AUSPICE

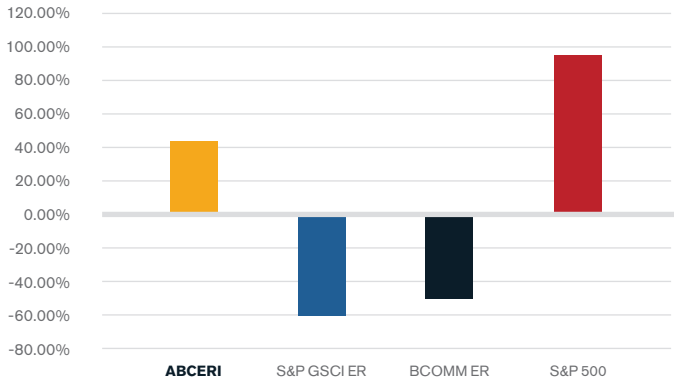
BROAD COMMODITY INDEX

COMMENTARY + STRATEGY FACTS

NOVEMBER 2018

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	ABCERI	S&P GSCI ER	BCOMM ER	S&P 500
Correlation		0.63	0.75	0.23

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MORNINGSTAR®

5 Star 5 Year Morningstar Rating for Direxion Indexed Commodity Strategy Fund, which tracks ABCERI

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SUMMARY

Commodity benchmarks continued to weaken led by oil suffering its steepest loss in a decade, over 20%. As such the energy weighted GSCI fell 11.45% while the more diverse Bloomberg Commodity index softened a mere 0.76%. This weakness takes the GSCI negative on the year and now lagging equities after pulling ahead in recent months. But the devil is in the details – see below.

November moderated after October was one of the worst months for equity since the financial crisis. The market traded back and forth in a choppy fashion before most benchmarks ended slightly positive. Not much solace after correcting an average of 8%. The tech focused Nasdaq continued to lag most ending up a mere 0.34%, while the S&P added 1.79% and the MSCI World gained 0.96%. With the exception of the major US benchmarks, most global indices are down for the year highlighted by the resource tilted Canadian TSX/S&P60 down 4.84%.

Now that US midterm elections are done most currencies were weak as the US dollar resumed its trend higher. A rare exception was the Aussie dollar rallying strongly off a downtrend that has lasted all year. With central banks quiet, US rates eased despite continued rhetoric for higher rates coming.

RESULTS

Auspice Broad Commodity fell 1.09% to be off the same for the year. While a similar result for the month, the tactical benefits and capital preservation abilities versus the long-only benchmarks is obvious. The spread to the BCOM benchmark is now over 5% (Table 1) and 7% for the GSCI. Moreover, on a longer-term basis, the value is illustrated and performance outstrips benchmarks with positive returns along with lower volatility and drawdowns. See Chart 1. The ABCERI annualized returns since 2007 are the only positive results amongst comparables illustrated.

OUTLOOK

Although the strategy is off the last couple months, we are unchanged in our belief that this asset class holds significant promise in the coming year and longer. While energy accounts for the bulk of headline and benchmark weakness, we actually observed many markets holding and gaining price.

Gains were made in Natural Gas, but also more broadly in Grains, Soft Commodities and Metals. While the small gains were clouded by weakness in petroleum energies, the list is noteworthy and sector diverse: Gold, Copper, Corn, Soybeans, and Cotton.

The graph at right illustrates the ratio of the GSCI commodity benchmark to the equity market (S&P500) at a very low level.

