



## August 2016 Review

### Market Review

The global markets, both financial and commodity, were mixed on the month – some higher, some lower, nothing extraordinary. Despite “hawkish” comments from the FED indicating the possibility of raising rates before year end, the market did not appear to react overly favorably.

Equities were neutral with MSCI World and S&P falling 0.12% and 0.13% respectively.

The US dollar did make gains on global currencies post the FED comments, this appears at the expense of already buoyant US equity markets which “sold the news”. While the VIX firmed up slightly over the last week of the month, its level remains low (<15) after dropping throughout the month.

While commodities were off overall, individual sectors and markets moved independently. After sharp sell-offs in Energy and Grains in July, Energies came back yet Metals and Grains suffered. Gold fell 3% to close the month.

### Index Review

The AMFERI lost 0.25% in August making the start to Q3 neutral. The monthly result outperformed most CTA benchmarks and peers and the year to date remains in line to outperforming. (See Table 1).

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) since the financial crisis started in 2008.

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.

**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.**

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

**Table 1: Month and 2016 Year-To-Date**

2016	AMFERI	BTOP 50	S&P DTI ER	SG CTA
1 Month	-0.25%	-1.85%	-1.66%	-2.76%
2016 YTD	2.66%	0.03%	-1.71%	2.55%
Q4.15-Q2	8.98%	0.51%	3.45%	4.11%

**Table 2: Long Term Performance**

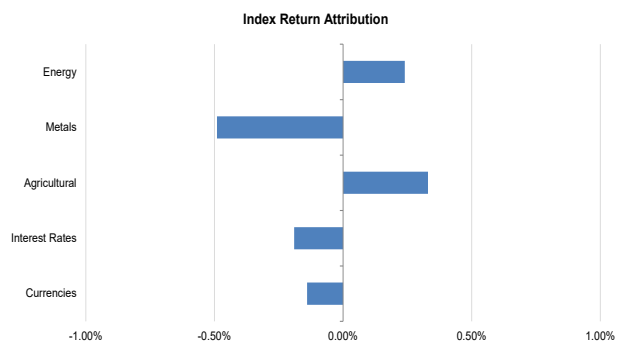
8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	8.07%	1.98%	-1.52%	2.96%
Annual Std. Dev.	11.84%	6.36%	7.67%	7.73%
Sharpe Ratio	0.68	0.31	-0.20	0.38
MAR Ratio	0.47	0.24	-0.06	0.25
Largest Drawdown	17.17%	8.34%	27.07%	11.78%

**Table 3: Cumulative Return Since Inception**

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	22.39%	9.30%	-7.96%	14.05%

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 those 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.



#### Portfolio Recap

Performance was positive in 2 of the 5 index sub-sectors. Ags and Energies performed similarly (see Chart 1) while the shorts in Grains and Metals provided strong offset to overall weakness by net long positions held.

The largest volatility came from commodities. The top performing positions in the portfolio were gains from short positions in Wheat, Corn and Copper complimented by the long positions in Crude Oil (WTI), Heating Oil and Sugar. The worst performing positions were Cotton, Silver and Gold.

While the index reduced exposure in specific markets such as Cotton, overall positions were maintained. The portfolio remains long 8 of 12 components (or 66%) and includes all 3 sectors – Energy, Metals, and Ags. The lack of change highlights that within long term trends, volatility is expected and the monthly result can be negative yet normal.

In the Financial markets, both Currencies and Interest Rates remain without a position change.

#### Energy

Energies bottomed early in the month after selling off much of June and July, providing the portfolio a bright spot. While the petroleum sub-sector rallied most of the month before consolidating late in the month, Natural Gas sold off early only to mostly recover late. Both Heating Oil and Crude remain long weights along Natural Gas. Gasoline remains short and was the largest sector detractor.

#### Metals

Both Industrial and Precious metals corrected in August after a strong first half of the year performance. The weakness was led by Silver and complimented by Gold where the strategy is long yet partially offset by the short in Copper that has been in place since July 2015. Copper fell 7% providing a significant offset to the long sector tilt.

#### Agriculture

Ags are another sector that often need to be looked at in a market specific way. After rallying early in the month, Grains sold off sharply - Wheat dropped over 10% from its high midmonth to be the top performing position in the portfolio. However, this was offset by long Cotton falling over 10%. The net result was a slight positive sector performance with contributions from both short and long positions.

#### Interest Rates

Interest Rate futures softened slightly for a small loss as yields crept higher. This was consistent with the FED signal of possible rise in the overnight borrowing rate by year end.

#### Currencies

The sector softened slightly as the US dollar strengthened post FED meetings. The strategy remains tilted long currencies and short the US Dollar. Volatility appeared muted in the sector during the month.

#### Outlook

We reiterate a cautionary tone: given the high levels of global equity markets and macro volatility, coupled with a number of significant unknowns, risk management and a rules based process should lead any strategy, even those that are index based.

We remind investors of the elements we believe are required to navigate the expected volatility to come:

1. Include commodities as a strategic allocation
2. Be patient
3. Be agnostic to market direction
4. Underweight financials
5. Allow disciplined, experienced, rules-based managers to handle the tactical position decisions and focus on your strategic goals.

#### 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.