AUSPICE

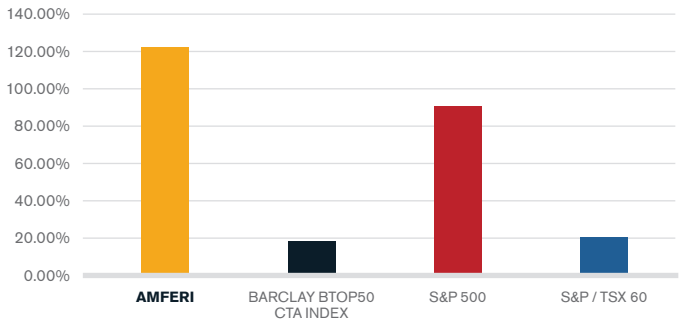
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

OCTOBER 2018

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AMFERI	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.66	-0.21	-0.16

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SUMMARY

October brought volatility and reversals to many long-term trends. Global equities had their worst month since 2008. The tech focused Nasdaq suffered the most down 9.20%, the S&P lost 6.54% while the MSCI World and Hong Kong's Hang Seng lost 7.42% and 10.75% for reference. Many major indices are down for the year highlighted by the resource tilted Canadian TSX/S&P60 down 6.73%.

Commodities also corrected in October after outperforming last month. Core trends in Energy were the most damaging and as such the GSCI suffered dropping 6.04% while the more diverse Bloomberg Commodity index fell 2.36%. Despite this, the GSCI remains positive on the year and ahead of equities - a marked shift.

Central bankers continue to be cautious on sounding inflation bells yet continue to raise rates with the Bank of Canada tightening during the month despite the driver of the economy in commodities getting hit. However, US rates eased as the equity sell-off accelerated. In a reversal of last month, as rates fell, most currencies softened as the US Dollar strength resumed.

Chart 1 HISTORICAL GROWTH SINCE 2007

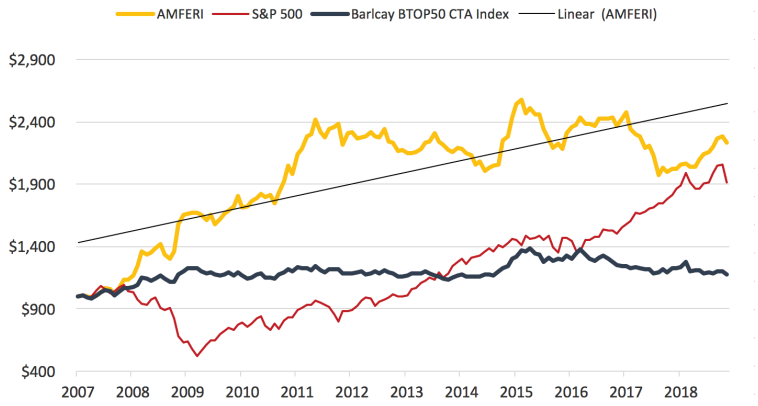

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-2.25%**	-2.53%	-6.94%	-6.01%
2018 YTD	**8.60%**	-5.05%	1.43%	-6.73%
1 yr (Nov 17)	**10.50%**	-4.51%	5.30%	-5.50%
3 yr (Nov 15)	**2.39%**	-8.91%	30.41%	12.66%
5 yr (Nov 13)	**3.43%**	2.04%	54.38%	16.63%
10 yr (Nov 08)	**41.47%**	-0.07%	179.92%	51.38%
Annualized (Jan 07)				
Return	**7.02%**	1.36%	5.63%	1.59%
Std Deviation	**11.59%**	6.56%	14.51%	12.63%
Sharpe Ratio	**0.70**	0.24	0.50	0.23
MAR Ratio	**0.30**	0.09	0.11	0.04
Worst Drawdown	**-23.32%**	-15.03%	-52.56%	-44.27%

RESULTS

The AMFERI lost 2.25% after a strong run and holds onto an 8.6% gain in 2018. This is a significant outperformance versus CTA benchmarks (per Table 1). The Barclay BTOP50 CTA benchmark fell an estimated 2.53% for the month to be off 5.05% for the year and thus the spread to the BTOP50 benchmark is over 13%..

While the strategy illustrates long term outperformance and at critical times (Chart 1), we attribute the October underperformance to commodities. It should be noted that equity exposure was not a drag as the equity market experienced the inevitable negative period we highlighted last month.

OUTLOOK

While off for the month, we remain steadfast in our belief the period we are entering holds significant opportunity for the AMFERI strategy and other quantitative trend-following methods. However, an immediate edge for the strategy remains the lack of equity exposure, a key differentiator from other strategies and benchmarks in the sector.

As such, the outperformance year to date can be understood but more importantly preserved. An edge and its benefit have thus been illustrated at a critical time.