(CONTINUED NEXT PAGE)

Chart 1 HISTORICAL GROWTH SINCE 2007

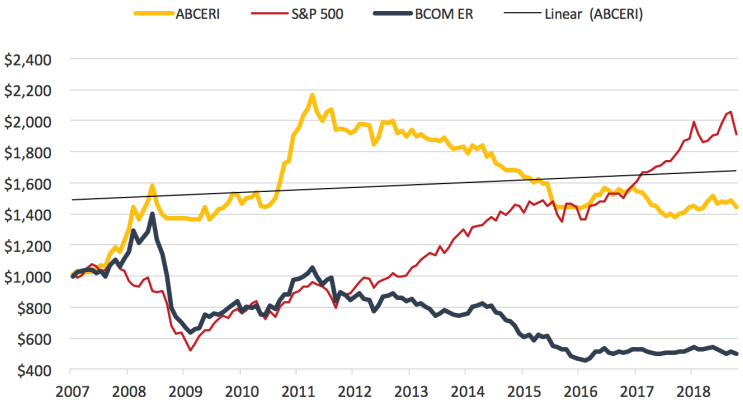
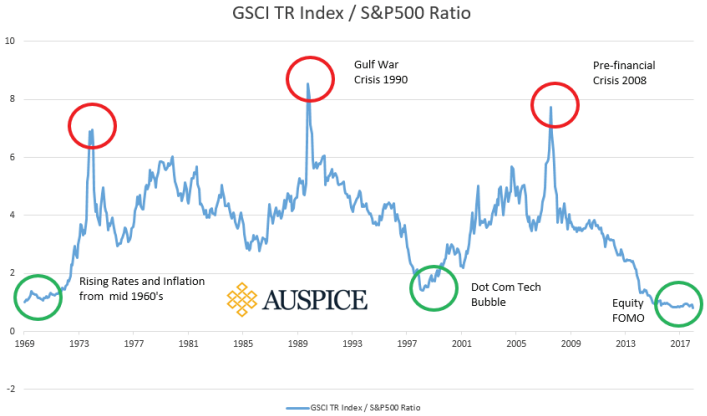


Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	**-1.09%**	-0.76%	-11.45%	1.79%
2018 YTD	**-1.08%**	-6.36%	-8.22%	3.24%
1 yr (Dec 17)	**1.67%**	-3.67%	-4.27%	4.25%
3 yr (Dec 15)	**-0.85%**	1.83%	-2.50%	32.67%
5 yr (Dec 13)	**-21.81%**	-33.54%	-51.15%	52.85%
10 yr (Dec 08)	**4.10%**	-32.74%	-50.04%	207.97%
Annualized (Jan 07)				
Return	**3.05%**	-5.72%	-7.69%	5.75%
Std Deviation	**10.55%**	16.60%	22.24%	14.46%
Sharpe Ratio	**0.35**	-0.25	-0.22	0.51
MAR Ratio	**0.08**	-0.09	-0.10	0.11
Worst Drawdown	**-36.44%**	-67.41%	-81.12%	-52.56%

GSCI/S&P500 RATIO: EQUITIES EXPENSIVE, COMMODITIES CHEAP?



Source: Dr. Torsten Dennin, Incrementum AG

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OUTLOOK (CONTINUED)

Keep this in mind as you form a view for the overall commodity markets not just the oil market.

Again, we reiterate that historically commodities start to advance late in an equity market cycle, near the end of a bull run as the economy is strong. We believe this started in 2017 but has by no means been universal.

Given commodities remain one of best ways to hedge inflation and we are in a historical low price part of the cycle coupled with growing global demand, we believe the outlook for commodities is very positive.

We encourage you to download and read our recently published paper - **Commodities: When is the right time? Benefits and Timing the Cycle.** Available in the Resources/Research section of the website.

ATTRIBUTIONS AND TRADES

There were two changes to the long exposures in the portfolio for November as WTI Crude and Heating Oil were exited. The portfolio is now long only 2 of 12 commodity components (or 17%) and includes 2 sectors, Energies and Ags (see Chart 3). This allows for significant growth of position as the opportunity develops.

Performance was hurt most by the weak petroleum Energy sector while the Ags sector also softened (see Chart 2). There remains no current allocation within Metals.

Of the few exposures held, the top performing component was again Natural Gas with the rest of the energy sector the worst and was cut.

