AUSPICE

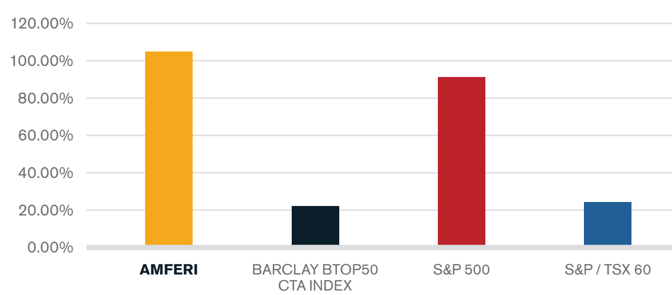
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

FEBRUARY 2018

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



Correlation		0.67	-0.23	-0.18

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CTA Intelligence

Winner - 2016 & 2017
Best Investable CTA Index

AUSPICE Capital Advisors

SUITE 510 - 1000 7TH AVE SW
CALGARY, ALBERTA CANADA T2P 5L5

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, 2017.

SUMMARY

After months of record equity gains and no corrections in years, the markets finally experienced a pull back and volatility. After peaking in late January, most global equities fell sharply during the first week of February. From peaks, the S&P and Nasdaq fell 12% and 12.5% respectively. The markets spent the rest of the month grinding back up before ending on weak tone. The S&P and Nasdaq ended off 3.9% and 1.9% respectively, while the MSCI World fell 4.3% for reference. The resource tilted Canadian TSX/S&P60 added to January weakness losing 3.2%. Per comments last month, perhaps the TSX was indeed the canary in the coalmine. As we previously cautioned, we encourage agility given volatility has increased significantly in recent weeks.

Interest Rate futures rallied briefly in early month equity volatility only to continue their recent declines. New US Fed chair Powell has indicated as many as four rate increase in 2018. Despite the market weakness and rate concerns, the US Dollar managed to find a base and rally for the month vis-à-vis global currencies.

Commodity benchmarks were also weak in February in what seemed to be a “risk-off” reaction. The energy tilted GSCI fell 3.2% while the more diverse Bloomberg Commodity Index only fell 1.9%.

The AMFERI fell a modest 1.25% after being flat much of the month while the Barclay BTOP50 CTA benchmark fell much more sharply, an estimated 5.7% (per Table 1). The strategy illustrates long term outperformance and at critical times (See Chart 1).

OUTLOOK

While February was challenging for many trend following strategies as sharp reversals occurred in both commodity and financial sectors, we believe there is a very positive takeaway: volatility has increased.

This is not to say that we are in a violent or chaotic period, but rather we believe volatility has moved back to resembling a more “normal level”. As an example, the VIX was down under 9 as the market peaked only to rocket up to over 30 before moderating to the 20’s – while 20 is approximately the long term average. The same can be said for many asset classes where at normal volatility we believe there is opportunity for opportune trends to develop.

Despite the risk-off approach in February, we don’t believe this has changed the opportunity in asset classes such as commodities, interest rates and currencies. In fact, we believe that commodities are not only undervalued from a price but a volatility perspective.

As the AMFERI strategy does not have equity exposure, this will allow the portfolio to reduce obvious drag if there is a more sustained pullback in this sector. The higher tilt to commodities versus CTA peers has the potential to add a valuable and accretive return stream in a time of greatest need.

We also reiterate there is a shift in asset allocation discussions as investors realize how undervalued commodities are on a historic basis coupled with the real threat of inflation and rate increases. We have experienced decent flows into our commodity related products during the month.

For more about this specific topic, Auspice published a paper in late December - **Commodities: When is the right time? Benefits and Timing the Cycle.** Available in the Resources/Research section of the website.

