AUSPICE

DIVERSIFIED PROGRAM

COMMENTARY + PORTFOLIO FACTS

OCTOBER 2017

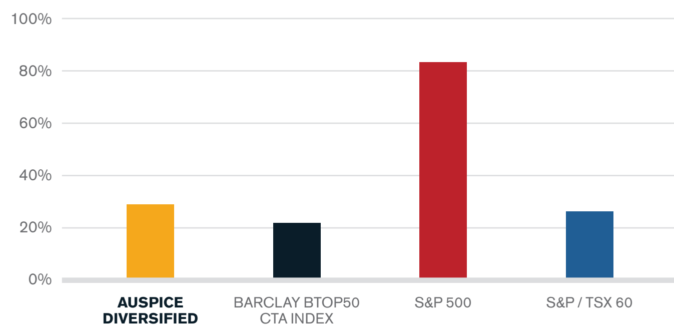
AUSPICE Capital Advisors

SUITE 510 - 1000 7TH AVE SW

CALGARY, ALBERTA CANADA T2P 5L5

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



Correlation	0.69	-0.24	-0.13

*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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Winner - 2014
Altegris CTA Challenge

MORNINGSTAR® Silver
Silver Medal
Best Opportunistic Hedge Fund - 2010

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SUMMARY

The Auspice Diversified Program had its largest gain in 3 years rallying 5.16% in October while the benchmark Barclay BTOP50 CTA index gained 2.75%. The portfolio's strategy diversification and agility is paying off after waiting patiently.

Led by another very strong month for global Stock markets, October was full of movement in both commodity and financial markets extending recent trends. The S&P and Nasdaq gained 2.22% and 3.57% respectively, while the resource tilted Canadian TSX/S&P60 also gathered strength adding 2.75% to make new all time historical highs and narrowing the spread to global benchmarks.

Interest Rate futures and debt continued to soften in October as confidence builds that the US FED will continue to raise rates while Canada's rate policy held overnight rates steady late in the month. The US Dollar continued to rally vis-à-vis most currencies softening.

Commodity benchmarks were stronger with most significant contributions from upside in Petroleum and Industrial Metals. While this was not universal in direction, movement was. While WTI oil continued confidently over $50 and Brent above $60, Natural Gas and many Grains sold off. As such, the energy tilted GSCI gained 3.72% while the more diverse Bloomberg Commodity Index gained 2.05%.

OUTLOOK

Despite low volatility in the Equity sector and the VIX under 12, we are finding volatility pick up across other sectors, both financial and commodity. This is a good sign – and a typical set up. Low volatility breeds complacency and while that doesn't mean the equity market is headed for a reversal, it often brings on unexpected movements due to false comfort. Whether the VIX is at 12 or 17 does it really matter?

You may come up with fundamental reasons why VIX won't rally, the stock market won't fall or Oil is "lower for longer" (as we heard when it was at $35) – but be prepared for the reality of momentum to remind one that markets can stay (fundamentally) irrational for longer than you can stay solvent. (Just ask someone who shorts Tesla…). It's about managing risk – whether a portfolio manager/trader or an entrepreneur.
For a deeper read on this topic check out the Auspice blog.

Chart 1 HISTORICAL GROWTH OF $1000 INVESTMENT

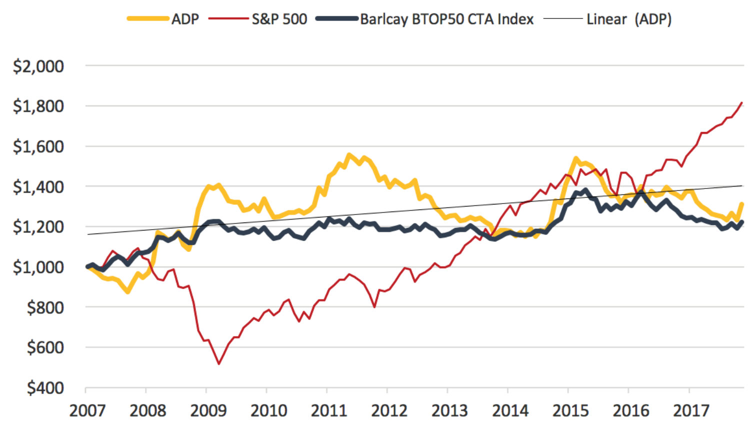


Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**5.16%**	2.75%	2.22%	2.75%
2017 YTD	**-5.70%**	-1.70%	15.03%	5.24%
1 yr (Nov 16)	**-3.30%**	-2.43%	21.12%	9.07%
3 yr (Nov 14)	**-1.55%**	-1.36%	27.61%	11.50%
5 yr (Nov 12)	**-1.85%**	5.77%	82.36%	33.11%
10 yr (Nov 07)	**33.95%**	14.19%	66.21%	11.59%
Annualized (Jan 07)				
Return	**2.43%**	1.86%	5.66%	2.27%
Std Deviation	**11.25%**	6.43%	14.74%	12.94%
Sharpe Ratio	**0.32**	0.32	0.50	0.28
MAR Ratio	**0.09**	0.13	0.11	0.05
Worst Drawdown	**-26.04%**	-14.10%	-52.56%	-44.27%

ATTRIBUTIONS AND TRADES

The bulk of the portfolio performance was split between commodity and financial markets – Energies and Equities (see Chart 2). However, while gains also came from Grains, Metals and Rates, it is important to note that both short and long positions contributed in many sectors of the portfolio.

