AUSPICE

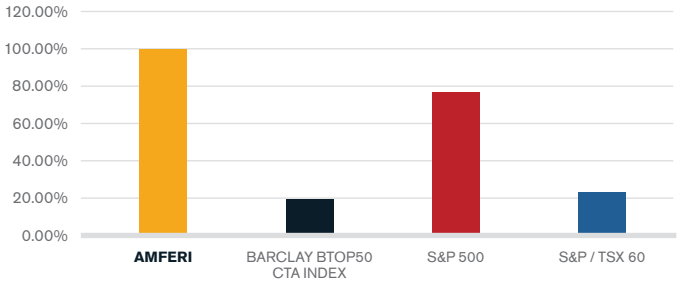
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

SEPTEMBER 2017

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AMFERI	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.68	-0.24	-0.19

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

SUMMARY

Stock markets rallied in September with the S&P gaining 1.93% while the MSCI World added 2.08% for reference. On the back of the energy strength, the resource tilted Canadian TSX/S&P60 also gained 3.27% strongly to finally tilt positive for the year while still lagging global benchmarks.

Interest Rate futures and debt sold off throughout September as the US FED laid out plans to start unwinding its decade old stimulus plan and confirmed plans to raise rates before the year end and a stated likely three times in 2018. Canada went further and raised its overnight rate earlier in the month. The US Dollar gained post the FED meeting with most currencies softening versus the greenback.

Some commodity benchmarks were stronger for the month, largely on the back of stronger petroleum prices. While both Precious and Base metals corrected along with Soft Commodities, gains in Grains helped support the benchmarks. The energy tilted GSCI gained 3.24% while the more diverse Bloomberg Commodity Index fell a modest -0.23%.

The AMFERI lost 1.95% in line with CTA benchmarks which were soft: the Barclay BTOP50 CTA benchmark softened an estimated 2.05% (per Table 1) while the SG CTA Index fell 2.15% for reference.

Chart 1 HISTORICAL GROWTH SINCE 2007

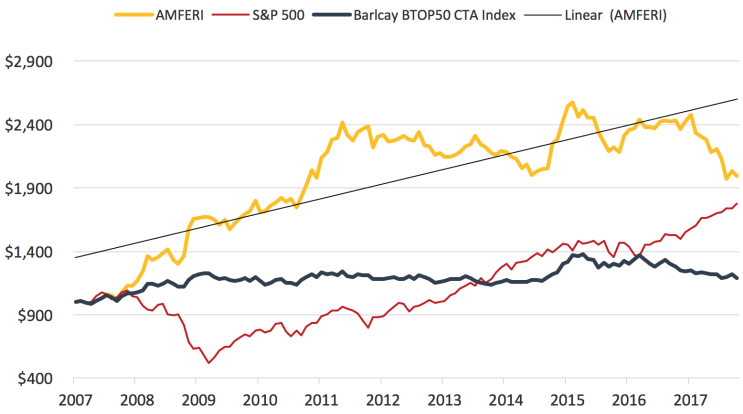

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-1.95%**	-2.05%	1.93%	3.27%
2017 YTD	**-19.43%**	-4.39%	12.53%	2.42%
1 yr (Oct 16)	**-17.95%**	-6.85%	16.19%	7.38%
3 yr (Oct 14)	**-11.41%**	-2.54%	27.74%	6.66%
5 yr (Oct 12)	**-10.66%**	0.74%	74.87%	31.15%
10 yr (Oct 07)	**85.74%**	14.12%	65.01%	12.77%
Annualized (Jan 07)				
Return	**6.63%**	1.65%	5.49%	2.03%
Std Deviation	**12.05%**	6.42%	14.79%	12.97%
Sharpe Ratio	**0.65**	0.29	0.48	0.26
MAR Ratio	**0.28**	0.12	0.10	0.05
Worst Drawdown	**-23.32%**	-14.10%	-52.56%	-44.27%

OUTLOOK

While the year has been a challenge for CTAs and this strategy, specifically due to the lack of equity exposure and commodity tilting, the strategy has captured opportunities specifically when equities stagnate. While there have been few opportunities for this scenario, we view the current environment as a statistically good entry point given the long history of performance versus peer benchmarks and the equity market (see Chart 1). Since the beginning of 2007 and on a 10 year basis, the annualized and cumulative returns outstrip both CTA and equity benchmarks on both an absolute and risk-adjusted basis (see Table 1).

