AUSPICE

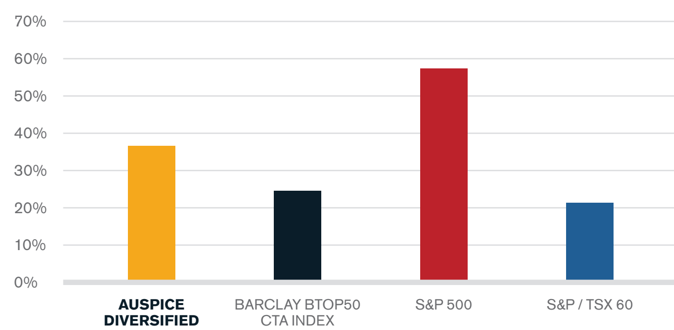
DIVERSIFIED PROGRAM

COMMENTARY + PORTFOLIO FACTS

DECEMBER 2016

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



Correlation	0.68	-0.24	-0.14

*Cumulative performance from January 2007. This represents the first full year of the fund and is most representative of the current strategy and portfolio.

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SUMMARY

The Auspice Diversified Program treaded water to end 2016, softening a mere 13 basis points to be up 1.15% year to date. The yearly performance sharply contrasts the industry benchmarks: Barclays BTOP50 CTA Index pulled back an estimated 4.69% (Table 1) while the SG CTA index lost 2.68% for reference. In addition to the recent outperformance, this extends to the long term when considering 3 and 9 year results (Table 1).

December was another month of historical market significance. While perhaps not as surprising as the US election or Brexit, the US FED raised rates in a much anticipated move adding it expected another three moves in 2017. Rates had been rising (futures falling) since peaking in early July and accelerating post the early November election. While expected, this appears to be another catalyst event as both financial and commodity markets continued to respond.

The S&P 500 and MSCI World equity benchmarks gained 1.82% and 2.29% respectively while the commodity resource tilted Canadian TSX/S&P60 continued to lead the developed world equity performance gaining 1.32% for over 17% on the year.

Commodities continued to have the strongest year in many with benchmarks gaining: Bloomberg Commodity Index gained 11.4% while the Auspice Broad Commodity Index gained 8.6% in 2016. The contribution was widespread in this diverse asset class with gains in Agricultural markets, Metals and Energies.

Chart 1 HISTORICAL GROWTH OF $1000 INVESTMENT

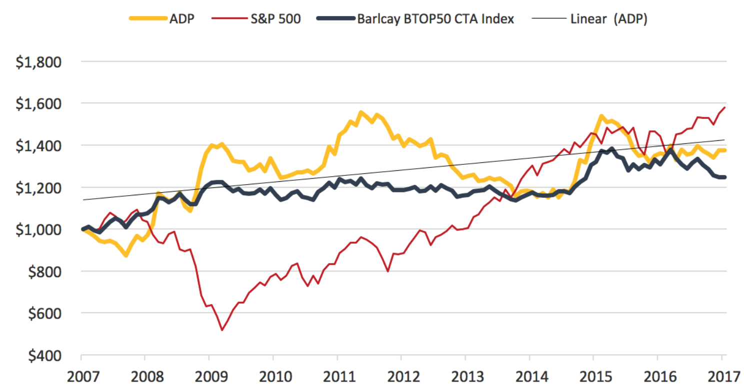

Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-0.13%**	0.16%	1.82%	1.32%
2016 YTD	**1.15%**	-4.69%	9.54%	17.71%
1 yr (Jan 16)	**1.15%**	-4.69%	9.54%	17.71%
3 yr (Jan 14)	**16.75%**	6.39%	21.14%	14.81%
9 yr (Jan 08)	**41.86%**	16.06%	52.47%	11.29%
Annualized (Jan 07)	**3.23%**	2.24%	4.67%	1.94%

OUTLOOK

2016 was a year of historic events and surprises, some shocking (Brexit and the US election), and others well anticipated. Regardless, they were catalysts for market activity that was tough on trends inducing major reversals and whipsaws. However, with the careful agility and risk management demonstrated, we believe this can lead to a positive environment as we experienced in 2016.

