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Auspice Managed Futures Index Commentary & Performance

Auspice Managed Futures Excess Return Index (AMFERI)

April Review

Market Review

Equity markets continue to grind higher in a very low volatility fashion. In fact, the VIX Volatility Index is at all-time lows. Does this make fundamental sense? Is the world more safe - and in better shape economically - than ever? We don't think so. Be cautious in this environment as pockets of volatility remain. Energies rose over 10% in some markets this month. Does this correlate to an outrageously low VIX?

Environments like this are challenging for fundamental practitioners when currency, commodity, equity and volatility levels have already been stretched. However, this can present an excellent environment for non-discretionary approaches that are able to identify and commit to trends that may appear counter-intuitive. The rules-based, process oriented benefits of the AMFERI approach, for example, become evident as investment portfolios seek out non-correlated returns to offset the inherent risks in today's markets.

Index Review

The AMFERI lost 2.14% in April, in line with CTA benchmarks (see Table 1). While the index outperformed all of the benchmarks indicated in 2014 and significantly outperformed over the latter half of the year, 2015 has started with modest underperformance. The primary source of this underperformance has been sharp, short term moves up within established and unchanged long term downtrends.

Table 2 highlights that the long-term outperformance of AMFERI on both an absolute and risk-adjusted basis (versus both investable and non-investable CTA/managed futures indices) has been strong despite the challenging environment in recent years. Table 3 illustrates significant outperformance since the launch of the strategy, published as a third party index (NYSE) in December 2010.

Portfolio Recap

In April, only 1 of 5 index sectors were positive. Gains were led by the Agricultural sector after the reversals and choppiness in recent months. The strategy remains agnostic within the sector, holding both profitable short and long positions. Energies were most challenging as the petroleum market bounced up sharply while still in long term downward trend. Currencies were similar to energies and experienced short-term corrections within long term trends that have been profitable.

The index was unchanged in its commodity exposures and holds 10 of 12 components (or 83%) of the possible basket short, underscoring the dominant sector direction. There were no position changes in the financial markets during the month which is predominantly short currencies vis-à-vis the US Dollar and long Rates.

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Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
April 2015	**-2.14%**	-2.07*%	-1.27%	-1.95*%
2015 YTD	**-3.44%**	2.67*%	0.75%	4.24*%

Table 2: 7 Year Annualized Performance

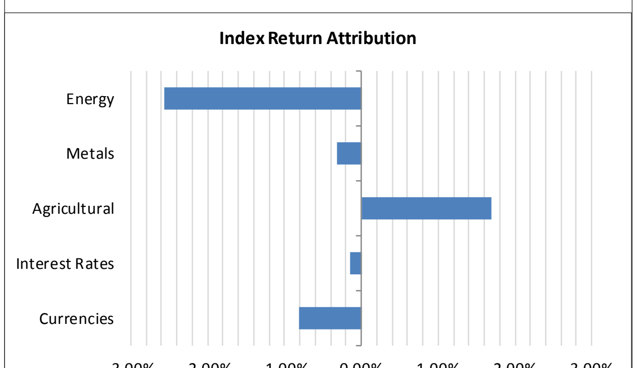
7 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	**8.90%**	2.64%	-2.39%	3.46%
Annual Std. Dev.	**12.33%**	5.96%	8.29%	7.29%
Sharpe Ratio	**0.72**	0.44	-0.29	0.47
MAR Ratio	**0.52**	0.32	-0.09	0.29
Largest Drawdown	**17.17%**	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Cumulative Return	**24.14%**	13.01%	-2.68%	15.24%

As a single strategy investable CTA index, this strategy provides the benefits of traditional CTA through trend following and risk management along with the benefits of transparency and third party publishing, monitoring and benchmarking. The strategy now underlies ETFs, 40 Act mutual funds and managed accounts providing a low cost means of allocating to Managed Futures without sacrificing performance.

Figure 1: Monthly Index Return Attribution



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Energy

After strong gains from this sector for 7 months, the sector corrected modestly. Petroleum products rallied against short weights while Natural Gas consolidated. This recent rally does not change the long term trend yet, but the strategy will adjust if and as that definition changes.

Metals

While 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 short Silver and Copper at this time. This generated small negative performance on the month as the gains made in Silver did not quite offset the loss in the Copper short.

Agriculture

Ags had a strong month as the recently shifted shorts in the Grains portion started to soften markedly. Corn, Wheat, and Soybeans contributed to short gains and was complemented by the remaining sole long Ag position in Cotton.

Interest Rates

Rates contributed a small loss on a consolidative month. The index continues to be long all sector components.

Currencies

Currencies had a negative month as markets corrected higher vis-à-vis the weakening US Dollar. The sector remains short across Aussie Dollar, British Pound, Canadian Dollar, the Euro, and the Yen which remains the dominant trend.

Outlook

We are confident that the AMFERI strategy has the right tactical approach to capture long term trends and outperform during opportunity. Should equity markets correct in 2015, the strategy stands to benefit versus other strategies given its lack of exposure and risk to this sector. This ensures this sector will not be a drag to non-correlated performance at a time investors need it most.

We believe this is an ideal time to add to or initiate this type exposure to lower overall portfolio risk given the level of volatility and absolute level of the equity markets.

Synopsis of AMFERI Drawdown and Return Analysis.

Managed Futures is typically a difficult strategy to time because of the non-correlated performance that results from the widespread diversification of market sectors covered. One of the best ways to consider an entry point is through an understanding of drawdowns over time. Pullbacks occur in every strategy, however given transparency of the returns, it is intuitive to analyze the character of the pullbacks and subsequent gains with managed futures. These pullbacks generally represent an opportunity from which trends develop and extend. Furthermore, the time to make new gains is often quicker than the length of the pullback (peak to valley).

Please contact us at info@auspicecapital.com for the complete analysis.

Strategy and Index

The Auspice Managed Futures Index is an investable single strategy CTA. The index aims to capture upward and downward trends in the commodity and financial markets while carefully managing risk. The index uses a quantitative methodology to track either long or short weights in a diversified portfolio of 21 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 as either a total return index (includes a collateral return) or as an excess return index (no collateral return). Auspice is an innovative asset manager that specializes in applying formalized investment strategies across a broad range of commodity and financial markets. Auspice's portfolio managers are seasoned institutional commodity traders. Their experience, trading one of the most volatile asset classes, forms the backbone of their strategy for generating profits while preserving capital and dynamically managing risk.

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.