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Auspice Diversified Program Commentary and Performance

March 2016 Commentary and Performance

Note: Please refer to “Important Disclaimers” regarding comparable indices used herein.

Summary

The Auspice Diversified Program had a challenging month, losing 4.93%. After a strong start to the year, sharp reversals in Commodities and Financial markets gave back those gains. Equities had a strong month globally after a rough start to the year, taking some indices positive on the year (see Table 1). Currencies reversed sharply versus the US Dollar which may have further pushed the commodity rally early in the month before weakening at month end. All in all a very tough market to stick with and follow trends.

Gains for the strategy in the previous six months versus losses in global equity markets remind us of the portfolio diversification benefits (ex. MSCI World Index down 6.0% while ADP gained 3.6%). See Table 2 for long term performance versus benchmark equity and CTA/MAnaged Futures Indices.

Sectors and Trades

The month’s losses were spread across all sectors (see Figure 1), encompassing both commodity and financial sectors. Reversals in the Energies, Grains and Soft Commodities were the most challenging. Interest Rates were similarly choppy, selling off before rallying back.

The strategy continues to shift risk. This month it shifted into commodities from financials largely by increasing Grains and Softs while reducing Energy exposure. Also, Equity risk was completely reduced while trimming Currency and Interest Rate exposures.

The largest position gain came from a new long position in the Aussie dollar. The largest position losses came from reversals in Coffee, German Schatz 2 year Bonds, the British Pound and Canola – all of which reversed course sharply.

Chart 1: Historical Growth since January 2007

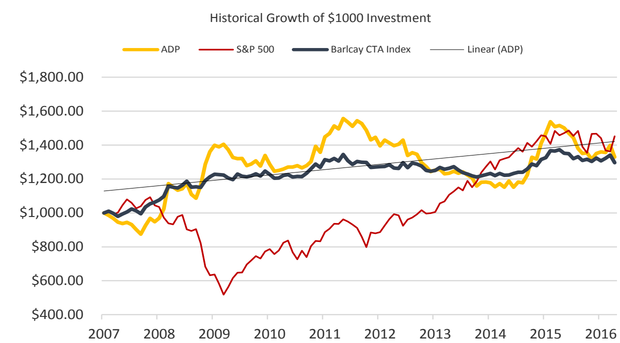

Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	-4.93%	4.72%	6.60%	-3.30%*
2016 YTD	-2.19%	3.45%	0.77%	-0.82%*

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

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
Annualized Return	3.13%	0.68%	4.12%	2.84%*
Cumulative Return	32.94%	6.47%	45.22%	29.62%
Annualized Std Dev	11.72%	13.82%	15.80%	5.51%
Sharpe Ratio	0.27	0.05	0.26	0.52
MAR Ratio	0.12	0.02	0.08	0.29
Largest Drawdown	26.04%	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	1.00	-0.15	-0.25	0.77

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

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Key Positions

Energies
Energy risk was reduced
- After bottoming in the late January to early February timeframe, the petroleum sub-sector continued to rebound and we exited a number of shorts (GasOil, Gasoline, Heating Oil, Crude Oil).
- Natural gas remains short as the long term trend remains down.

Metals
Metals had a small loss
- Metals took a breather after outperforming recently and we remain modestly exposed.
- We continue to hold most of the risk in a long position in Gold which was one of the few commodities to pull back on the month.

Grains
Grains were choppy and not profitable
- Grains rallied and we exited a number of short markets – some profitably capturing long term gains and others to reduce risk.
- *We exited Canola but remain short Wheat and Corn while adding a new long in Soybeans.*

Soft Commodities
Softs were most challenging
- A bounce in many soft commodity markets had us reduce risk, exiting Coffee while remaining short Cotton.
- We exited the long term short Rubber trade entered in late July 2015 as it sprang back to start March. Very profitable and a good example of trend capture at work gaining approximatley 3 times risk taken.

Equity Indices
Small loss on little risk
- *After starting the year weak, we exited shorts in Nikkei, Hang Seng, Eurostoxx 50 and Nasdaq during the month as global equities rallied sharply.*
- *We remain on the sidelines in this choppy volatility.*

Currencies
Currencies had a small loss
- While we made gains on new long positions in Aussie dollar and Swiss Franc, short positions in most currencies offset gains.
- Most notably, the British Pound rallied yet we remain short as most strength vis-a-vis the US Dollar is in “commodity currencies” of Aussie and Canadian Dollars.

Interest Rates
Interest Rate futures lost ground and we reduced exposure
- Interest rate futures dropped to start the month before grinding back in the direction of the long term trend for the remainder of the month.
- The strategy remains net long this sector, while trimming exposure in German Schatz 2 year Bonds and US 10 Year Notes.

Figure 1: Attribution for Auspice Diversified

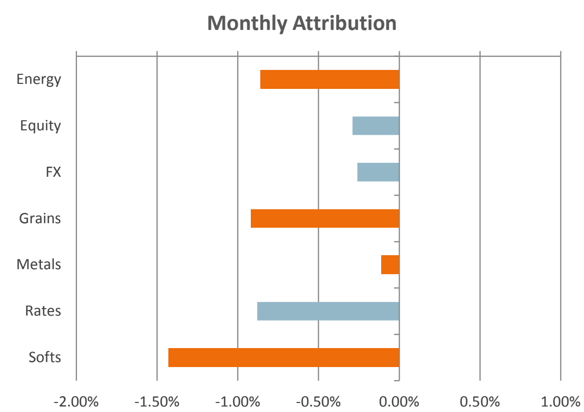

Table 3: NAVs ending March 2016

NAV	Auspice Managed Futures LP*
Series 1	1195.2245
NAV	**Auspice Diversified Trust**
Class A	9.3600
Class F	9.6401
Class S	9.1315
Class H	10.5255
Class X	11.0250