AUSPICE

Auspice Managed Futures Index Commentary and Performance

Auspice Managed Futures Excess Return Index (AMFERI)

January 2017 Review

Market Review

Another month and another big event in the inauguration of Donald Trump in the US. While some believed that as the day neared the jittery equity markets would react and possibly correct, it was not the case. The resilience of global equities remains as astonishing as the last year's events and is mirrored by the weakness of the VIX making new lows. Big events, higher equities, low and choppy volatility.

The S&P 500 and MSCI World gained 1.79% and 2.35% respectively while the commodity tilted Canadian TSX/S&P60 continued to advance gaining over 1.00% after leading the developed world equity performance in 2016.

Interest Rates were steady as a futures rally started in late December failed to extend and ended near where they started. This remains a modest correction given the trend of falling futures (rising rates) since mid 2016.

The US Dollar finally corrected after gaining for the latter half of 2016. Global currencies surged universally during the month.

After a generally strong year for commodities in 2016, if one looks at the benchmarks in January, this hints at a lack of movement and some softness. E.g. Bloomberg Commodity Index gained 0.09% while GSCI lost 1.46%. However, the reality was different as many commodities started the year by moving against recent trends: Weakness in Energies, strength in Grains and Soft Commodities, and a rally back in Precious Metals made a challenging environment for those following trends.

Index Review

The AMFERI lost 5.56% in January underperforming CTA benchmarks. After a positive outperformance in 2016 while most benchmarks and peers were negative, the month was a normal correction within long term performance.

Table 2 highlights 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.

Of note, the strategy was named the Best Investable CTA Index by CTA Intelligence Magazine in 2016 and has been nominated again for the award at the US Awards event in New York February 16th, 2017.

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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	**-5.56%**	-1.34%	-2.08%	-1.00%
YTD	**-5.56%**	-1.34%	-2.08%	-1.00%
1 Yr Rolling	**-1.53%**	-8.33%	1.69%	-7.71%

Table 2: Long Term Performance

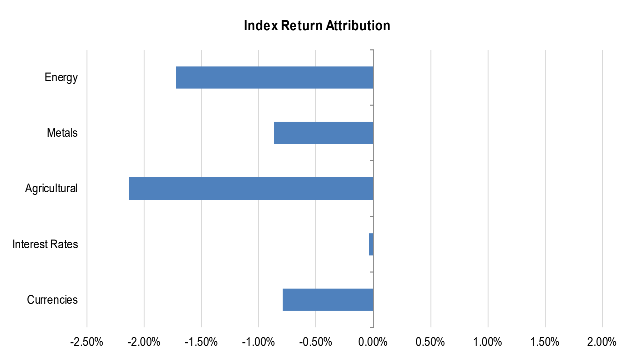
9 Year Annualized	AMFERI	BTOP50	S&P DTI ER	SG CTA
Annualized Return	**7.24%**	1.34%	-1.70%	2.09%
Annual Std. Dev.	**12.10%**	6.47%	8.11%	7.74%
Sharpe Ratio	**0.60**	0.21	-0.21	0.27
MAR Ratio	**0.42**	0.12	-0.06	0.18
Largest Drawdown	**17.17%**	10.84%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	SG CTA
Cumulative Return	**18.07%**	3.03%	-5.67%	6.93%

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.

Auspice Managed Futures Index Commentary and Performance

Auspice Managed Futures Excess Return Index

Portfolio Recap

Performance was negative in 4 of the 5 index sectors (see Chart 1). Agricultural markets led the correction, followed by Energies, Metals and Currencies. Interest Rates were virtually flat.

While most positions corrected and had a negative attribution, there were a couple solid gainers. For the month, the top performing positions in the portfolio were gains from long positions in Copper and Cotton.

For the month, the worst performing components were positions in Soybeans and Corn due to a reversal from short to long as the downtrend came to an end. Adding to this were short positions in Precious Metals and long positions in Energies.

Despite the corrections and the two changes mentioned above, most of the portfolio remains unchanged. The portfolio is now 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

After the Energy market moved higher to end 2016, it started the year by correcting across the complex. Both petroleum markets and natural gas softened while the strategy remains long all components on a positive long term trend. No changes.

Metals

Metals strengthened across the board. While gains in base metals benefitted the long exposure it was eclipsed by shorts in Precious Metals. Positions were all held, long Copper while short Gold and Silver.

Agriculture

After providing the largest attribution for the 2016 year in the portfolio, the sector had the sharpest correction in January.

Reversals in the strongest of the Grains to long weightings were the biggest challenges while the portfolio remains short the weaker Wheat market.

In Softs, gains in Cotton offset the loss from a bounce higher in the short for Sugar. Both positions are held.

Interest Rates

Interest rate futures found a base and started to rally to close 2016. While this extended to start the year, by mid-month it reversed. The net result is a wash and the portfolio remains short across the curve.

Currencies

Currencies also corrected in January as the US Dollar softened. All positions have been held short currencies vis-à-vis the strong US Dollar.

Outlook

Despite the corrections for the month, the trend in most commodity and financial markets remains unchanged at this time.

2016 illustrated that despite a series of historic events and surprises, the AMFERI strategy is well positioned to extract value. The agility of the strategy's risk management coupled with resilience in sticking with trends has proven itself historically.

2017 will likely continue to provide a number of market moving catalysts. Given the numerous political events including elections in Europe, global reactions to a new US leader's policies and executive orders, and Oil market adjustments, volatility is likely to continue outside of the equity market. From this volatility we can expect a reasonable number of trends to develop and thus an optimistic opportunity set for the strategy.

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.