AUSPICE

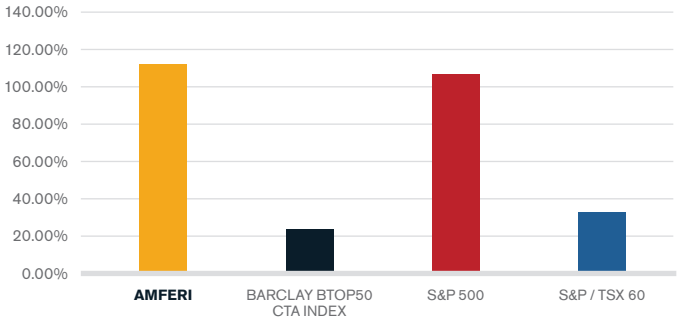
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

JUNE 2019

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AMFERI	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.64	-0.19	-0.16

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SUMMARY

After correcting in May, global markets moved sharply higher in June. The S&P gained 6.89%, Nasdaq 7.42% while the MSCI World added 6.46%. The resource tilted Canadian TSX/S&P60 added a modest 1.84% while the struggling Energy sub-index continued to fall 2.69%.

Commodities had a strong month on the back of Gold, Grains and led by Oil. Gold gained 8%, Wheat gained 4% while WTI oil added near 9%. The energy weighted GSCI added 4.25% while the more diverse Bloomberg Commodity index gained 2.51%.

Major central banks held rates steady with the US commenting they may lower rates in the fall while Canada recorded the highest inflation in seven years (Canadian heavy oil is up 90% in 2019) while the Bank of England noted economic growth dropped to zero. As such bond futures continued to trend higher after correcting last month. The US dollar weakened vis-à-vis most global currencies led by the oil infused Canadian dollar.

Chart 1 HISTORICAL GROWTH SINCE 2007

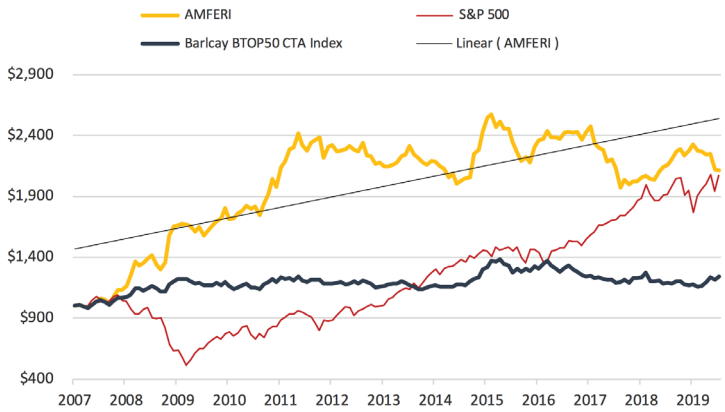

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-0.36%**	1.99%	6.89%	1.84%
2019 YTD	**-9.08%**	5.22%	17.35%	14.00%
1 yr (Jul 18)	**-1.91%**	4.28%	8.22%	1.48%
3 yr (Jul 16)	**-12.73%**	-5.30%	40.16%	19.81%
5 yr (Jul 14)	**4.18%**	5.33%	50.07%	13.11%
10 yr (Jul 09)	**34.04%**	5.85%	219.99%	55.48%
12 yr (Jul 07)	**99.00%**	18.11%	95.86%	22.50%
Annualized (Jan 07)				
Return	**6.18%**	1.74%	6.01%	2.24%
Std Deviation	**11.48%**	6.55%	14.83%	12.72%
Sharpe Ratio	**0.64**	0.30	0.51	0.28
MAR Ratio	**0.27**	0.11	0.11	0.05
Worst Drawdown	**-23.32%**	-16.11%	-52.56%	-44.27%

RESULTS

The AMFERI softened a modest 0.36% in June moderating the first half of 2019 correction after such a strong 2018 campaign which saw the strategy gain over 13%. The strategy lagged the sector benchmarks for the month (per Table 1): Barclay BTOP50 CTA gained 1.99% for the month while the SocGen CTA Index added an estimated 2.45%.

While the strategy lags benchmarks most recently, it also illustrates long term outperformance and at critical times per Chart 1 and given long term performance 10, 12 and since early 2007 in Table 1.

OUTLOOK

We believe the actual volatility of markets is not being given due consideration. The worst barometer of this is the VIX which ended the month at 14, approaching the lows of the year. This doesn't give much indication of an equity market that has lost and gained 7% in each of the last two months. As mentioned this has extended beyond equities with many core commodities gyrating. This comes at a time when commodities historically start to perform, near the end of a prolonged economic cycle, as we have witnessed in 2019.

