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Auspice Broad Commodity Index Commentary and Performance

Auspice Broad Commodity Excess Return Index (ABCERI)

February 2017 Review

Market Review

While commodities reversed course and corrected to start 2017 after a strong year, most markets and sectors generally stabilized in February. The benchmarks in GSCI and Bloomberg Commodity were near flat (See Table 1) for the month as markets awaited the February 28th evening Trump speech to Congress and more information regarding infrastructure and military spending. The strongest sector was Precious Metals which continued to bounce back despite long term weakness. Post Congress speech, at the time of this writing, the commodity markets have reacted favorably on plans for "pro-growth" and significant spending.

As the market and global citizens await more information on Trump policies, the equity markets continue the trend higher. The S&P 500 and MSCI World gained 3.72% and 2.58% respectively. The VIX in concert continued to soften although bounced off a mid-month bottom.

Interest Rates were stable with futures moving only slightly higher while the US Dollar regained after correcting in January and global currencies were weaker as a result.

Index Review

Auspice Broad Commodity softened 0.44% in February slightly underperforming the long-only benchmarks. See Table 1.

Table 2 illustrates that on a long term basis (9 year annualized) the ABCERI has not only outperformed its benchmarks and is the only positive return of the group through both up and down commodity cycles, but the volatility is far lower. Importantly, this highlights the strategy's ability to limit the downside and volatility significantly while providing the same or better gains.

Table 3 reveals the index's ability to protect capital better than its benchmarks over this prolonged period of commodity weakness by a significant margin since its publication by NYSE

Of note, product linked to the index was awarded a 5 Star rating by Morningstar (on all time frames) this past month: link here: http://www.morningstar.com/funds/xnas/dxcix/quote.html

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

Table 1: Month and Year-To-Date

2017	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
1 Month	**-0.44%**	-0.10%	0.17%	1.38%
YTD	**-2.02%**	-1.55%	0.26%	0.69%
1 Yr Rolling	**6.03%**	17.65%	15.53%	15.98%

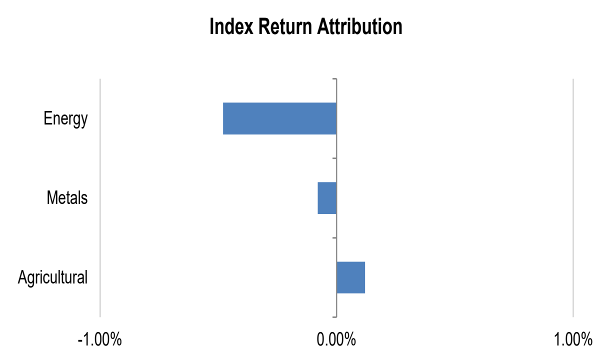
Table 2: Long Term Performance

9 year Annualized Return	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
Annualized Return	**0.73%**	-13.16%	-9.50%	-9.61%
Annual Std. Dev.	**10.41%**	23.70%	17.92%	20.56%
Sharpe Ratio	**0.13**	-0.42	-0.40	-0.36
MAR Ratio	**0.02**	-0.16	-0.14	-0.13
Largest Drawdown	**33.68%**	81.12%	67.41%	72.03%

Table 3: Cumulative Return Since Inception

From Oct. 2010	ABCERI	S&P GSCI ER	BCOM ER	DB LCI OY ER
Cumulative Return	**-4.08%**	-45.76%	-37.46%	-42.06%

Chart 1: Index Return Attribution



Auspice Capital Advisors | www.auspicecapital.com | Suite 510 1000 7th Ave SW, Calgary, AB, Canada, T2P 5L5 | 888 792 9291

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Portfolio Recap:

There were again only two changes to the portfolio during the month. The strategy continued to add positions in Grains while also exited the weak Natural Gas market in Energies.

The portfolio remains long 8 of 12 commodity components (or 66%) and includes all 3 sectors: Energy, Metals, and Ags.

Performance was positive in 1 of the 3 sub-sectors of the index with Ags making gains (see Chart 1) while Energies and Metals offset the benefit for the portfolio.

Energy

The petroleum side of the Energy market stabilized after correcting in January. WTI Crude Oil has traded a tight $5 range since early December. The exception to this is Natural Gas which weakened over 14% and caused the strategy to exit the long exposure. This reversal accounted for the bulk of the sector and portfolio loss on the month.

Metals

While Precious Metals strengthened during the month where the strategy does not have a weight, Base Metals softened slightly for a small sector loss. Remain long Copper.

Agriculture

After correcting in January, the Ag sector came back for a small gain.

A continued reversal in trends within Grains had the strategy add Wheat to the portfolio. Gains in recently added Corn and Soybeans were positive.

In Softs, weightings remain the same holding Cotton which was flat for the month.

Outlook

While many markets experienced modest corrections in January and February we believe that the commodity sector remains on the positive trajectory. These cycles are typically long, and the shift that started in late 2015, remains intact.

Despite the Natural Gas reversal, the commodity sector as a whole stabilized nicely in February and we believe it will continue to respond as economic and government becomes more clear.

Strategy and Index

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends. The index, which is considered to be a “third generation commodity index”, considers both risk and reward. The index uses a quantitative methodology to track either long or flat weights in a diversified portfolio of 12 commodity futures which cover the Energy, Metal, and Agricultural sectors.

The Broad Commodity index is available in Total and Excess Return versions. The cash return for the total return index will be calculated daily using the 3-month CDOR (Canadian Dealer Offered Rate). The CDOR is the average rate for Canadian bankers’ acceptances for specific terms-to-maturity (one year or less), determined daily from a survey on bid-side rates provided by the principal market-makers, including the major Canadian banks.

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 execut-ing systematic trading strategies.

Important Disclaimers

The S&P Goldman Sachs Commodity Excess Return Index (**S&P GSCI ER**), is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

The Bloomberg Commodity (Excess Return) Index (**BCOM ER**), is a broadly diversified index that allows investors to track 19 commodity futures through a single, simple measure.

The Deutsche Bank Liquid Commodity Optimum Yield Index (**DB LCI OY**), is an index composed of futures contracts on 14 of the most heavily traded and important physical commodities in the world.

The **SG CTA Index** (formerly Newedge CTA) 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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