AUSPICE

Auspice Managed Futures Index Commentary and Performance

Auspice Managed Futures Excess Return Index (AMFERI)

December 2016 Review

Market Review

December was another month of historical market significance. While perhaps not as surprising as the US election or Brexit, the US FED raised rates in a much anticipated move adding it expected another three moves in 2017. Rates had been rising (futures falling) since peaking in early July and accelerating post the early November election. While expected, this appears to be another catalyst event as both financial and commodity markets continued to respond.

The S&P 500 and MSCI World gained 1.82% and 2.29% respectively while the commodity tilted Canadian TSX/S&P60 continued to lead the developed world equity performance gaining 1.32% for over 17% on the year.

Commodities continued to have the strongest year in many, with benchmarks such as the Bloomberg Commodity Index gaining 1.76% to rise over 11% on the year. The contribution was widespread in this diverse asset class with gains in Agricultural markets, Metals and Energies, the strongest sector ending 2016.

Index Review

The AMFERI gained 2.17% in December outperforming most CTA benchmarks. Moreover, the strategy had an excellent year while most benchmarks and peers are negative. On a rolling 1 year basis, the performance is a stand out at 4.87% with a healthy spread of 2 to 10%. (See Table 1).

Table 2 highlights 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 and 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.

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, 2016.

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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	**2.17%**	0.16%	0.95%	0.81%
2016 YTD	**4.87%**	-4.68%	2.85%	-2.68%
1 Yr Rolling	**4.87%**	-4.68%	2.85%	-2.68%

Table 2: Long Term Performance

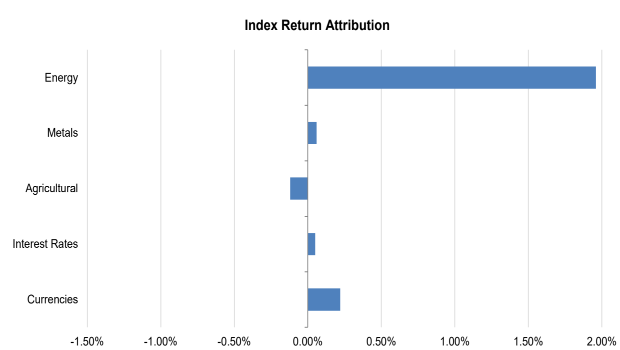
9 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	**8.72%**	1.67%	-1.31%	2.42%
Annual Std. Dev.	**12.09%**	6.47%	8.10%	7.75%
Sharpe Ratio	**0.72**	0.26	-0.16	0.31
MAR Ratio	**0.51**	0.17	-0.05	0.21
Largest Drawdown	**17.17%**	10.00%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	**25.02%**	4.16%	-3.66%	8.23%

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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Auspice Managed Futures Excess Return Index

Portfolio Recap

Performance was positive in 4 of the 5 index sectors. Energies led the performance at year end while modest gains in Currencies, Metals and Interest Rates added performance. The sole negative sector was Ags. The full year tells a different story: the top performing sector was Ags, followed by Interest Rates, Metals and Currencies while the only negative was indeed Energies.

For the month, the top performing positions in the portfolio were gains from long positions in petroleum energies including Crude (WTI), Heating Oil and Gasoline. Shorts added value from weakness in Soybeans, Gold and Silver. For the year, the top performers were all commodities: Sugar (long), and Soybeans, Wheat and Silver (all both long and short).

For the month, the worst performing positions were long positions in Copper and from a new short in Sugar. For the year Corn, Natural Gas and Gasoline all struggled with changing trends.

There were only two changes to the portfolio during the month. The strategy shifted to long Natural Gas while it exited the long Sugar position that was held since 2015 to crystallize a significant gain. The portfolio remains long 6 of 12 components (or 50%) and includes all 3 sectors – Energy, Metals, and Ags. The trend in commodities ends the year quite positive.

In the Financial markets, all positions were held: short Interest Rate futures and short currencies vis-a-vis the US Dollar.

Energy

The Energy market stormed higher in December after the end of November OPEC "cuts" were announced and the strategy benefitted. While Natural Gas missed the gains last month, the shift to long early in December was profitable as the market continued higher after a mid-month correction.

Metals

Metals were generally weaker on the month to the benefit of the shorts in Precious Metals. The sole long exposure in Copper was held as it corrected during the month. The sector was marginally profitable on the month while having a solid year overall.

Agriculture

The sector provided a slight negative contribution for the month while the largest for the year.

The strong upwards trends in Grains that started the year were captured and followed by considerable weakness. This two-way trend opportunity is an ideal environment for the strategy.

Additionally, strong upwards trends in both Cotton and Sugar were held for much of the year and large contributors. The activity in this sub-sector illustrates the benefit of the strategy's agility.

Interest Rates

Interest rate futures continued their fall into the December 14th FED announcement raising overnight lending rates. The futures rallied post but managed to capture a small gain for the month. The strategy remains short across the curve and was second most profitable for the portfolio for the year.

Currencies

Currencies contributed for the month and year. All positions have been held short currencies vis-à-vis the strong US Dollar.

Outlook

While it was a year of historic events and surprises, we caution resting on the events of 2016. The new year will likely bring a whole new set of surprises. There are numerous political events including elections across Europe and unknowns regarding Chinese and Russian reaction to a new US leader's policies. Oil remains vulnerable given the concentration in unstable jurisdictions while in high global demand. Moreover, volatility remains high as the equity markets are at all-time record levels.

The best defense? It will important to separate capital allocation from risk allocation. Consider the overall exposure and correlation of seemingly diverse assets and portfolios to the equity markets. Consider adding or adding to allocations of alternatives that have a low or slightly negative correlation to equities yet remain positive performers in the face of equity gains. CTAs generally fit this description and the AMFERI strategy is outperforming.

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.