Chart 2 INDEX RETURN ATTRIBUTION

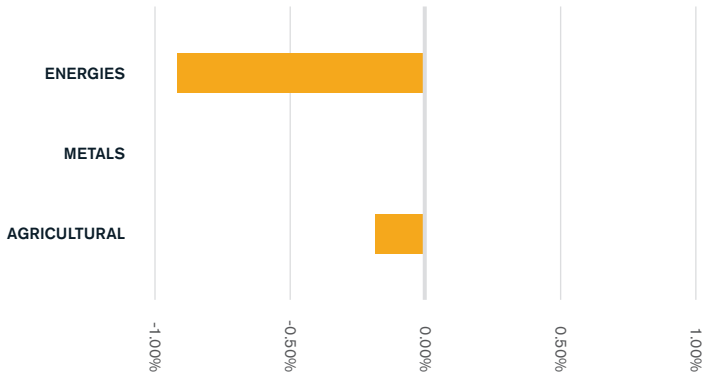
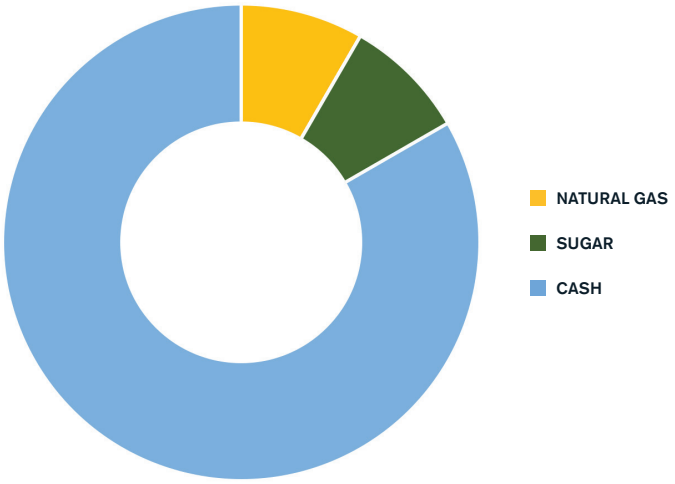


Chart 3 COMPONENT EXPOSURE: LONG / CASH



SECTOR HIGHLIGHTS

ENERGY

The Energy market has been in an aggressive downtrend for two months now. WTI Crude oil eclipsed last month's sell-off by double. Our strategy responded quickly exiting the remaining exposures in petroleum markets. Natural Gas continued a meteoric ascent higher peaking mid-month and experience considerable volatility. As such we have reduced the exposure to lock in some the gains.

METALS

While the portfolio remains without any Metals exposure, some markets were slightly higher. Both Gold and Copper inched up while Silver lagged. Copper was the strongest market.

AGRICULTURE

While we hold no Grains exposure, it should be noted Soybeans and Corn moved up. In Softs, Cotton did the same while we remain long Sugar which corrected slightly lower for the month.

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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.

STRATEGY DESCRIPTION

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends.

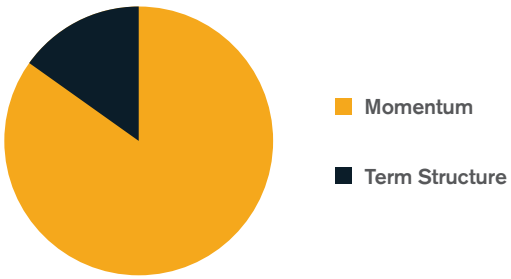
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods. The index is available in total return (collateralized) and excess return (non-collateralized) versions.

THE MAIN POINTS OF DIFFERENTIATION INCLUDE:

Auspice Broad Commodity combines tactical commodity exposure with capital preservation. We believe that traditional passive long-only commodity indices do not provide investors with an optimal long term investment solution.

