AUSPICE

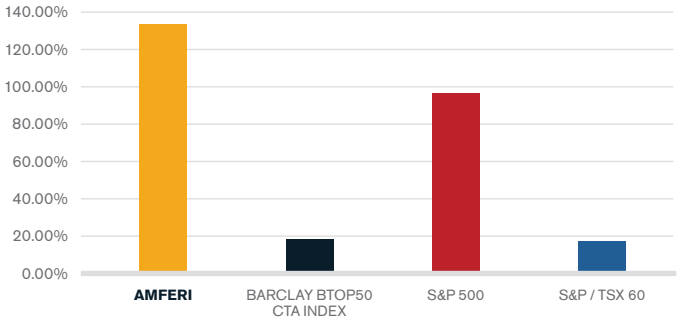
MANAGED FUTURES INDEX

COMMENTARY + STRATEGY FACTS

DECEMBER 2018

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AMFERI	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.65	-0.21	-0.17

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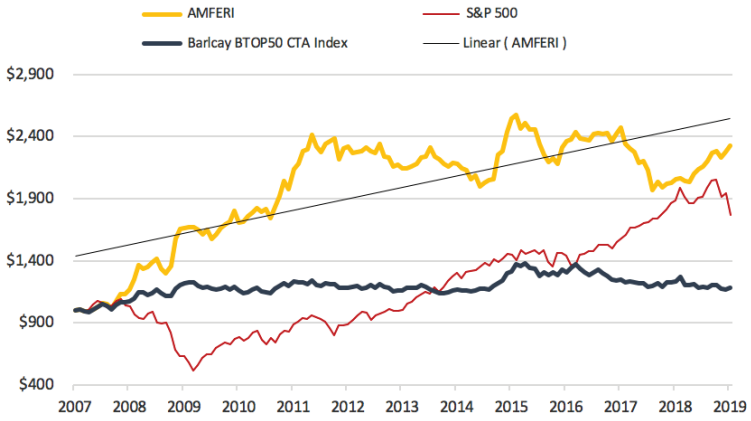
SUMMARY

After correcting in February and seemingly showing strength making new highs until end of Q3, stocks showed true colors in Q4. Tech stocks led the sell-off with Nasdaq down 9.5% and the benchmarks had their worst annual showing in a decade. The S&P ended down 9.2% for the month and 6.2% for the year while the MSCI World fell 7.7% for a drop of 10.4%. The resource tilted Canadian TSX/S&P60 ended down 10.5% while the Hang Seng fell 13.6%.

Commodity benchmarks were again pulled down as China-US trade war concerns highlighted the year and energy weakness accelerated. As such the commodity benchmarks suffered with the energy weighted GSCI off 7.9% to end down 15.5% while the more diverse Bloomberg Commodity index fell 7.1% for -13.0%.

The US Fed ended the year surprising some by raising rates for the fourth time in 2018 despite market weakness and trade concerns. As such futures rallied and rates fell. While the US dollar was stable, currencies experienced volatility with weakness in Aussie and Canadian dollars along with Japanese Yen strength.

Chart 1 HISTORICAL GROWTH SINCE 2007



RESULTS

The AMFERI gained 2.18% adding to the year's gains to end up 13.12%. This was a significant outperformance versus CTA benchmarks (per Table 1). The Barclay BTOP50 CTA benchmark gained an estimated 1.04% for the month while the SocGen CTA Index added 1.59% to be off 4.26% and 5.70% for the year respectively, a spread of 17-19%.

Beyond the recent performance, the strategy illustrates long term outperformance and at critical times per Chart 1.

Table 1 ABSOLUTE PERFORMANCE

	AMFERI	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**2.18%**	1.04%	-9.18%	-5.91%
2018 YTD	**13.12%**	-4.26%	-6.24%	-10.46%
1 yr (Jan 18)	**13.12%**	-4.26%	-6.24%	-10.46%
3 yr (Jan 16)	**-1.47%**	-9.27%	22.65%	12.40%
5 yr (Jan 14)	**6.49%**	0.98%	35.63%	9.64%
12 yr (Jan 07)	**132.58%**	18.35%	76.75%	15.69%
Annualized (Jan 07)				
Return	**7.29%**	1.41%	4.86%	1.22%
Std Deviation	**11.53%**	6.51%	14.68%	12.68%
Sharpe Ratio	**0.72**	0.25	0.44	0.20
MAR Ratio	**0.31**	0.10	0.09	0.03
Worst Drawdown	**-23.32%**	-14.90%	-52.56%	-44.27%

OUTLOOK

2018 affirms our belief that we are entering period that holds significant opportunity for the AMFERI strategy and other quantitative trend-following methods.