It can be observed that commodities typically start to pick up late in an equity market cycle, near the end of a bull run as the economy is strong. We have seen this in the last year as certain commodity sectors have come alive. But the exciting part is that there are many sectors yet to participate materially. This is an opportunity and edge we are able to focus on given the commodity tilt of the strategy.

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ATTRIBUTIONS AND TRADES

Performance was positive in 2 of the 5 index sectors. The top performing sector was Currencies followed by Metals (Chart 2).

Two commodity sectors made up the bulk of the strategy loss: Energies weakened sharply while Ags also struggled. Petroleum energies led the pullback while Wheat, recently stronger of the Grains market, also softened. The Sugar market was anything but soft and rallied a massive 27% accounting for most of the sector loss. As a result, Gasoline and Wheat have been moved to short while Sugar is now long.

Within Financial markets, US 30- year bond futures joined the rest of the rate curve on the short side while there were no currency changes as US Dollar strength gained momentum.

For the month, the top performing positions were long exposures in the US Dollar and Natural Gas along with shorts in Silver and Copper.

The portfolio remains tilted short commodity exposures in 8 of 12 components (or 66%) and includes all 3 sectors – Energies, Metals and Ags (see Chart 3).

SECTOR HIGHLIGHTS

ENERGY

After making new highs last month, petroleum energies corrected. WTI Crude oil had its worst month since July 2016 dropping over 10%. While most markets remain long for now, the uptrend is at threat. As such the weakest of the group in Gasoline was reversed to short. Natural Gas broke higher to start the month and managed to hold onto gains despite sector weakness.

METALS

While Gold indeed moved up as the equity market corrected, other Metals softened and remain in a long-term downtrend. Both Silver and Copper weakened and added value to the performance with Copper taking the sector to a gain as it lost the bulk of its September rally.

AGRICULTURE

Ags continued to struggle as a change in direction for Wheat from long to short actually contributed positively adding to short gains in a weak Soybeans market. However, it was the violent end to the long-term down trend in Sugar that caused a sector loss. Sugar was originally shorted in December 2016 and despite this month's loss was a very profitable trade.

INTEREST RATES

Rate futures again softened to the benefit of short exposures in the short end of the US futures curve. Weakness in the long end that had the strategy shift 30 year Bond futures to short causing a small sector loss.

Chart 2 INDEX RETURN ATTRIBUTION

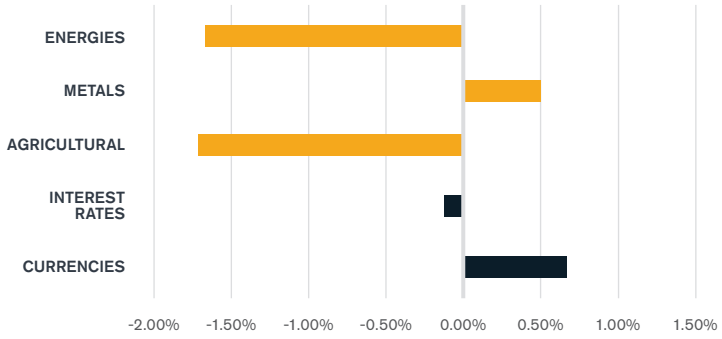
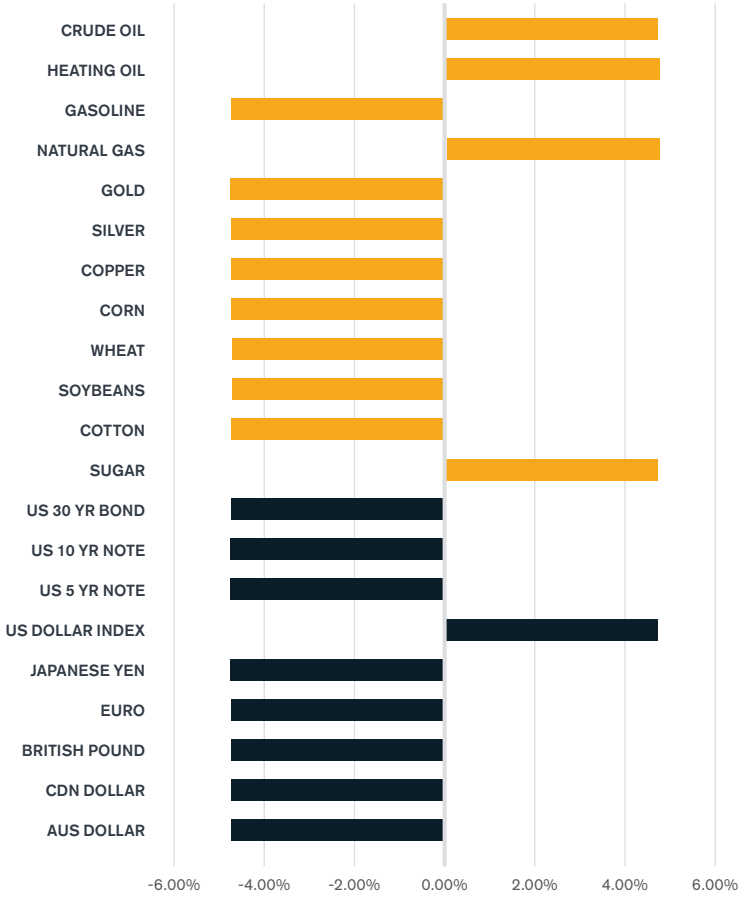


