



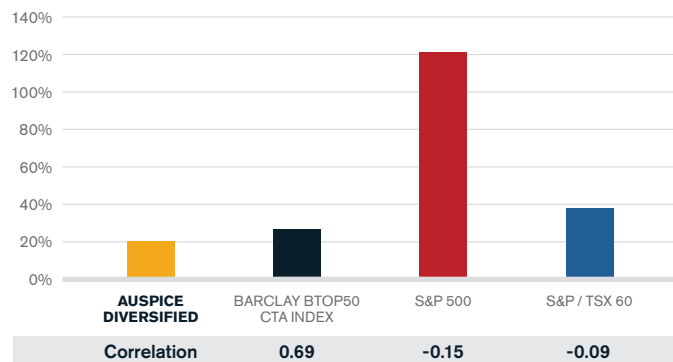
# DIVERSIFIED PROGRAM

COMMENTARY +  
PORTFOLIO FACTS

NOVEMBER 2019



## CUMULATIVE PERFORMANCE ( SINCE JANUARY 2007\* )



\*Cumulative performance from January 2007. This represents the first full year of the fund and is most representative of the current strategy and portfolio.

## INVEST WITH AUSPICE

Call us

**888 792 9291**

Visit us online to find out more

**[auspicecapital.com](http://auspicecapital.com)**

**AUSPICE** Capital Advisors

SUITE 510 - 1000 7TH AVE SW  
CALGARY, ALBERTA CANADA T2P 5L5



Winner - 2014  
Altegris CTA Challenge



Silver Medal  
Best Opportunistic Hedge Fund - 2010

Futures trading is speculative and is not suitable for all customers. Past results are 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. \*Returns represent the performance of the Auspice Managed Futures LP Series 1.

## SUMMARY

The Auspice Diversified Program gained in November, adding 1.42%. Chart 1 illustrates there is a history of stronger gains at critical times while performing alongside benchmarks long-term. As such, we believe it is an opportune time to add this important tool.

Global equities continued higher, many making new all-time highs, as markets seemed to take comfort that the US Fed has stated it will hold rates steady unless it sees marked economic deterioration. The S&P added 3.40% while the Nasdaq jumped 4.50% and the MSCI World gained 2.63%. The resource tilted Canadian TSX/S&P60 was strong adding 3.27% as the TSX Energy sub-index added 6.62%.

Commodities went in different directions as we were reminded of the diversity in the sector. Energies were strong most of the month before correcting sharply on the last day of the month. Grains were generally weaker alongside most metals. The energy weighted GSCI gained 2.58% while the more diverse Bloomberg Commodity index fell 2.68%.

Bond futures continue a volatile period, selling off before gaining some of the lost ground back into month end. The US dollar reversed its recent correction and moved higher against most global currencies.

## OUTLOOK

With the equity market making new all-time highs, volatility has become muted in this sector. The VIX is now back down to near all-time lows and where it was in late 2017. But is this a proxy for all markets and is the world really a beacon of stability? We are observing volatility in many commodities including Grains, Softs, Metals and Energies.

As such, while we recognize the recent return benefits, we believe global equity markets are a dangerous place to be without adequate protection. Healthy correction is normal, expected and overdue. More about this topic in the monthly Blog on the Auspice website.

Chart 1 HISTORICAL GROWTH OF \$1000 INVESTMENT

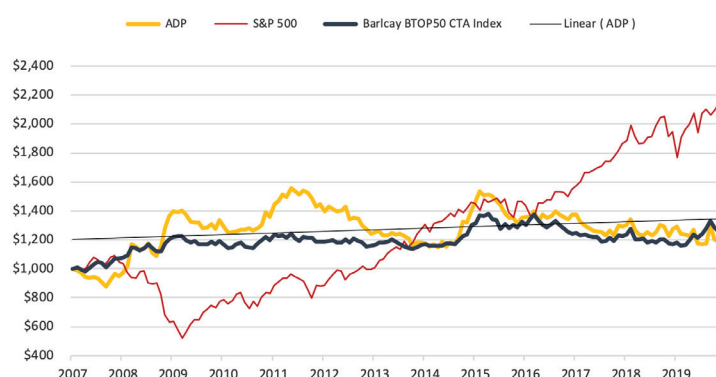
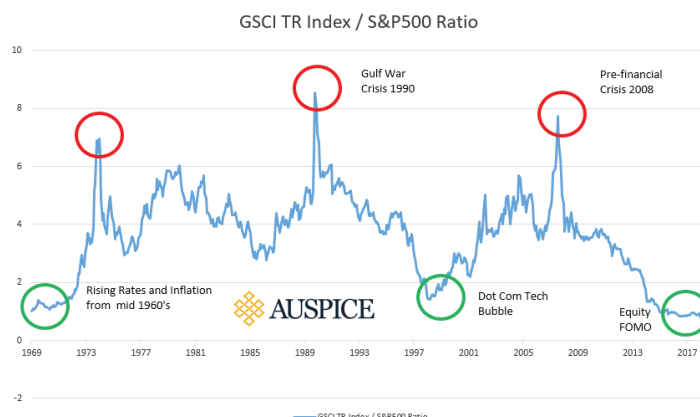


Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified (2/20 fees)	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	1.42%	1.22%	3.40%	3.27%
2019 YTD	-6.98%	7.42%	25.30%	18.54%
1 yr (Dec 18)	-5.47%	8.14%	13.80%	11.53%
3 yr (Dec 16)	-12.59%	2.06%	42.85%	14.67%
5 yr (Dec 14)	-14.65%	-2.73%	51.92%	18.03%
10 yr (Dec 09)	-10.10%	6.13%	186.68%	49.74%
12 yr (Dec 07)	27.02%	18.60%	112.07%	27.57%
Annualized (Jan 07)				
Return	1.44%	1.85%	6.35%	2.48%
Std Deviation	11.62%	6.69%	14.64%	12.56%
Sharpe Ratio	0.21	0.31	0.55	0.30
MAR Ratio	0.06	0.12	0.12	0.06
Worst Drawdown	-26.04%	-16.11%	-52.56%	-44.27%

## GSCI/S&P500 RATIO: EQUITIES EXPENSIVE, COMMODITIES CHEAP?



Source: Dr. Torsten Dennen, Incrementum AG

## ATTRIBUTIONS AND TRADES

Equity Indices led the portfolio higher, yet this was complimented by both other financial and commodity markets.

While the low interest rate environment has been a driver for investors to chase returns in equities, the volatility has been apparent in Rate futures. As such, we have trimmed the long exposure in the US markets while remaining short the German Schatz 2-years.

The Currency sector gained as the British Pound stabilized despite the ongoing Brexit drama that has confused most observers. This will be a market to watch closely leading up to the late year UK election December 12th. Other currencies experienced modest weakness while the Japanese Yen sold off and remains more volatile.

Energies provided both trend opportunities in short Natural Gas along with short-term strategy opportunities in the petroleum markets for a sector gain.

The weakest sector was Metals led by corrections in Gold and Silver while Palladium bucked the trend and headed higher. Grains were positioned well both short Corn and Soybeans while long and adding to a performing Wheat market.

**Return Drivers:** Both trend following strategies and the non-correlated short-term strategies provided value in November (see Chart 3).

## POSITION HIGHLIGHTS

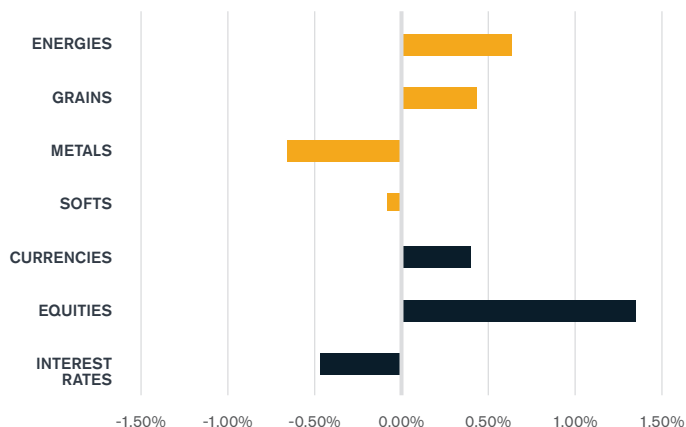
### GAINS

- Long positions across the equity index landscape.
- Short Japanese Yen
- Short-term trades in Brent Crude Oil and Gasoline.