- Seeks to capture upward trends in the commodity markets while minimizing risk during downtrends
- Tactical exposure to a diversified basket of commodities that can individually position long or flat (no position)
- Rules-based quantitative methodology combined with dynamic risk management and contract roll optimization to deliver superior returns

RETURN DRIVERS



AUSPICE BROAD COMMODITY INDEX
Long / Flat Approach
Positions can be changed on an intra-month bases
Accounts for Short-term Price Trends
Practices a Smart Roll-Yield to minimize impact of contango and backwardation
Broadly diversified (when exposed) and less concentrated in any one commodity sector
Rebalanced monthly based on volatility of each underlying commodity

LONG-ONLY COMMODITY INDICES
Long-Only Approach
Positions are always 100% long
Doesn't take into account downward price trends
Contracts typically roll into next contract month
Poorly diversified amongst single sectors
Most rebalance annually based on predetermined weightings for commodity sector

OTHER DETAILS

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

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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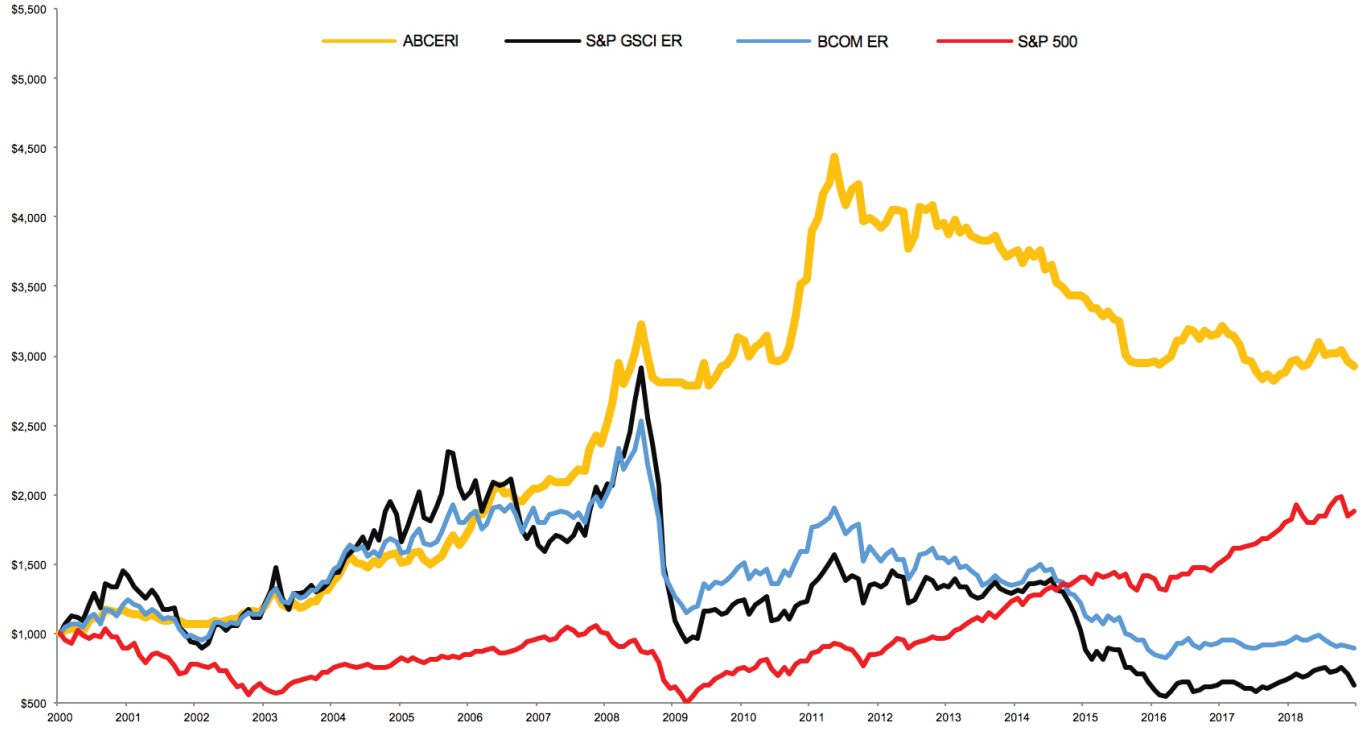
COMPARATIVE BROAD COMMODITY INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2018	0.58%	-1.63%	0.40%	2.80%	2.68%	-3.16%	0.60%	-0.20%	0.72%	-2.60%	-1.09%		**-1.08%**
2017	-1.59%	-0.44%	-2.38%	-3.08%	-0.56%	-2.35%	-2.06%	1.31%	-1.82%	1.74%	0.43%	2.78%	**-7.92%**
2016	-0.69%	1.01%	0.92%	4.00%	0.00%	2.64%	-0.61%	-1.75%	1.94%	-1.15%	0.49%	1.59%	**8.55%**
2015	-2.13%	-0.18%	-1.64%	0.99%	-1.78%	-0.08%	-7.77%	-1.59%	-0.27%	-0.01%	0.13%	0.29%	**-13.45%**
2014	-2.41%	2.68%	-1.23%	1.27%	-3.79%	1.03%	-3.57%	-0.96%	-1.64%	0.00%	0.00%	-0.54%	**-8.97%**
2013	2.45%	-2.32%	0.87%	-1.42%	-0.55%	-0.27%	-0.11%	1.03%	-2.26%	-1.57%	0.55%	0.39%	**-3.27%**
