Auspice Managed Futures Index Commentary and Performance

Auspice Managed Futures Excess Return Index (AMFERI)

January 2016 Review

Market Review

While 2015 ended with a whimper, the new year started with a rash of market weakness in both commodity and financial markets. This continued through mid-month, when the markets found some support and both sectors moved higher. While by no means a full recovery, some ground was gained back.

Following a year of so called ‘watershed’ events in 2015, the new year has has arrived with a lot of uncertainty. Noteworthy events - such as the first down year in equities since 2008, the FED raising rates and a commodity collapse - have many wondering what’s next. Japan ended the month moving to negative interest rates and even Canada has considered it. Not exactly a rosy economic picture.

Our view remains unchanged: We believe in the continuation of more volatility, uncertainty and continued downward pressure on the markets. Global unrest, high personal debt levels, and concerns over the use of leverage being vocalized by regulators have rightfully made the markets nervous.

Index Review

The AMFERI gained 0.57% in January in line with its peers (see Table 1), which returned a mix of positive and negative results.

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) despite the challenging environment in recent years.

Table 3 illustrates outperformance to most 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	**0.57%**	2.83%*	-0.99%	4.13%*
2016 YTD	**0.57%**	2.83%*	-0.99%	4.13%*

Table 2: 8 Year Annualized Performance

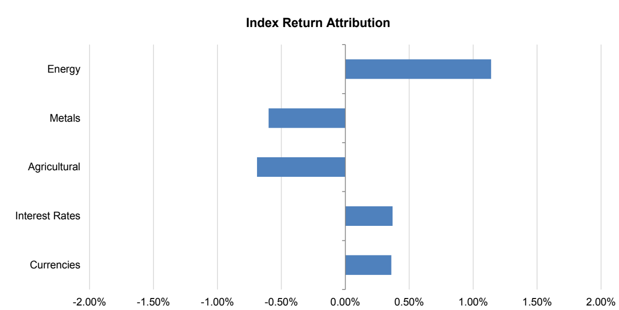
8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	**8.39%**	2.63%	-2.12%	3.38%
Annual Std. Dev.	**12.48%**	6.44%	8.16%	7.61%
Sharpe Ratio	**0.67**	0.41	-0.26	0.44
MAR Ratio	**0.49**	0.32	-0.08	0.29
Largest Drawdown	**17.17%**	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Cumulative Return	**19.90%**	12.47%	-7.23%	15.80%

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



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Portfolio Recap

In January, performance was positive in 3 of the 5 index sub-sectors, with the bulk of the gains coming from Energies, complemented by the financial exposures of Interest Rates and Currencies. Negative performance in Metals and Ags came as a result of modest strength during the month against the predominant short positioning in these sectors

The top performing positions in the portfolio were gains from shorts in Gasoline, WTI Crude Oil, and Cotton followed by Copper. The worst performing positions came from the short in Gold.

Commodity positions remain unchanged, with the strategy short 11 of 12 components (or 92%).

The only position change came from the financial markets, where the strategy added another long position in Interest Rate futures.

Energy

Sharp weakness in Energy led commodities lower for the month. The weakness was widespread, including the petroleum and natural gas sub-sectors. The latter part of the month witnessed Crude Oil lead a bounce back rally back for most markets, yet still below the levels it began the year at. The strategy remains short all components within the energy sector, which led the monthly performance (per Chart 1).

Metals

Metals were stronger than most commodities on the back of strength in Precious metals. Gold rallied from the start and was complemented by Silver strength. Industrial metals fell following the general commodity trend before partially recovering at month end. The strategy remains short all components in the sector and was a negative contributor in January on this strength.

Agriculture

Within Ags, Grains held up better than Soft commodities. Soybeans, Corn, and Wheat all moved slightly higher on the month. The strategy remains short all components of this sub-sector. On the Softs side, Sugar reversed and moved lower after a multi-month rally and remains the only long commodity weight for the strategy. Cotton provided an offset - moving lower for a strong gain but unable to offset the sector loss.

Interest Rates

While the December market reaction to the US FED move to raise rates mid-month was muted, the January trend has been clear. Futures rallied from the start of the month, prompting the strategy to add an additional exposure in US 30 Year Bond futures. The strategy is now long all components in this sector. The sector had a positive contribution, primarily from the positions in the short end of the curve.

Currencies

Currencies had a solid month with continued trends in most markets. There were no position changes, and all contributed positively with the exception of the long position in the Japanese Yen. The Yen pulled back sharply following the announcement of negative short-term interest rates from the Bank of Japan.

Outlook

After a challenging start a year ago, it was rewarding to see the strategy outperform to close out 2015. While traditional markets of equities and fixed income struggled, commodities and alternatives were also pressured.

2016 began with follow-through weakness and a significant level of volatility. Strategies that are rules-based, agnostic and patient as to price direction in the long term can stand to benefit from such an environment. 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.