While the non-correlated value can be illustrated easily at year end, only a few short months ago, it was less clear. At times it felt like the portfolio's performance was correlated to that of the equity market, the very thing it seeks to add diversity from. And the reality is that at times there is positive correlation, even if short and spurious. However, the performance added was prompt and in a time of need to close the year. The lack of equity exposure was indeed an edge for the strategy as that market were choppy for much of the year before trending lower to close.

Yet, we believe this is likely just the beginning. We have finally seen volatility rise to a more "normal" level and it encompasses assets beyond just equities in commodities, currencies and interest rates. This is exciting.

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ATTRIBUTIONS AND TRADES

Performance was positive in 3 of the 5 index sectors, again led by Energies (Chart 2).

While the portfolio remains tilted short commodities and justifiably so, we shifted to long in Gold as it finally broke free of consolidation. Copper remains short and added value.

The weakness in Energy led the short performance but we have reduced the risk significantly in both petroleum products and Natural Gas.

Shorts dominating the Ag sector providing value in both Grains and Cotton, the top performing asset in the portfolio.

With the addition of Gold, the portfolio is short commodity exposures in 9 of 12 components (or 75%) and includes all 3 sectors – Energies, Metals and Ags (see Chart 3).

Within Financial markets, interest rate futures continued to rally and the portfolio has been shifted to long across the curve.

SECTOR HIGHLIGHTS

ENERGY

Natural Gas joined the weakness in the energy market which has been in decline for all of Q4. After strong returns from the long side, aggressive resizing has captured gains and the remaining long exposure is small.

Oil fell another 10% for the month and over 25% for the year while Heating Oil led the sector gains.

METALS

The Metals sector gained on the new long exposure in Gold and short in Copper. The remaining short in Silver provided negative attribution and will be one to watch in the near term.

AGRICULTURE

The Ags sector had a strong month as weakness in Grains was complimented by a sharp decline in Cotton. The remaining long exposure in Sugar was a negative offset as it pulled back from recent rallies when the exposure was initiated.

INTEREST RATES

After rate futures shifted trend post the mid-term elections, the year ended with a strong rally and we have shifted the portfolio to long for a small sector loss.

Chart 2 INDEX RETURN ATTRIBUTION

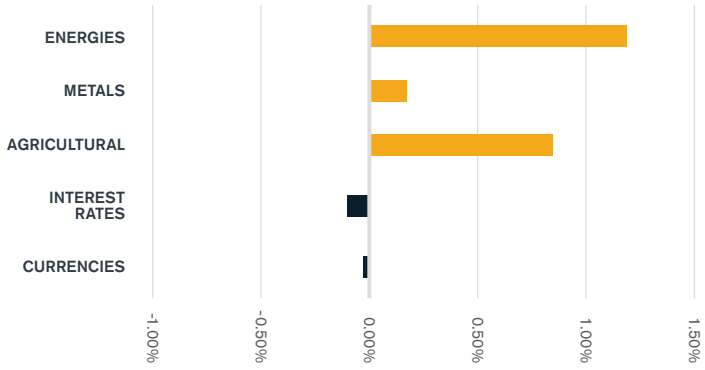
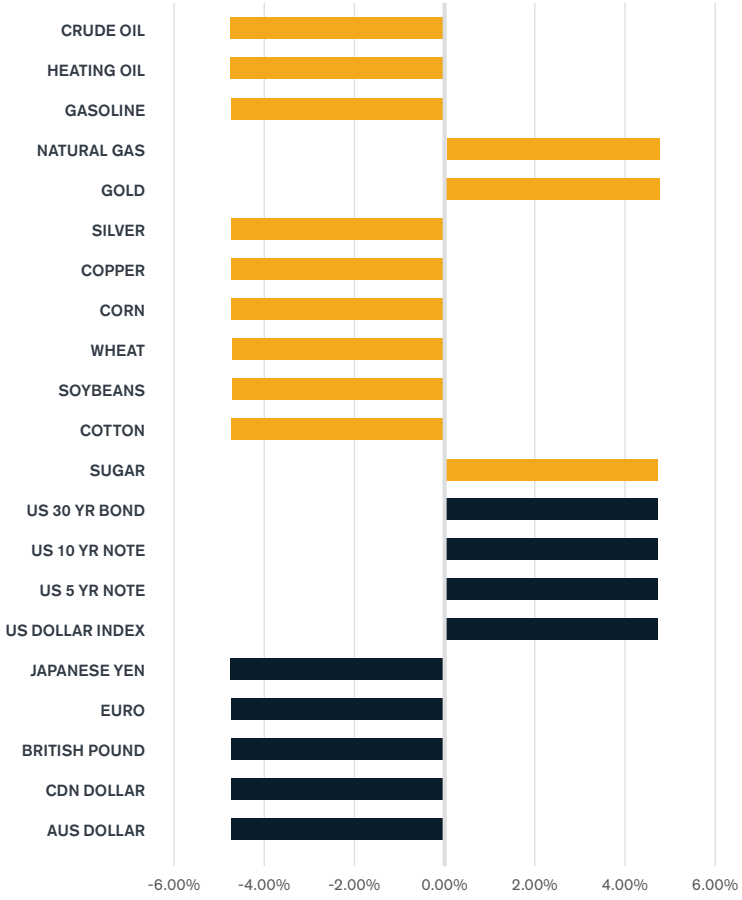


