AUSPICE

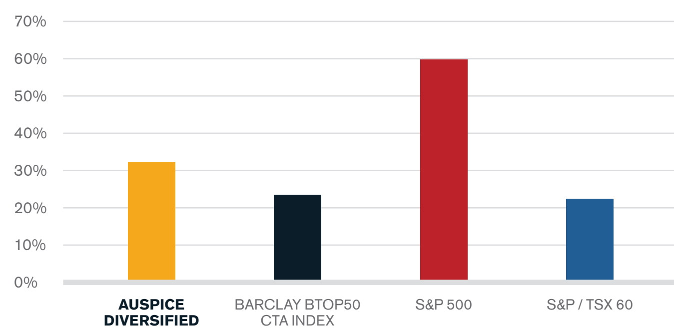
DIVERSIFIED PROGRAM

COMMENTARY + PORTFOLIO FACTS

JANUARY 2017

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 softened 3.66% to start 2017 after outperforming the industry benchmarks in 2016. Long term performance remains ahead of the peer benchmark on a 1, 3, and 9 year basis (Table 1).

While some believed that the inauguration of Donald Trump may cause market unrest the equity markets brushed it off and remain resilient. The S&P 500 and MSCI World gained 1.79% and 2.35% respectively while the commodity tilted Canadian TSX/S&P60 continued to advance gaining over 1.00% after leading the developed world equity performance in 2016.

Commodities started the year by moving against recent trends: weakness in Energies, strength in Grains and Soft Commodities, and a rally back in Precious Metals made a challenging environment for those following trends.

Interest Rates were steady as a futures rally started in late December failed to extend while the US Dollar finally corrected after gaining for the latter half of 2016.

OUTLOOK

Despite the corrections for the month, the trend in most commodity and financial markets remains unchanged at this time.

We anticipate 2017 will likely continue to provide a number of market moving catalysts. Given the numerous political events including elections in Europe, global reactions to a new US leader's policies and executive orders, and Oil market adjustments, volatility is likely to continue outside of the equity market. From this volatility we can expect a reasonable number of trends to develop and thus an optimistic opportunity set for the Auspice investment strategies.

We remind investors that all CTA programs are not the same. With a long term correlation of -0.24 to the S&P (see front page), and a low 0.44 correlation to the SG CTA Index (1 year basis - daily returns), this demonstrates the combined performance and non-correlation to equity and other CTAs is valuable. As illustrated in Chart 1, the strategy shows historic outperformance to the Barclay BTOP50 CTA Index in the critical times of 2008, 2010, 2014 and most recently in 2016 when non-correlated returns are most valuable.

Chart 1 HISTORICAL GROWTH OF $1000 INVESTMENT

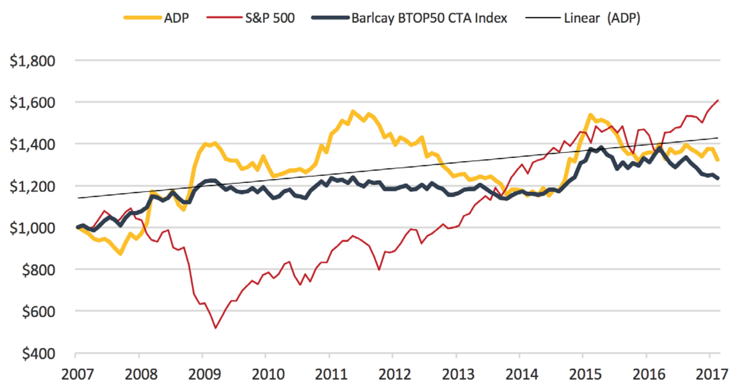

Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-3.66%**	-1.34%	1.79%	1.00%
2017 YTD	**-3.66%**	-1.34%	1.79%	1.00%
1 yr (Feb 16)	**-2.35%**	-8.33%	17.46%	20.43%
3 yr (Feb 14)	**14.80%**	6.30%	27.86%	15.72%
9 yr (Feb 08)	**29.43%**	12.74%	65.31%	17.66%
Annualized (Jan 07)	**2.83%**	2.12%	4.82%	2.02%

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ATTRIBUTIONS AND TRADES

While the portfolio had some outstanding gains from markets as disparate as Rubber, Cotton, Equities and Base Metals, the strength of the reversal in certain sectors eclipsed these gains. Softening in the Energy sector, along with rallies across Precious Metals, Grains and Currencies were most damaging to the results. The top performing sectors were Metals and Softs complimented by Equities. The negative attributions came primarily from Energies as well as Grains and Currencies.

Yet all sectors did not act as homogeneously. While we have been tilted long global equities, the portfolio was not exclusively long and not all long exposures performed. Rallies in Hong Kong against modest shorts along with weakness in Japan's Nikkei where we are long didn't help. Moreover, Europe was weak causing us to take profits in our EuroStoxx position while making gains in North America provided an offset for a sector gain.

The portfolio crystallized gains in various sectors which had a negative PnL impact for the month. Currencies including the Yen, Swiss Franc and Euro were covered while trimming the long exposure in Energy. We also took some profits from both short weights in US rates and long Euro (Schatz) rate futures which had been acting quite independently.