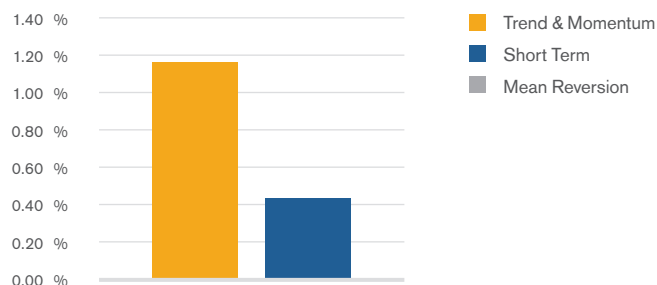
### LOSSES

- Losses in long exposures in Gold and Silver.
- Weaker prices in Bond futures, notably US 30-year bonds and 10-year Notes.
- Sugar rallied against existing shorts.

**Chart 2** SECTOR PNL MONTHLY ATTRIBUTION



**Chart 3** STRATEGY (RETURN DRIVER) ATTRIBUTION



\* Strategy Attribution excludes all fees.

## EXPOSURE AND RISK ALLOCATION

Commodity to Financial exposure had the commodity markets gain to 56:44 from a near balance of 50:50 last month per Chart 4.

Within commodities, the most notable changes were increasing Grains. Within Financials, Rates were reduced while Equities and Currencies were added.

Portfolio exposure, as measured by the Margin to Equity ratio, ended the month at 4.8% which is below the historical average level of 6.8% (see Chart 6 next page).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

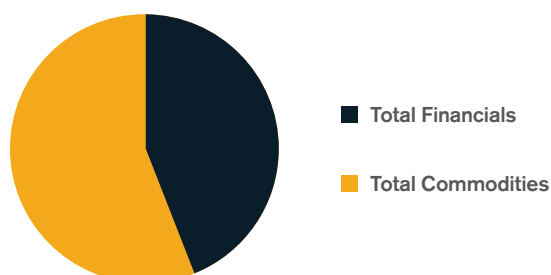
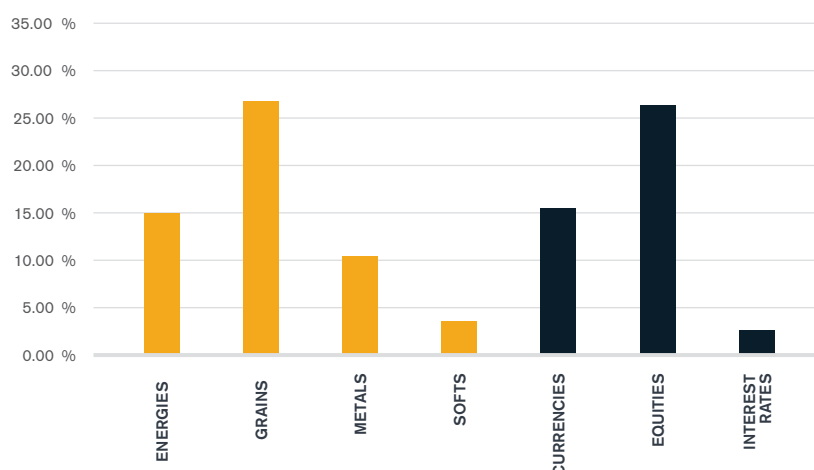


Chart 5 CURRENT SECTOR RISK



## CURRENT RISK BY SECTOR

## ENERGIES 14.92%

Largest Holdings	Position	% of Risk
Natural Gas	Short	8.57%
Heating Oil	Short	2.45%
Gasoline	Short	2.33%

## GRAINS 26.57%

Largest Holdings	Position	% of Risk
Wheat	Long	10.95%
Corn	Short	8.56%
Soybeans	Short	3.58%

## METALS 10.49%

Largest Holdings	Position	% of Risk
Palladium	Long	4.81%
Silver	Long	2.46%
Copper	Short	1.83%

## SOFTS 3.82%

Largest Holdings	Position	% of Risk
Sugar	Short	2.76%
Cotton	Short	1.06%

## CURRENCIES 15.26%

Largest Holdings	Position	% of Risk
Japanese Yen	Short	6.60%
Swiss Franc	Short	5.22%
British Pound	Long	1.66%

