# Auspice Managed Futures Index Commentary and Performance

**Auspice Managed Futures Excess Return Index (AMFERI)**

## March 2016 Review

### Market Review

Equities had a strong month globally after a rough start to the year. The rally in March took some indices positive on the year (such as the S&P 500 and the S&P/TSX 60) while the Nasdaq, MSCI World and Eurostoxx still remain in negative territory. The month ended on highs.

The US Dollar was weak versus other currencies. This was particularly noteworthy in so-called "commodity" currencies.

Commodities followed a similar path yet with more disparity across sub-sectors and individual markets. While generally stronger for the month, the month ended with pullbacks in many sub-sectors including Energy, Metals and some Grains and Soft Commodities.

After a long period of general commodity weakness, there are signs of a possible shift in momentum and this is worth noting. This is illustrated by additional long positions building in momentum based strategies.

On a sidenote, 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 lost 2.25% in March in a tough month for many CTA strategies and benchmarks (See Table 1). The strategy remains positive in Q1 and follows a strong Q4 2015 result where it outperformed benchmarks significantly with a low correlation. Correlation to the SG CTA Index (formerly Newedge CTA) is 0.10 since October 1, 2015 (daily returns).

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.

Note: Please refer to "Important Disclaimers" regarding comparable indices used herein.

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

| 2016 | AMFERI | BTOP50 | S&P DTI ER | SG CTA |
|---|---|---|---|---|
| 1 Month | **-2.25%** | -3.30%* | -2.13% | -3.18%* |
| 2016 YTD | **0.94%** | 1.57%* | 0.03% | 3.49%* |

**Table 2: 8 Year Annualized Performance**

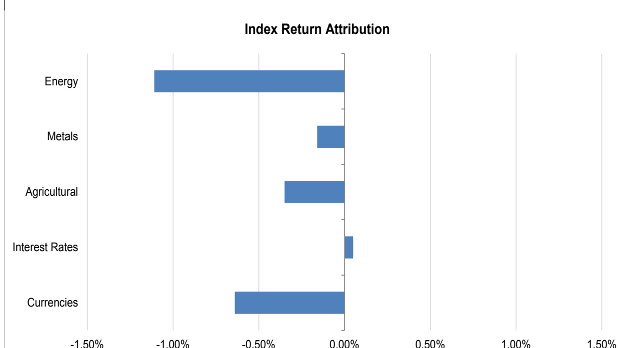
| 8 Year Annualized | AMFERI | BTOP50 | S&P DTI ER | SG CTA |
|---|---|---|---|---|
| Annualized Return | **7.52%** | 1.91% | -2.51% | 2.75% |
| Annual Std. Dev. | **12.11%** | 6.39% | 8.07% | 7.60% |
| Sharpe Ratio | **0.62** | 0.30 | -0.31 | 0.36 |
| MAR Ratio | **0.44** | 0.23 | -0.09 | 0.23 |
| Largest 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 | **20.34%** | 11.09% | -6.27% | 15.09% |

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. The index does not have commissions, management / incentive fees, or operating expenses. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown." * Note performance estimates for the BTOP50 Index and the SG CTA index.

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## Auspice Managed Futures Excess Return Index

### Portfolio Recap

In March, performance was positive in 1 of the 5 index sub-sectors- Interest Rates were slightly positive. Negative performance came from the general rally in commodities. Currencies also reversed and moved higher causing changes to trend in more than half of the components.

The top performing positions in the portfolio were gains from long positions in Gold and Sugar complimented by a short in Corn. The worst performing positions came from the shorts in Energy, the reversals in currencies and a rally against the short in Cotton.

Commodity positions remain tilted short, while adding 1 more long component during the month. With the addition of long Soybeans, the strategy is short 9 of 12 components (or 75%).

While Interest Rates remain long with no change, the strategy shifted to long Canadian and Aussie Dollars while moving to short the US Dollar Index.

### Energy

After bottoming in the late January to early February timeframe, the petroleum sub-sector continued to rebound. After months of weakness, this persisted until later in the month when most markets pulled back. Natural Gas did not share the same strength out of January but managed to close March stronger than other energy markets. The strategy remains short all components within the sector as the long term trend is still down.

### Metals

The Metals sector was slightly negative as the market rallied against the short tilted sector. The long position in Gold did not fully offset the strength. While both Industrial and Precious metals were slightly stronger on the month, it was not a smooth ride. Most markets rallied early before reversing and softening into month end. Despite this, the momentum has been strong in this sector for a few months and it is one to watch carefully for long term trend change. Currently, the strategy remains short Silver and Copper.

### Agriculture

Within Ags, both Grains and Soft commodities were generally stronger but also suffered from late month weakness. While Sugar was the top performing position, strength in Soybeans had the strategy shift to a long weight. Corn and Wheat showed less momentum with Corn dropping significantly to end the month for a positive contribution. The strategy remains short in Corn, Wheat and Cotton.

### Interest Rates

Interest rate futures dropped to start the month before grinding back in the direction of the long term trend for the remainder of the month. The strategy remains long all components in this sector and the sector had a slight positive contribution, primarily from the positions in the short end of the curve.

### Currencies

Following the currency volatility highlighted in February, the US Dollar continued to weaken. While Yen was less affected, the rally in Aussie and Canadian dollars caused long positions to be taken. Strengthening of the British Pound and Euro was less prominent where the strategy remains short.

### Outlook

Markets of all types, equity, commodity and rates, remain volatile. Similar volatility has been seen in alternative asset classes.

The unique attributes of CTA/managed futures in general enable it to provide an accretive return stream that not only adds value to traditional assets, but other alternatives. Moreover, the unique attributes of this strategy enable it to be accretive alongside managed futures peers. This was experienced over the last 2 quarters as returns have been strong at a critical time with a very low correlation.

### 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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