AUSPICE

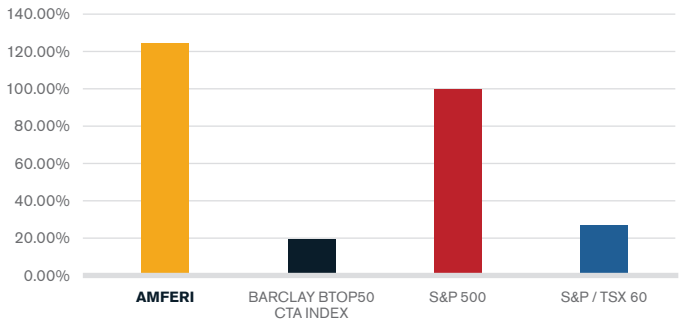
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

MARCH 2019

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AMFERI	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.65	-0.22	-0.18

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SUMMARY

The month started with equity pulling back, yet volatility picked up and global equity markets reversed and continued to rise. While not eclipsing the 2018 (October) highs, equity benchmarks have now made back the sharp sell-off since early December. The S&P added 1.79%, Nasdaq gained 2.61% while the MSCI World added 1.05%. The resource tilted Canadian TSX/S&P60 added 0.59% to push 2018 highs.

The diverse commodity sector produced mixed results with petroleum energies strong while Metals sold off. Grains and Softs were volatile, but most trends remain the same. Commodity benchmarks ended Q1 positively with the energy weighted GSCI outperforming and gaining 1.41% while the more diverse Bloomberg Commodity index lagged at -0.37%.

After bond futures and rates consolidated in February, the market moved sharply higher as the yield curve inverted and central banks issued a cautious tone to potential economic slowdown. The US dollar and other currencies were volatile in response to economic and rate signals yet generally continued existing trends with the British Pound volatile on further BREXIT drama.

RESULTS

The AMFERI softened 0.97% in March, adding to the correction. Alike the outperformance versus benchmarks for 2018, the strategy continues to move in opposite direction and the month lagged the sector benchmarks (per Table 1): Barclay BTOP50 CTA gained 2.67% for the month while the SocGen CTA Index added an estimated 3.04%.

The strategy illustrates long term outperformance and at critical times per Chart 1.

OUTLOOK

As we described and illustrated last month, while the rally in equity and commodity assets to start the year feels good, we need to reflect on the risk and volatility inherent when pullbacks can be 10-15% plus over short periods (see Historical Growth Chart).

While the start to the new year has had the AMFERI strategy pull back modestly, the chart clearly illustrates the benefit of positive results at a critical time thus protecting portfolio results.

Given the strategy is outperforming the peer group and benchmarks longer term (see Table 1 for rolling 1-year and longer results) and importantly at times of need, we view this as an opportunity to add the strategy especially in light of the sharp equity bounce and accretive value to other CTA investments.

Chart 1 HISTORICAL GROWTH SINCE 2007

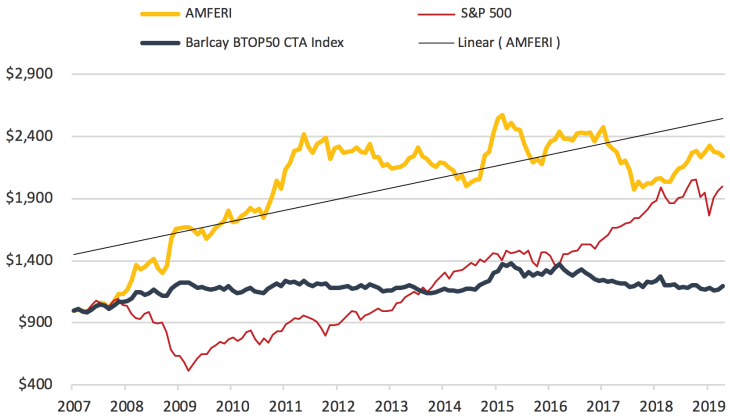
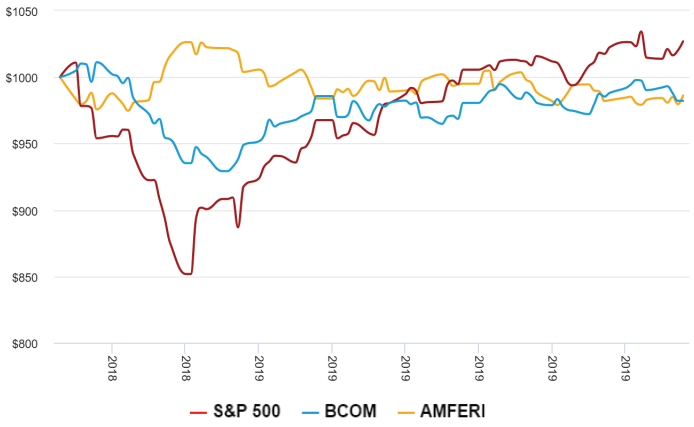


Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-0.97%**	2.67%	1.79%	0.59%
2019 YTD	**-3.49%**	1.39%	13.07%	11.66%
1 yr (Apr 18)	**10.19%**	-0.73%	7.33%	5.56%
3 yr (Apr 16)	**-5.79%**	-10.29%	37.61%	21.31%
5 yr (Apr 14)	**9.25%**	3.36%	51.38%	16.94%
10 yr (Apr 09)	**35.89%**	-0.38%	255.25%	81.49%
12 yr (Apr 07)	**126.13%**	21.56%	99.48%	27.52%
Annualized (Jan 07)				
Return	**6.83%**	1.47%	5.82%	2.11%
Std Deviation	**11.45%**	6.51%	14.70%	12.77%
Sharpe Ratio	**0.69**	0.26	0.50	0.27
MAR Ratio	**0.29**	0.09	0.11	0.05
Worst Drawdown	**-23.32%**	-16.11%	-52.56%	-44.27%

HISTORICAL GROWTH OF A $1,000 INVESTMENT



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ATTRIBUTIONS AND TRADES

There were no changes to positions in commodity or financial area other than some risk resizing.

Performance was positive in 2 of the 5 index sectors, with Rates the largest gain and Metals the biggest drag (Chart 2). Negative attribution came from commodities while financials were positive.

The top performing sectors were financial led by Rates. Within Currencies, the Pound remains volatile and softened before rallying sharply to make new highs on a (potential) Brexit delay and was the only drag.

Within commodities, shifts against the core trends held in Energy, Metals and Ag sectors pulled results down.

The portfolio is short commodity exposures in 7 of 12 components (or 58%) and includes all 3 sectors – Energies, Metals and Ags (see Chart 3).

SECTOR HIGHLIGHTS

ENERGY

While Heating oil lagged and softened, thus providing a positive return for the month, Crude and Gasoline moved higher. The strategy remains short petroleum energies given the long-term trend. We remain long Natural Gas which softened slightly during the month.

METALS

Precious metals continued to struggle as Gold and Silver softened while base metals did not provide the offset we saw last-month and Copper sold off. The strategy is long all components in the sector.

AGRICULTURE

Ags were bifurcated as Grains had a gain led by softer Corn and Soybeans markets while Wheat provided a compliment. The diverse Softs sector lost ground as the long-term profitable short in Cotton corrected and we remain short while Sugar softened.

INTEREST RATES

After recent consolidation the last couple months, Rate futures resumed their ascent following the trend that began in Q4. Strong gain as the sector remains long across the curve.

CURRENCIES

With the exception of the British Pound, currencies made gains sticking to the existing trends. Short exposures in the Aussie and Canadian Dollars were complemented by the Euro while the Yen rallied alongside the US Dollar.

Chart 2 INDEX RETURN ATTRIBUTION

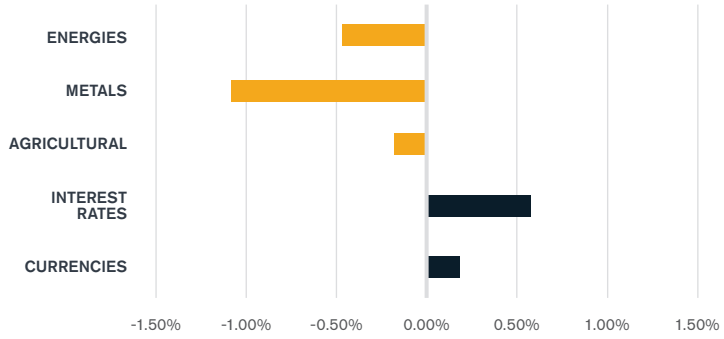
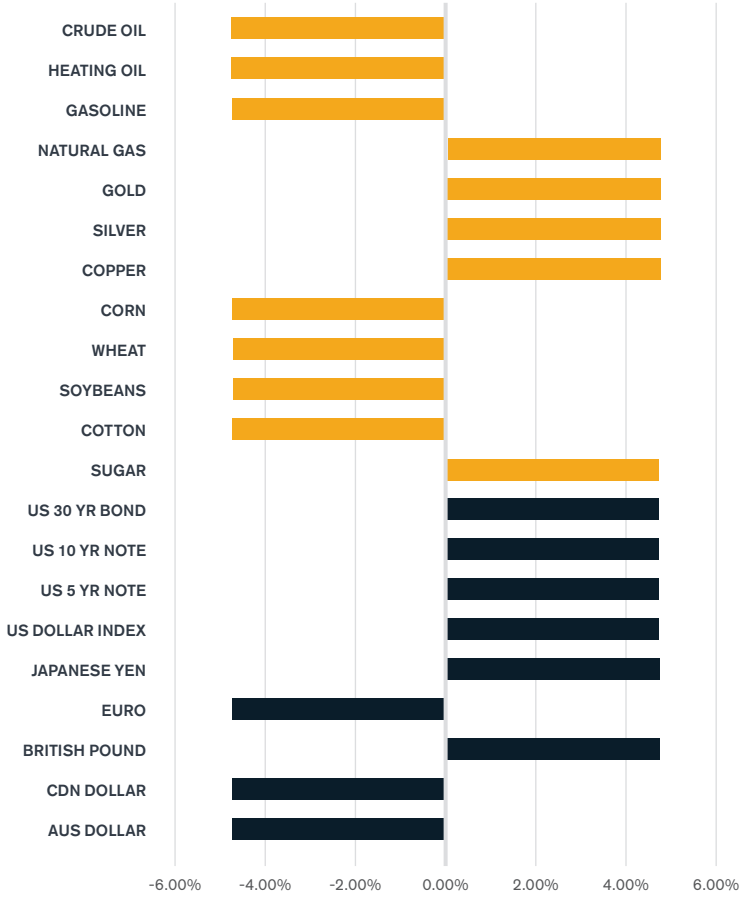


