AUSPICE

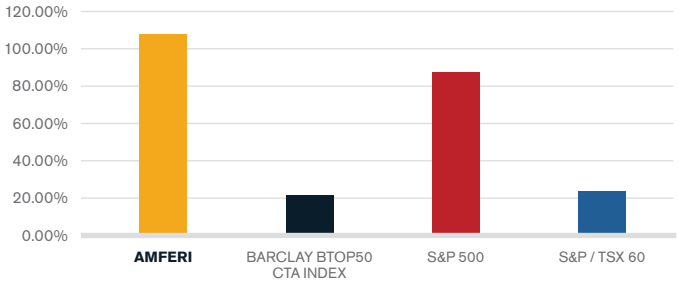
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

APRIL 2018

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AMFERI	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.66	-0.23	-0.18

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SUMMARY

Global equities again started the month strong but largely fell back into the month end. While most markets managed to hold onto some gains, it is the weakest year-to-date results that gained back the most. The S&P and Nasdaq ended nearly flat gaining 0.3% and 0.04% respectively while the MSCI World gained 0.95% for reference. The resource tilted Canadian TSX/S&P60 bounced back 1.4% but remains down 4.0% for the year – weakest among benchmarks while the Nasdaq leads and remains positive.

Commodity benchmarks had a strong month, are positive on the year and are now outperforming equities in 2018. The energy tilted GSCI gained 4.3% while the more diverse Bloomberg Commodity Index gained 2.4% on the month. While strength in Energy led upside, Ags also added value.

Interest Rate futures sold off during the month as the US Fed appears to be signaling further rate increases in 2018 consistent with inflationary data in the market prompting the US 10 year yield to touch 3% for the first time since 2014. Currencies generally weakened vis-a-vis the US Dollar which moved higher most of April.

The AMFERI performed very well gaining 2.99% while the Barclay BTOP50 CTA benchmark was marginally positive (per Table 1). The strategy illustrates long term outperformance and at critical times (See Chart 1).

Chart 1 HISTORICAL GROWTH SINCE 2007

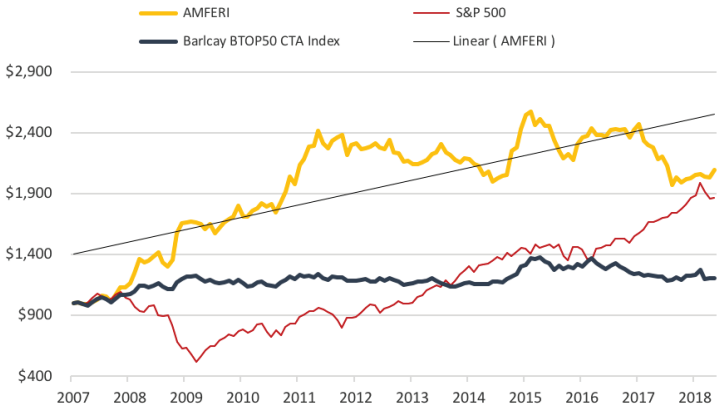

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**2.99%**	0.32%	0.27%	1.37%
2018 YTD	**2.04%**	-2.23%	-0.96%	-3.99%
1 yr (May 17)	**-4.08%**	-0.72%	11.07%	0.27%
3 yr (May 15)	**-14.64%**	-9.97%	26.97%	3.93%
5 yr (May 13)	**-5.91%**	0.40%	65.75%	29.65%
10 yr (May 08)	**55.08%**	7.12%	91.11%	11.56%
Annualized (Jan 07)				
Return	**6.76%**	1.69%	5.66%	1.92%
Std Deviation	**11.78%**	6.60%	14.60%	12.71%
Sharpe Ratio	**0.67**	0.29	0.50	0.26
MAR Ratio	**0.29**	0.12	0.11	0.04
Worst Drawdown	**-23.32%**	-14.08%	-52.56%	-44.27%

OUTLOOK

An investor recently said to us that they were surprised CTA/managed futures didn't do as well as they expected during the recent equity market downtrend. There is an assumption that when equities drop, strategies that are "non-correlated" and that have a history of providing "crisis alpha" will perform very well right at that moment.

Here is the thing: there was no crisis in February. There was a quick, sharp correction – not a sustained downtrend – not yet. From a timing perspective, capturing this type of gain is very difficult to do given these are violent and brief corrections.

It is important to be patient given the strategy in not designed to target the capture of brief corrections rather medium to long term trends regardless of direction or asset. The role of the program is to perform well on sustained downtrends in equity coupled with increased volatility and thus protect portfolio assets at key times in addition to absolute returns.

