



October 2015 Review

Market Review

Q4 started with a strong equity market in after a volatile and weak Q3. It would seem that after the US FED held steady last month, markets as a whole stabilized and found some confidence. The rally in October had domestic (US) equities back in positive territory for the year while most global indices remain negative.

After significant weakness year to date in 2015, commodities have stabilized, or at least ceased weakening.

Is this a temporary reprieve or longer term shift from the recent equity and commodity weakness? Time will tell, but from the macro perspective it is difficult to see much change as the FED acknowledged.

The markets remain choppy with relatively short term moves up and down. While this is challenging to stomach, they are operating at a volatility level that should bring opportunity to those agnostic and patient as to price direction over the long term. These are the times when a true non-correlated alternative is a critical portfolio component alongside steadfast risk management

Index Review

The AMFERI corrected in October losing 1.92%. While this represents some underperformance compared to the equity and financially tilted CTA benchmarks year to date (see Table 1), the performance - specifically during times when equities pulled back - is exceptional. During September, specifically as the FED decision came out and equities sold-off, the strategy gained 1.91% over 2 days while the S&P lost 1.87% This follows a similar performance in August as the S&P dropped 11.17% in a week while the AMFERI gained 1.43%.

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 outperformance to most benchmarks since the strategy has been published by the NYSE (as a third party index) in Decem-

Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Oct 2015	-1.92%	-0.94*%	-0.39%	-0.68*%
2015 YTD	-14.32%	-1.88*%	-4.36%	-0.71*%

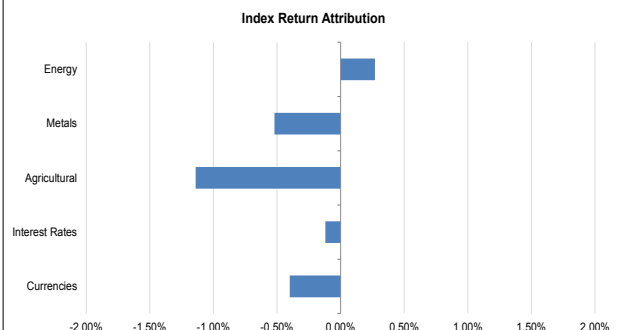
Table 2: 8 Year Annualized Performance (11/07 - 10/15)

8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	8.57%	2.42%	-1.63%	2.98%
Annual Std. Dev.	12.55%	6.30%	8.20%	7.43%
Sharpe Ratio	0.68	0.38	-0.20	0.40
MAR Ratio	0.50	0.29	-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	10.15%	8.03%	-7.57%	10.39%

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.





Portfolio Recap

In October, performance was positive in 1 of the 5 index sub-sectors. The Energy sector was positive again after gains last month while the Ags contributed another negative performance. The strategy only made a single change to positions during the month. The month began with some strength, and the strategy shifted to long in one market. As such, the strategy is now short 11 of 12 components (or 92%) of the possible basket after starting the month fully short, a similar position to last fall when all commodity components were short.

There were no changes in the financial markets exposure.

The top performing positions in the portfolio were generated from shorts in Energy led by Natural Gas and Heating Oil. The worst performing positions resulted from the short exit and reversal in Sugar and a remaining short in Cotton.

Energy

The strategy remains short and profitable all components within the energy sector. The petroleum side of the Energy sector traded back and forth throughout the month: Heating Oil, Crude Oil (WTI), and Gasoline all lacked significant trend. Natural Gas was the weakest of the energies, selling off sharply during the month.

Metals

Both Precious and Industrial metals represented in the index started the month strongly, but fell into month end. Most markets held on to some of the early gains including Copper, Silver and Gold, resulting in a small negative attribution. The strategy remains short all components in the sector.

Agriculture

The strategy remains short across all Grains. While Soybeans showed a little more strength than Corn and Wheat, the sub-sector had a positive attribution from the short weights. On the Softs side, Sugar was the outlier, moving higher for a second month and the strategy shifted out of the short weight to long while remaining short Cotton. The loss in Softs offset the gains in Grains for a negative total sector performance.

Interest Rates

Interest Rate futures fell slightly across the curve in October. Gains were thus made in the long end of the curve from our short in the US 30 Year Bond futures. We continue to hold long weights in US 10 Year and 5 Year Note futures, which offset the gain in the long end.

Currencies

Currencies were negative on the month as all positions were maintained. The strategy is short Aussie and Canadian Dollars along with the British Pound and long the Euro and the Yen.

Outlook

While the unique aspects of the Auspice Managed Futures Index strategy enable it to outperform at times when the non-correlation is needed most, the lack of equity exposure may cause a drag when the equity markets rally sharply and commodities are subdued, as we witnessed in October. This can provide an advantage when the equity market rolls over or corrects as we experienced in August and September.

This further enhances the value of the AMFERI as low beta managed futures strategy amongst many that generate the bulk of their returns from the financial markets (and can see a commensurately high beta.) Be aware of this difference as you consider the purpose of this type of exposure.

We believe this is an ideal time to add to or initiate an exposure to this type of low beta exposure to lower overall portfolio risk given the current level of market volatility and the risks of further market deterioration.

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.