



October 2016 Review

Market Review

While three US presidential (two presidential and one VP) debates grabbed the world's attention, the markets were choppy and mostly weaker. Perhaps this should be no surprise in front of the election on November 8th.

Global equity market benchmarks were generally lower on the month and are now weaker for a third month in a row. The S&P 500 and MSCI World were -1.94% and -0.63% respectively. Interest rate futures were also softer given additional comments from US FED members reinforcing a hawkish tone and possible rate increases for December. However, the US dollar was stronger vis-à-vis currencies, gaining over 3% and thus making commodities more expensive. The sustainability of this strength will be a big question given the election results.

Commodity benchmarks were weaker and there were only a few strong markets. Sector weakness was led by weakness in Metals and Petroleum based energies. Despite the month's weakness, commodities are outperforming most asset classes for the year with the Bloomberg Commodity Index (BCOM ER) up over 8.00%.

As such we remain excited about commodity volatility as the election result are near.

Index Review

The AMFERI lost 2.70% in October alongside most CTA benchmarks. The year to date result remains positive while most benchmarks are negative. On a rolling 1 year basis, the performance remains a stand out. (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) since the financial crisis started in 2008.

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.

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.

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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	-2.70%	-1.98%	-1.94%	-2.57%
2016 YTD	0.20%	-3.94%	-2.20%	-1.65%
1 Yr Rolling	8.45%	-2.81%	-0.86%	-0.40%

Table 2: Long Term Performance

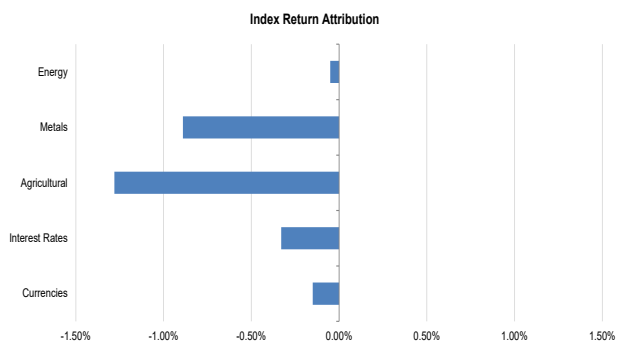
9 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	8.56%	1.82%	-1.54%	2.54%
Annual Std. Dev.	12.10%	6.46%	8.02%	7.73%
Sharpe Ratio	0.71	0.28	-0.19	0.33
MAR Ratio	0.50	0.20	-0.06	0.22
Largest Drawdown	17.17%	9.16%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	19.46%	4.97%	-8.36%	9.38%

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 negative across all index sub-sectors. Metals and Ags led the negative attribution. While most of the commodity market was weak, offsetting gains came from long weights in select markets.

The top performing positions in the portfolio were gains from long Natural Gas and Cotton complimented by shorts in the Canadian Dollar and the Euro. The worst performing positions were all shorts in the strongest performing Ag sub-sector, Grains.

There were no changes to the commodity positions during the month. Despite the recent weakness, the general long term trends established remain intact. The portfolio is remains long 7 of 12 components (or 58%) and includes all 3 sectors – Energy, Metals, and Ags, highlighting a more positive commodity trend overall.

In the Financial markets there were number of changes. Interest Rates futures were shifted from long to short across the curve. Additionally, the strategy shifted to a long weight in the US Dollar Index.

Energy

Despite the North American storage withdrawals over the last 6 weeks and a stronger start to the month, the realization that OPEC rhetoric regarding actual cuts was unlikely to be ratified or implemented was a catalyst for a petroleum market correction. Given oil has been stronger since late January, this is perhaps a healthy correction given the long term upward bias. Small losses in Heating Oil and WTI Crude Oil long positions were mostly offset by Natural Gas which was stronger in the back part of the curve where the strategy holds exposure. A short in Gasoline also added modest value. Natural Gas was the most profitable sector and portfolio position for the month.

Metals

Precious metals led the sector weakness as Gold and Silver fell sharply. Silver dropped over 6% while Gold was 3%. Industrial metals sold off before rallying back at month end. The strategy remains short Copper for a small monthly gain and remains lower on a year over year basis.

Agriculture

Ags had a challenging month. Grains were the strongest of the commodities after selling off since early June, and the strategy remains short at this time. Cotton was slightly stronger although choppy, and the long exposure did provide value to the portfolio.

After Sugar provided the largest sector and portfolio gain last month, the market corrected during October. The strategy continues to hold this long term very profitable position at this time.

Interest Rates

After holding futures positions long term, the weights were shifted to short across the curve. While the Long US Bond futures (30 year) have only been held since early 2016, 10 Year Notes were initiated in August 2015 while 5 Year Notes have been held since late 2013. As such, this is a significant change.

Currencies

Currencies positions had both winners and losers. General US Dollar strength had shorts in the Pound and Canadian dollar gain while we shifted to short the Euro. The strategy remains long the Aussie Dollar and Japanese Yen.

Outlook

The agility of an agnostic long/short CTA strategy can be a detriment during choppy markets as we have recently experienced. However, the benefits of trend capture from gains and risk management outweigh the short term costs. We believe that it is likely trends will emerge post US election, and patience and discipline will be rewarded.

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.

Futures trading is speculative and is not suitable for all customers. Past results are not necessarily indicative of future results. This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.