What does the volatility indicate? We believe this is a sign of potential surprising trends as investors heavily weighted to equities and underweight commodities are caught flat-footed.

As such, we believe the key to outsized returns in this area is a commodity tilted risk budget complimented with an agile investment and risk management approach. Moreover, this is an approach that may lag while others perform alongside equities. While Auspice performed well in 2018 at a time of critical need as equities retreated, corrections as experienced to start 2019 may be a historic opportunity for entry.

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ATTRIBUTIONS AND TRADES

Within commodities, the portfolio exited long weights in both WTI Crude and Heating Oil in energy as well as Copper. Shifting the other way, Wheat was added to the grain complex. Within financial markets there were no changes.

The portfolio is now long commodity exposures in 4 of 12 components (or 33%) and includes all 3 sectors – Energies, Metals and Ags (see Chart 3).

Performance was positive in 2 of the 5 index sectors, both commodity and financial, led by Metals while the Ag sector was the largest drag (Chart 2).

The strongest performing components include long Gold, short Natural Gas while long Gasoline.

The weakest components were short Silver, and due to position reversals in Wheat and Oil.

SECTOR HIGHLIGHTS

ENERGY

Energy has been a challenging sector due to sharp trend reversals in petroleum markets. While we can blame political tension with Iran for the sharp rally in June, the timing was wrong in the portfolio where we positioned short after May weakness. Gasoline bucked the downtrend and remained long for a gain alongside short side weakness in Natural Gas to offset the loss.

METALS

Metals had a strong month on the back of Gold gains while a reversal in Copper to short early in the month was a drag as the sector moved higher. We remain short Silver which has lagged other precious metals. Metals were the strongest sector.

AGRICULTURE

Grains continued to show strength and we added Wheat alongside Corn while remaining short Soybeans. While a strong month, a sharp correction in the final days of the month caused a negative attribution primarily in Wheat. Shorts in Soft commodity markets were neutral as Sugar rallied while Cotton continued to soften.

INTEREST RATES

The long-term trend higher in Rate futures continued for a sector gain. Sector remains long across the curve.

Chart 2 INDEX RETURN ATTRIBUTION

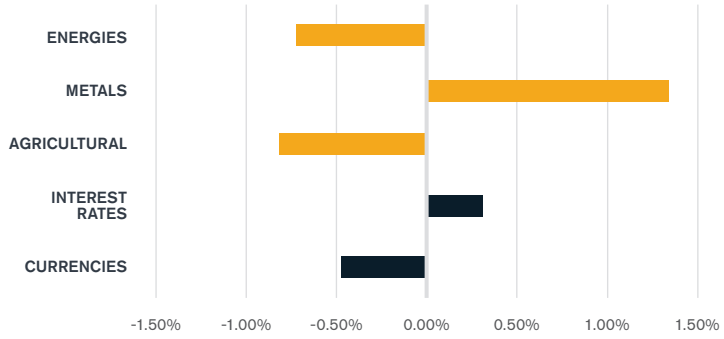
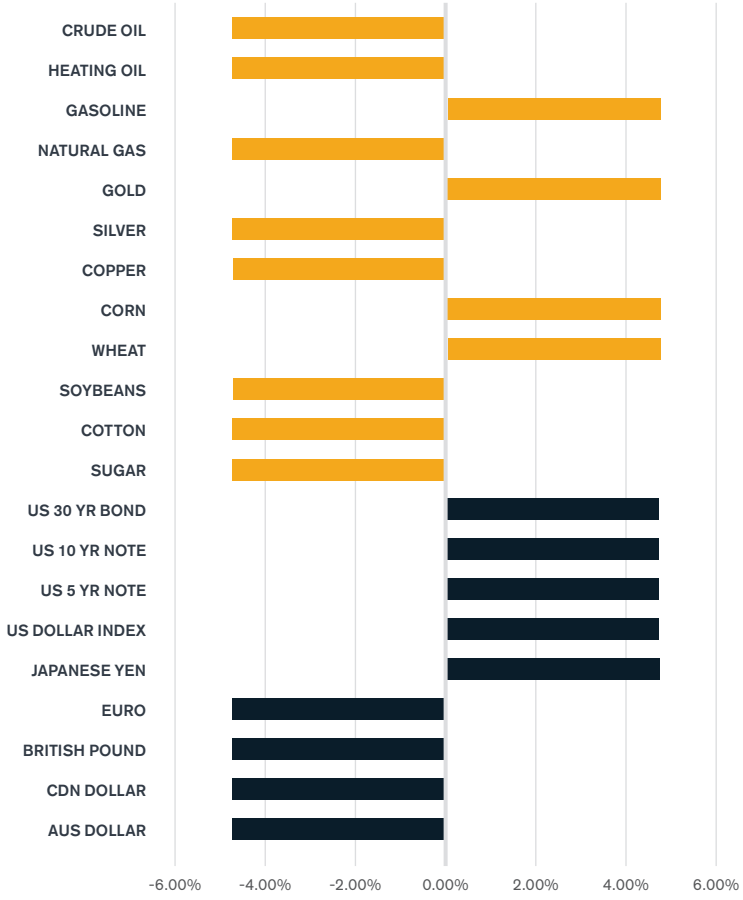


