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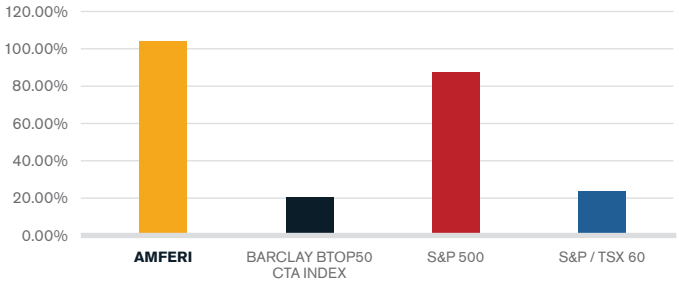
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

MARCH 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 started strong before falling back in the second half of the month, most to near the February lows. The S&P and Nasdaq ended off 2.7% and 2.9% respectively while the MSCI World fell 2.4% for reference. The resource tilted Canadian TSX/S&P60 lost 0.5% to be down 5.3% for the year – weakest among benchmarks while the Nasdaq leads and remains slightly positive. There is no doubt that sentiment has shifted and even historically outperforming areas such as technology are causing recent concerns.

Commodity benchmarks were mixed for much of March to question, "what gives?". It should be no surprise that the diversity of the commodity sector can produce disparate results. Strength in Energy after the "risk-off" reaction last month led the energy tilted GSCI to gain 2.1% while the more diverse Bloomberg Commodity Index fell 0.8% on the month. However, the month ended strong for many commodities and sector benchmarks.

Interest Rate futures rallied for the month against the long-term downtrend and despite the US Fed raising rates 0.25% while signaling further rate increases in 2018. Currencies consolidated with a slightly stronger tone vis-a-vis the US Dollar which stabilized.

The AMFERI was near flat at -0.10% while the Barclay BTOP50 CTA benchmark was also largely unchanged at an estimated 0.05% (per Table 1). The strategy illustrates long term outperformance and at critical times (See Chart 1).

Chart 1 HISTORICAL GROWTH SINCE 2007

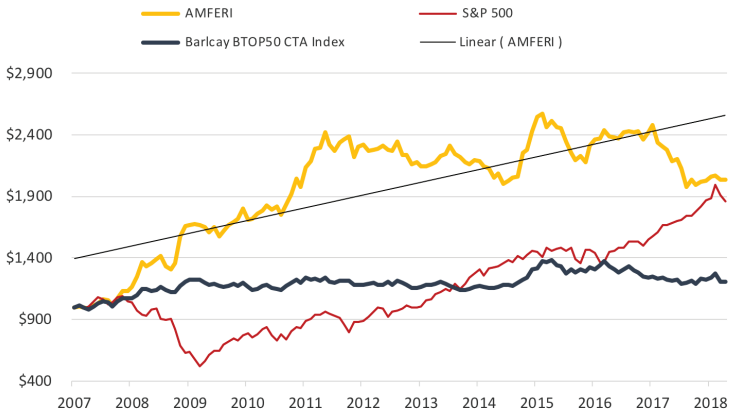

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-0.10%**	0.05%	-2.69%	-0.54%
2018 YTD	**-0.92%**	-2.44%	-1.22%	-5.28%
1 yr (Apr 17)	**-10.61%**	-1.49%	11.77%	-0.72%
3 yr (Apr 15)	**-18.89%**	-12.69%	27.71%	4.57%
5 yr (Apr 13)	**-6.57%**	1.72%	69.05%	24.75%
10 yr (Apr 08)	**52.71%**	5.35%	99.66%	16.03%
Annualized (Jan 07)				
Return	**6.53%**	1.68%	5.68%	1.81%
Std Deviation	**11.80%**	6.61%	14.66%	12.80%
Sharpe Ratio	**0.65**	0.28	0.50	0.25
MAR Ratio	**0.28**	0.12	0.11	0.04
Worst Drawdown	**-23.32%**	-14.08%	-52.56%	-44.27%

OUTLOOK

After the quick pullback in early February and a rally post, many felt that the equity correction and perhaps volatility was over. However, a move from almost no volatility towards average feels significant and this volatility persists across many asset classes. The reality is volatility has moved back to a more "normal level" with the VIX moderating to the 20's, approximately the long-term average.

As described last month, we believe a positive takeaway is volatility has increased across most asset classes creating the opportunity for trends to develop in Commodities, Interest Rates and Currencies.

Beyond equities, we are seeing a shift in fund flows towards real assets including commodities. This shift in asset allocation discussions appears to be accelerating as investors realize how undervalued commodities are on a historic basis coupled with the real threat of inflation and rate increases. This typically starts institutionally and with macro funds and then appears in retail products overtime.