The new year will likely bring a whole new set of surprises. There are numerous political events including elections across Europe and unknowns regarding Chinese and Russian reaction to a new US leader's policies. Oil remains vulnerable given the concentration in unstable jurisdictions while in high global demand. Moreover, volatility remains high as the equity markets are at all-time record levels.

It is our aim to continue to add absolute return but also of the most important kind for a portfolio. The results achieved are not only positive in the face of CTA sector weakness, but negatively correlated to equities.

As such, 2016 reminds investors that all CTA programs are not the same. The Auspice Diversified Program remains a potentially valuable addition to many portfolios including those with existing CTA/Managed Futures exposure. With a long term correlation of -0.24 to the S&P (see front page), this illustrates equity and Auspice returns are accretive together. Moreover, a low 0.46 correlation to the SG CTA Index (1 year basis - daily returns) demonstrates the combined performance and non-correlation to other CTAs is also valuable. As illustrated in Chart 1, the strategy shows historic outperformance to the Barclay BTOP50 CTA Index in the critical times of 2008, 2010 and 2014 when non-correlated returns are needed most.

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ATTRIBUTIONS AND TRADES

December provided some consolidation, reversals and profit taking after trends emerged and extended post-election — and it was another month of catalyst events in OPEC and the FED.

The OPEC "cuts" announced to start the month ignited a rally in petroleum products and we repositioned to make some small gains. We are also tilted long Natural Gas.

As the US FED rate increase was anticipated, Interest Rate futures continued their fall into the December 14th announcement. While futures rallied post, we managed to capture a small gain for the month. The strategy remains positioned net short with the exception of long Germany's 2 Year Euro Schatz.

However, the largest gains for the portfolio came from other places and the top performing sectors were Equities and Soft Commodities:

North American and European equities continued to rally and we added exposure in those markets while shorting the weaker of the Asian markets in the Hang Seng. Yet not all Asian equity markets were weak and the Nikkei was top performing for the month from the long side. We remain long the outperforming Canadian TSX/S&P60 as equities continue to surprise and we are simply accepting the trend.

Soft Commodities remain unique and markets behaved as such. Existing long exposures in Rubber and Cotton gained and were complimented by new shorts in Sugar and Coffee.

Portfolio losses were concentrated in Metals and Grains. Industrial Metals pulled back for the month which was not offset by the weakness in Precious Metals. Grains were generally quiet while a reversal in Canola caused a sector loss.

Chart 2 SECTOR PNL MONTHLY ATTRIBUTION

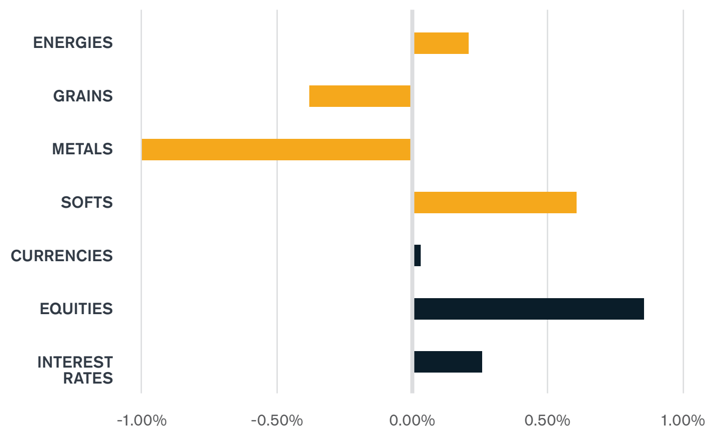
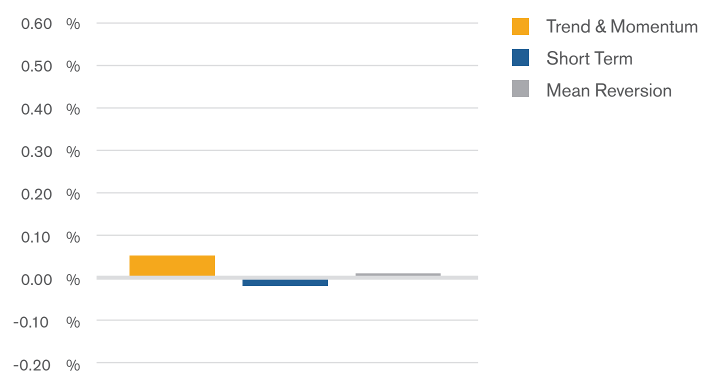