To consider: Given we have stated that we believe the heavy equity weighting and correlation in most portfolios is a significant risk given the 9 year period of outperformance, we have long advocated the use of “alternatives”. However, even with the addition of traditional alternatives such as private equity and infrastructure, most portfolios are a highly concentrated equity bet. Yet the market continues higher. So we ask what is the point of a “hedge fund” or “CTA” ? There is a simple answer. (We encourage you to check out the Auspice Blog “What is the point?”).

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ATTRIBUTIONS AND TRADES

There was a single change to the commodity assets in the portfolio. Financial futures remained unchanged.

Performance was positive in 1 of the 5 index sectors with Ag commodities leading performance while performance in Energies and Metals struggled. Financials were also challenged as (see Chart 2) trends in Interest Rates and Currencies also corrected.

For the month, the top performing positions in the portfolio were all commodities and led by gains in 3 sub-sectors. While the newly added long in Heating Oil rallied, sell-offs in existing shorts in Silver, Cotton and Sugar performed well. The worst performing components were also in Energies as the remaining short Crude Oil was not offset by a long exposure in Gasoline.

The portfolio decreased its short commodity exposures to 8 of 12 commodity components (or 66%) and still includes all 3 sectors – Energy, Metals, and Ags (see Chart 3). Financial exposures remain the same.

SECTOR HIGHLIGHTS

ENERGY

The energy sector was generally stronger for the month, yet there was choppy behavior and volatility after the large storms hitting the US gulf states. Gasoline remains strong but entry timing was challenging and sold off post while Heating Oil moved higher partially offsetting the loss. The Gasoline position was trimmed during the month. Crude Oil remains short against a rising market while Natural Gas beneficially softened.

METALS

After gains over the last couple months, Metals struggled as both Base and Precious metals corrected. The strategy remains long Copper and Gold while the short in Silver offset with gains. The portfolio reduced the Copper exposure during the month.

AGRICULTURE

While Grains found a bottom and strengthened led by Wheat and Soybeans, Corn remained muted and we remain short. However, it was shorts in Softs, both Cotton and Sugar that were again sharply lower leading the sector to a gain.

INTEREST RATES

The sector corrected as the portfolio remains long across the curve (5 and 10 year Notes, and 30 year Bonds).

CURRENCIES

Currencies had a small loss as the US Dollar moved higher against our short currencies position. By exception, the British Pound and Canadian Dollar made small gains. Positions unchanged.

