



May 2016 Review

Market Review

After a rough start to the year, equities have made gains for a third month. However, a number of events appear to have global equities cautious and contained. Upcoming US FED meetings regarding interest rate policy, OPEC, and Brexit (Britain leaving the EU) are all weighing on investor minds,

Commodities continued to provide volatility as Energy trended higher highlighted by WTI Crude touching \$50 for the first time since last fall. Agricultural markets were also strong led by Grains while a sharp reversal in Metals provided a reminder that commodities are not a single asset.

The US Dollar Index reversed sharply, gaining over 3%, making those same commodities even more expensive.

There continue to be signs that, after a long period of general commodity weakness, there is a shift in momentum worth noting. This is illustrated by numerous additional long positions building in momentum based strategies (see Portfolio Recap).

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 was off slightly in May, losing 0.51% in another challenging month for many CTA strategies and benchmarks (See Table 1). Sharp reversals in established trends in Metals and Currencies are likely the biggest culprits for most trend followers. The strategy remains positive year to date following a strong Q4 result where it outperformed benchmarks significantly demonstrating unique performance. This is illustrated as a low correlation to benchmarks at 0.18 to the SG CTA Index (formerly Newedge CTA) 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.

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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	BTOP50	S&P DTI ER	SG CTA
1 Month	-0.51%	-1.49%*	-0.33%	-1.81%*
2016 YTD	0.35%	-1.33%*	2.18%	-0.10%*

Table 2: 8 Year Annualized Performance

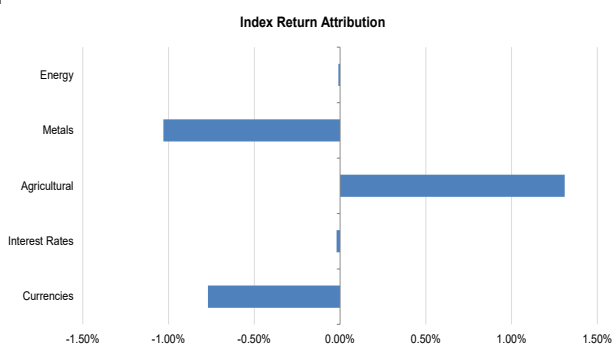
8 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	6.91%	1.53%	-2.52%	2.33%
Annual Std. Dev.	12.10%	6.41%	8.09%	7.63%
Sharpe Ratio	0.57	0.24	-0.31	0.31
MAR Ratio	0.40	0.18	-0.09	0.20
Largest Drawdown	17.17%	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	19.64%	7.59%	-4.27%	11.09%

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. No representation is being made that any account will or is likely to achieve profits or losses similar to those 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.



Portfolio Recap

Performance was positive in 1 of the 5 index sub-sectors, with Ags leading the attribution (see Chart 1). The Metals and Currency sectors were the offset to positive performance while Interest rates and Energy were flat.

The top performing positions in the portfolio were gains from long positions in Ags - Soybeans, Corn and Sugar along with a short in Copper. The worst performing position Silver, added late last month, which dropped over 10%.

The index added 3 more commodity long exposures, all Energy, such that Commodity positions are tilted 75% long - a significant change from 25% ending March.

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

Energy

The petroleum sub-sector of energy continued to march higher throughout the month, only slowing slightly near month-end. As a result, the index shifted to long weights in Crude, Heating Oil and Gasoline. This represents a significant shift in positioning which has been predominantly short since mid 2014.

Natural Gas also contributed positively as it softened where the index remains short. Flat attribution on the month per Chart 1.

Metals

Metals appeared to use the new month precisely as a time to reverse. Both Precious and Industrial metals were sharply lower on the month while the strategy holds the existing exposure. The sector was negative for the month on the back of the existing long positions in Gold and Silver which was partially offset by the short in Industrial metals (Copper) which fell over 8%.

Agriculture

Ags again led the Managed Futures index performance with positive contributions from both Grains and Soft commodities which were generally stronger per Chart 1. Grains again led this momentum with Soybeans the stand-out gaining over 11% complimented by Corn. Wheat, which shifted to long in late April, actually pulled back slightly on the month for a slight negative contribution. On the Soft commodity side of Ags, Sugar trended higher while this was slightly offset by the remaining short in Cotton which traded back and forth, lacking discernable trend.

Interest Rates

Flat performance in Rates as gains from higher prices in the long end were offset by softening in the short end of the curve. Prices generally consolidated throughout the month while for little change and the strategy remains long all components in this sector.

Currencies

The sector had a negative month as the US Dollar reversed direction abruptly. This caused erosion in the Canadian Dollar, Euro, Aussie Dollar, and the Yen. The British Pound remains the only short currency position in the portfolio which provided a small offset.

Outlook

A number of unknowns appear to have the traditional equity and fixed income markets contained yet choppy overall. Whether as a result, or due to asset class rotation, or tactical positioning, we are seeing positive opportunities in asset classes that are often overlooked by many investors such as commodities and currencies.

Commodities appear to have come back to life. The agile tactical nature of the strategy allows it to generate and adjust selective exposures intra-month, entering or exiting quickly based on pervasive trends and risk of specific markets within commodity sub-sectors

The overweighting in commodities and underweighting in equities (not included) can be a drag to benchmarks at times while provide outperformance at other times. This enables the strategy to be accretive alongside Managed Futures peers and benchmarks as illustrated by the low correlation since last fall.

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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