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



CURRENCIES

Again, no changes - the portfolio remains positioned short currencies vis-a-via the US Dollar. This was the strongest performing sector for the strategy as the US Dollar strengthened and currencies generally softened. Aside from the Dollar index, the top performing currency shorts were spread across the Euro, Canadian and Aussie dollars, and the Pound.

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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:

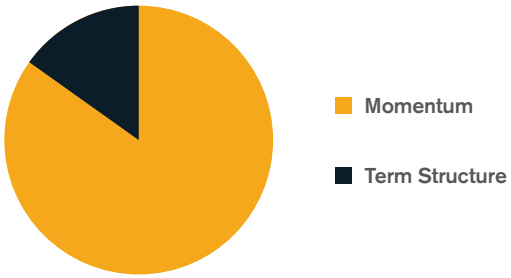
STRATEGY DESCRIPTION

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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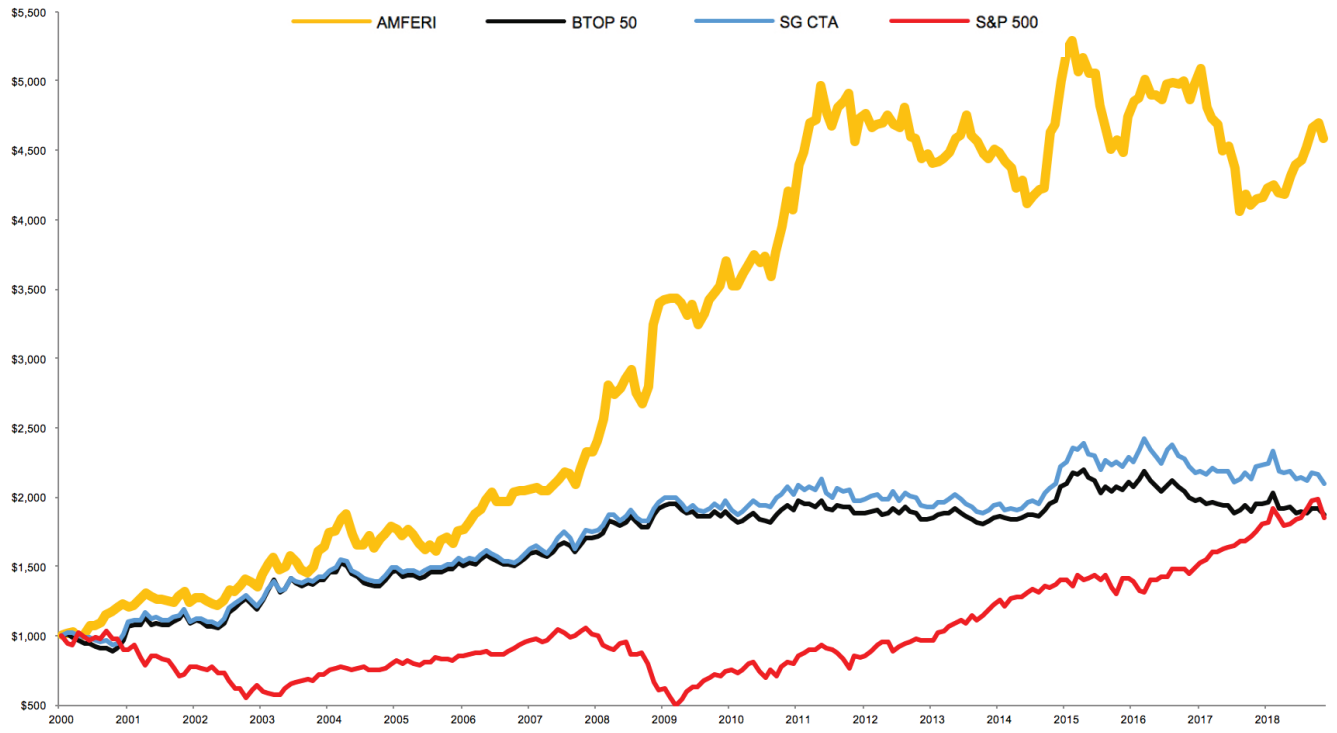
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2018	0.43%	-1.25%	-0.10%	2.99%	1.99%	0.74%	2.09%	3.03%	0.75%	-2.25%			**8.60%**
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.

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 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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