Chart 2 INDEX RETURN ATTRIBUTION

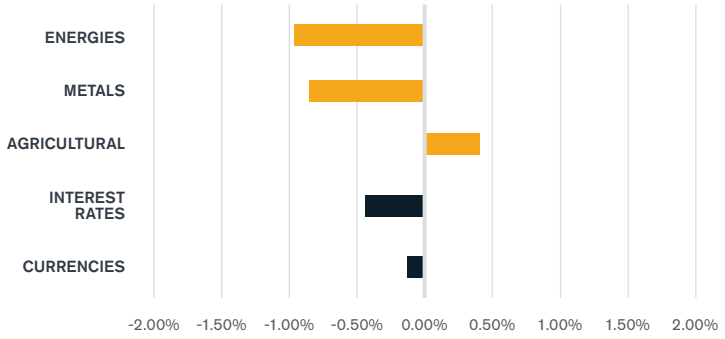
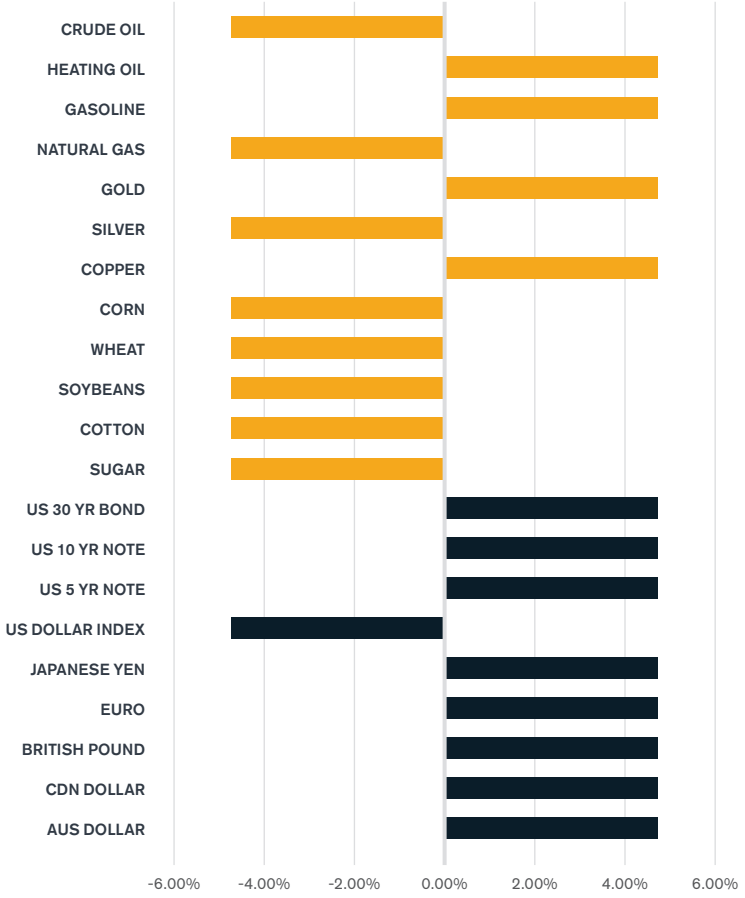


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



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WHY AUSPICE INDICES

The Auspice Indices are designed to meet the needs of investors that are looking to participate in liquid alternatives through a disciplined approach without sacrificing performance, diversification, and transparency. We believe Auspice Indices encompass everything from alpha to beta, across a return continuum. The indices blend elements of active management and indexing into a transparent, published, single strategy rules-based approach.

THE MAIN POINTS OF DIFFERENTIATION INCLUDE:

Auspice has addressed typical concerns with the valuable Managed Futures/CTA sector:

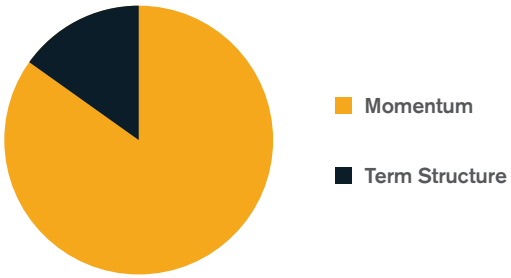
STRATEGY DESCRIPTION

The Auspice Managed Futures Index aims to capture upward and downward trends in the commodity and financial markets while carefully managing risk.

The strategy focuses on Momentum and Term Structure strategies and uses a quantitative methodology to track either long or short positions in a diversified portfolio of 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 in total return (collateralized) and excess (non-collateralized) return versions.

CHALLENGE	SOLUTION
Transparency	Rules-based index published approach that is completely transparent
Liquidity	Daily available (40 act Mutual Funds, ETFs)
High Fees	Low cost, management fee-only provider. No underlying or hidden fees typically associated with sub-advisory
Ability to perform in bear market	Outperformance in critical times
All Managed Futures the same	Compliments many single or multi-manager Managed Futures strategies
Financial markets concentration resulting in high correlation to equities	More balance of commodities and financials with no stock indicies exposure results in lower correlation to equity and peers
Lack of long term track record	Proven long term track record is published by NYSE
Brand recognition	Strategy used by public pensions, institutional investors and retail distributors in US and Canada

RETURN DRIVERS



OTHER DETAILS

Calculated and published by NYSE since 2010.
Tickers: Bloomberg AMFERI, Reuters AMFERI

