



### February 2016 Commentary and Performance

#### Summary

The Auspice Diversified Program had a strong month, gaining 3.12%. While the Equity market rallied back from early month weakness, commodities were also volatile. Some markets consolidated yet there were also sharp moves higher and lower. This was mirrored in Currencies and Interest Rate futures and thus provided a diverse set of opportunities.

There is no doubt that volatility is upon us. For the portfolio, this is opportune as our agnostic approach to price direction and a diverse basket of assets enables patience to pay off. Moreover, the unique attributes of the Auspice approach enable the returns to come at different times than traditional assets classes and also other peer managers. This makes the portfolio accretive to most everything and thus valuable in the long term.

#### Sectors and Trades

Gains were made in 6 of the 7 sectors, encompassing both commodity and financial sectors. Existing short positions in Grains led the performance and were complemented by long Interest Rates and short Energies (See Figure 1).

We continue to shift risk to the most trending sectors. This means that we have continued to shift risk from commodities to financials largely by reducing Energy exposure and adding to Currency. This was counterbalanced by modestly adding to Grains and Softs while reducing Equity exposure.

The largest position gains came from existing shorts across the Grains including Canola, Corn and Wheat. The largest individual exposure gain came from Cotton which softened dramatically. The largest position losses came from the Canadian Dollar which rallied sharply.

Chart 1: Historical Growth since January 2007

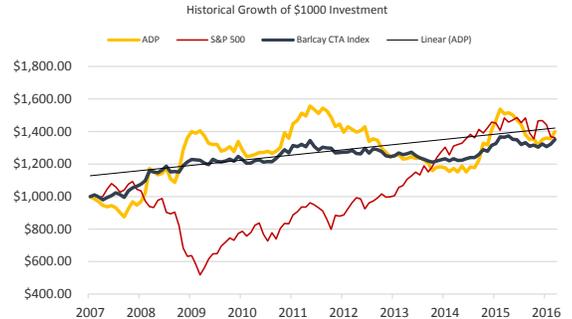


Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	3.12%	0.06%	-0.41%	2.15%*
2016 YTD	2.88%	-1.21%	-5.47%	3.30%*

Table 2: Long-term Program Performance (Since Jan 2007)

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
Annualized Return	3.73%	0.18%	3.43%	3.33%*
Cumulative Return	39.83%	1.67%	36.23%	35.01%
Annualized Std Dev	11.65%	13.80%	15.74%	5.43%
Sharpe Ratio	0.32	0.01	0.22	0.61
MAR Ratio	0.14	0.00	0.07	0.34
Largest Drawdown	26.04%	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	1.00	-0.14	-0.24	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 were profitable yet trend risk was reduced*

- While within the sector, the petroleum markets were more consolidative, WTI was slightly softer. This lent itself well to our short-term pattern systems contributing 0.40% of the gain.
- Natural gas remains short and had a positive contribution.

#### Metals

*Metals had the lone loss*

- Metals were again stronger than most commodity sub-sectors on the back of both Industrial and Precious metals.
- Led by a long position in Gold, we made a number of adjustments – exiting shorts in Platinum and Copper.

#### Grains

*Grains were the top performer and risk was increased*

- Grains performed well across the short tilted sector.
- We added a short in Canola early in the month which paid off well.

#### Soft Commodities

*Softs were profitable*

- Cotton was the star performer for the portfolio and slightly complemented by weakness in Coffee and Rubber.
- The strategy remains long Sugar which was one of the stronger commodities overall.

#### Equity Indices

*Profitable on the back of modest short risk*

- Despite little and declining risk as global markets continue to be choppy and slightly weak, we made short gains in Nikkei, Hang Seng, Eurostoxx 50.
- *We exited shorts in the TSX 60 and S&P 500 while adding a short in the Nasdaq.*

#### Currencies

*Currencies contributed and we have increased our exposure*

- Most of the Canadian dollar short exposure was captured profitably. This position was exited early to capture the bulk of the weakness since early December.
- Offsetting gains were made short the British Pound and a new long in the Yen.

#### Interest Rates

*Interest Rate futures gained and we increased exposure*

- The trend started in January continued into February and futures ground higher early, corrected sharply lower and then resumed their ascent into month end.
- The strategy remains long this sector with gains primarily from positions in the long end of the curve.

Figure 1: Attribution for Auspice Diversified

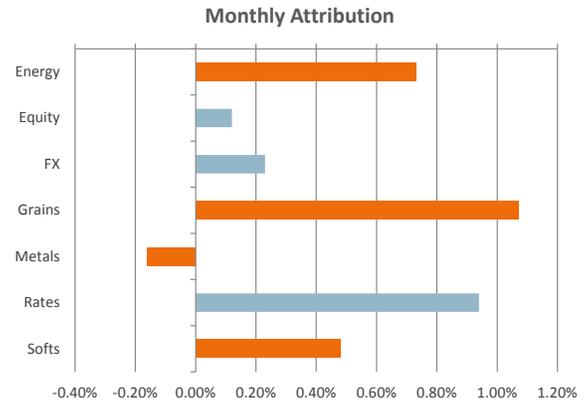


Table 3: NAVs ending February 2016

NAV	Auspice Managed Futures LP*
Series 1	1257.2244
NAV	Auspice Diversified Trust
Class A	9.8491
Class F	10.1345
Class S	9.6086
Class H	11.0654
Class X	11.5904

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