AUSPICE

Auspice Managed Futures Index Commentary and Performance

Auspice Managed Futures Excess Return Index (AMFERI)

July 2016 Review

Market Review

The global markets appear to have absorbed the news and events in June including Brexit which enabled assets to flow back into equities. Global equities were strong with MSCI World gaining 4.15% to get back into positive territory on the year while S&P lagged slightly gaining 3.56% and has remained positive.

While currencies have calmed down, the intra-month volatility is high. For example, the US Dollar Index and the Yen closed largely unchanged on the month but had large moves up and down during the month.

Commodities also require a detailed look. On the surface, the broad indices were sharply lower yet this may mask the underlying strength of the asset class. Weakness in Energies and Grains pulled down the benchmarks significantly (e.g. S&P GSCI -9.59%), yet strength was available to offset this if one is tactical. Yet another reminder that specific commodities and sub-sectors are not a single asset.

While financial markets appear to have calmed down and realized volatility has fallen to a lower level, overall trading volatility remains significant. This appears to be clouded by a very low and falling VIX level.

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 AMFERI gained 0.26% in July adding to a positive first half result. This appears in line with CTA benchmarks and peers for the month and year to date (See Table 1). This positive performance is despite holding no equity exposure, the sharpest gaining asset class during July.

It is important to note the unique and accretive performance for CTA investors is demonstrated by the low correlation to benchmarks. At 0.15 correlation to the SG CTA Index (formerly Newedge CTA) since October 1, 2015 (daily returns), the combined performance and non-correlation to other CTAs is valuable. The outperformance during this period is notable per Table 1 ("Q4.15-Q2") given it is right when non-correlated CTA performance is most beneficial.

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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	**0.26%**	1.21%	-2.53%	1.03%
2016 YTD	**2.91%**	1.70%	-0.13%	5.23%
Q4.15-Q2	**8.98%**	0.51%	3.45%	4.11%

Table 2: Long Term Performance

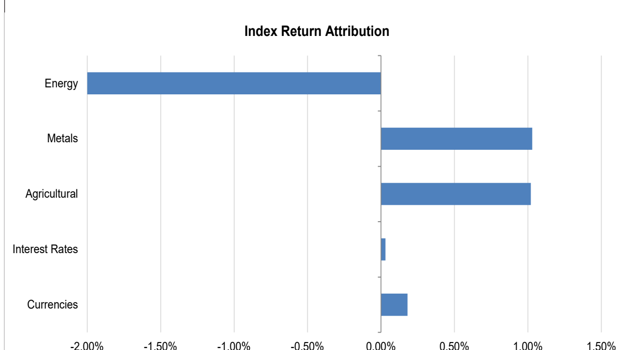
8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	**7.76%**	1.95%	-1.79%	3.06%
Annual Std. Dev.	**11.89%**	6.36%	7.76%	7.68%
Sharpe Ratio	**0.65**	0.31	-0.23	0.40
MAR Ratio	**0.45**	0.23	-0.07	0.26
Largest Drawdown	**17.17%**	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	**22.69%**	11.13%	-6.43%	17.03%

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 sub-sectors. While Metals and Ags led the attribution (see Chart 1) complimented by Interest Rates and Currencies, it was Energies that held back the performance.

The top performing positions in the portfolio were gains from long positions in Silver and Cotton. This was complimented by the recently added short in Wheat. The worst performing positions were Crude and Heating Oils along with Soybeans.

The index reversed exposure in Energy and Grains, exiting the weakest within each sector. Gasoline and Corn were shifted to short while remaining long the bulk the respective sectors. With the reduction, the overall portfolio is long 8 of 12 components (or 66%) and includes all 3 sectors – Energy, Metals, and Grains.

While exiting Gasoline and Corn was a net negative attribution, it prevented larger losses from continued price weakness. The reversal to short benefitted from this approach.

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

Energy

The petroleum sub-sector of energy was sharply weaker while Natural Gas held on to its recent gains. Both Heating Oil and Crude remain long weights while the strategy exited Gasoline prior to further deterioration. Gasoline is now a short weighting. Natural Gas remains a recent bright spot. While it did not make new highs, correcting slightly to start the month, it closed strong on the back of weather driven cooling demand.

Metals

Metals led the index performance with gains from existing weights in both Gold and Silver, adding to a strong first half performance. Both Precious and Industrial metals again moved higher during July yet the strategy continues to be short Copper which remains in a long term downtrend.

Agriculture

Ags had a strong month from both short and long positions. After being added in June, Cotton gained over 15% in July. Complimenting this, the short in Wheat gained from the weakness experienced across the Grains sub-sector. The strategy shifted to a short in Corn during the month while only holding Soybeans long. The index remains long 3 of the 5 components that make up the overall Ag sector.

Interest Rates

After a strong month for Rates following Brexit in June, Rates moderated and added a small gain.

Currencies

While intra-month volatility continues in currencies, the sector had a positive month. Gains came in small increments from the existing positions held: long weights in Canadian Dollar, Yen and Aussie Dollar, along with shorts in the British Pound and US Dollar Index.

Outlook

We urge caution in the markets given the high levels of global equity markets and overall volatility. There remain a number of significant unknowns (e.g. US elections) not to mention the "unknown unknowns" that keep popping up.

While commodities corrected in July after a strong first half, there appears to be ample reason to remain encouraged about the asset class in addition to opportunities both long and short.

We believe, this is an ideal time to add or increase CTA/Managed Futures exposure especially if it comes without high equity risk and a low correlation to CTA peers as is the case with the AMFERI index.

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.

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