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Auspice Managed Futures Index Commentary & Performance

Auspice Managed Futures Excess Return Index (AMFERI)

June Review

Market Review

Global markets were challenging to navigate in June and much of the first half of 2015 as reversals occurred in many markets. Equity markets were lower, volatile and choppy while commodities were mixed, transitioning from up trends to down trends and vice-versa. Energies and Metals were lower while Grains and Softs were generally higher.

In June, the US equity market fell in tandem with other global markets in North America, Europe and Asia. This takes some markets to flat or even negative on the year.

At the same time, volatility has picked up substantially, albeit off very low levels. The VIX Volatility Index moved sharply higher to the upper 'teens. This appears very similar to what we experienced to start a period of opportunity in June 2014.

To round out the market dynamics, there is a continued shift in interest rates with some markets rising for the first time in many years.

Index Review

The AMFERI was off 4.59% in June. Most CTA benchmarks (see Table 1) were off similarly during the month. While the first half of 2015 has started alike 2014, with modest underperformance, we are optimistic that the current volatility and trends could potentially lead to a similar second half result where the strategy significantly outperformed over the latter half of the year and eclipsed all of the benchmarks indicated by year end.

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 June, 5 of 5 index sectors were negative. While losses were small across the portfolio, the largest contributor was the Agricultural sector as trends reversed against short weightings in Grains.

Similar challenges occurred in Energy and Metals as both sectors softened. Currencies and Rates contributed a small negative attribution with a few notable position changes (below). Top performing positions in the portfolio were long Cotton and short Silver.

The index made a number of shifts during the month, adding 1 new commodity long weighting and 2 financial market changes. The index shifted to a long exposure in Wheat late in the month and it appears that there are more confident signs of transition from the prolonged commodity sell-off. The index is now long 6 of 12 components (or 50%) of the possible basket, representing a significant change from last fall when all components were without a weight. Further long additions appear likely.

There were also 2 position changes in the financial markets which have been predominantly short currencies vis-à-vis the US Dollar and long Interest rate futures. The index shifted to a short weight in US 10 Year Notes futures (to benefit from rising interest rates) while shifting to a short weight in the US Dollar Index.

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Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
June 2015	**-4.59%**	-3.71*%	-2.89%	-3.77*%
2015 YTD	**-7.90%**	2.52*%	-0.91%	-1.89*%

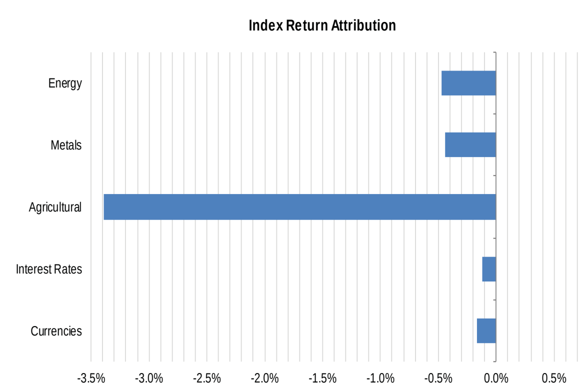
Table 2: 7 Year Annualized Performance

7 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	**7.45%**	1.40%	-2.73%	2.06%
Annual Std. Dev.	**12.46%**	6.16%	8.33%	7.46%
Sharpe Ratio	**0.60**	0.23	-0.33	0.28
MAR Ratio	**0.43**	0.17	-0.10	0.18
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	**18.40%**	7.35%	-4.23%	9.07%

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

Energy was mostly softer, led by petroleum products while Natural Gas was slightly higher. The strategy continues to hold the long weightings in Gasoline and Heating Oil added in May - the first since exiting energy weightings last summer. With a 50% exposure in the sector (of the possible basket), there was a negative attribution from Energy on the month.

Metals

Metals also softened in June and against weightings in Gold and Copper. While partially offset by the Silver short, there was a negative performance contribution on the month.

Agriculture

After a few strong months, the Agricultural sector was challenged. While partially offset by the long position in Cotton, strong moves higher in the Grains against existing shorts hurt the strategy. Wheat erupted late in the month, eclipsing highs not seen since early January and the strategy has shifted to a long weighting. A similar rally in Corn and Soybeans has the strategy poised to add exposure there. We remain short Sugar which was flat on the month.

The shift in trend in the sector is indicative of the transition we have alluded to for some time.

Interest Rates

Interest Rate futures fell slightly to the benefit of the short weighting in the US 30 Year Bond futures. The strategy has also shifted to short in 10 Year Notes while remaining long the short end of the curve in 5 Year Notes. Rates contributed a small loss on the month. This is an important time to watch Rates as the weakness over the last few months has been the first observed since 2013.

Currencies

Currencies were mostly flat with most components short (vis-à-vis the US Dollar). The exception is the positively contributing long British Pound. The Pound continues to show strength in the wake of Eurozone woes. The strategy has also made a notable shift to short the US Dollar index. The sector remains short across Aussie Dollar, Canadian Dollar, the Euro, and the Yen.

Outlook

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 exposure and risk 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 the goal is to provide non-correlation to traditional exposures, this remains an important trade-off that has historically paid dividends as the heated equity market eventually takes a breather.

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.