



April Review

Market Review

While most commodities were consolidating or softer in April, Energies moved sharply higher. While this has pulled up many of the long-only commodity indices, it is not yet representative of the broader commodity landscape. While equities had yet another good month grinding higher, volatility started to appear towards month end.

The strategy remains modestly exposed to commodities at this time due to the lack of sustained upside and predominant downtrend that started in mid-2014. The long term sector trend has not yet turned which makes our first priority the protection of capital at this stage.

The strategy remains positioned to selectively capture upward trends in the commodity markets while minimizing risk during downtrends.

Index Review

The ABCERI gained 0.99% in April (see Table 1). While this lagged more volatile long-only Commodity indices in the short term, it provides a more disciplined way to be exposed in the longer term. The benefits of the long/flat tactical approach for commodities in the context of an asset allocation approach are clear yet the ABCERI remains cautious in its entrance back into significant long commodity exposure.

As Table 2 illustrates, the ABCERI has performed well as a store of value over this period of significant commodity weakness. The index has produced better long term absolute returns and risk-adjusted returns than its peers while minimizing drawdowns. Importantly, this highlights the strategy's ability to limit the downside and volatility significantly versus benchmarks. Table 3 reveals the index's ability to capture the upside over time despite a very challenging period for commodities. In both cases, the ABCERI is the only positive result in this comparison.

The ABCERI does not attempt to track the broad commodity markets or predict their direction. It aims to capture upward price trends tactically from only commodities that are making sustained moves higher while preserving capital on those that are making sustained moves lower.

Portfolio Recap

Exposures within the strategy remained unchanged only holding the strongest performing commodities long term: Gold and Cotton. The index remains without exposure to the Energy sector, and holds only 17% of the total possible long commodity allocation for the strategy. Despite this modest exposure, the strategy was positive on the month.

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Table 1: Month and 2015 Year-To-Date

2015	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Apr 2015	0.99%	11.06%	5.73%	-5.43%
2015 YTD	-2.96%	1.29%	-0.46%	-1.76%

Table 2: 7 Year Annualized Performance

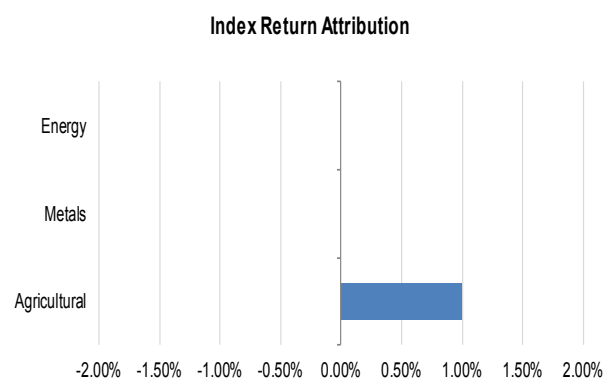
7 year Annualized Return	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Annualized Return	1.92%	-13.35%	-9.50%	-9.25%
Annual Std. Dev.	10.85%	24.82%	18.90%	21.91%
Sharpe Ratio	0.18	-0.54	-0.50	-0.42
MAR Ratio	0.07	-0.18	-0.16	-0.15
Largest Drawdown	25.86%	72.20%	57.90%	59.84%

Table 3: Cumulative Return since Inception

From Oct. 2010	ABCERI	S&P GSCI ER	BLOOMBERG COMMODITY INDEX	DB LCI OY
Cumulative Return	1.11%	-24.61%	-26.07%	-24.37%

As outlined in an independent report by ETF Securities, the Auspice Broad Commodity Index remains one of the top performing global broad commodity indices. If you would like a copy of the most recent report, please contact Auspice.

Figure 1: Monthly Index Return Attribution



Energy

While the petroleum component of the energy sector rallied higher, Natural Gas consolidated. The index remains without a long weighting in this sector.

Metals

Copper showed some strength to lead base metals at month end, precious metals remain soft and consolidating. We continue to hold Gold while the strategy remains without a weighting in Silver or Copper at this time. Neutral performance on the month.

Agriculture

Grains continued their slide and the strategy remains without long exposure. The index continues to hold Cotton which was stronger on the month. The sector had a positive month.

Outlook

Despite the headline of Energy gains in April, the overall commodity markets remain weak. There are signs of this overall sector trend getting old, as exhibited in energies, but it is early to call an end to its listlessness and not possible from a long term perspective anyway. We continue to think that this current market environment may represent a correction within a longer term trend, and that the long-term outlook for commodities remains promising in a global context. The sustained and prolonged trend lower underscores the value of a tactical approach in gaining long commodity exposure and inflation protection.

Strategy and Index

The Auspice Broad Commodity Index aims to capture upward trends in the commodity markets while minimizing risk during downtrends. The index, which is considered to be a “third generation commodity index”, considers both risk and reward. The index uses a quantitative methodology to track either long or flat weights in a diversified portfolio of 12 commodity futures which cover the Energy, Metal, and Agricultural sectors.

The Broad Commodity index is available in Total and Excess Return versions. The cash return for the total return index will be calculated daily using the 3-month CDOR (Canadian Dealer Offered Rate). The CDOR is the average rate for Canadian bankers’ acceptances for specific terms-to-maturity (one year or less), determined daily from a survey on bid-side rates provided by the principal market-makers, including the major Canadian banks.

About Auspice

Auspice Capital Advisors Ltd. is a registered Portfolio Manager / Investment Fund Manager / Exempt Market Dealer in Canada and a registered Commodity Trading Advisor (CTA) and National Futures Association (NFA) member in the US. Auspice’s core expertise is managing risk and designing and executing systematic trading strategies.