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



CURRENCIES

US Dollar and Japanese weakness went against positions which have been held with the Canadian dollar the strongest global currency of late – one to watch closely especially with continued oil strength.

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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:

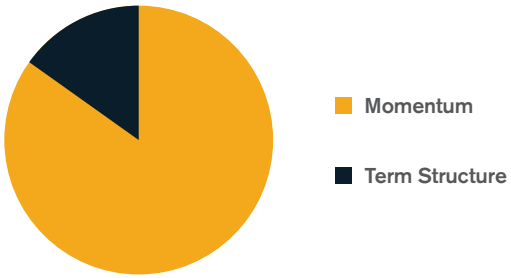
STRATEGY DESCRIPTION

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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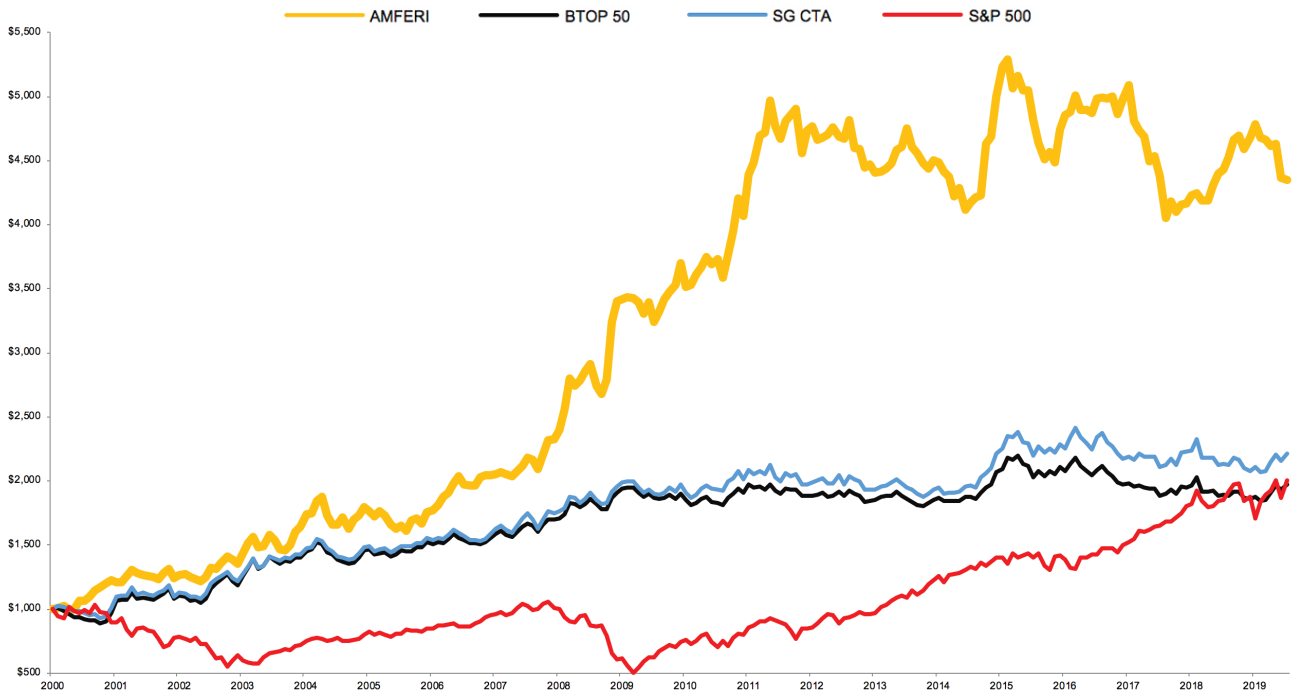
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
2019	-2.20%	-0.35%	-0.97%	0.32%	-5.76%	-0.36%							**-9.08%**
2018	0.43%	-1.25%	-0.10%	2.99%	1.99%	0.74%	2.09%	3.03%	0.75%	-2.25%	1.93%	2.18%	**13.12%**
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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