchmarks over this prolonged period of commodity weakness by a significant margin.

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Table 1: Month and 2015 Year-To-Date

2015	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Dec 2015	**0.29%**	-8.63%	-3.11%	-7.65%
2015 YTD	**-13.45%**	-32.86%	-24.70%	-29.67%

Table 2: 8 Year Annualized Performance

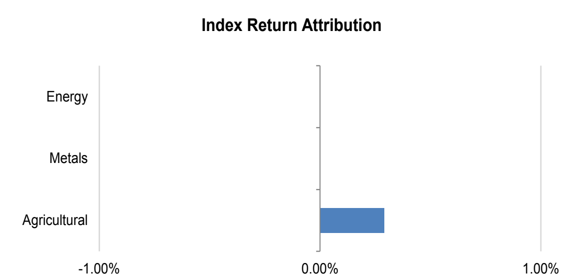
8 year Annualized Return	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Annualized Return	**2.05%**	-14.53%	-10.15%	-9.93%
Annual Std. Dev.	**11.62%**	24.66%	19.04%	21.86%
Sharpe Ratio	**0.18**	-0.59	-0.53	-0.45
MAR Ratio	**0.06**	-0.18	-0.15	-0.14
Largest Drawdown	**33.49%**	79.67%	66.29%	69.50%

Table 3: Cumulative Return Since Inception

From Oct. 2010	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Cumulative Return	**-9.81%**	-50.37%	-44.01%	-45.51%

As outlined in an independent report by ETF Securities, the Auspice Broad Commodity Index remains one of the top performing global broad commodity indices. If you would like a copy of the most recent report, please contact Auspice.

Chart 1



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Portfolio Recap:

The Broad Commodity index holds 1 of 12 components (or 8.3%) of the possible portfolio long. The strategy remains in cash in both the Energy and Metals sectors, while a single position in the Soft Commodity portion of the Agricultural sector is providing tactical long exposure.

Energy

Weakness in Energy was led by Heating Oil and (WTI) Crude Oil. Gasoline was softer but held in better than the other petroleum products. Natural Gas started the month softer before bouncing higher in the latter half of the month. The strategy remains flat all components within the sector.

Metals

Metals were stronger than most commodities and largely moved sideways on the month. Within the sector, Precious metals were slightly softer while Industrial metals were stronger on the back of Copper which moved modestly higher. The strategy remains without a weight in the sector.

Agriculture

Within Ags, Grains were slightly softer during the month and the strategy remains on the sidelines. On the Softs side, Sugar continued to move higher and remained the only long weight for the strategy. Cotton also moved up but remains without a weight at this time. This sub-sector again provided the positive attribution for the sector and the index as a whole.

Outlook

A recent trip to Asia by our lead portfolio manager and CIO, Tim Pickering, confirmed some of our long term beliefs.

We believe the runway for Chinese demand isn`t the same as the North American investment timeframe of 3, 5, or 7 years. It is more like 33, 35, or 37. And this is exactly what he saw and heard from people on the ground in Asia.

In response to their significant investment in the region, one senior Public Pension official highlighted they `like to focus on the demand side of the equation long term``. We couldn`t agree more. The current state of commodities is oversupply. This is a lot better than a lack of demand. Supply can adapt more quickly to falling price - and it has. Demand takes longer to adapt if it isn`t already there…if it is, it is a much better scenario.

Based on our time in Asia - we believe long term demand is there.

Strategy and Index

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends. The index, which is considered to be a "third generation commodity index", considers both risk and reward. The index uses a quantitative methodology to track either long or flat weights in a diversified portfolio of 12 commodity futures which cover the Energy, Metal, and Agricultural sectors.

The Broad Commodity index is available in Total and Excess Return versions. The cash return for the total return index will be calculated daily using the 3-month CDOR (Canadian Dealer Offered Rate). The CDOR is the average rate for Canadian bankers' acceptances for specific terms-to-maturity (one year or less), determined daily from a survey on bid-side rates provided by the principal market-makers, including the major Canadian banks.

About Auspice

Auspice Capital Advisors Ltd. is a registered Portfolio Manager / Investment Fund Manager / Exempt Market Dealer in Canada and a registered Commodity Trading Advisor (CTA) and National Futures Association (NFA) member in the US. Auspice's core expertise is managing risk and designing and executing systematic trading strategies.