AUSPICE

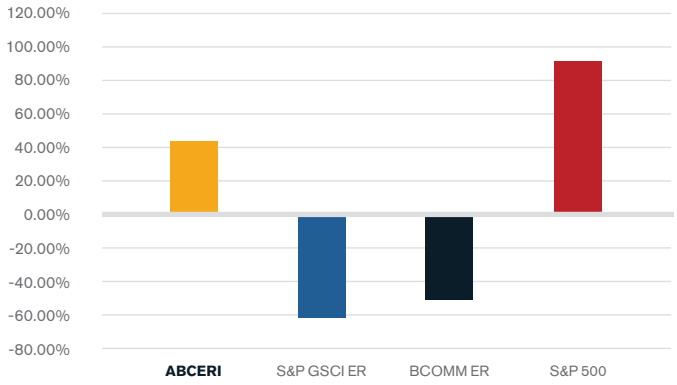
BROAD COMMODITY INDEX

COMMENTARY + STRATEGY FACTS

JANUARY 2019

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	ABCERI	S&P GSCI ER	BCOMM ER	S&P 500
Correlation		0.62	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

Commodities moved higher during January. While oil received the bulk of the attention the rally was widespread across most commodity sectors. Commodity benchmarks rallied back after sharp pullbacks in December yet are flat to down 2% looking over the two months (see Table 1 and chart below). The energy weighted GSCI gained 8.76% while the more diverse Bloomberg Commodity index added 5.23%.

Equities were almost the same story. Global markets rallied sharply in January but remain down over the two months with a massive drawdown of 10 to 17% in between. The S&P added 7.87%, Nasdaq gained 8.26% while the MSCI World added 7.68%. The resource tilted Canadian TSX/S&P60 added 8.14% with added resource exposure. With that single exception, these benchmarks remain down for the two months.

After the strong rally in bond futures during December, most markets sold off (higher rates) to start the year. The US dollar was slightly weaker, yet the trend remains up and intact from much of 2018 while the Pound did the opposite on Brexit concern volatility. Commodity currencies such as Aussie and Canadian dollars moved up.

RESULTS

While the Auspice Broad Commodity did not keep up with the gains of the long-only benchmarks, it had a strong month up 1.74%. Moreover, the tactical benefits and capital preservation abilities versus the benchmarks was highlighted. The Auspice program has gained 1.85% since December 1st (see Table 1) with less than 1% pullback while the benchmarks pulled back 8-11%.

The ABCERI annualized returns (since 2007) are the only positive results amongst comparables and in line with equity benchmarks long term. Moreover, per the chart below, in the recent couple months the strategy exhibits better performance and stability and far less volatility than both commodity and equity benchmarks (BCOM and S&P500) as well as a resource equity benchmark.

OUTLOOK

We believe that despite recent volatility, the asset class holds significant opportunity if approached in a tactical way with diligent risk management. The recent two months are a perfect example of that. We will reiterate four core reasons to consider the asset class:

1. One of best ways to hedge inflation.
2. We are in a historical low price part of the commodity cycle.

(CONTINUED NEXT PAGE)

Chart 1 HISTORICAL GROWTH SINCE 2007

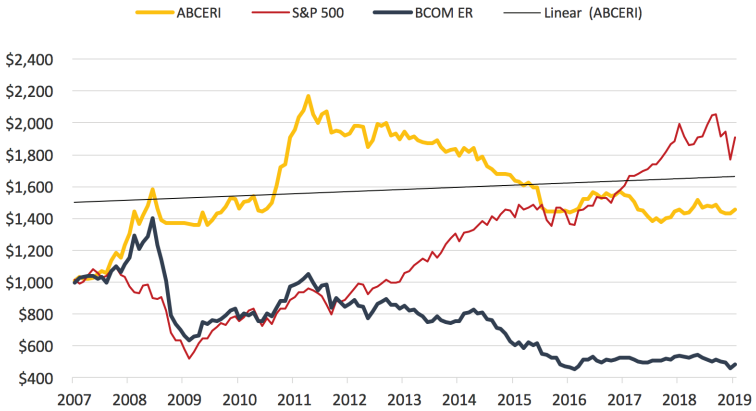
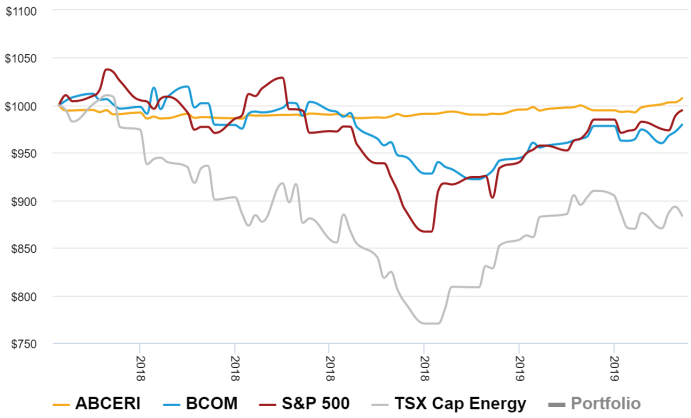


