AUSPICE

Auspice Managed Futures Index Commentary & Performance

Auspice Managed Futures Excess Return Index (AMFERI)

March Review

Market Review

While domestic equity markets paused in March, in the global context, equities continued to show some strength. Beyond equities, however (and to a lesser degree interest rate futures), it has become more difficult to find upside asset price movement. For example, commodities and currencies have been generally softer. In this environment, we are content to participate in the trends the market presents to us, even if those trends have already been profitable for some time.

Environments like this are challenging for fundamental practitioners when currency, commodity and equity valuations 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 gained 1.89% in March. Although the quarter was slightly negative, the strategy generated positive performance in 10 of the past 12 months. 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 (see Table 1). This is not uncommon after a sustained period of gains and we anticipate that opportunities may be re-emerging as we experienced in this month.

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

Portfolio Recap

In March, 3 of 5 index sectors were positive. Gains were led by Energy and complimented by Currencies and, to a lesser degree, Rates. The most challenging sector was Ags - specifically Grains - as sharp reversals occurred. Metals were also challenging as base metals rallied against shorts compared with precious metal weakness, for example, where the strategy is long.

The index exited two long commodity exposures on weakness in the Grains markets. Currently 10 of 12 components (or 83%) of the possible basket are short, underscoring the dominant sector direction. There were no position changes in the financial markets during the month.

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Table 1: Month and 2015 Year-To-Date

2015	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Mar 2015	**1.89%**	1.30*%	1.34%	1.30*%
2015 YTD	**-1.32%**	4.58*%	1.99%	5.36*%

Table 2: 7 Year Annualized Performance

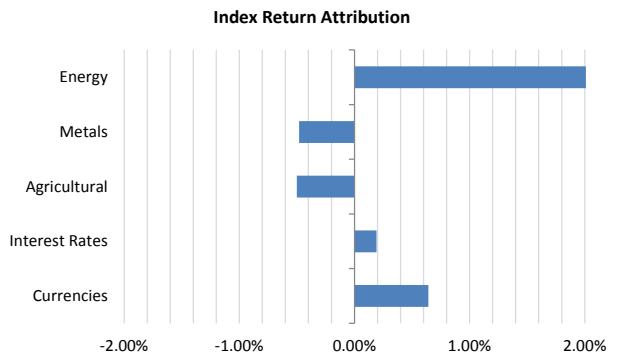
7 Year Annualized	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Annualized Return	**9.46%**	2.71%	-2.16%	3.41%
Annual Std. Dev.	**12.28%**	5.93%	8.28%	7.28%
Sharpe Ratio	**0.77**	0.46	-0.26	0.47
MAR Ratio	**0.55**	0.30	-0.08	0.29
Largest Drawdown	**17.17%**	8.34%	27.07%	11.78%

Table 3: Cumulative Return Since Inception

From Dec. 2010	AMFERI	BTOP50	S&P DTI ER	Newedge CTA Index
Cumulative Return	**26.86%**	15.18%	-1.42%	17.13%

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



Energy

Gains were made in both petroleum products and Natural Gas as weakness persisted across Energies. Natural Gas had less downside and appeared to be consolidating. The index remains short all components at this time.

Metals

Choppy sector with diverging markets. While Copper rallied, showing more base metal strength extending from last month, precious metals remain soft. We continue to hold Gold while the strategy remains short both Silver and Copper at this time. Negative performance on the month.

Agriculture

After showing strength to end 2014, the Grains portion of Ags weakened and we exited long positions in Corn and Wheat to be short. Soybeans remained short and was a positive contributor on the month as it fell over 6%. The top performing market within the sector and for the strategy was a short position in Sugar which dropped over 12% during the month. This did not offset losses in the Grains and a remaining sole long Ag position in Cotton.

Interest Rates

Rates made a small gain despite an early month selloff. The index continues to be long all sector components.

Currencies

Currencies had a positive month, led by the British Pound, as markets continued to soften vis-à-vis the US Dollar. The sector remains short across Aussie Dollar, British Pound, Canadian Dollar, the Euro, and the Yen.

Outlook

While experiencing a slightly soft start to 2015, 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 2014, the strategy stands to benefit from not only its ability to react rapidly to changing market conditions, but from its negative correlation in times of need ('Crisis Alpha'). Renewed market volatility is beneficial, driving trends that the strategy has been able to capitalize on. 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 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.