Return Drivers: This month was a struggle for both Trend and Momentum strategies as well as our non-correlated Short Term (non-trend) investment strategies. There was a small positive contribution from Mean Reversion strategies. See Chart 3. While any one month tells you very little, the value in this combination remains the lack of correlation in the return drivers long term.

Chart 2 SECTOR PNL MONTHLY ATTRIBUTION

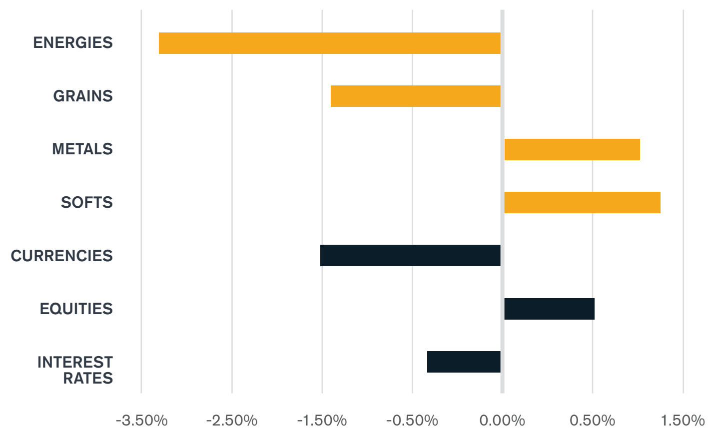
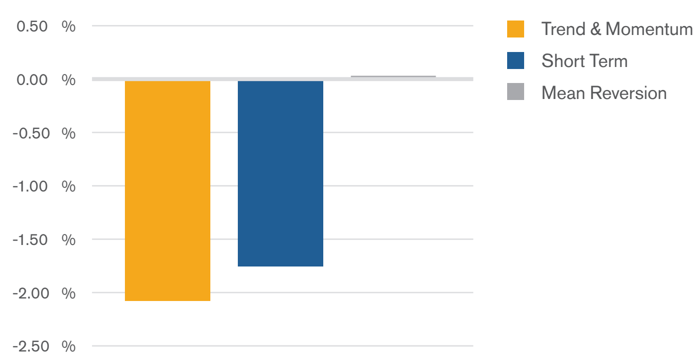


Chart 3 STRATEGY (RETURN DRIVER) ATTRIBUTION



POSITION HIGHLIGHTS

GAINS

- Equity Indices: NorAm indices of S&P, Nasdaq and TSX60 while short VIX.
- Rubber: continues to outperform gaining over 20%.
- Base Metals: gains in Copper and Zinc (9% and 11% respectively).

LOSSES

- Grains: reversal in trends as markets rallied against shorts in Wheat, Soybeans and Corn.
- Currencies: universal rally against shorts across the sector.
- Coffee: rallied 9% in January against recently added short, exited for loss.
- Energies: sell-off across the sector, specifically Crude Oil and Gasoline.

EXPOSURE AND RISK ALLOCATION

In general, we reduced exposure during the month through a combination of profit taking, stop losses, and as a result of trend strategies operating on different time frames and exit criteria.

As measured by the Margin to Equity ratio (see Chart 6 next page), the total exposure was trimmed significantly in January shifting from near 10% at the high of historical band to 5% closer to the low.

After shifting to a more balanced split the last couple months, portfolio risk* shifted back towards the commodity markets over financials. While this appears quite commodity tilted, see chart 4, it is mostly a result of the decrease in financial exposure (as it is measured as a percentage of the total risk) which has also decreased significantly (per margin to equity) i.e. less risk, but more in commodity than financial.

The most significant changes came from decreases in financial markets led by Currencies followed by Rates and Equity Indices. Within commodities, the portfolio added risk in Metals and Softs while decreasing Energies. The largest change came from increased Metals risk due to the outperformance in Zinc and Copper where we have significant outstanding uncrystallised gains (see Chart 5).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

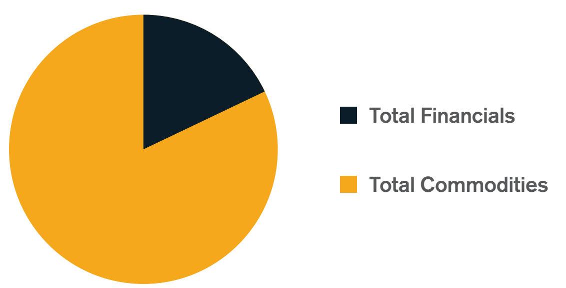
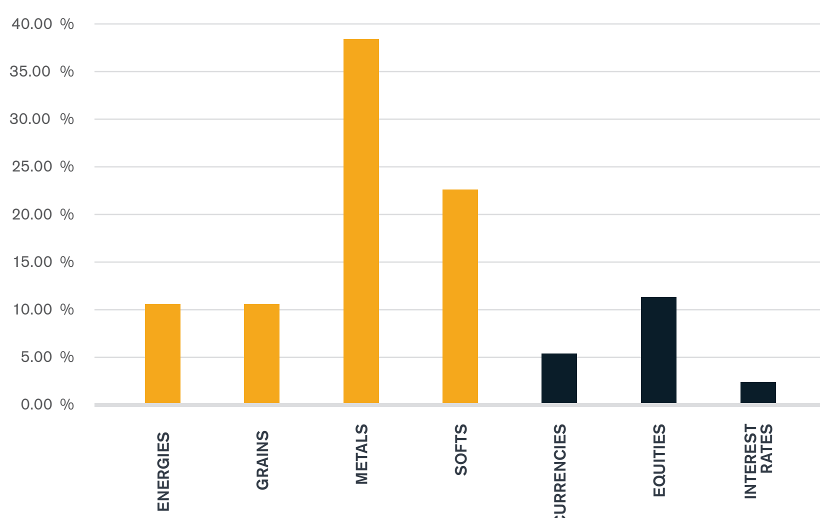


