



### January 2016 Commentary and Performance

#### SUMMARY

The Auspice Diversified Program was near flat to start the year, slipping 0.22% in January. While weakness in both equity and commodities kicked in early in the month – leading to strong early gains in the strategy - the reversal was sharp, eroding much of those gains.

Our view remains unchanged - there is uncertainty and possible continued pressure on the markets in general. High global unrest, high personal debt levels, and concerns over the use of leverage being vocalized by regulators have rightfully made the markets nervous.

The markets are operating at a volatility level that should bring opportunity to those agnostic and patient as to 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.

We are patient.

#### Sectors and Trades

Gains were made in 3 of the 7 sectors: Existing positions in Currency and Energy sector shorts led the performance and were complemented by Interest Rates, which moved higher from the start of the month.

Our most significant exposure remains in Energy which paid off yet again from the short-side, complemented by Currencies and Rates. This was offset by new shorts added primarily in Equity and the existing shorts from stronger markets in Grains and Metals.

The largest position gains came from shorts in the British Pound and Canadian Dollar, and across the Energy sector, Copper and Cotton. The largest position losses came from the long Sugar position and the early month long exit in Nasdaq (a good exit) and new Equity shorts.

Chart 1: Historical Growth since January 2007

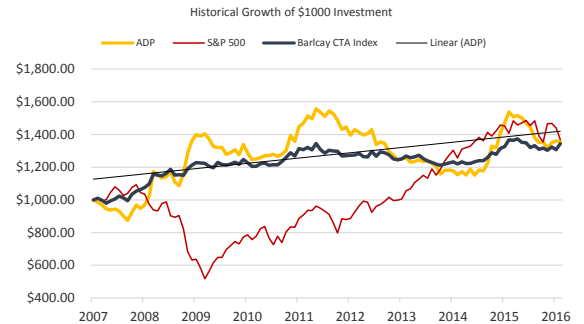


Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	-0.22%	-1.27%	-5.07%	2.83%*
2016 YTD	-0.22%	-1.27%	-5.07%	2.83%*

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

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
Annualized Return	3.41%	0.18%	3.51%	3.31%*
Cumulative Return	35.60%	1.61%	36.80%	34.39%
Annualized Std Dev	11.66%	13.86%	15.81%	5.48%
Sharpe Ratio	0.29	0.01	0.22	0.60
MAR Ratio	0.13	0.00	0.07	0.33
Largest Drawdown	26.04%	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	1.00	-0.14	-0.23	0.76

\*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 moved sharply lower for gains*

- Gains were again made across the petroleum side of the complex, where we remain short.
- The latter part of the month witnessed Crude Oil lead a bounce back rally yet still below the levels it began the year at.

#### Metals

*Metals had a challenging month*

- Metals were stronger than most commodities on the back of strength in Precious metals, led by Gold. We made a number of adjustments: reduced the Gold short and exiting Silver while adding shorts in Platinum and Palladium.
- Industrial metals fell following the general commodity trend but did not fully offset the sector strength against the existing short position tilting.

#### Grains

*Grains struggled*

- Grains started soft before grinding higher much of the month against existing shorts.
- We remain short the sector at this time.

#### Soft Commodities

*Softs were off*

- After months of gains from the long position in Sugar, the market corrected lower. The strategy remains Long.
- The sector loss was partially offset by gains in Rubber and Cotton.

#### Equity Indices

*Significant position change- Equities were lower and volatile*

- We exited our long Nasdaq position early in the new month.
- Given the downward momentum that started from the early hours of the new year, we entered a number of new Equity short positions, including S&P, Nikkei, Hang Sang, Canada's TSX 60 and the Eurostoxx 50.
- By mid-month however, the Equity market reversed course and bounced higher. We continued to be short Equities.

#### Currencies

*Currencies led sector gains*

- Gains in the Canadian Dollar and British Pound led sector performance.
- We remain short the Aussie Dollar, Euro while continuing long the Yen.

#### Interest Rates

*Interest Rate futures rallied all month*

- After a muted reaction to the FED raising rates in December, futures rallied.
- We added to our long position in US 5 and 10 Year Note futures with US 30 year Bond futures as well as the Long Gilt (UK).
- Small sector gain resulted from position adjustments.

Figure 1: Attribution for Auspice Diversified

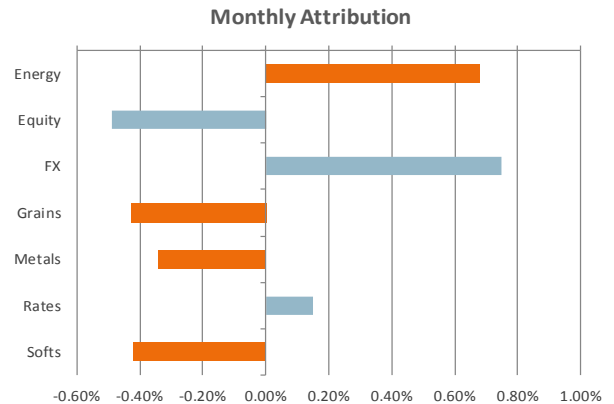


Table 3: NAVs ending January 2016

NAV	Auspice Managed Futures LP*
Series 1	1219.2358
NAV	Auspice Diversified Trust
Class A	9.5556
Class F	9.8242
Class S	9.3223
Class H	10.7266
Class X	11.2354

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