Table 1 ABSOLUTE PERFORMANCE

	ABCERI	BCOM ER	S&P GSCI ER	S&P 500
1 Month	**1.74%**	5.23%	8.76%	7.87%
2 Month (Dec 18)	**1.85%**	-2.22%	0.12%	-2.03%
1 yr (Feb 18)	**0.16%**	-10.11%	-10.77%	-4.24%
3 yr (Feb 16)	**1.39%**	4.53%	12.72%	39.37%
5 yr (Feb 14)	**-18.71%**	-35.99%	-51.21%	51.70%
12 yr (Feb 07)	**44.41%**	-51.40%	-60.34%	88.01%
Annualized (Jan 07)				
Return	**3.16%**	-5.82%	-7.58%	5.49%
Std Deviation	**10.48%**	16.68%	22.35%	14.78%
Sharpe Ratio	**0.36**	-0.26	-0.21	0.48
MAR Ratio	**0.09**	-0.09	-0.09	0.10
Worst Drawdown	**-36.44%**	-67.41%	-81.12%	-52.56%

HISTORICAL GROWTH OF A $1,000 INVESTMENT



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OUTLOOK (CONTINUED)

3. Growing global demand from a developing world (China, India).
4. Portfolio diversification value given commodities are non-correlated long term and if managed tactically.

We encourage you to read a recent paper we published on the diversification benefits of tactical commodity allocations versus resource equity – please reach out or check the Auspice website under Research

ATTRIBUTIONS AND TRADES

There was one change to the long exposures in the portfolio for December as the portfolio added Silver. The portfolio is now long only 4 of 12 commodity components (or 33%) and includes all 3 sectors, Energies, Ags and Metals (see Chart 3). This allows for significant growth of position as the tactical opportunity develops.

The strategy performed well with gains across all sectors led by Metals and Ags, see Chart 2.

The top performing component was Gold complimented by Sugar.

SECTOR HIGHLIGHTS

ENERGY

After 2018 ended with weakness in the energy sector, the new year brought a strong move back up. Petroleum markets led the gains while the strategy remains on the sidelines despite WTI gaining more than 20%. We remain long Natural Gas at reduced exposure.

METALS

Metals was yet again the top performing sector and this was again led by Gold. While Copper rallied in base metals, increasing strength in Silver had the strategy add the exposure to the portfolio.

AGRICULTURE

Ags had a strong month on the back of Sugar while we remain without exposure in Grains and Cotton which showed modest gains.

Chart 2 INDEX RETURN ATTRIBUTION

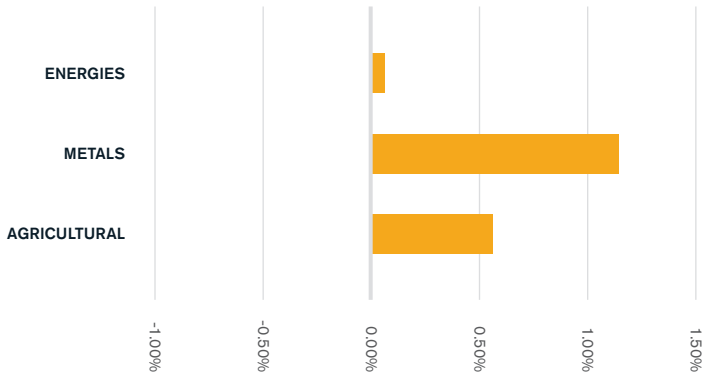
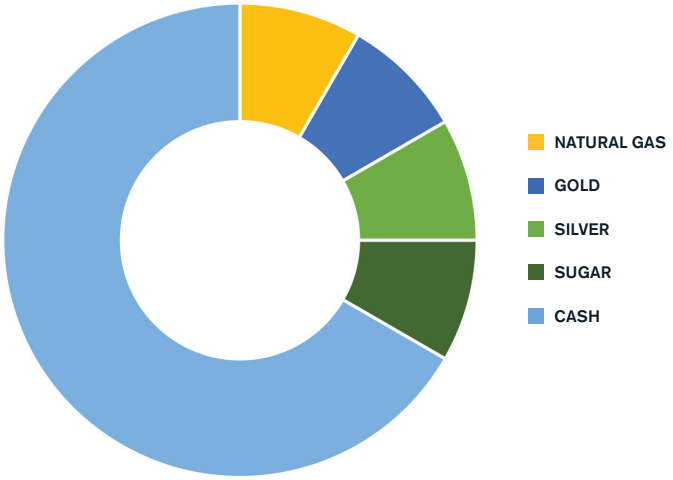


Chart 3 COMPONENT EXPOSURE: LONG / CASH



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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.

