Auspice Managed Futures Index Commentary and Performance

Auspice Managed Futures Excess Return Index (AMFERI)

April 2016 Review

Market Review

Equities started the month following the recent trend - grinding higher. However, a mixed economic picture and shifting of capital to commodities and currencies caused pause and correction in many global indices ultimately giving back much of the monthly 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 vis-à-vis currencies, down approximately 6% since the March peak.

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.

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).

Of note, the AMFERI strategy was named the Best Investable CTA Index by CTA Intelligence Magazine at the US Awards event in New York February 25th.

Index Review

The strategy did relatively well in April. While the AMFERI was virtually flat at -0.07%, it was a challenging month for many CTA strategies and benchmarks (See Table 1). The strategy remains positive year to date following a strong Q4 2015 result where it outperformed benchmarks significantly. This low correlation is illustrated at 0.16 to the SG CTA Index (formerly Newedge CTA) since October 1, 2015 (daily returns).

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) despite the challenging environment in recent years.

Table 3 illustrates the cumulative outperformance to benchmarks since the strategy has been published by the NYSE (as a third party index) in December 2010.

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

Table 1: Month and 2016 Year-To-Date

2016	AMFERI	BTOP50	S&P DTI ER	SG CTA
1 Month	**-0.07%**	-2.02%*	2.48%	-2.05%*
2016 YTD	**0.87%**	0.16%*	2.52%	1.91%*

Table 2: 8 Year Annualized Performance

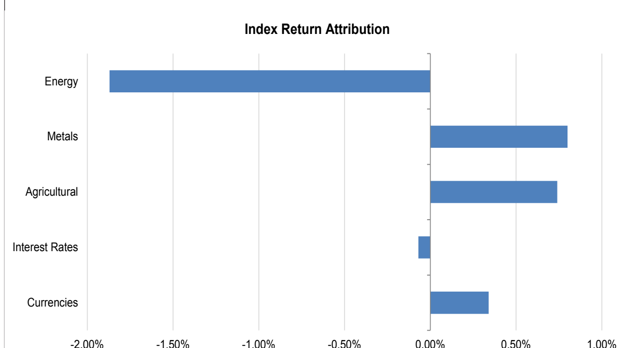
8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	**7.32%**	1.90%	-2.25%	2.81%
Annual Std. Dev.	**12.11%**	6.39%	8.12%	7.61%
Sharpe Ratio	**0.60**	0.30	-0.28	0.37
MAR Ratio	**0.43**	0.23	-0.08	0.24
Largest Drawdown	**17.17%**	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	**20.26%**	9.45%	-3.95%	13.34%

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.

Chart 1: Index Return Attribution



The performance of Auspice Managed Futures Index prior to 11/17/2010 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 these being shown. The index does not have commissions, management / incentive fees, or operating expenses. * Note performance estimates for the BTOP50 Index and the SG CTA index.

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Portfolio Recap

In April, performance was positive in 3 of the 5 index sub-sectors, with Metals and Ags leading complimented by Currencies (see Chart 1). The Energy sector suffered and pulled the index back to flat performance while Interest rates were also neutral.

The top performing positions in the portfolio were gains from long positions in Soybeans, Wheat and Sugar. Gold and Silver also contributed. The worst performing positions again came from the shorts in Energy, a sharp reversal in Corn and a rally against the short in Cotton.

Commodity positions are now evenly spread short and long with the addition of 3 new long positions during the month. With the addition of long Corn, Wheat and Silver, the strategy is now long 6 of 12 components (or 50%) – a significant change from 25% ending March.

Interest Rates remain long with no change, while the strategy shifted to long the Euro.

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 short all components within the sector as the long term trend remains down. Negative attribution on the month per Chart 1.

Metals

Precious metals were stronger on the month and the strategy added another long component to the sector. Performance 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 remains short the Industrial metals sub-sector (Copper), this sub-sector also trended higher during the month.

Agriculture

Both Grains and Soft commodities were generally stronger within the Ag sector and the performance was on par with Metals per Chart 1. Grains led this momentum and the strategy shifted to long in Corn and Wheat while the Soybeans gains led the portfolio overall. Sugar, which has been held since the beginning of Q4 2015 added to the sector performance while a rally in Cotton where the strategy remains short pulled back gains. The index is now long 4 of the 5 components that make up the Ag sector.

Interest Rates

Interest rate futures rallied before falling back for little change or attribution on the month. The strategy remains long all components in this sector.

Currencies

The sector had a positive month as the US Dollar continued to weaken allowing for gains of over 4% in the Canadian Dollar to pull the sector performance up. The new long Euro position helped a bit while a strong late month move in the Yen also helped out. The British Pound ends up the only short currency position in the portfolio.

Outlook

While the markets remain choppy and volatile overall, we are seeing positive opportunities in asset classes that are often overlooked by many investors such as commodities and currencies.

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 of the indices up sharply (ex S&P GSCI gained 10%), it would appear that commodities have found momentum to the upside and a tactical approach works well.

The unique attributes of this strategy enable it to be accretive alongside other managed futures peers. This month it outperformed significantly. Moreover, this was experienced over the last 2 quarters as returns have been strong at a critical time with a low correlation.

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.

Important Disclaimers

The **BTOP50** Index seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure.

The **S&P DTI ER** is a long/short rules-based index constructed of 24 liquid commodity and financial futures contracts grouped into 18 sectors, with 50% exposure to commodity futures and 50% exposure to financial futures.

The **SG CTA Index** 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.

Futures trading is speculative and is not suitable for all customers. Past results are not necessarily indicative of future results. This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.