



December 2015 Commentary and Performance

SUMMARY

The Auspice Diversified Program gained 0.66% in December. The strategy found opportunities in the weakness of commodities while further reducing financial exposure. The recent portfolio performance has come at an important time as equities, fixed income and commodities were pressured at the same time that alternatives, including many CTA/Managed Futures strategies, also struggled (as illustrated in Table 1).

While the year's rapid market shifts presented a challenging environment for the strategy, we managed to hold onto most of the outsized gains made in 2014, and performance has started to kick in to end the year. We are pleased with our results and liken the strategy to a "special team's player", content to sit on the sidelines until called on in clutch times. We are optimistic about 2016 as markets are operating at a volatility level that should bring opportunity to those who remain agnostic and patient as to asset class and price direction in the long-term. These are the times when a true non-correlated alternative with steadfast risk management forms a critical portfolio component and becomes an invaluable team member.

Sectors and Trades

While gains were made in only 2 of the 7 sectors, those exposures paid off in the areas that moved the most. Energy sector shorts led the performance and was complemented by Grains.

We continued to reduce financial exposure in Currencies and Fixed Income, and exited the remaining equity exposure in the early hours of the new year. Post the FED rate hike in mid- December, most of these markets became somewhat directionless to end the year, suggesting that opportunities have tilted toward commodities.

The largest position gains came from shorts in GasOil, Heating Oil, Soybean Meal and Corn, along with early month gains in British Pound and Canadian Dollar shorts. The largest position losses came from short exits in the Euro and Swiss Franc, along with exiting the long position in Euro-Schatz interest rate futures for a gain overall.

Chart 1

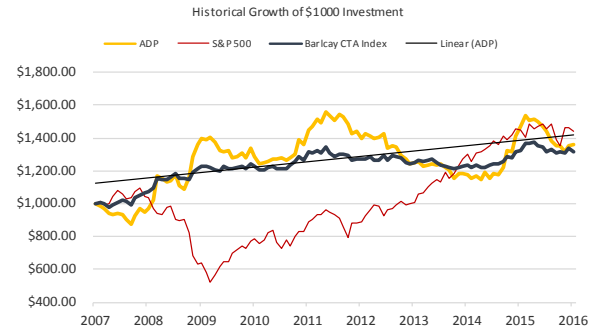


Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	0.66%	-3.44%	-1.7%	1.58 %*
2015 YTD	-7.47%	-10.57%	-0.72%	-0.51**

Table 2: Long-term Program Performance (1/08 - 12/15)

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
8 Year Annualized Return	4.32%	-0.70%	4.22%	*2.58%
Cumulative Return	40.30%	-5.45%	39.19%	22.56%
Annualized Std Dev	11.91%	14.37%	16.41%	5.42%
Sharpe Ratio	0.36	-0.05	0.26	0.48
MAR Ratio	0.17	0.02	0.09	0.26
Largest Drawdown	26.03%	44.27%	47.51%	9.92%
Correlation to Auspice Diversified	1.00	-0.18	-0.28	0.77

*Performance for the Barclays CTA Index is estimated using the performance for the Newedge CTA Index



Winner - 2014 Altegris CTA Challenge

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**Returns represent the performance of the Auspice Managed Futures LP Series 1.



Key Positions

Energies

Energy led portfolio gains

- Gains were made across the petroleum side of the complex, where we added to the exposure in Gasoline and WTI Crude Oil.
- After entering Natural Gas in September, we cut the short exposure significantly as the market rallied sharply during the month. The trade was profitable on a 3:1 basis (reward to risk taken).

Metals

Metals were off

- Metals were stronger than most commodities with Precious metals slightly softer. Industrial metals were stronger on the back of Copper.
- We exited a long term (February 2015) short in Platinum to capture a great gain (2.6:1).
- The strategy remains tilted short the sector.

Grains

Grains were profitable

- The strategy remains short Grains with strongest attributions from shorts in Soybean Meal and Corn.

Soft Commodities

Softs were flat

- Another month of gains from the long position in Sugar - complemented by a short in Rubber - were offset by losses in Coffee and Cotton (exited).

Equity Indices

Equities were lower

- We held onto the remaining equity position for the month, but exited Nasdaq early in the new month to hold no equity exposure. A small sector loss resulted.

Currencies

Currencies were mixed

- Gains in the Canadian Dollar and British Pound did not offset the correction and exits in the Euro and Swiss Franc.
- We remain short the Aussie Dollar while continuing long the Yen.

Interest Rates

Interest Rate futures softened post FED

- After selling off in November and rebounding thereafter, futures again softened after the announcement (with rates slightly higher).
- We exited the long 2 year Euro-Schatz early in the month.
- We remain long weights in US 5 and 10 Year Note futures while short the long end 30 year Bond futures.

Figure 1: Attribution for Auspice Diversified

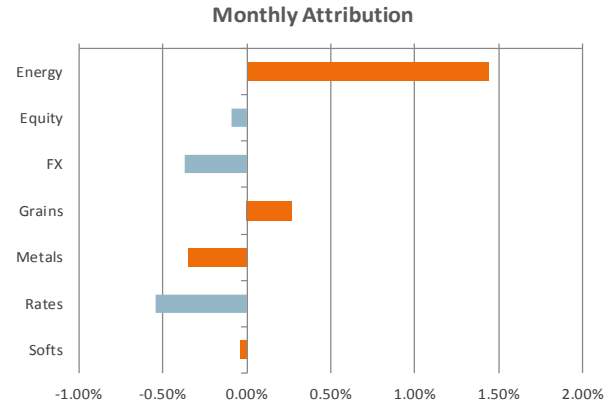


Table 3: NAVs ending December 2015

NAV	Auspice Managed Futures LP*
Series 1	1221.9728
NAV	Auspice Diversified Trust
Class A	9.5807
Class F	9.8415
Class S	9.3468
Class H	10.7455
Class X	11.2550

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