Chart 1 HISTORICAL GROWTH SINCE 2007

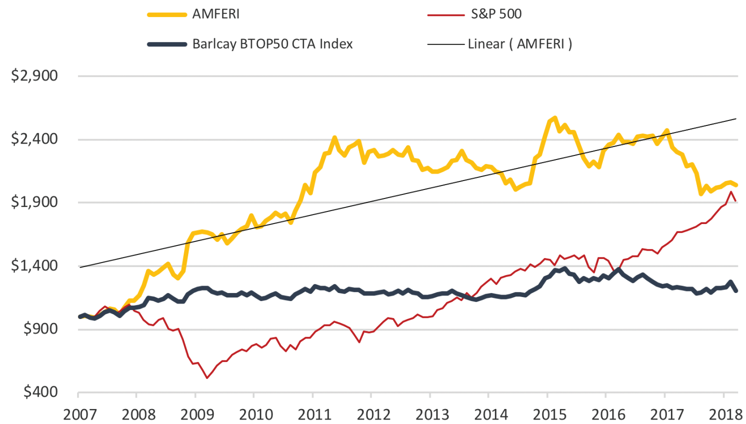

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-1.25%**	-5.69%	-3.89%	-3.23%
2018 YTD	**-0.83%**	-2.86%	1.50%	-4.77%
1 yr (Mar 17)	**-11.46%**	-2.83%	14.82%	0.70%
3 yr (Mar 15)	**-17.28%**	-11.80%	28.95%	2.64%
5 yr (Mar 13)	**-5.54%**	1.51%	79.17%	23.74%
10 yr (Mar 08)	**49.59%**	4.64%	103.95%	14.92%
Annualized (Jan 07)				
Return	**6.59%**	1.65%	5.98%	1.87%
Std Deviation	**11.84%**	6.66%	14.68%	12.80%
Sharpe Ratio	**0.65**	0.28	0.52	0.25
MAR Ratio	**0.28**	0.12	0.11	0.04
Worst Drawdown	**-23.32%**	-14.08%	-52.56%	-44.27%

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ATTRIBUTIONS AND TRADES

The lack of equity exposure was a great benefit in February as the markets corrected sharply. However, this environment spooked investors and generally, risk was reduced and most assets classes fell. There were a number of risk reducing trades taken in both commodity and financial components in the portfolio.

Within commodities, Energies and Metals led this weakness. As such, the long exposures in petroleum energies were negative contributors while short Natural Gas provided some offset. Metals performed well on the back of Precious metal weakness. However, pockets of commodity strength were still found as Ags have found significant renewed strength in line with the general sector trend since mid-2017. All Grains positions were shifted from short to long with Wheat added in the first day of March.

Performance was positive in 2 of the 5 index sectors with Metals leading the attribution complimented by Rates. Gains were made both from the long and short sides in the commodity sectors.

For the month, the top performing commodity positions were short Gold, Silver and Natural Gas and long Cotton. In financials, short Rates and the Canadian dollar performed well.

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

Chart 2 INDEX RETURN ATTRIBUTION

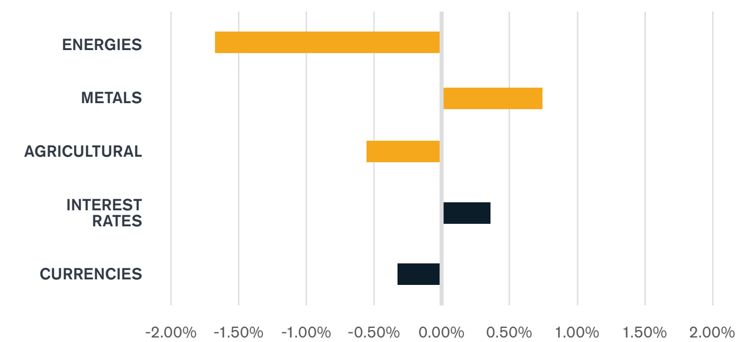
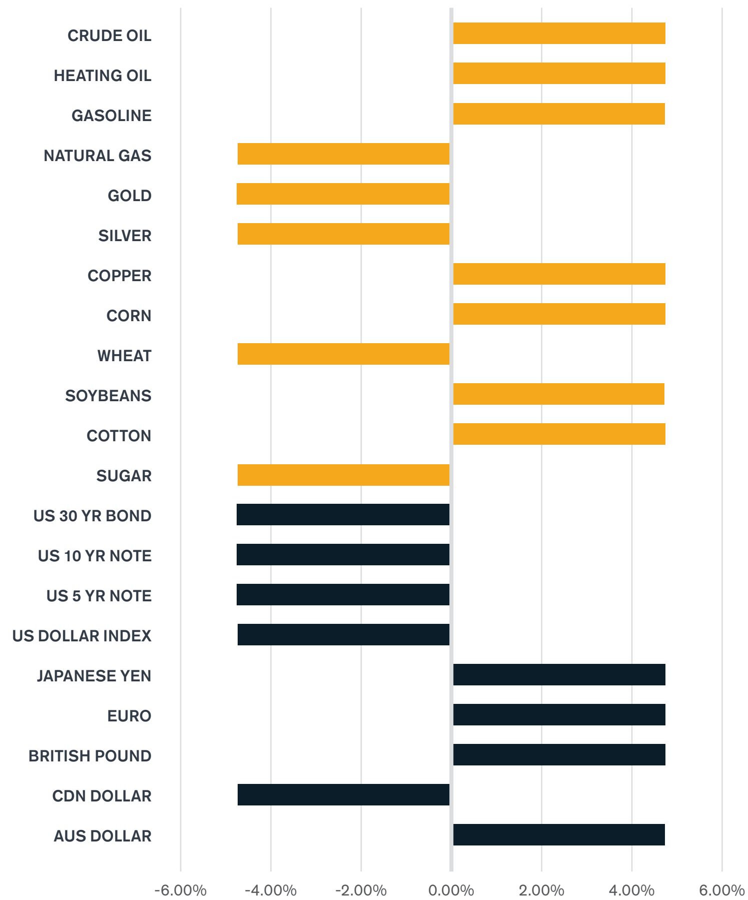


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



SECTOR HIGHLIGHTS

ENERGY

After a strong run since mid-2017, the energy sector corrected. The portfolio remains short Natural Gas while long Heating Oil, Gasoline and WTI Crude.