2012	0.90%	2.28%	0.09%	-0.38%	-6.43%	2.24%	5.41%	-0.37%	0.82%	-3.79%	0.64%	-1.92%	**-1.02%**
2011	2.44%	4.23%	-1.96%	4.32%	-5.11%	-2.84%	2.88%	0.73%	-6.28%	0.59%	-0.46%	-1.25%	**0.54%**
2010	-3.81%	2.61%	0.53%	1.87%	-5.57%	-0.40%	1.03%	2.64%	6.99%	7.35%	1.02%	9.66%	**25.43%**
2009	0.00%	-0.66%	-0.24%	0.01%	5.78%	-5.49%	2.20%	2.80%	0.39%	2.52%	4.00%	-0.66%	**10.69%**
2008	5.89%	10.60%	-5.20%	3.98%	4.05%	6.96%	-7.48%	-4.78%	-1.31%	0.00%	0.00%	0.00%	**11.71%**
2007	0.90%	2.39%	-1.25%	0.33%	0.13%	2.44%	1.74%	-0.83%	7.48%	4.05%	-2.42%	6.42%	**23.04%**
2006	5.59%	-0.45%	2.39%	6.87%	1.40%	-2.41%	0.07%	-2.92%	-0.44%	2.39%	2.74%	-0.23%	**15.54%**
2005	0.40%	4.37%	0.75%	-3.87%	-2.18%	2.07%	1.75%	5.95%	3.24%	-4.19%	2.93%	5.32%	**17.16%**
2004	2.18%	6.32%	3.54%	-3.42%	-0.70%	-1.49%	3.30%	-1.53%	3.98%	0.57%	0.77%	-4.43%	**8.87%**
2003	6.32%	2.27%	-7.68%	-1.86%	2.82%	-2.92%	1.80%	2.04%	0.32%	6.34%	0.16%	5.95%	**15.63%**
2002	-0.62%	-0.17%	2.53%	-0.50%	0.61%	1.42%	-0.78%	3.42%	2.43%	-0.20%	-1.02%	4.31%	**11.85%**
2001	-1.78%	-0.07%	-1.33%	2.07%	-2.34%	2.22%	0.48%	0.77%	-1.53%	-1.11%	-0.33%	0.21%	**-7.04%**
2000	2.41%	1.08%	-0.62%	-1.93%	8.62%	1.29%	-0.71%	5.78%	-0.97%	-0.86%	2.49%	-1.77%	**15.24%**

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

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COMPARABLE INDICES

*Returns for **Auspice Broad Commodity Excess Return Index (ABCERI)** 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.

The CTA indexes do not encompass the whole universe of CTAs. The CTAs that comprise the indices have submitted their information voluntarily and the performance has not been verified by the index publisher.

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 Broad Commodity Index prior to 9/30/2010 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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