Within Energies, long Petroleum and short Natural Gas led the commodity portfolio. In Grains, shorts led the gains while in Metals long exposure worked best in Industrial Metals. Within Equities, long was the right direction while short VIX added value. Rates also required agility as we shifted to short exposure in North America while remaining long in Europe for gains.

Return Drivers: Gains in Trend and Momentum strategies led the portfolio higher with a compliment from Short Term. See Chart 3.

Chart 2 SECTOR PNL MONTHLY ATTRIBUTION

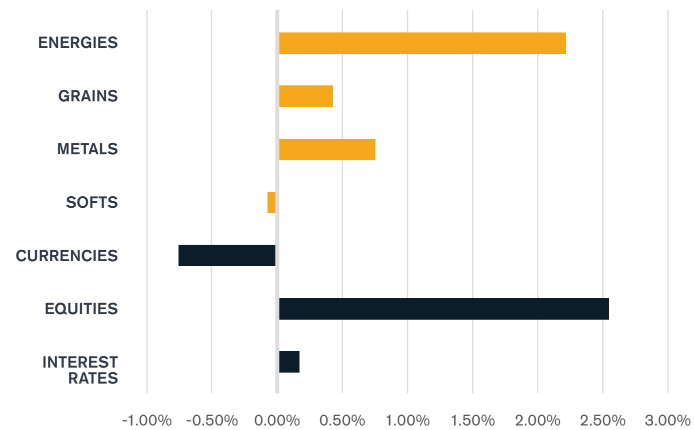
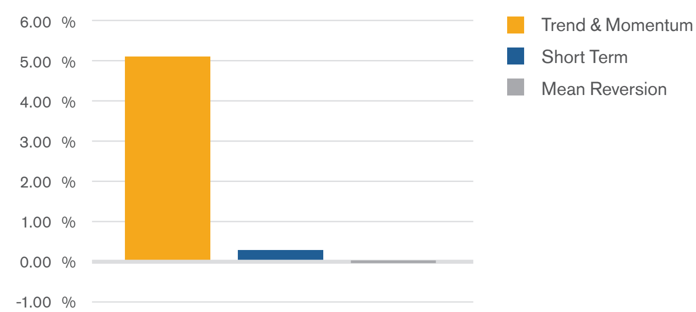


Chart 3 STRATEGY (RETURN DRIVER) ATTRIBUTION



POSITION HIGHLIGHTS

GAINS

- Long equity indices Nikkei and DJ Eurostoxx 50 led gains.
- Energy gains led by Brent Crude and Gasoline.
- Long Zinc and Copper again outperformed.

LOSSES

- Currencies were most challenging as US Dollar strength had the portfolio reduce exposure in British Pound, Canadian Dollar and the Euro yet remains long.
- Soybeans rallied against existing short exposure.
- Gold softened while the portfolio remains long.

EXPOSURE AND RISK ALLOCATION

Exposure levels in the portfolio remained remarkably stable despite the significant gains. Both overall commodity and financial exposure was virtually unchanged at 67:33 per Chart 4.

Within commodities, the most notable changes were increases from long exposure in Industrial Metals while a similar reduction from Soft Commodities.

In financials, the largest change came from reducing long exposure in currencies while gaining modest risk in both Equity Indices and Rates.

Portfolio exposure is at the high end of our typical band as measured by the Margin to Equity ratio (see Chart 6 next page).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

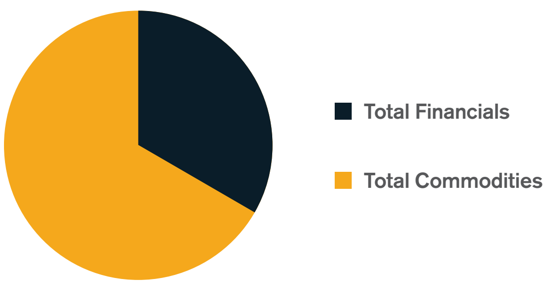
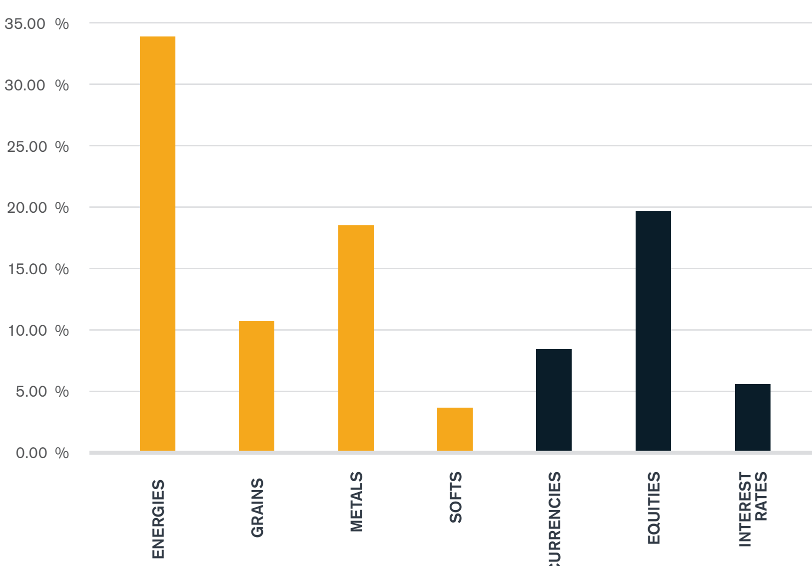