METALS

Precious metals corrected to the benefit of existing shorts in Gold and Silver while Copper weakened providing a small drag. Overall the sector performed well.

AGRICULTURE

Ags were slightly negative as the portfolio shifted to long Grains. Offsetting the weakness was a strong rally in Cotton, an outlier across most asset classes in February. Sugar remains short and was flat for the month.

INTEREST RATES

Short Interest Rate futures provided a sector gain after rallying to start the month. The portfolio remains short across the curve.

CURRENCIES

Currencies were slightly negative as the US Dollar rallied against long exposures in most currencies. Canadian dollar was the top performer where we are short. The exception was the Japanese Yen which has shown upside momentum and we have shifted to a long exposure.

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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:

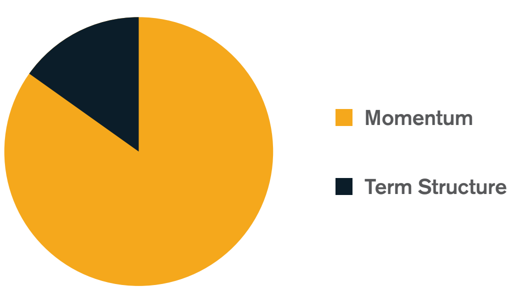
STRATEGY DESCRIPTION

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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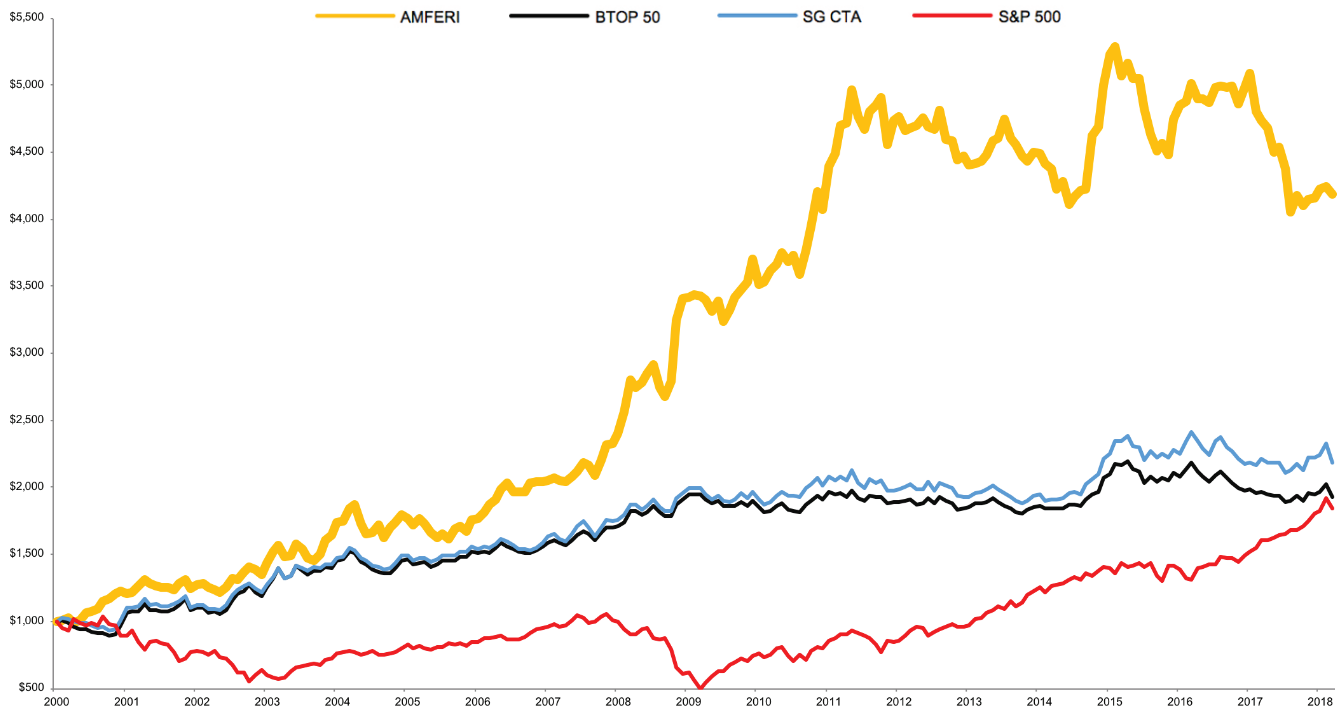
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2018	0.43%	-1.25%											-0.83%
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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