Chart 3 STRATEGY (RETURN DRIVER) ATTRIBUTION



Return Drivers: This month was mixed bag with some Trend and Momentum strategies doing well and others suffered for a net small gain. Additionally, a small positive contribution from Mean Reversion strategies helped while the Short Term (non-trend) strategies were negative contributors. See Chart 3. The value in this combination remains the lack of correlation in the return drivers.

POSITION HIGHLIGHTS

GAINS

- Equity Indices: strong month in Nikkei and Dow Jones EuroStoxx 50 led gains.
- Rubber: another strong move for existing position gaining 15.0%.
- Natural Gas: rallied sharply for the strongest portfolio gain.

LOSSES

- Metals: exited weakness in Nickel while maintain Copper.
- Canola: exited reversal for a loss.
- Gasoline: losses in Short Term strategies offset Trend gains.

COMMENTARY + PORTFOLIO FACTS

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EXPOSURE AND RISK ALLOCATION

December was another month that highlights the importance of asset diversification in our portfolio. Despite being tilted to commodity opportunities, should they arise, it is critical to be just as adept in capturing financial markets such as Interest Rates and Equities.

Moreover, even within sectors as homogenous as Equity or Rates, it is important to recognize that global markets behave uniquely, and adjustments need to be made to optimize risk and reward. A perfect example of this is adding risk to the rising equity markets while shorting weakness in other markets (Hang Seng).

After shifting to a more balanced split the last couple months, portfolio risk* shifted back towards the commodity markets, adding 2% of the total risk budget of the portfolio over financials (which gained the same amount). The portfolio remains quite balanced with a modest commodity tilt as can be seen in Chart 4.

The most significant changes came from decreases in Grains and Metals risk while adding exposure in Energies. In the financial markets, Equity risk increased while Currencies and Interest Rates decreased. The largest change came from reduced Metals risk due to the sector underperformance (See Chart 5).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

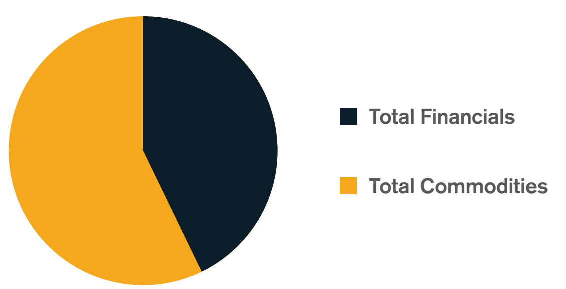
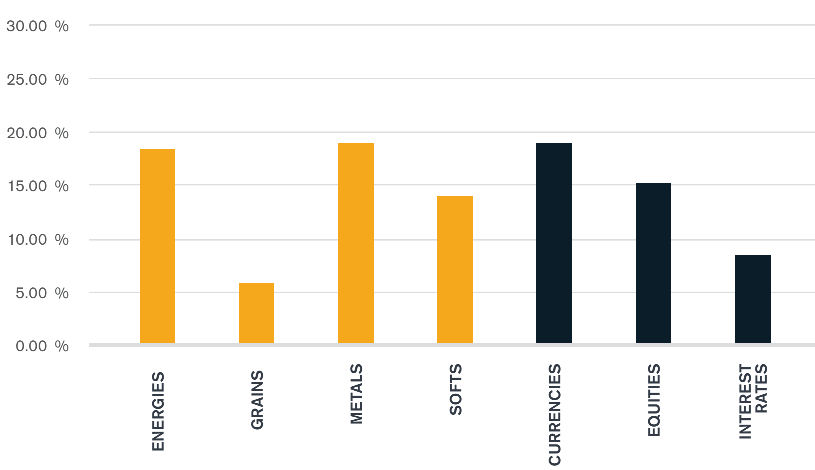


Chart 5 CURRENT SECTOR RISK



CURRENT RISK BY SECTOR

ENERGIES 18.28%

Largest Holdings	Position	% of Risk
RBOB Gasoline	Long	9.56%
Natural Gas	Long	5.43%
Heating Oil	Long	2.75%

