AUSPICE

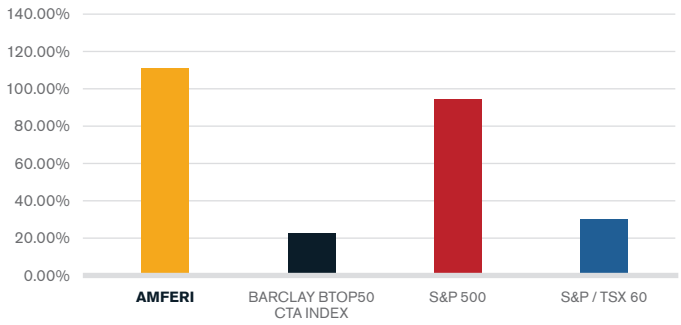
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

MAY 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 a valiant rally from January 1 to April 30, May immediately brought a sharp reversal right from near the October highs. The S&P lost 6.58%, Nasdaq 7.93% while the MSCI World fell 6.08%. The resource tilted Canadian TSX/S&P60 was off 3.28% while the Energy sub-index fell a whopping 11.72%. Where to hide?

Commodities didn't avoid the risk-off downdraft with corrections led by energy markets and followed by industrial metals and soft commodities. The energy weighted GSCI fell 8.40% while the more diverse Bloomberg Commodity index was muted at -3.56%.

With both US and Canadian central banks holding rates steady at policy meetings this month, bond futures jumped back on existing trends higher after correcting last month. Inflationary concerns expressed last month were muted given the sharp sell-off in oil an important driver. The US dollar continued to show strength vis-à-vis most global currencies.

RESULTS

The AMFERI lost 5.76% in May adding to a inauspicious start to 2019 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 off 1.51% for the month while the SocGen CTA Index fell an estimated 2.33%.

While the strategy lags benchmarks most recently, it also illustrates long term outperformance and at critical times per Chart 1 and given 5, 10, 12 year performance in Table 1.

OUTLOOK

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, for investors with significant equity exposure already, reducing this also makes sense. In this strategy, it makes sure equity will not be a drag as the market turns, as it did in May.

As such, we believe we have the right strategy to participate and provide the most benefit (as experienced in 2018) even though individual months may not feel like the case. For it is at times like these, that sticking to the core reasons of using the AMFERI strategy remain critical and not being deterred by spurious correlation given results are not directly affected by equity market performance.

Chart 1 HISTORICAL GROWTH SINCE 2007

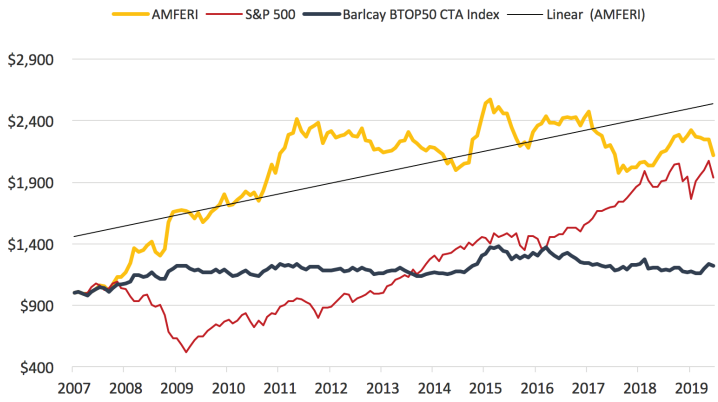

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-5.76%**	-1.51%	-6.58%	-3.28%
2019 YTD	**-8.75%**	3.33%	9.78%	11.94%
1 yr (Jun 18)	**-0.82%**	3.00%	1.73%	1.20%
3 yr (Jun 16)	**-10.41%**	-5.07%	31.24%	17.15%
5 yr (Jun 14)	**6.00%**	3.46%	43.07%	14.98%
10 yr (Jun 09)	**28.57%**	2.21%	199.42%	52.08%
12 yr (Jun 07)	**105.60%**	17.96%	79.80%	19.57%
Annualized (Jan 07)				
Return	**6.25%**	1.61%	5.49%	2.10%
Std Deviation	**11.51%**	6.55%	14.77%	12.76%
Sharpe Ratio	**0.64**	0.27	0.48	0.27
MAR Ratio	**0.27**	0.10	0.10	0.05
Worst Drawdown	**-23.32%**	-16.11%	-52.56%	-44.27%

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ATTRIBUTIONS AND TRADES

Within commodities, the portfolio exited long weights in both Silver and Sugar in May as these markets shifted to downwards momentum. At the same time, the Grains sub-sector rallied and we added a long weight to Corn. Within financial markets, the only change was on the last day of the month as we shifted to short British Pound.

