



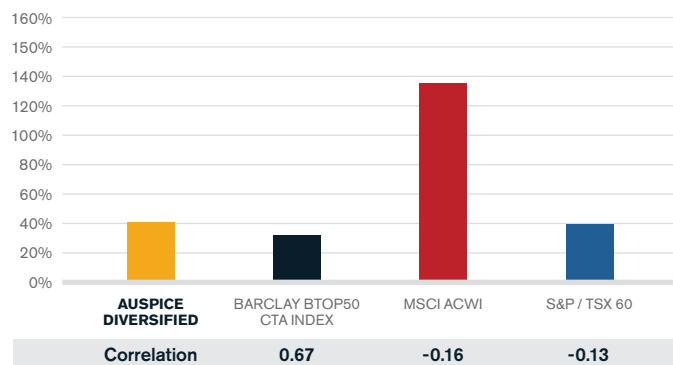
# DIVERSIFIED PROGRAM

COMMENTARY +  
PORTFOLIO FACTS

DECEMBER 2020



## 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.

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Winner - 2014  
Altegris CTA Challenge



Silver Medal  
Best Opportunistic Hedge Fund - 2010

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## SUMMARY

The Auspice Diversified Program capped off a strong year adding 6.73% in December for a 18.46% gain in 2020. Sector benchmarks were also positive with the Barclay BTOP50 CTA adding 4.07% to be up 4.83% (per Table 1) while the SocGen CTA index was up 5.32% to move to a positive result of 2.91% (estimated) YTD for reference. The outperformance to these CTA benchmarks ended up over 13% and 15% for the year respectively and ahead of the MSCI ACWI equity benchmark by 2.5%.

Global stock markets continued their optimistic rally despite additional lockdowns in North America as vaccines started to be delivered. The S&P500 added 3.71%, the NASDAQ 3.93% while the global benchmark MSCI ACWI added 4.64%. Both the S&P and MSCI ended 2020 with over a 16% gain while the Canadian TSX/S&P60 made more modest gains adding 1.10% for 1.96% on the year.

Commodities ended the year with strong gains and positive results in all sub-sectors. The diverse Bloomberg Commodity Index (BCOM) gained 4.97% while the energy tilted GSCI added 5.96% yet remain down 3.50% and 24.02% respectively while Auspice Broad commodity was up 5.93% for the year.

Bond futures stabilized in December with the long end futures drifting a little lower (rates up) and short end moving slightly higher (rates down). This is consistent with central banks affirming lower overnight rates for the foreseeable future while concerns of, and inflation targeting are a reality. The US dollar continues to soften while global currencies gain.

## OUTLOOK

November's optimism appears to be well founded. We have now seen what we believe to be significant validation that a new bull market in commodities has begun.

As we mentioned last time, this bodes well for Auspice Diversified. We are agnostic about direction and participate in both long and short trends, but as a commodity tilted strategy our opportunity set has largely been constrained to short positions in commodities over the last decade. While these have provided sharp bursts of strong performance, often at times of financial markets crisis, there have been limited opportunities for capturing sustained uptrends. The broad commodity trend has changed. A new year, a new regime has potentially begun (see chart at right).

The last commodity bull market helped produced double digit annual returns for most CTAs. It just so happens that the commodity breakout in 2020 helped push Auspice Diversified strongly into double digit returns. The outlook for the year, for the decade: Bullish.