We suggest looking forward and answer the following:

- Do you believe volatility is going to be more like normal or average (than below) as we have seen in the past?
- Are you at risk if equities begin a sustained down trend?
- Do you lack adequate or any exposure to strategies that have a low correlation to the stock market? (hint: very few strategies do)

If the answer to most of these is "yes" this is indeed the right time to have this exposure.

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ATTRIBUTIONS AND TRADES

The last couple months have been challenging to trends in many sectors given the general "risk-off" environment and sharp corrections that ensured.

While that caused some immediate portfolio changes, last month was quiet for position changes and this month produced no changes in direction. The strategy did resize some components as volatility picked up.

Performance was positive in 3 of the 5 index sectors, flat in one and down in one. The top performing sector was Energies followed by Ags and complimented by Interest Rates.

For the month, the top performing positions were long Wheat (added last month) along with long all petroleum energies. A long term short in Sugar also added considerable value. The worst performing markets were all Currencies as the US Dollar rallied against vis-à-vis most global currencies.

As of month-end, the portfolio remains tilted long commodity exposures in 7 of 12 commodity components (or 58%) and includes 2 sectors – Energy and Ags (see Chart 3).

SECTOR HIGHLIGHTS

ENERGY
Petroleum markets continue with their momentum higher while the portfolio remains short Natural Gas.

METALS
Metals broadly rallied early before weakening off against overall asset class momentum reminding us about sector diversity. This remains the weakest of commodity sectors and the portfolio is short across the sector at this time.

AGRICULTURE
Ags generally moved higher with Cotton continuing its volatile accession higher and leading the sector performance. Grains traded both ways but generally ended higher led by Wheat. Shorts in Sugar also added value for a strong sector performance.

INTEREST RATES
Short Interest Rate futures provided a sector gain in line with the long-term downtrend. The portfolio remains short across the curve.

CURRENCIES
Currencies provided loss as the US Dollar rallied against its long term down trend against currencies. All positions held.

Chart 2 INDEX RETURN ATTRIBUTION

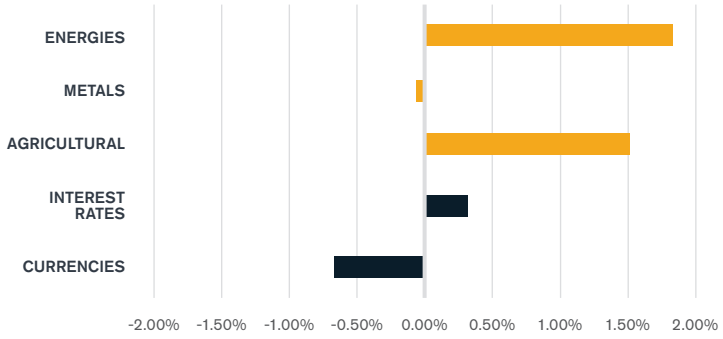
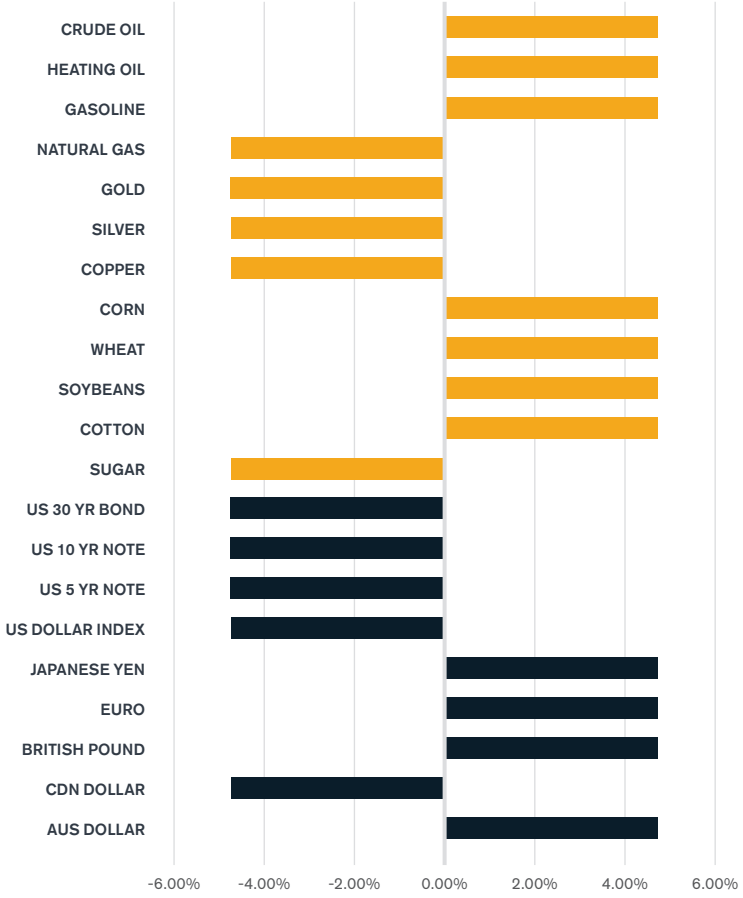