The portfolio is now long commodity exposures in 6 of 12 components (or 50%) and includes all 3 sectors – Energies, Metals and Ags (see Chart 3).

Performance was positive in 2 of the 5 index sectors, both financial, while the commodity sectors all suffered with Energies the largest drag (Chart 2).

The strongest performing components include short Cotton, Natural Gas and Silver complimented by Gold.

The weakest components were petroleum Energies followed by Copper, Corn and Wheat.

SECTOR HIGHLIGHTS

ENERGY

After a shift towards long the Petroleum energy markets in April, the timing proved poor and the sector corrected sharply. Note that the trend remains up and the portfolio remains long. Natural Gas was the exception and the short exposure provided a partial offset.

METALS

Metals had a small loss as base and precious metals markets performed uniquely. Within precious Metals, Gold and Silver went in different directions and weakness in Silver persisted and we shifted to short profitably for the month. Gold continued to perform as it moved higher. Copper continued to sell-off yet remains long and will be a market to watch closely.

AGRICULTURE

After a strong month in April on the back of weakness across Grains, Ags also bifurcated with Grains reversing course and rallying sharply triggering a long weighting in Corn. On the other hand, weakness in Soft commodity markets were capitalized on with existing shorts in Cotton and shifting Sugar to short. The sector had a negative attribution per Chart 2.

INTEREST RATES

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

Chart 2 INDEX RETURN ATTRIBUTION

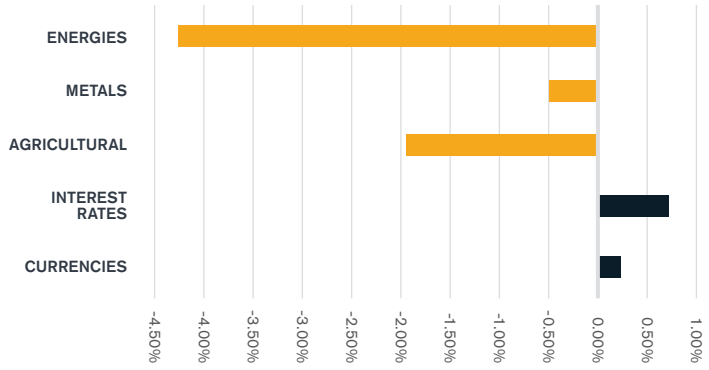
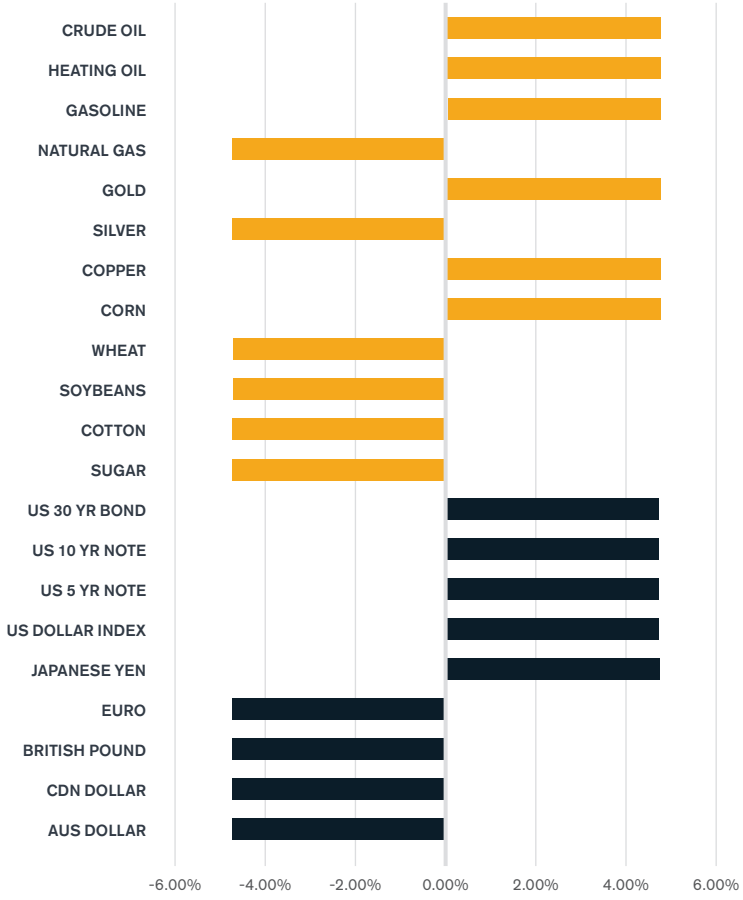