Chart 1 HISTORICAL GROWTH OF \$1000 INVESTMENT

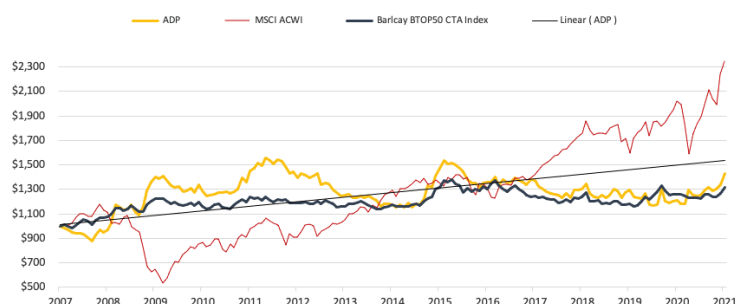


Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified	Barclay BTOP50 CTA Index	MSCI ACWI	TSX 60
1 Month	6.73%	4.07%	4.64%	1.10%
2020 YTD	18.46%	4.83%	16.26%	1.96%
1 yr (Jan 20)	18.46%	4.83%	16.26%	1.96%
3 yr (Jan 18)	9.77%	6.68%	33.32%	7.82%
5 yr (Jan 16)	5.13%	1.11%	78.27%	35.34%
10 yr (Jan 11)	-1.37%	6.55%	139.56%	34.62%
13 yr (Jan 08)	47.47%	22.61%	110.05%	27.98%
Annualized (Jan 07)				
Return	2.60%	2.00%	6.28%	2.40%
Std Deviation	11.61%	6.62%	16.70%	13.51%
Sharpe Ratio	0.31	0.33	0.49	0.27
MAR Ratio	0.10	0.12	0.11	0.05
Worst Drawdown	-26.04%	-16.11%	-54.92%	-44.27%

AUSPICE BROAD COMMODITY INDEX SINCE 2000



## ATTRIBUTIONS AND TRADES

Transactionally it was a quiet month in financial and commodity sectors as positions were generally held steady and benefited from trending behaviour. Chart 2 illustrates that while we participated in the Equity sector rally which led the financial markets, the bulk of the opportunity was from various commodity sectors.

In addition to equities, currency trends benefitted from a weakening US Dollar with gains from the Aussie and Canadian dollars outperforming. Rates had a small negative attribution as the curve shifted, rallying up front and pulling back long end gains from weakening futures (rates up).

A small loss from short Gold in the Metals sector was made up by Cotton and Sugar in the Softs sector. But the big story came from existing exposures in both Grains and petroleum Energies as the commodity tilt again provided outperformance yet again in 2020.

**Return Drivers:** Trend-following strategies made strong gains while the non-correlated short-term (non-trend) strategies pulled back slightly (see Chart 3).

## POSITION HIGHLIGHTS

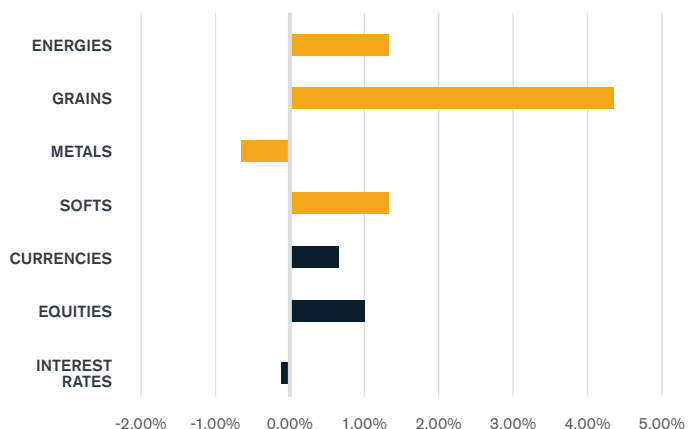
### GAINS

- Corn rallied over 13% to lead Grain gains.
- Cotton buoyed Softs adding 8.3%.
- Brent Crude Oil and Heating Oil lifted Petroleum energies.

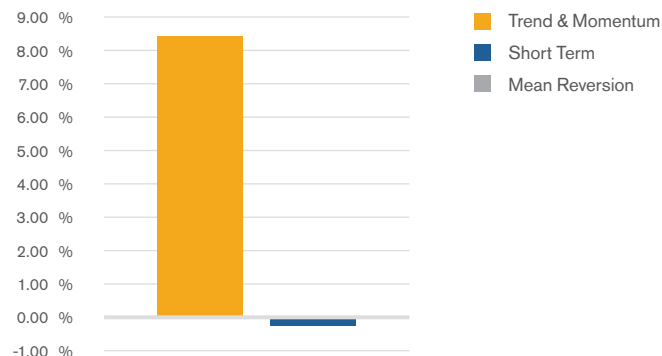
### LOSSES

- Natural Gas moved up against net short exposure.
- Gold bounced yet remains in a downtrend.
- British Pound corrected (lower) despite US Dollar weakness.