PRODUCT AVAILABILITY

Licensing and/or sub-advisory of the strategy
Bespoke product design
ETFs: through partner firms
40 Act Mutual Funds: US investors through partner firms
Separately Managed Accounts

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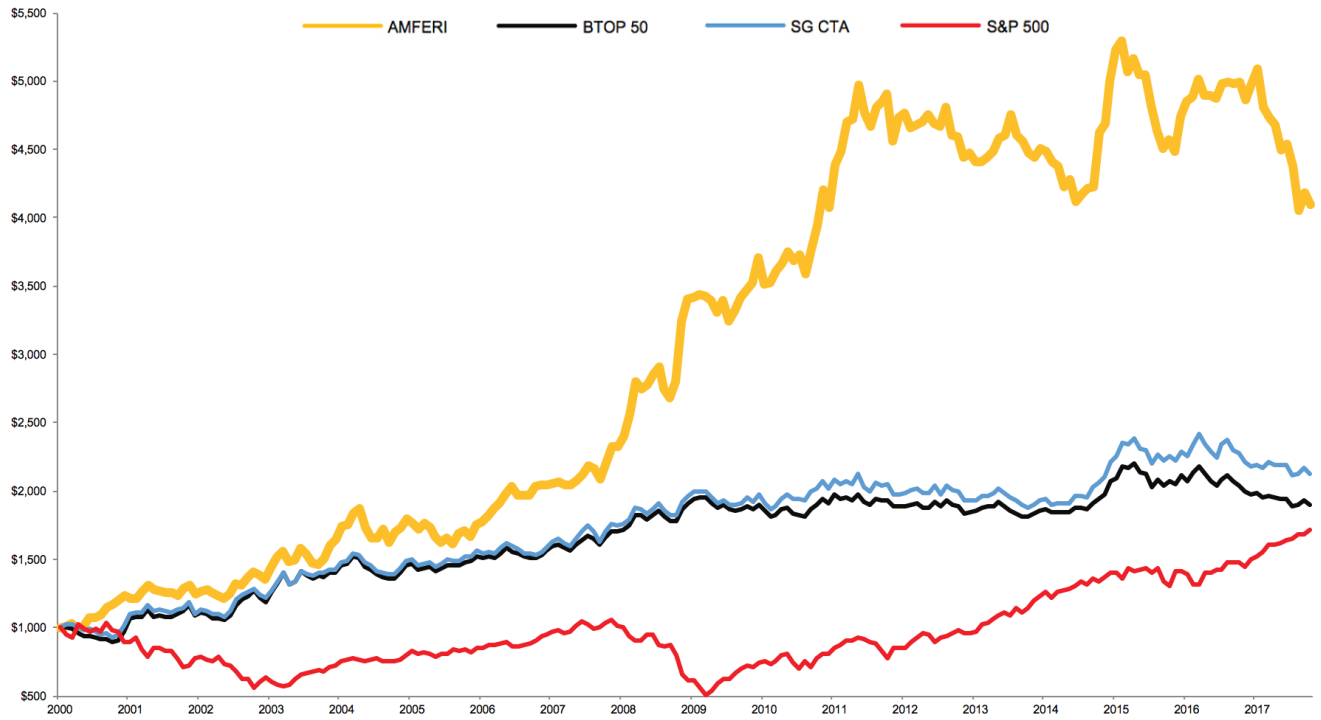
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2017	-5.56%	-1.48%	-1.05%	-4.02%	0.84%	-3.43%	-7.36%	3.08%	-1.95%				**-19.43%**
2016	0.57%	2.67%	-2.25%	-0.07%	-0.51%	2.29%	0.26%	-0.25%	0.31%	-2.70%	2.44%	2.17%	**4.87%**
2015	1.11%	-4.22%	1.89%	-2.14%	-0.04%	-4.59%	-3.79%	-2.78%	1.40%	-1.92%	5.85%	2.26%	**-7.26%**
2014	-1.67%	-0.86%	-3.50%	1.47%	-3.79%	1.38%	0.96%	0.38%	9.45%	1.26%	6.70%	4.64%	**16.55%**
2013	0.08%	0.55%	1.01%	2.27%	0.55%	3.09%	-3.05%	-0.96%	-1.87%	-0.86%	1.47%	-0.31%	**1.82%**
2012	-2.20%	0.46%	0.40%	1.21%	-1.48%	-0.41%	3.11%	-4.44%	-0.22%	-3.16%	0.60%	-1.38%	**-7.45%**
2011	2.23%	4.62%	0.54%	5.20%	-4.05%	-2.00%	2.91%	0.98%	1.08%	-7.07%	3.85%	0.60%	**8.48%**
2010	0.31%	2.47%	1.50%	2.09%	-1.55%	1.14%	-3.74%	4.92%	4.81%	6.42%	-3.14%	7.91%	**24.87%**
2009	0.41%	-0.14%	-1.02%	-2.52%	2.51%	-4.43%	2.46%	2.86%	1.70%	1.52%	4.97%	-5.03%	**2.80%**
2008	6.80%	9.39%	-2.14%	1.42%	2.58%	2.12%	-5.75%	-2.49%	4.42%	16.05%	4.92%	0.50%	**42.65%**
2007	0.75%	-1.02%	-0.45%	1.90%	2.05%	2.94%	-0.82%	-3.48%	5.56%	5.18%	0.12%	3.19%	**16.68%**
2006	2.34%	3.43%	2.02%	3.61%	2.71%	-3.20%	-0.30%	0.09%	3.24%	0.62%	0.25%	0.41%	**16.06%**
2005	-2.46%	2.45%	-1.94%	-3.87%	-2.36%	1.70%	-2.48%	4.80%	1.03%	-2.03%	5.04%	0.90%	**0.35%**
2004	0.76%	5.16%	1.70%	-7.67%	-4.21%	0.12%	3.53%	-5.24%	4.32%	2.20%	3.33%	-1.56%	**1.52%**
2003	5.61%	2.95%	-5.34%	0.93%	5.66%	-2.64%	-4.26%	-0.92%	2.93%	7.09%	2.28%	5.80%	**20.92%**
2002	0.65%	-1.93%	-1.81%	-1.12%	2.66%	5.99%	-0.72%	3.94%	2.96%	-1.54%	-2.51%	6.40%	**13.15%**
2001	0.50%	3.90%	3.87%	-2.30%	-1.13%	-0.53%	-0.65%	-1.01%	3.72%	2.35%	-5.23%	2.00%	**5.18%**
2000	1.43%	1.78%	-3.61%	1.19%	6.54%	0.03%	2.32%	4.74%	1.85%	3.01%	2.27%	-1.81%	**21.17%**

