

May Review

Market Review

Global equity markets were mixed while commodities were generally softer.

While the US equity market continues to outperform, markets such as Europe and Canada were flat to negative on the month. The VIX Volatility Index is making new all-time lows which seems to mask actual risk as mentioned last month. Caution is warranted.

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 with the exception of equities. 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.

Index Review

The AMFERI was near flat in May, losing 0.04%, outperforming CTA benchmarks (Table 1) which were slightly softer. While the index outperformed all of the benchmarks indicated in 2014 and significantly outperformed over the latter half of the year, 2015 started with modest underperformance. This underperformance appears to be narrowing as the year progresses and May illustrated.

Table 2 - 7 Year Annualized Performance 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 - Cumulative Return since inception of AMFERI illustrates significant outperformance since the launch of the strategy, published as a third party index (NYSE) in December 2010.

Portfolio Recap:

In May, 3 of 5 index sectors were positive (Figure 1). Gains were again led by the Agricultural sector as shorts in Grains and Sugar buoyed the sector performance. Cotton softened against the long weighting on the month for some drag within the sector. Metals struggled on the month as a shift to a long weight in Copper went against overall sector softness as the month progressed. The month was rounded out by positive performance in Energies and Currencies while Rates were a small negative attribution.

The index made a number of shifts during the month adding 3 new commodity long weightings. While still predominantly short, the addition of Heating Oil, Gasoline and Copper suggesting that there are signs of transition from the prolonged commodity sell-off. The index is now short 7 of 12 components (or 58%) of the possible basket short, a significant change from last fall when all components were short. There were also 2 position changes in the financial markets which were predominantly short currencies vis-à-vis the US Dollar and long Rates. The index shifted to a short weight in US 30 Year Bonds while shifting to a long weight in the British Pound.

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Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
May 2015	-0.04%	-0.41*%	1.33%	-0.30*%
2015 YTD	-3.48%	1.55*%	2.04%	2.56*%

Table 2: 7 Year Annualized Performance

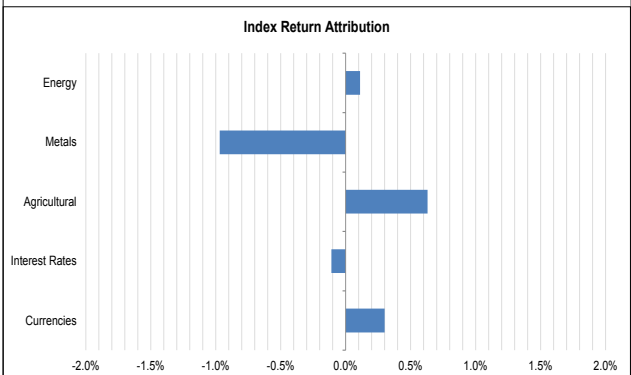
7 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	8.50%	2.31%	-2.46%	3.05%
Annual Std. Dev.	12.31%	6.03%	8.28%	7.31%
Sharpe Ratio	0.69	0.38	-0.30	0.42
MAR Ratio	0.50	0.28	-0.09	0.26
Largest Drawdown	17.17%	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Cumulative Return	24.09%	11.84%	-1.38%	14.02%

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.

Figure 1: Monthly Index Return Attribution



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Energy

Energy was remarkably stable during May following a strong move higher in April after a prolonged sell-off. Much of this was captured as the strategy exited shorts and shifted to long weights in Heating Oil and Gasoline early in the month. The index remains shorts WTI Crude Oil and Natural Gas which both contributed positively to the small sector gain.

Metals

The Copper strength from April persisted to start the month and the index shifted to a long exposure yet base metals spent the rest of the month softening. We continue to hold Gold while the strategy remains short Silver which were both stable on the month. The sector is now tilted long yet was the biggest draw on the strategy performance for the month.

Agriculture

The Agricultural sector had another strong month, and positions remained unchanged, led by shorts in Corn and Soybeans. Sugar also contributed while the sole long position in Cotton was a drag on the sector performance. Ags remains the weakest of the commodity sectors and have shown less sign of transition than the other commodity markets.

Interest Rates

Interest Rate futures fell early before bouncing back at month end. The Index remains long the short end of the curve (5 and 10 Year Notes) while has shifted to short in the 30 Year bond futures. Rates contributed a small loss on the month. This will be an important time to watch Rates as the weakness is the first observed since 2013.

Currencies

Currencies had a good month with all components short (vis-à-vis the US Dollar) and contributing positively with the exception of the British Pound. The Pound showed significant strength moving sharply above the February highs and the index has shifted to a long weight. 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.

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.