**Chart 2** SECTOR PNL MONTHLY ATTRIBUTION



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



## EXPOSURE AND RISK ALLOCATION

Commodity to Financial exposure was steady at 71:29, unchanged from last month per Chart 4. This remains a slightly higher commodity tilt than typical. While the ratio was steady, within the individual sectors in chart 5, there were a number of shifts in risk. In commodities, risk was reduced in Metals and increased in Energies and Softs. Grains largely unchanged. In financials, Rates and Equity Indices were reduced as Currencies increased.

Portfolio exposure, as measured by the Margin to Equity ratio, increased from 10.2% to 10.9%, near the top of the typical band and above the historical average level of 6.8% (see Chart 6 next page).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

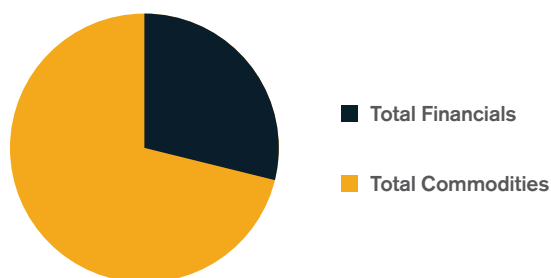
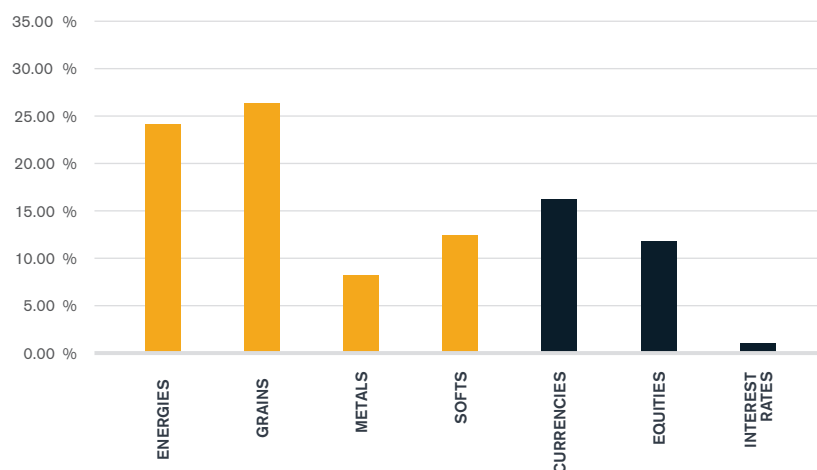


Chart 5 CURRENT SECTOR RISK



## CURRENT RISK BY SECTOR

## ENERGIES 24.38%

Largest Holdings	Position	% of Risk
RBOB Gasoline	Long	5.47%
Heating Oil	Long	5.10%
WTI Crude Oil	Long	4.00%

## GRAINS 26.17%

Largest Holdings	Position	% of Risk
Soybeans	Long	9.46%
Corn	Long	8.40%
Canola	Long	3.22%

## METALS 8.34%

Largest Holdings	Position	% of Risk
Copper	Long	5.41%
Gold	Short	1.43%
Zinc	Long	0.67%

## SOFTS 12.28%

Largest Holdings	Position	% of Risk
Cotton	Long	7.05%
Sugar	Long	5.23%

## CURRENCIES 16.24%

Largest Holdings	Position	% of Risk
Aussie Dollar	Long	3.06%
Euro	Long	3.05%
Canadian Dollar	Long	2.89%

## EQUITIES 11.55%

Largest Holdings	Position	% of Risk
Nikkei (Japan)	Long	3.28%
NASDAQ Index	Long	2.47%
S&P500	Long	1.61%

## INTEREST RATES 1.03%

Largest Holdings	Position	% of Risk
Treasury Bond/30yr (USA)	Short	0.66%
Treasury Note/10yr (USA)	Short	0.25%
Treasury Note/5yr (USA)	Short	0.12%

\* 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.