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



Of note: Despite energy commodity strength, the Canadian dollar continues to lag and our short is performing. Government spats with China in massive grain exports and failure to progress additional takeaway capacity for much globally demanded heavy oil, has challenged the Canadian economy significantly.

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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:

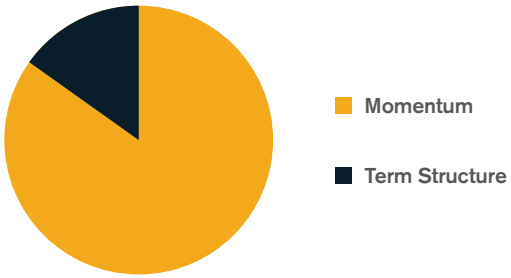
STRATEGY DESCRIPTION

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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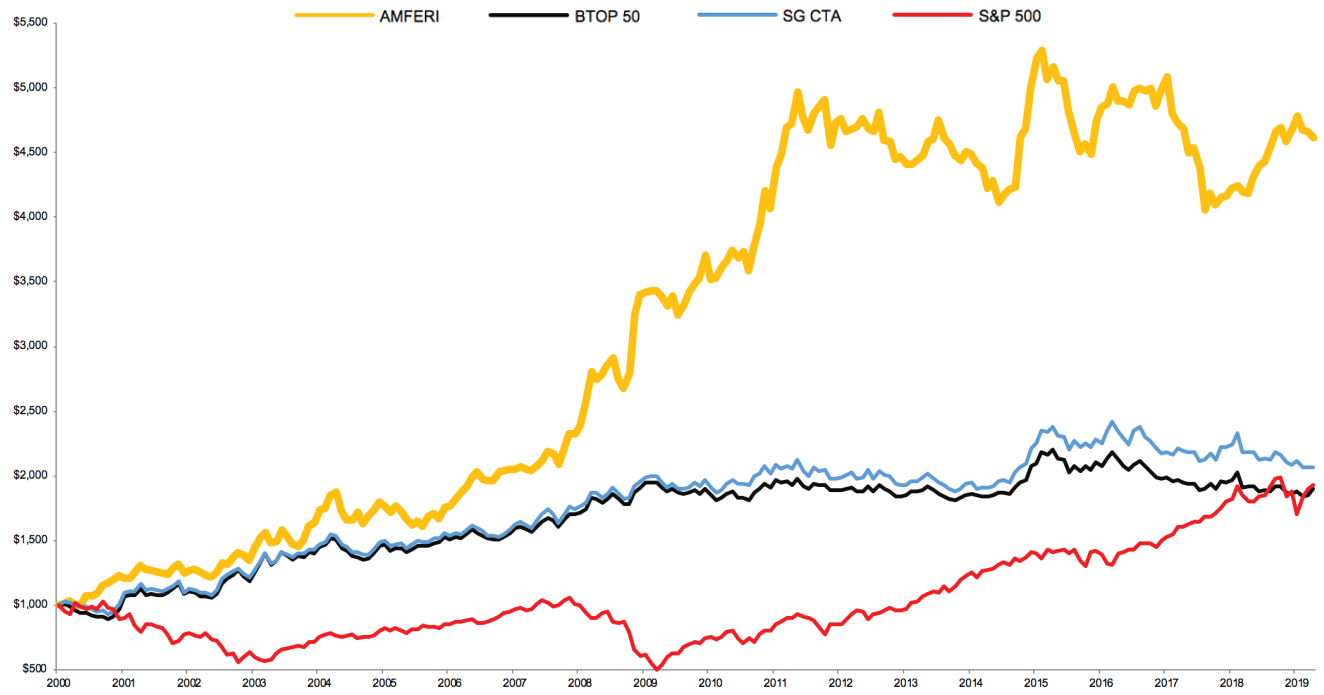
MARCH 2019

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%										**-3.49%**
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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Futures trading is speculative and is not suitable for all customers. Past results is not necessarily indicative of future results. This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.

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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