Chart 3 COMPONENT EXPOSURE: SHORT/LONG



CURRENCIES

There were again no changes within the sector and the portfolio remains positioned short currencies vis-à-vis long the US Dollar. Attribution was also again neutral as small gains led by shorts in Aussie and Canadian commodity currencies were offset by a strong rally in the Japanese Yen of over 3%.

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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:

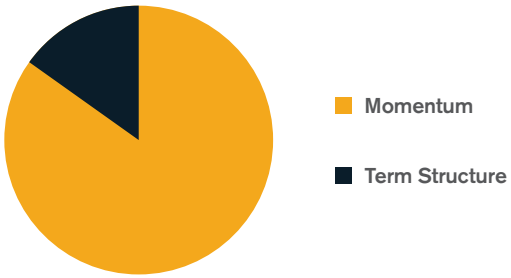
STRATEGY DESCRIPTION

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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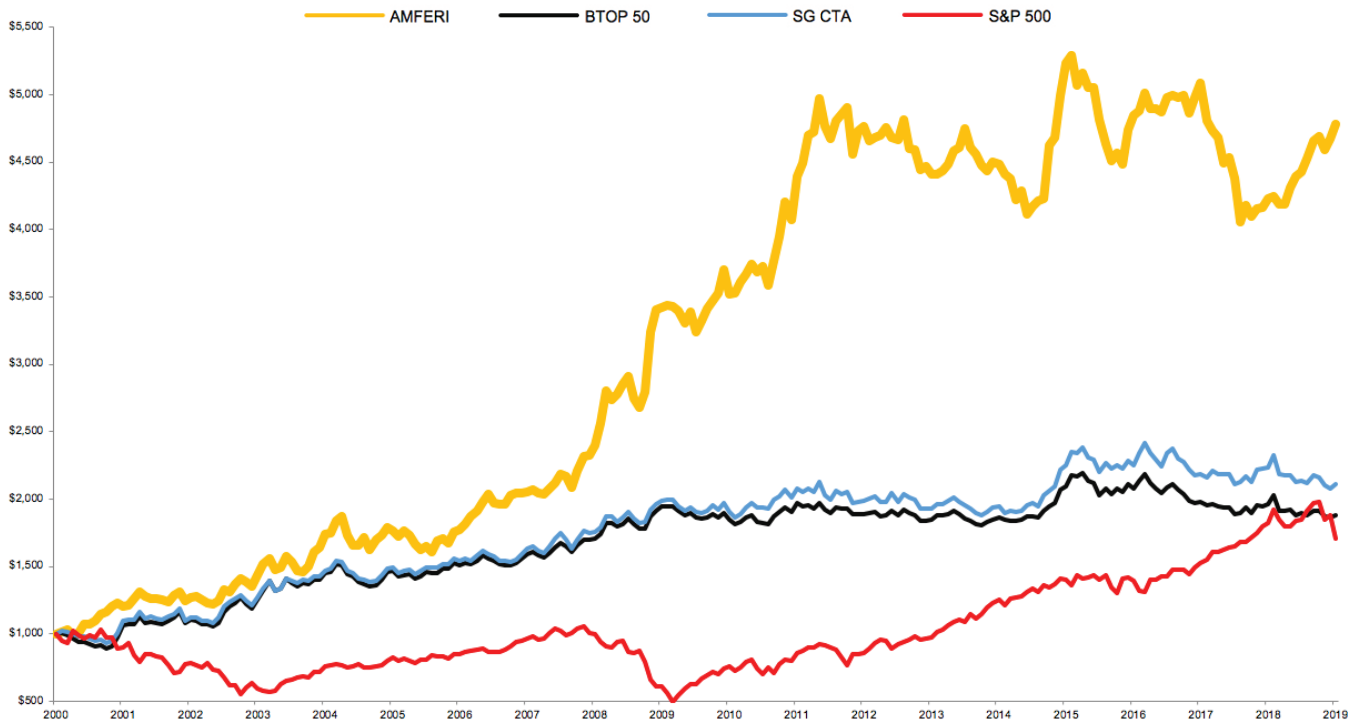
COMPARATIVE MANAGED FUTURES INDEX PERFORMANCE



MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	RETURN
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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