



February 2016 Review

Market Review

The equity market followed a similar pattern as last month, selling off early and rallying into month end. In one sense this is bullish, yet lower lows were made and confidence seems to be lacking.

Commodities were also volatile, requiring a tactical approach as opposed to generic exposure. Some continued lower, while others moved higher. This was mirrored in the Currency sector as we experience sharp moves in both directions vis-à-vis the US dollar. Even within Interest Rate futures market there were sharp moves in both directions during the month.

Volatility is no doubt upon as and we view this opportunistically. The returns are continuing to come at a time investors need it most and differently than other managed futures approaches.

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

Index Review

The AMFERI gained 2.67% in February, a slight gain over most CTA benchmarks (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) 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.

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Table 1: Month and 2016 Year-To-Date

2016	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
1 Month	2.67%	2.15%*	3.23%	2.60%*
2016 YTD	3.26%	5.04%*	2.21%	6.89%*

Table 2: 8 Year Annualized Performance

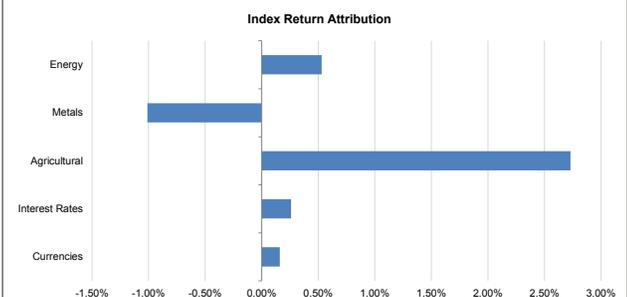
8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	7.54%	2.32%	-2.33%	3.14%
Annual Std. Dev.	12.11%	6.27%	8.04%	7.50%
Sharpe Ratio	0.62	0.37	-0.29	0.42
MAR Ratio	0.44	0.28	-0.09	0.20
Largest Drawdown	17.17%	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Cumulative Return	23.11%	14.88%	-4.23%	18.87%

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. ** Note performance estimates for the BTOP50 Index and the Newedge CTA Index.

**Portfolio Recap**

In February, performance was positive in 4 of the 5 index sub-sectors, with the bulk of the gains coming from Agricultural markets complemented by the Energies as well as financial exposures of Interest Rates and Currencies. Negative performance in Metals came as a result of increasing strength against existing short positions and the resulting shift to a long exposure in Gold.

The top performing positions in the portfolio were gains from shorts in Cotton, Wheat, Corn and Natural Gas as well as a long exposure in Sugar. The worst performing positions came from the short in Gold which was shifted to long during the month.

Commodity positions remain tilted short, while adding 1 more component during the month. With the addition of long Gold, the strategy is short 10 of 12 components (or 83%).

There were no changes in positions in the financial markets.

Energy

Within the sector, the petroleum sub-sector showed some signs of consolidation. While WTI Crude Oil was slightly softer, Heating Oil and Gasoline were flat. Natural Gas was sharply lower and led the overall sector to a gain. The strategy remains short all components within the sector. which contributed to the strategies monthly performance per Chart 1.

Metals

Metals were again stronger than most commodity sub-sectors on the back of both Industrial and Precious metals. Gold continued its upwards trajectory and the strategy shifted to long early in the month. It closed the month strong. Silver also moved higher yet softened at month end while Copper ended stronger. The strategy remains short Silver and Copper.

Agriculture

Within Ags, both Grains and Soft commodities were weak with Sugar being the exception. Soybeans, Corn, and Wheat all moved lower and the strategy remains short all components of this sub-sector. On the Softs side, Cotton sold off dramatically for significant portion of the sector and overall strategy gain while Sugar rallied to the benefit of the long weight. A strong month in Ags per Chart 1.

Interest Rates

The trend started in January continued into February. Futures ground higher early, corrected sharply lower and then resumed their ascent into month end. The strategy remains long all components in this sector. The sector had a positive contribution, primarily from the positions in the long end of the curve.

Currencies

Currencies were volatile as the US Dollar sold off early before recovering partially into month end. Gains were led by a rally in Japanese Yen yet partially offset by the rally in the Canadian dollar where the strategy remains short. Weakening of the British Pound also contributed positively while the Euro and Aussie Dollar were flat against their short exposures. There were no position changes during the month.

Outlook

The unique attributes of this strategy enable it to provide an accretive return stream that not only adds value to traditional assets, but also other alternatives and managed futures peers. This was experienced over the last few months as returns have been strong at a critical time.

The agnostic approach to price direction and a diversified portfolio of assets enables patience to pay off while not getting dragged down by equity correction and the challenging moves up and down witnessed over the last couple months. These are the times when a true non-correlated alternative with steadfast risk management forms a critical portfolio component.

We remind investors of the elements 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.

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.

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