GRAINS 5.83%

Largest Holdings	Position	% of Risk
Wheat	Short	3.59%
Soybeans	Short	1.73%
Corn	Long	0.52%

METALS 18.79%

Largest Holdings	Position	% of Risk
Silver	Short	5.88%
Gold	Short	5.53%
Copper	Long	3.61%

SOFTS 14.19%

Largest Holdings	Position	% of Risk
Sugar #11	Short	5.23%
Rubber	Long	5.10%
Coffee	Short	2.69%

CURRENCIES 19.06%

Largest Holdings	Position	% of Risk
Japanese Yen	Short	5.57%
Euro	Short	5.54%
Aussie Dollar	Short	3.81%

EQUITIES 15.26%

Largest Holdings	Position	% of Risk
DJ Euro Stoxx 50	Long	3.84%
Nikkei (Japan)	Long	2.71%
S&P500 (USA)	Long	2.18%

INTEREST RATES 8.59%

Largest Holdings	Position	% of Risk
Euro Schatz 2yr (German)	Long	4.11%
Treasury Note/10yr (USA)	Short	3.52%
Treasury Bond/30yr (USA)	Short	2.30%

* Risk is expressed as the maximum expected loss in a position or sector divided by the total portfolio risk across all positions.

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STRATEGY DESCRIPTION

Auspice Diversified is our flagship strategy. It is a rules-based multi-strategy investment program designed to deliver superior, non-correlated returns at critical times. It represents the culmination of the ongoing research and experience of the Auspice Portfolio Management and Research teams.

The strategy draws from all of Auspice's current research (the Auspice Building Blocks). The strategy is rooted in trend following but is our most active and evolving multi-strategy quantitative approach pulling together other complementary strategies and wrapping them in a rigorous risk and capital allocation model. The strategy is designed to be agile and resilient as we believe these traits are necessary in order to generate performance long term.

THE MAIN POINTS OF DIFFERENTIATION INCLUDE:

- Higher allocation to commodities relative to our peers,
- Negative correlation to equity, no correlation to commodity,
- Low risk (margin to equity average <7.0%) makes it scalable, low round turns per million.
- Portfolio Management team with experience trading in volatile environments.
- Positive skew: Auspice Diversified has outperformed at critical times of crisis, recovery, and volatility expansion.

FUND FACTS

Chart 6 PORTFOLIO EXPOSURE (MARGIN TO EQUITY)

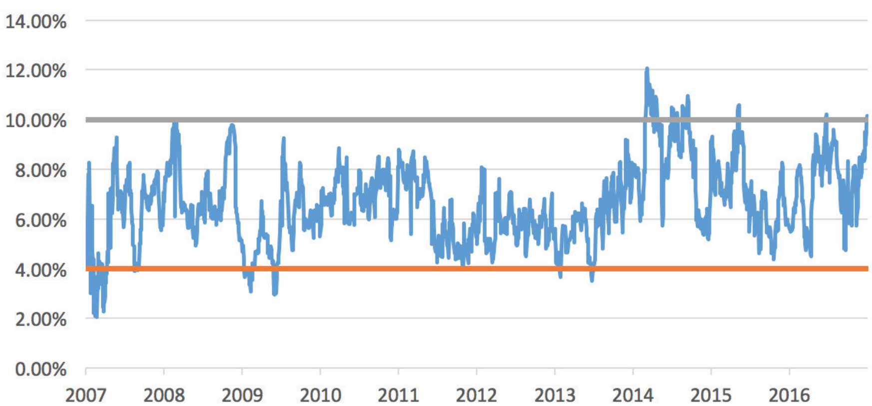

Table 3 NAVS

NAV	Auspice Managed Futures LP*
Series 1	1236.0413
NAV	**Auspice Diversified Trust**
Class A	9.6431
Class F	10.0096
Class S	9.4081
Class H	10.9290
Class I	11.7685
Class X	11.4486