However, to be clear – volatility can bring about sharp reversals and changes in trend as well. It is important to be patient given the strategy in not designed to target the capture of brief corrections – it targets medium to long term trends regardless of direction. The role of the program is to perform well on sustained down-trends in equity coupled with increased volatility and thus protect portfolio assets at key times in addition to absolute returns. This is indeed the right time to have this exposure.

Given we believe that commodities are undervalued versus equities long-term this creates an additional potential opportunity as these cycles are often multiple year in duration. The AMFERI is a commodity tilted Managed Futures/CTA program.

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.

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ATTRIBUTIONS AND TRADES

While a second month without equity exposure was beneficial, the general "risk-off" environment was challenging to existing trends in some sectors. While a fairly quiet month for position changes by direction, the strategy again resized some components as volatility picked up.

Within commodities, Energies led program performance given the long exposures in petroleum energies while the short Natural Gas did not detract materially.

Metals struggled as Precious markets of Gold and Silver rallied against shorts while Copper weakened against the offsetting long exposure. This position was also shifted to short near month end.

Grains varied in performance as Corn and Soybeans managed to make gains while the Wheat exposure added in the first day of March fell for a net sector loss against all long exposures. Currency and Interest Rates positions were left unchanged with offsetting modest attributions.

Performance was positive in 2 of the 5 index sectors with Energies complimented by Currencies.

For the month, the top performing positions were long WTI Crude Oil, Heating Oil and Corn. The worst performing markets were Copper and Wheat which both shifted exposure.

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).

Chart 2 INDEX RETURN ATTRIBUTION

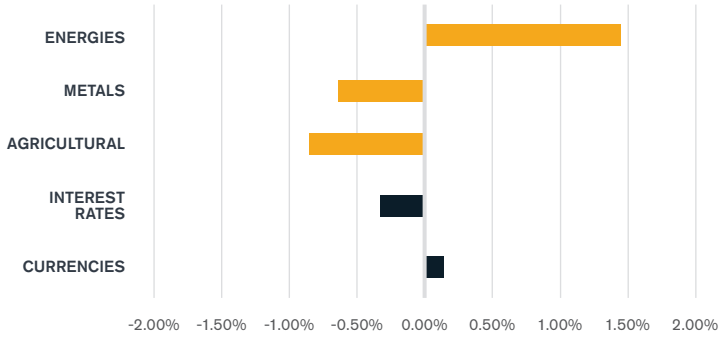
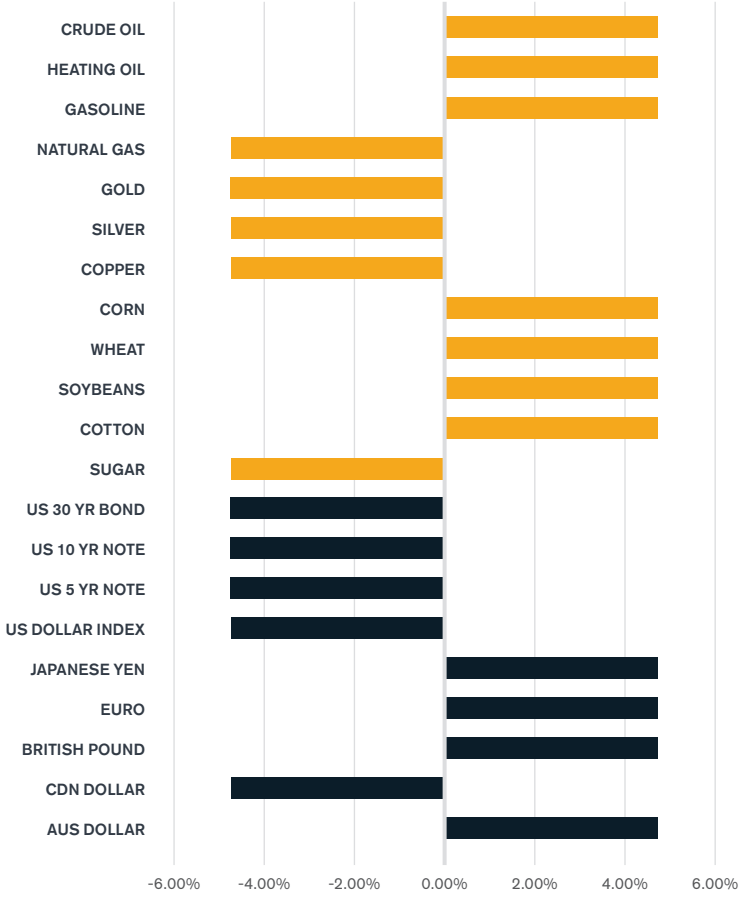


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



SECTOR HIGHLIGHTS

ENERGY

Petroleum markets bounced back strongly after February weakness. The portfolio remains short Natural Gas while long Heating Oil, Gasoline and WTI Crude.