Chart 5 CURRENT SECTOR RISK



* 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 **33.84%**

Largest Holdings	Position	% of Risk
Heating Oil	Long	8.05%
WTI Crude Oil	Long	7.52%
Gasoline	Long	7.34%

GRAINS **10.82%**

Largest Holdings	Position	% of Risk
Wheat	Short	6.55%
Corn	Short	3.19%
Soybeans	Short	1.07%

METALS **18.60%**

Largest Holdings	Position	% of Risk
Zinc	Long	6.79%
Copper	Long	6.46%
Gold	Long	1.71%

SOFTS **3.35%**

Largest Holdings	Position	% of Risk
Cotton	Short	1.74%
Rubber	Short	0.91%
Sugar #11	Short	0.71%

CURRENCIES **8.07%**

Largest Holdings	Position	% of Risk
Swiss Franc	Short	3.71%
Japanese Yen	Short	2.91%
Euro	Long	0.38%

EQUITIES **19.77%**

Largest Holdings	Position	% of Risk
Nikkei (Japan)	Long	4.33%
DJ EuroStoxx 50	Long	3.96%
Hang Seng	Long	2.89%

INTEREST RATES **5.56%**

Largest Holdings	Position	% of Risk
Euro Schatz (German)	Long	3.03%
Treasury Note/10yr (USA)	Short	1.28%
Treasury Note/5yr (USA)	Short	0.50%

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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.

With a long term correlation of -0.24 to the S&P (see front page), and a modest 0.60 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 accretive and valuable.

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)

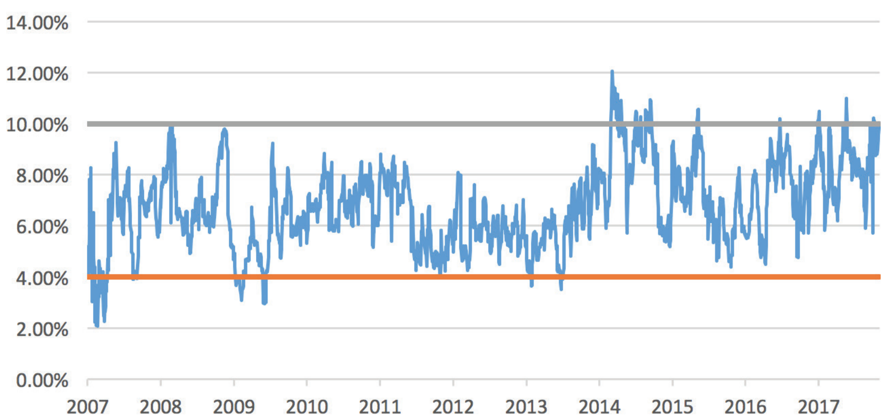

Table 3 NAVS

NAV	Auspice Managed Futures LP*	
Series 1	1165.6420	5.16%
NAV	**Auspice Diversified Trust**	
Class A	9.0513	5.13%
Class F	9.4775	5.22%
Class S	8.8311	5.13%
Class I	11.2431	5.31%
Class X	10.8417	5.22%

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	2.42%	Avg Monthly Gain	2.85%
Annualized Std Dev	11.25%	Avg Monthly Loss	-2.04%
Largest Drawdown	-26.04%	Daily Std Dev	0.68%
Sharpe Ratio[1]	0.32	Daily VAR (sim w/99% conf)	-1.73%
MAR Index[2]	0.09	Round Turns per $million	450
Sortino	0.59	Margin to Equity ratio	6.8
Upside/Downside Deviation	0.16 / 0.05	Average Hold Period (Days)	22
Correlation to S&P 500	-0.24	% Profitable	43%
Correlation to TSX60	-0.13	$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	$190M
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%	-1.89%	-1.35%	-1.39%	-0.53%	-0.51%	-1.61%	2.76%	-2.53%	5.16%			**-5.70%**
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 S&P Goldman Sachs Commodity Excess Return Index **(S&P GSCI ER)**, is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

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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