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



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APRIL 2018

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:

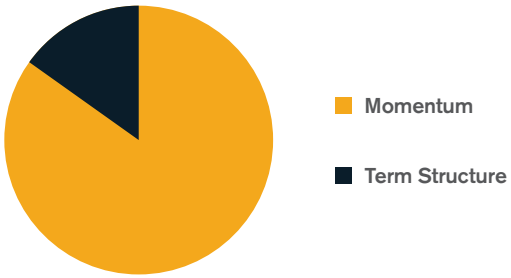
STRATEGY DESCRIPTION

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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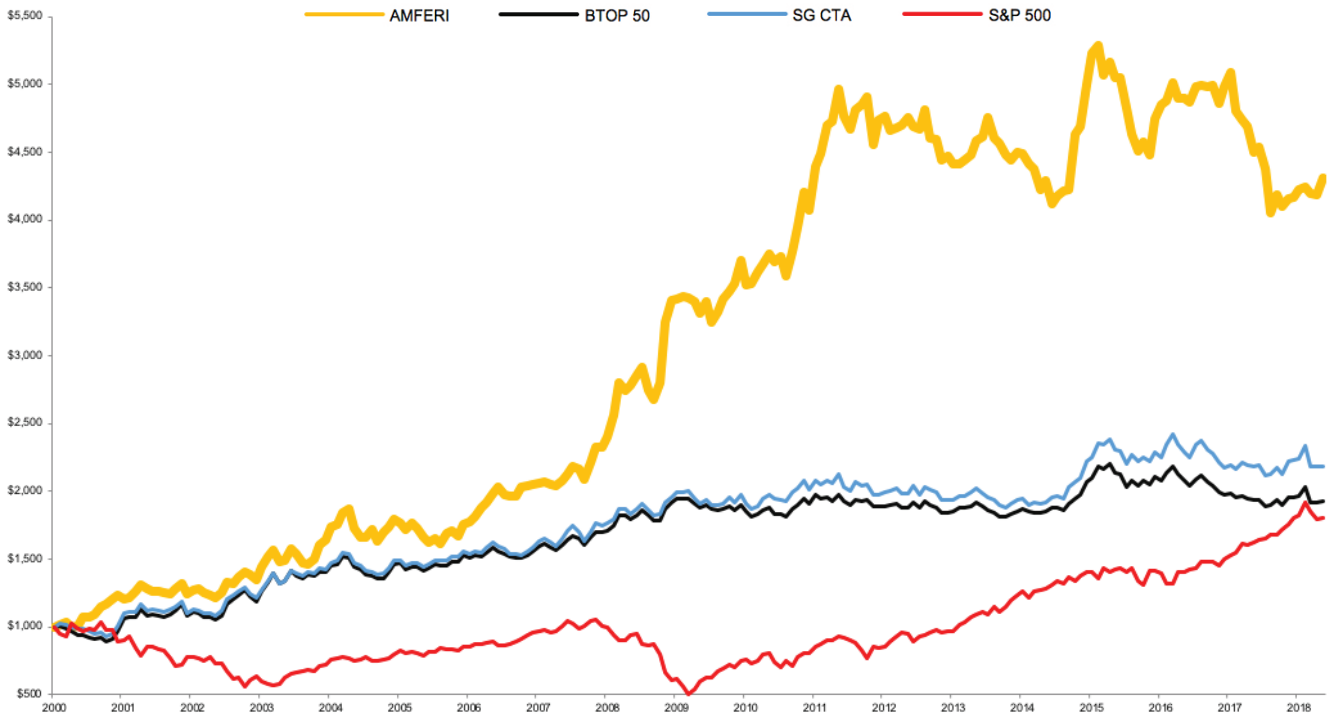
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2018	0.43%	-1.25%	-0.10%	2.99%									**2.04%**
2017	-5.56%	-1.48%	-1.05%	-4.02%	0.84%	-3.43%	-7.36%	3.08%	-1.95%	1.32%	0.20%	1.54%	**-16.94%**
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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