Auspice Managed Futures Index Commentary & Performance

Auspice Managed Futures Excess Return Index (AMFERI)

July Review

Market Review

July was a challenging month as sharp reversals continue to appear. Equity markets bounced higher after weakness in the previous month while commodities universally reversed and moved sharply lower after showing recent strength.

While the equity rally in July makes most global markets flat to slightly positive, there are cracks appearing in the volatile markets of Asia and commodity heavy Canadian markets. The Chinese market notably had its worst month in six years.

Commodities fell sharply led by Energies and Grains after those markets showed the most promise in recent months.

Volatility continues to pick up overall in most asset classes. It spiked early in July for equity and ended the month in commodities. As mentioned last month, this appears similar to what we experienced to start a period of opportunity in June 2014.

Index Review

The AMFERI was off 3.79% in July. This represents some underperformance to some of the financially tilted CTA benchmarks (see Table 1) which were mixed on the month. While an inauspicious start to 2015, we are optimistic that the current volatility could potentially lead to a strong second half result.

Table 2 highlights that the long-term outperformance of AMFERI on both an absolute and risk-adjusted basis (versus both investable and non-investable CTA/managed futures indices) has been strong despite the challenging environment in recent years.

Table 3 illustrates significant outperformance since the launch of the strategy, published as a third party index (NYSE) in December 2010.

Portfolio Recap

In July performance was negative in 3 of the 5 index sub-sectors. The portfolio loss was focused in the Ags sector, accounting for 3.72% of the monthly 3.79% loss, as long positions added in June and early July were caught in the sell-off. While the Energy sector was also a negative contributor on the month, this was largely offset by gains in Metals and Currencies.

The strategy made a number of shifts in commodity positions during the month. The index shifted to long exposures in Corn and Soybeans early in the month while shifting to shorts in Gold, Copper and Heating Oil. The index is now short 7 of 12 components (or 58%) of the possible commodity basket.

The top performing positions in the portfolio were existing shorts in Crude Oil and Sugar, along with new shorts in Gold. The worst performing positions were existing long positions in Gasoline and Wheat, along with the new position in Corn.

There were no position changes in the financial markets during the month.

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Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
July 2015	**-3.79%**	2.50*%	-2.96%	2.85*%
2015 YTD	**-11.39%**	-1.04*%	-3.86%	0.91*%

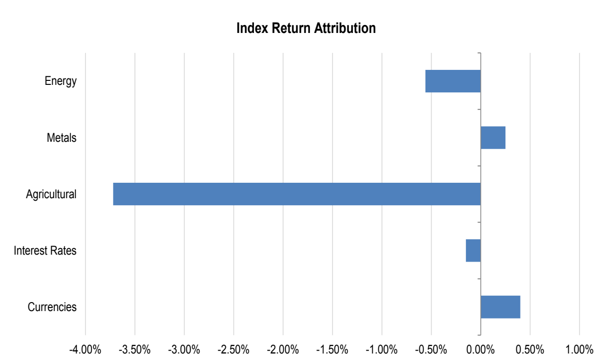
Table 2: 7 Year Annualized Performance

7 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	**7.77%**	1.94%	-2.14%	2.88%
Annual Std. Dev.	**12.34%**	6.23%	7.99%	7.44%
Sharpe Ratio	**0.63**	0.31	-0.27	0.39
MAR Ratio	**0.45**	0.23	-0.08	0.24
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	**13.92%**	8.99%	-7.07%	12.18%

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.



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Energy

The Energy markets led the commodity sector weakness in July, with WTI Crude falling by over 20%. While the strategy participated in this decline with a short weight, it did not completely offset the modest long exposure to Gasoline and Heating Oil. Heating Oil was shifted to short during the month leaving only the Gasoline market long in the portfolio mix.

Metals

Metals also sold off in July and the strategy shifted the remaining long exposures in Gold and Copper to short positions for a modest sector gain. The strategy is now short all components in the sector.

Agriculture

Ags have seen the most significant trends develop recently, and the strategy added long positions in Corn and Soybeans early in the month to complement existing Wheat and Cotton exposures. However, all of these markets were caught in correction during July, and the sector was the largest contributor to the loss on the month, despite a gain from the long term short in Sugar.

Interest Rates

There were no changes in the Interest Rate markets. The strategy holds short weighting in the US 30 Year Bond and 10 Year Note futures while long the short end of the curve in 5 Year Notes. Rates generated a small loss on the month primarily from the long end were futures rose (interest rates fell).

Currencies

There were no changes in Currencies during the month and volatility was contained. The sector provided a solid contribution primarily driven by shorts in the "commodity currencies" of Canada and Australia. The sector remains short across Aussie Dollar, Canadian Dollar, the Euro, and the Yen while long the British Pound.

Outlook

Patience can be tested in these environments, especially as Equities continue to show positive months. However, it is at times like these that holding a non-correlated strategy is most critical. Given 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 correct in 2015, 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.

To repeat from last month: While low volatility and trendless environments are obviously more difficult for a trend-following strategy, it is the transitions from a trend down to up (or vice versa) that creates the most challenge. As such, the start of this year has proven difficult. However, given that the goal is to provide non-correlation to traditional portfolio exposures, this remains an important trade-off that has historically paid dividends as the heated equity market eventually takes a breather.

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 and absolute level of the equity markets.

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.