Represents index data simulated prior to third party publishing as calculated by the NYSE

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COMPARABLE INDICES

*Returns for **Auspice Managed Futures Excess Return Index (AMFERI)** represent returns calculated and published by the NYSE. The index does not have commissions, management/incentive fees, or operating expenses.

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 **S&P/TSX 60 Index** is designed to represent leading companies in leading industries. Its 60 stocks make it ideal for coverage of companies with large market capitalizations and a cost-efficient way to achieve Canadian equity exposure. Price Return data is used (not including dividends).

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Price Return data is used (not including dividends).

The **(MSCI) World Index**, Morgan Stanley Capital International, is designed to measure equity market performance large and mid-cap equity performance across 23 developed markets countries, covering approximately 85% of the free float-adjusted market capitalization in each. This index offers a broad global equity benchmark, without emerging markets exposure.

Excess Return (ER) Indexes do not include collateral return.

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 **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.

The **Barclay BTOP50 CTA Index** seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. The BTOP50 employs a top-down approach in selecting its constituents. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50.

PERFORMANCE NOTES

The Equity benchmarks used in this material are intended to reflect the general equity market performance. They are shown to illustrate the non-correlated attributes versus other assets. Adding non-correlated assets within a portfolio has the potential to reduce portfolio volatility and drawdowns.

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.

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