METALS

Precious metals rallied against existing shorts in Gold and Silver while Copper continued to weaken and was switched to a short position. The resulting attribution was a loss.

AGRICULTURE

While weakness in Cotton was offset by a long- term short Sugar position, the new long exposure in Wheat pulled the sector down. Strength in Corn and Soybeans provided a partial offset. Grains will be a sector to watch closely as recent changes in identified trend to up may come with added volatility.

INTEREST RATES

Short Interest Rate futures provided a sector loss as futures rallied against the long-term trend. The portfolio remains short across the curve.

CURRENCIES

Currencies provided a small gain as long trends in the British Pound and Euro were complimented by a weak Canadian dollar short. The sector also remains long the Aussie dollar while long the Yen.

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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:

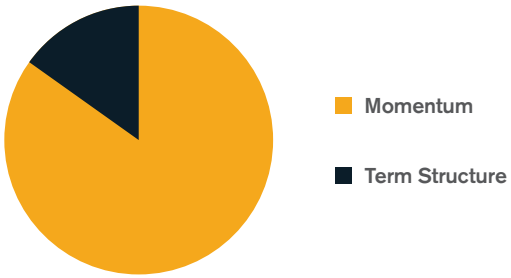
STRATEGY DESCRIPTION

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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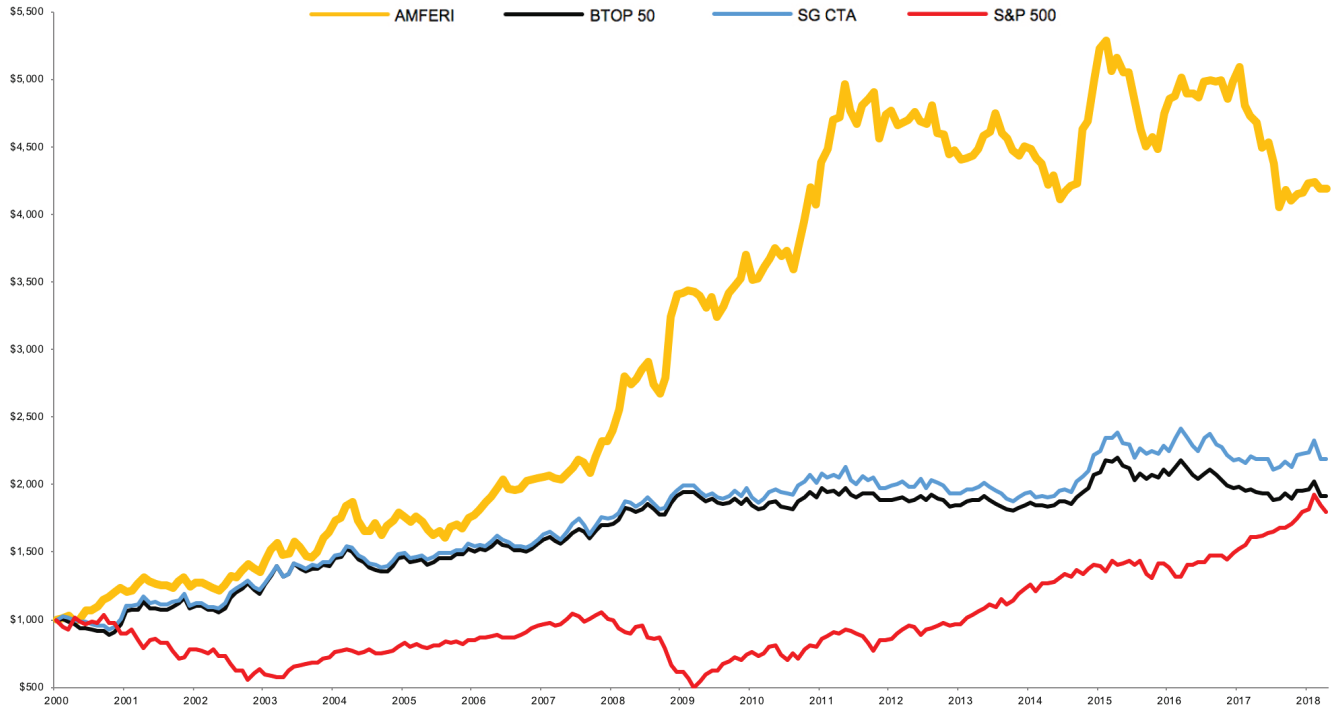
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2018	0.43%	-1.25%	-0.10%										**-0.92%**
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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