Chart 5 CURRENT SECTOR RISK



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

CURRENT RISK BY SECTOR

ENERGIES 10.40%

Largest Holdings	Position	% of Risk
RBOB Gasoline	Long	2.94%
Heating Oil	Long	2.58%
Gasoil	Long	2.36%

GRAINS 10.24%

Largest Holdings	Position	% of Risk
Corn	Long	6.40%
Soybeans	Long	2.57%
Wheat	Short	1.26%

METALS 38.44%

Largest Holdings	Position	% of Risk
Zinc	Long	15.59%
Copper	Long	14.61%
Gold	Short	4.30%

SOFTS 22.91%

Largest Holdings	Position	% of Risk
Cotton	Long	9.97%
Rubber	Long	8.77%
Sugar #11	Short	4.16%

CURRENCIES 5.11%

Largest Holdings	Position	% of Risk
Japanese Yen	Short	2.15%
Euro	Short	1.09%
British Pound	Short	0.76%

EQUITIES 10.93%

Largest Holdings	Position	% of Risk
Nasdaq (USA)	Long	3.68%
S&P500 (USA)	Long	2.37%
CBOE VIX	Short	1.85%

INTEREST RATES 1.98%

Largest Holdings	Position	% of Risk
Treasury Note/5yr (USA)	Short	1.01%
Treasury Note/10yr (USA)	Short	0.97%

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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)

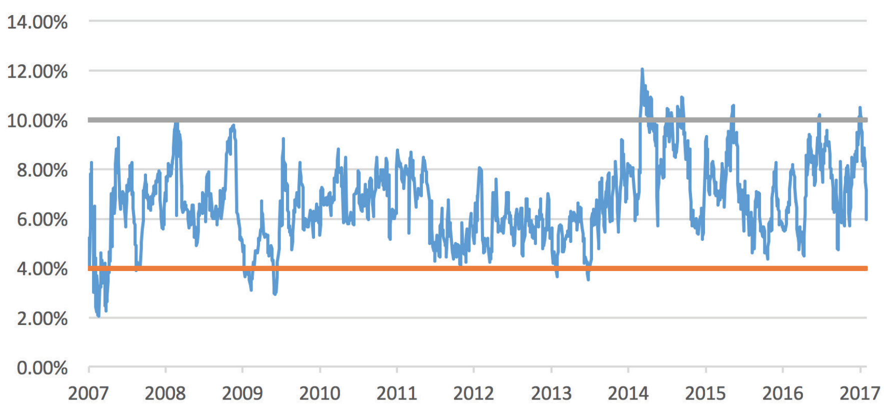

Table 3 NAVS

NAV	Auspice Managed Futures LP*	
Series 1	1190.8500	-3.66%
NAV	**Auspice Diversified Trust**	
Class A	9.2859	-3.70%
Class F	9.6474	-3.62%
Class S	9.0596	-3.70%
Class H	10.5330	-3.62%
Class I	11.3532	-3.53%
Class X	11.0345	-3.62%

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	2.83%	Avg Monthly Gain	2.81%
Annualized Std Dev	11.42%	Avg Monthly Loss	-2.11%
Largest Drawdown	-26.04%	Daily Std Dev	0.69%
Sharpe Ratio[1]	0.36	Daily VAR (sim w/99% conf)	-1.73%
MAR Index[2]	0.11	Round Turns per $million	444
Sortino	0.71	Margin to Equity ratio	6.66
Upside/Downside Deviation	0.16 / 0.05	Average Hold Period (Days)	24
Correlation to S&P 500	-0.24	% Profitable	44%
Correlation to TSX60	-0.14	$Win / $Loss	1.3
Correlation to BCOM ER	0.05		

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	$240M
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.

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FUND FACTS (CONT)

MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2017	-3.66%												**-3.66%**
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

Futures trading is speculative and is not suitable for all customers. Past results is not necessarily indicative of future results. This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. Auspice Capital Advisors Ltd. makes no representation or warranty relating to any information herein, which is derived from independent sources. No securities regulatory authority has expressed an opinion about the securities offered herein and it is an offence to claim otherwise.

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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