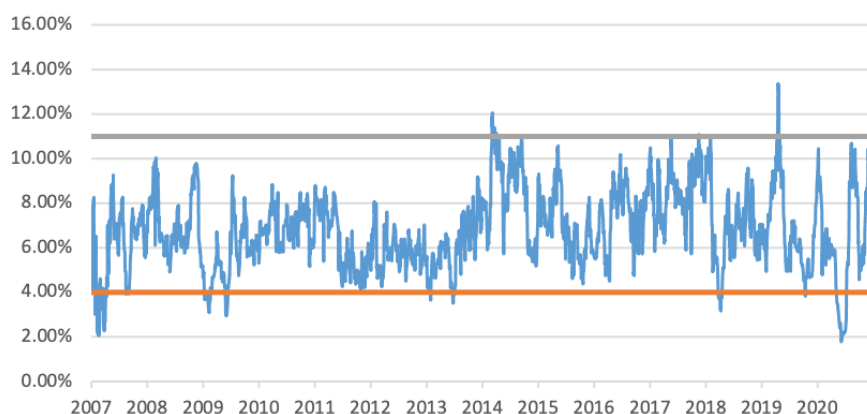
With a long-term correlation of -0.16 to the MSCI ACWI (see front page), and a modest 0.51 correlation (and positive skew) to the SG CTA Index (1 year basis - daily returns), this demonstrates the combined performance and non-correlation to equity and other CTAs is accretive and valuable.

### 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 AND RETURNS

Auspice Diversified Trust			
NAV		MTD	YTD
Class A	9.8603	7.90%	19.01%
Class F	10.4412	6.31%	17.68%
Class S	9.6230	7.90%	19.02%
Class I	13.0920	8.08%	21.51%
Class X*	12.0308	6.73%	18.46%

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	2.60%	Avg Monthly Gain	2.90%
Annualized Std Dev	11.71%	Avg Monthly Loss	-2.12%
Largest Drawdown	-26.04%	Daily Std Dev	0.68%
Sharpe Ratio <sup>1</sup>	0.31	Daily VAR (sim w/99% conf)	-3.28%
MAR Index <sup>2</sup>	0.10	Round Turns per \$million	800
Sortino	0.54	Margin to Equity ratio	6.8
Upside/Downside Deviation	0.15 / 0.05	Average Hold Period (Days)	65
Correlation to MSCI ACWI	-0.16	% Profitable	40%
Correlation to TSX60	-0.13	\$Win / \$Loss	1.5
Correlation to BCOM ER	0.02	Skew	0.98

Program Details	
Structure	Unit Trust / LP / Mngd Account / Offshore
Mgmt Fee	Series X 1%
Incentive Fee	15% w/High-Water Mark
Liquidity	Monthly (no lockup)
Firm Assets	\$250MM
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
2020	-2.06%	-0.19%	9.72%	-3.16%	-0.47%	0.28%	3.36%	2.08%	-2.15%	0.99%	2.69%	6.73%	18.46%
2019	-4.14%	-0.47%	-0.65%	3.50%	-7.43%	-0.37%	0.52%	10.60%	-7.59%	-1.33%	1.42%	0.25%	-6.75%
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 performance for Auspice Diversified Trust, Class X (1.0% management and 15% performance fee with hurdle rate). Prior to December 2019, the returns were from Auspice Managed Futures LP, Series 1 (2% management and 20% performance fee) and based in Canadian Dollars (CAD). See Important Disclaimer and Notes for addition details.



## COMPARABLE INDICES

\*Returns for **Auspice Diversified Program ("ADP")** represent the performance for Auspice Diversified Trust, Class X (1.0% management and 15% performance fee with hurdle rate). Prior to December 2019, the returns were from Auspice Managed Futures LP, Series 1 (2% management and 20% performance fee) 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 **MSCI ACWI (Net) Index**, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets.

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.

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## 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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