



April 2016 Review

Market Review

Commodities were the big story. Gains were made in most sectors including Energy, Metals and Ags. As with many transitions, this was accompanied by significant volatility specifically in Grains which moved sharply in either direction but net stronger on the month.

Equities started the month on the recent trend - grinding higher. However, a mixed economic picture and shifting of capital in commodities and currencies had this pause and correct in many global indices thus giving back much of the gains. The S&P 500 and MSCI World ended up modestly +0.27% and +1.38% respectively while Nasdaq lost 1.94%.

The US Dollar continued to soften (approximately 6% since peaking in March) vis-à-vis currencies and here again “commodity” currencies such as the Canadian dollar led the way gaining over 4%.

To repeat from last month: After a long period of general commodity weakness, there are signs of a possible shift in momentum and this is worth noting. This is illustrated by numerous additional long positions building in momentum based strategies (see Portfolio Recap). The Auspice Broad Commodity strategy falls into this category.

Index Review

Auspice Broad Commodity gained 4.00% in April to add to the positive year-to-date (see Table 1). This is a great start to Q2 and adds to two positive quarters and a significant outperformance from the long-only Commodity index benchmarks, most of which were negative in Q1 and Q4 2015. While not as strong as long only benchmarks in April, the strategy is outperforming most benchmarks with better capital preservation in months where commodities fell and a jump on upside performance given the previous 2 quarters.

Table 2 illustrates that on a long term basis the ABCERI has outperformed its benchmarks and is the only positive return of the group. It has produced better long-term absolute and risk-adjusted returns than its peers while minimizing drawdowns. Importantly, this highlights the strategy’s ability to limit the downside and volatility significantly. Table 3 reveals the index’s ability to protect capital better than its benchmarks over this prolonged period of commodity weakness by a significant margin.

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Note: Please refer to “Important Disclaimers” regarding comparable indices used herein.

Table 1: Month and 2016 Year-To-Date

2016	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
1 Month	4.00%	10.12%	8.49%	9.37%
2016 YTD	5.29%	7.29%	8.86%	5.44%

Table 2: 8 Year Annualized Performance

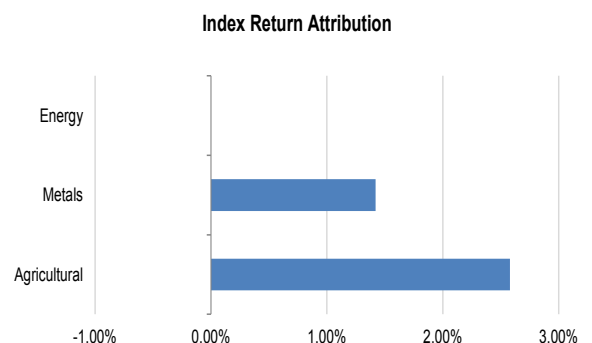
8 year Annualized Return	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
Annualized Return	0.88%	-15.53%	-10.54%	-11.24%
Annual Std. Dev.	10.67%	24.53%	18.61%	21.69%
Sharpe Ratio	0.08	-0.63	-0.57	-0.52
MAR Ratio	0.03	-0.19	-0.16	-0.16
Largest Drawdown	33.67%	81.12%	67.40%	71.23%

Table 3: Cumulative Return Since Inception

From Oct. 2010	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
Cumulative Return	-5.05%	-46.75%	-39.03%	-42.54%

As outlined in an independent report by ETF Securities, the Auspice Broad Commodity Index remains one of the top performing global broad commodity indices. If you would like a copy of the most recent report, please contact Auspice.

Chart 1: Index Return Attribution



The performance of Auspice Broad Commodity Index prior to 9/30/2010 is simulated and hypothetical as published by the NYSE. All performance data for all indices assumes the reinvestment of all distributions. To the extent information for the index for the period prior to its initial calculation date is made available, any such information will be simulated (i.e., calculations of how the index might have performed during that time period if the index had existed). Any comparisons, assertions and conclusions regarding the performance of the index during the time period prior to the initial calculation date will be based on back-testing. These results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those being shown. The index does not have commissions, management / incentive fees, or operating expenses.

