



February 2017 Review

The strategy was again named the Best Investable CTA Index by CTA Intelligence Magazine at the US Awards event in New York February 16th.

Market Review

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. It seems like only the commodity tilted Canadian TSX/S&P60 lagged, falling 0.18% after outperforming in the last year. The VIX continued to soften in concert with the market gains.

Interest Rates were stable with futures moving only slightly higher by month end. However, the markets were choppy, rallying and falling a number of times which may have some participants nervous in anticipation of US FED movement.

The US Dollar moved slightly higher after correcting in January. As a result, global currencies were generally weaker vis-à-vis the greenback.

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 (-0.10% and 0.17% respectively) 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.

Index Review

The AMFERI lost 1.48% in February underperforming CTA benchmarks per Table 1.

After outperforming with a 4.9% gain in 2016 while most benchmarks and peers were negative, the recent months are considered a normal correction within long term performance.

While corrections are inevitable, it should be expected that this strategy will deviate from peers and both underperform and outperform at times highlighting its accretive value to other CTA strategies.

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 and 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....continued on next page

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

Table 1: Month and Year-To-Date

2017	AMFERI	BTOP 50	S&P DTI ER	SG CTA
1 Month	-1.48%	0.60%	0.40%	2.37%
YTD	-6.97%	-0.84%	-1.89%	0.98%
1 Yr Rolling	-5.52%	-9.95%	-0.70%	-8.24%

Table 2: Long Term Performance

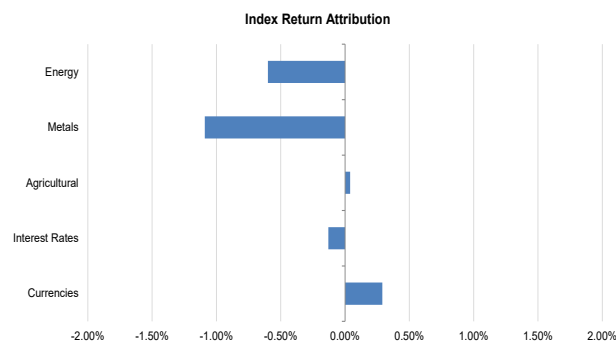
9 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	6.00%	0.83%	-2.20%	1.89%
Annual Std. Dev.	11.76%	6.28%	7.75%	7.65%
Sharpe Ratio	0.57	0.16	-0.27	0.27
MAR Ratio	0.35	0.08	-0.08	0.16
Largest Drawdown	17.17%	11.06%	26.80%	11.63%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	16.31%	3.14%	-5.54%	10.00%

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.

**Portfolio Recap**

Performance was positive in 2 of the 5 index sectors with Agricultural markets and Currencies making modest gains (See Chart 1).

While the month extended the correction that started in January, it should be noted that there were only two changes to the portfolio during the month and the reversals in these market's trend accounted for portfolio loss.

For the month, the top performing positions in the portfolio were gains from long positions in Corn and Soybeans complimented by short Sugar which fell over 5%.

The worst performing components were Natural Gas and Wheat. Both of these markets shifted direction with Wheat exiting a profitable long term downtrend. Precious Metals also rallied against existing shorts.

Despite the corrections and the two changes mentioned, most of the portfolio remains unchanged. The portfolio remains long 8 of 12 commodity components (or 66%) and includes all 3 sectors: Energy, Metals, and Ags.

In the Financial markets, all positions were held: short Interest Rate futures and short currencies vis-a-vis the US Dollar.

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. However, Natural Gas weakened over 14% and caused the strategy to exit the long exposure and reverse to short. This reversal accounted for the bulk of the sector loss for the month.

Metals

Metals moved against the portfolio in both Base and Precious Metals. Gold and Silver both strengthened over 3.5% while Copper softened slightly. All positions held.

Agriculture

After providing the largest gain in 2016 year and sharpest correction in January, the sector has stabilized for a small gain.

A continued reversal in trends within Grains had the strategy move Wheat to long while gains in recently added Corn and Soybeans were positive.

In Softs, Cotton made small gains while a sharp sell-off in Sugar was the strongest performing individual market in the portfolio.

Interest Rates

The portfolio remains short across the curve.

Currencies

The portfolio was well positioned and the sector gained as currency weakness versus the strong US Dollar resumed trend.

Outlook

Despite the corrections for last two months, the trend in most commodity and financial markets remains unchanged at this time. The end of the month witnessed many of these trends resuming.

We remain optimistic that despite continued equity performance that volatility is emerging outside of this sector (not covered by the strategy). We believe this volatility will be a catalyst for a reasonable number of trends to develop and thus an optimistic opportunity set for the strategy. Moreover, as the equity market rally gets old, we are confident that the strategy will have a chance to outperform if and when a correction occurs.

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.