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



CURRENCIES

With the exception of the British Pound, which was reversed to a short exposure at month end, currencies made small gains with the existing trends vis-à-vis the strong US Dollar for a small sector gain.

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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:

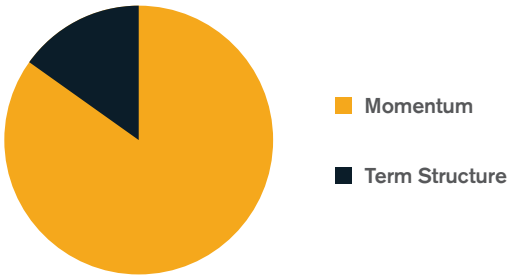
STRATEGY DESCRIPTION

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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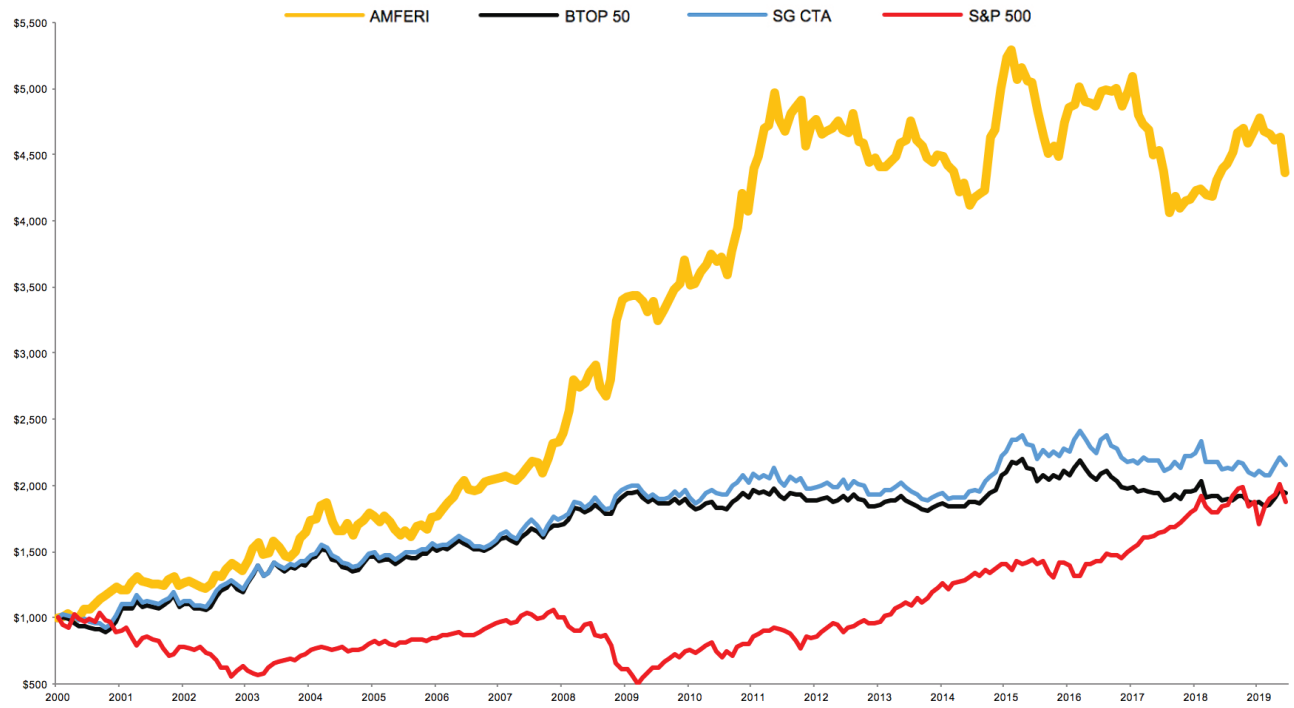
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



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%								**-8.75%**
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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