Auspice Managed Futures Index Commentary & Performance

Auspice Managed Futures Excess Return Index (AMFERI)

August Review

Market Review

While August started with relative stability after exceptional commodity weakness and equity outperformance in July, the quiet didn't last. Commodities renewed their slide and Equities followed suit thereafter. It wasn't until the final week of the month that weakness subsided with a sharp rally in both. It was too little too late for equities, which ended lower on the month while commodities snapped back more sharply.

The sell-off in equities turned most global markets negative on the year, highlighting our point last month that "... there are cracks appearing in the volatile markets of Asia and commodity heavy Canadian markets."

Until the rally in the final few days of the month, there were only a few pockets of commodity (relative) strength to note: Precious Metals and within Grains.

Volatility continued to move higher in most asset classes, and appears to have similar characteristics to what we experienced to start a period of opportunity in mid 2014.

Index Review

The AMFERI was off 2.72% in August. This represents some underperformance to some of the financially tilted CTA benchmarks in the recent past (see Table 1), which were also lower on the month. While an inauspicious start to 2015, we are optimistic that the current volatility and trends could potentially lead to a similar second half result as 2014, where the strategy performed well the latter half of the year.

Portfolio Recap

In August, performance was negative in 4 of the 5 index sub-sectors. Notably, the Ags sector, responsible for the bulk of weakness in July, was flat on the month. The Energy sector was the largest negative contributor on the month followed by Metals.

The strategy made a number of shifts in commodity and financial positions during the month. In commodities, continued Energy weakness had the strategy exit the remaining long exposure while Grains and Softs also were trimmed in the Agricultural sector. Long positions were exited, and shorts taken in Gasoline, Corn, Soybeans and Cotton. As such, the strategy is short 11 of 12 components (or 92%) of the possible basket. This puts the strategy back to a similar position to last fall, when all commodity components were short.

The top performing positions in the portfolio were new shorts in Cotton, complimenting an existing short in Sugar. The worst performing positions resulted from the reversals in existing long positions in Gasoline and Soybeans.

In the financial markets, the strategy shifted to long exposures in Euro and Yen, which were both very profitable long term trades. The strategy also shifted to long US 10 Year Notes.

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Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Aug 2015	**-2.72%**	-2.01*%	-0.54%	-1.00*%
2015 YTD	**-13.86%**	-2.61*%	-4.38%	-0.30*%

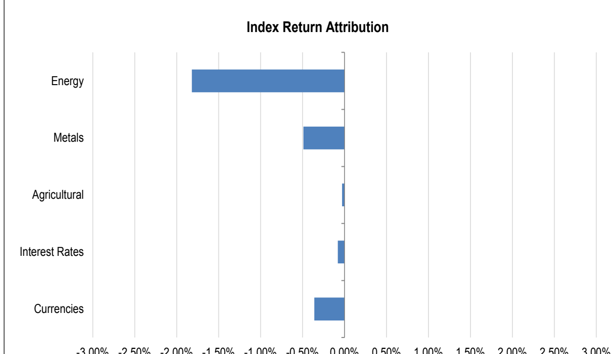
Table 2: 7 Year Annualized Performance

7 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	**7.72%**	1.99%	-1.68%	2.97%
Annual Std. Dev.	**12.35%**	6.24%	7.88%	7.47%
Sharpe Ratio	**0.63**	0.32	-0.21	0.40
MAR Ratio	**0.45**	0.24	-0.06	0.25
Largest Drawdown	**17.17%**	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Cumulative Return	**10.75%**	7.25%	-7.57%	10.84%

As a single strategy investable CTA index, this strategy provides the benefits of traditional CTA through trend following and risk management along with the benefits of transparency and third party publishing, monitoring and benchmarking. The strategy now underlies ETFs, 40 Act mutual funds and managed accounts providing a low cost means of allocating to Managed Futures without sacrificing performance.



Energy

The strategy entered the month long the strongest portion of the energy market, Gasoline, but this market also began to fall alongside other energies and commodities. Gasoline was exited and shifted short to round out a full short exposure in this sector. Natural Gas held up better than the petroleum based energies, but was also lower on the month (and profitable as a result).

Metals

While Precious metals held up better than most commodities in August, the strategy remains short the sector. Silver and Gold in particular held up better - with Gold higher on the month - yet still in a long term down trend.

Agriculture

Despite Ags being the most promising of commodities in recent months, recent strength was mostly short lived. The recently added Corn and Soybean weights were exited to be short. Cotton was also shifted to short before continued weakness. This has been a very choppy sector this year, lacking significant trend follow through. The strategy is only long Wheat at this time, which represents the sole long commodity exposure in the portfolio.

Interest Rates

Interest Rate futures pushed higher most of the month, the inverse of the commodity and equity markets before selling off at month end. While it had little effect on the overall profitability of the portfolio, the initial strength had the strategy shift to a long weight in US 10 Year Notes. This adds to the long position in in 5 Year Notes while short the US 30 Year Bond futures.

Currencies

There were two changes in Currencies during the month as volatility picked up. The sector took profits in the long term shorts in both the Yen and the Euro as these markets pushed markedly higher. The sector remains short Aussie Dollar, Canadian Dollar, while long the British Pound.

Outlook

As previously noted, we are seeing cracks in the global equity marketplace. While this began in Asia and commodity-tilted markets like Canada, the weakness became more universal in August. While this does not define a trend, it illustrates the risk and, for some, the opportunity. It is at times like these that holding a non-correlated strategy is most critical. Given a lack of Equity exposure, the AMFERI strategy remains well positioned versus other products with the right tactical approach to capture long term trends outside of the financial (and specifically) equity markets that dominate the sector. Should equity markets trend lower going forward, the strategy stands to benefit versus other strategies given its lack of risk exposure to this sector. This ensures this sector will not be a drag to non-correlated performance at a time investors need it most.

We believe this is an ideal time to add to or initiate this type exposure to lower overall portfolio risk given the level of volatility, the absolute level of the equity markets, along with the hints of weakness observed.

Synopsis of AMFERI Drawdown and Return Analysis.

Managed Futures is typically a difficult strategy to time because of the non-correlated performance that results from the widespread diversification of market sectors covered. One of the best ways to consider an entry point is through an understanding of drawdowns over time. Pullbacks occur in every strategy, however given transparency of the returns, it is intuitive to analyze the character of the pullbacks and subsequent gains with managed futures. These pullbacks generally represent an opportunity from which trends develop and extend. Furthermore, the time to make new gains is often quicker than the length of the pullback (peak to valley).

Please contact us at info@auspicecapital.com for the complete analysis.

Strategy and Index

The Auspice Managed Futures Index is an investable single strategy CTA. The index aims to capture upward and downward trends in the commodity and financial markets while carefully managing risk. The index uses a quantitative methodology to track either long or short weights in a diversified portfolio of 21 exchange traded futures which cover the energy, metal, agricultural, interest rate, and currency sectors. The index incorporates dynamic risk management and contract rolling methods.
The index is available as either a total return index (includes a collateral return) or as an excess return index (no collateral return). Auspice is an innovative asset manager that specializes in applying formalized investment strategies across a broad range of commodity and financial markets. Auspice's portfolio managers are seasoned institutional commodity traders. Their experience, trading one of the most volatile asset classes, forms the backbone of their strategy for generating profits while preserving capital and dynamically managing risk.

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.