Program Statistics (from Jan 2007)	
Annualized Return	3.23%
Annualized Std Dev	11.42%
Largest Drawdown	-26.04%
Sharpe Ratio[1]	0.28
MAR Index[2]	0.12
Sortino	0.74
Upside/Downside Volatility[3]	2.82% / 1.29%
Correlation to S&P 500	-0.24%
Correlation to TSX60	-0.14%
Correlation to BCOM ER	0.05

Trade Statistics	
Avg Monthly Gain	2.80%
Avg Monthly Loss	-2.09%
Daily Std Dev	0.69%
Daily VAR (sim w/99% conf)	-1.88%
Round Turns per $million	433
Margin to Equity ratio	6.61
Average Hold Period (Days)	68
% Profitable	37.55%
$Win / $Loss	1.68

Program Details	
Structure	Unit Trust / LP / Mngd Account / Offshore
Mgmt Fee	0-2%
Incentive Fee	20% w/High-Water Mark
Liquidity	Monthly (no lockup)
Firm Assets	$255M
Min. Investment	Accredited Investor / QEP
Unit Pricing	$CAD or $USD

1. Assumes Risk free rate of 0%. 2. MAR is the annualized return divided by the largest drawdown.
3. Standard deviation of positive (Upside) or negative (Downside) monthly returns over the risk free rate.

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FUND FACTS (CONT)

MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2016	-0.22%	3.12%	-4.93%	3.59%	-1.64%	0.56%	2.44%	-1.55%	-1.06%	-1.34%	2.68%	-0.13%	**1.15%**
2015	4.66%	-1.93%	0.47%	-0.98%	-2.03%	-1.84%	-4.36%	-2.14%	0.26%	-2.74%	2.56%	0.66%	**-7.47%**
2014	-2.02%	1.62%	-1.84%	3.25%	-3.11%	2.65%	-0.43%	3.92%	8.56%	-0.78%	7.05%	4.19%	**24.76%**
2013	0.40%	-2.23%	0.26%	0.99%	-0.90%	0.66%	-1.54%	-1.33%	-4.07%	2.01%	0.04%	-0.36%	**-6.01%**
2012	2.41%	-1.11%	-1.19%	0.60%	1.72%	-6.29%	1.17%	-0.70%	-3.64%	-1.80%	2.38%	-0.81%	**-10.24%**
2011	1.39%	2.97%	-1.16%	4.09%	-1.31%	-1.62%	2.16%	-1.09%	-2.60%	-3.82%	1.07%	-3.44%	**-3.66%**
2010	-3.26%	0.45%	0.61%	0.95%	0.01%	0.62%	-1.02%	1.07%	1.82%	6.98%	-2.51%	6.68%	**12.53%**
2009	-0.61%	1.08%	-2.27%	-3.32%	-0.58%	0.15%	-3.23%	0.75%	1.44%	-2.31%	4.84%	-3.83%	**-7.93%**
2008	5.60%	14.59%	-1.72%	-1.58%	0.71%	2.86%	-5.61%	-1.99%	6.86%	10.80%	5.77%	2.73%	**44.30%**
2007	-1.43%	-1.76%	-2.42%	-0.79%	0.71%	-1.32%	-3.16%	-3.07%	5.87%	4.53%	-2.13%	2.29%	**-3.11%**

* Returns represent the oldest series of Auspice Managed Futures LP, Series 1 (2% management and 20% performance fee).
See Important Disclaimers and Notes for additional details.

IMPORTANT DISCLAIMERS AND NOTES

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COMPARABLE INDICES

*Returns for **Auspice Diversified or "ADP"** represent the performance of the Auspice Managed Futures LP Series 1. Performance is calculated net of all fees.

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 **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.

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.

Excess Return (ER) Indexes do not include collateral return.

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.

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 such as the Barclay CTA Index and the Auspice Diversified Program. Adding non-correlated assets within a portfolio has the potential to reduce portfolio volatility and drawdowns.

QUALIFIED INVESTORS

For U.S. investors, any reference to the Auspice Diversified Strategy or Program, "ADP", is only available to Qualified Eligible Persons "QEP's" as defined by CFTC Regulation 4.7.

For Canadian investors, any reference to the Auspice Diversified Strategy or Program, "ADP", is only available to "Accredited Investors" as defined by CSA NI 45-106.

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