## EQUITIES 26.32%

Largest Holdings	Position	% of Risk
Nikkei Index (Japan)	Long	5.27%
S&P500	Long	5.09%
NASDAQ	Long	5.03%

## INTEREST RATES 2.62%

Largest Holdings	Position	% of Risk
Euro Schatz (Germany)	Short	1.75%
Treasury Note/10yr (USA)	Long	0.59%
Treasury Note/5yr (USA)	Long	0.27%

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

## 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.

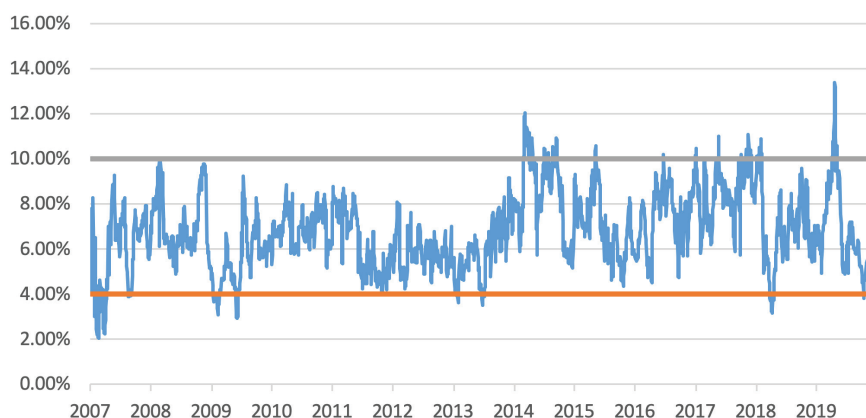
With a long term correlation of -0.15 to the S&P (see front page), and a modest 0.56 correlation to the SG CTA Index (1 year basis - daily returns), this demonstrates the combined performance and non-correlation to equity and other CTAs is accretive and valuable.

### 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*		
LP		MTD	YTD
Series 1	1081.9576	1.42%	-6.98%
NAV	Auspice Diversified Trust		
Class A	8.2722	1.33%	-7.70%
Class F	8.8506	1.42%	-6.81%
Class S	8.0724	1.33%	-7.69%
Class I	10.7387	1.51%	-5.88%
Class X	10.1306	1.42%	-6.79%

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	1.44%	Avg Monthly Gain	2.86%
Annualized Std Dev	11.62%	Avg Monthly Loss	-2.15%
Largest Drawdown	-26.04%	Daily Std Dev	0.67%
Sharpe Ratio <sup>1</sup>	0.21	Daily VAR (sim w/99% conf)	-0.97%
MAR Index <sup>2</sup>	0.06	Round Turns per \$million	600
Sortino	0.36	Margin to Equity ratio	6.8
Upside/Downside Deviation	0.15 / 0.05	Average Hold Period (Days)	65
Correlation to S&P 500	-0.15	% Profitable	43%
Correlation to TSX60	-0.09	\$Win / \$Loss	1.48
Correlation to BCOM ER	0.03	Skew	0.98

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	\$185MM
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.

## FUND FACTS (CONT)

## ▶ MONTHLY PERFORMANCE TABLE\*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2019	-4.14%	-0.47%	-0.65%	3.50%	-7.43%	-0.37%	0.52%	10.60%	-7.59%	-1.33%	1.42%		-6.98%
2018	3.12%	-5.81%	-2.27%	-0.19%	1.41%	-1.48%	1.89%	3.57%	-0.84%	-4.75%	3.66%	1.64%	-0.61%
2017	-3.66%	-1.89%	-1.35%	-1.39%	-0.53%	-0.51%	-1.61%	2.76%	-2.53%	5.16%	-0.27%	0.67%	-5.31%
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), and based in Canadian Dollars (CAD).  
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 and based in Canadian Dollars (CAD).

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 **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.

The CTA indexes do not encompass the whole universe of CTAs. The CTAs that comprise the indices have submitted their information voluntarily and the performance has not been verified by the index publisher.

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.

## 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.

## INVEST WITH AUSPICE

Call us

**888 792 9291**

Visit us online to find out more

**[auspicecapital.com](http://auspicecapital.com)**

## AUSPICE Capital Advisors

SUITE 510 - 1000 7TH AVE SW

CALGARY, ALBERTA CANADA T2P 5L5