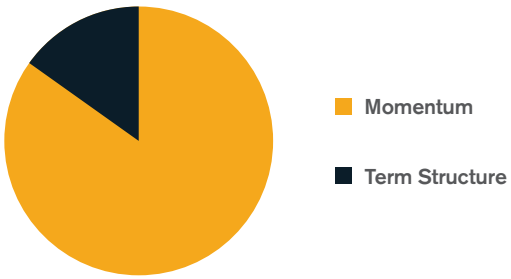
The index is tactical long strategy that focuses on Momentum and Term Structure to track either long or flat positions in a diversified portfolio of commodity futures which cover the energy, metal, and agricultural sectors. The index incorporates dynamic risk management and contract rolling methods. 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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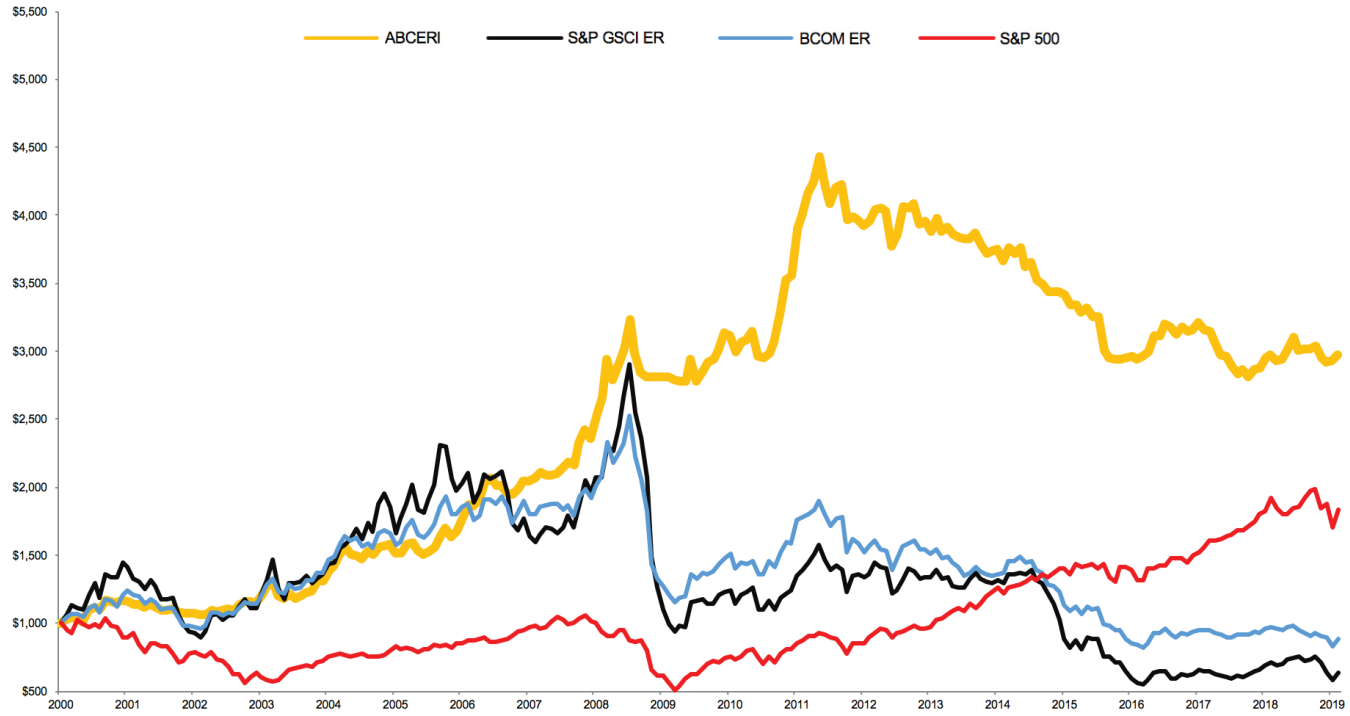
COMPARATIVE BROAD COMMODITY INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2019	1.74%												**1.74%**
2018	0.58%	-1.63%	0.40%	2.80%	2.68%	-3.16%	0.60%	-0.20%	0.72%	-2.60%	-1.09%	0.10%	**-0.98%**
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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