**Portfolio Recap:**

The strategy continued to shift towards commodities in April. Performance was positive in the 2 sub-sectors of the index where positions are held. Gains continued to be made in Agricultural and Metals markets while there remains no exposure within the Energy sector.

The Broad Commodity index shifted to a long position in Silver, Corn and Wheat to hold 6 of 12 components (or 50%) of the possible portfolio long. This expands on the exposure in two sectors with additional Metals while Grains added to the Agricultural sector.

Energy

While starting the month moving lower, the petroleum sub-sector continued to rebound. Crude, Heating Oil and Gasoline all had a strong month and Natural Gas followed suit.

While energy has generally lagged, this will be an area to watch closely in coming weeks. The strategy remains on the sidelines in all components within the sector as the long term trend remains down.

Metals

Precious metals were stronger on the month and the strategy added to the exposure. The sector was positive for the month on the back of the existing long position in Gold as well as the newly added Silver market. While the strategy does not hold a weight in Industrial metals, this sub-sector also trended higher during the month. The strategy remains without exposure in Copper.

Agriculture

For a second month, both Grains and Soft commodities were generally stronger within the Ag sector and the performance led the index per Chart 1. Grains led this momentum and the strategy shifted to long in Corn and Wheat. Sugar, which has been held since the beginning of Q4 2015, fell in the first part of the month before bouncing back and ending strong. Cotton, where the strategy remains without a weight, trended higher all month. As such, the index is now long 4 of the 5 components that make up the Ag sector.

Outlook

While the long only commodity indexes can be a rough ride at times, they can be used as a barometer for the sector direction and volatility. With many indices up sharply (ex S&P GSCI gained 10%), it would appear that commodities have found momentum to the upside. While the sustainability of the commodity market is unknown, the tactical approach taken by the ABCERI strategy allows one to step into or hold an exposure to the sector that has the upside potential without the long-only downside risk.

We believe that this low price environment provides a compelling entry point for the use of a long/flat commodity strategy. The benefits for most portfolios include: asset class diversification, event risk protection, and, importantly, inflation protection* for a portfolio. All of these are important considerations in the 2016 market environment.

*For more information, please download a recent paper published by Auspice (located in the 'Resources' tab of our website, under 'Research').

Strategy and Index

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends. The index, which is considered to be a "third generation commodity index", considers both risk and reward. The index uses a quantitative methodology to track either long or flat weights in a diversified portfolio of 12 commodity futures which cover the Energy, Metal, and Agricultural sectors.

The Broad Commodity index is available in Total and Excess Return versions. The cash return for the total return index will be calculated daily using the 3-month CDOR (Canadian Dealer Offered Rate). The CDOR is the average rate for Canadian bankers' acceptances for specific terms-to-maturity (one year or less), determined daily from a survey on bid-side rates provided by the principal market-makers, including the major Canadian banks.

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.

Important Disclaimers

The S&P Goldman Sachs Commodity Excess Return Index (**S&P GSCI ER**), is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

The Bloomberg Commodity (Excess Return) Index (**BCOM ER**), is a broadly diversified index that allows investors to track 19 commodity futures through a single, simple measure.

The Deutsche Bank Liquid Commodity Optimum Yield Index (**DB LCI OY**), is an index composed of futures contracts on 14 of the most heavily traded and important physical commodities in the world.

The **SG CTA Index** (formerly Newedge CTA) provides the market with a reliable daily performance benchmark of major commodity trading advisors (CTAs). The SG CTA Index calculates the daily rate of return for a pool of CTAs selected from the larger managers that are open to new investment.

Excess Return (ER) Indexes do not include collateral return.