AUSPICE

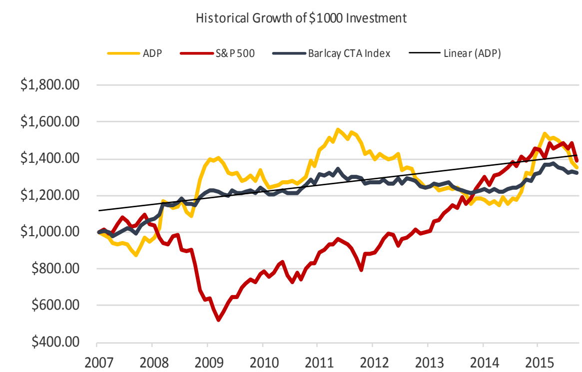
Auspice Diversified Program Commentary & Performance

August 2015

SUMMARY

The Auspice Diversified Program lost 2.14% in August to be off 8.07% year to date. This pull back is not only modest (versus the 11% plus pull back in equity during August), but is consistent with expectations after our significant gains in 2014. We view it is as a modest correction in a strategy that has proven its value at critical times of crisis, recovery and volatility in addition to its long-term outperformance (Table 2)

Equity markets universally sold off turning most global markets negative on the year, highlighting our point last month that there are "cracks appearing" in equity markets. This was the weakest month for equities in many years. Volatility continued to move higher in most asset classes, and appears similar to that which we experienced to start a period of strong opportunity in mid-2014. We remain positioned to take advantage of further weakness.



Winning the Regatta

Many believe that sailing is a difficult endeavor because it is so dependent on prevailing winds.

That is only partly true. A skilled seaman is able to drive a vessel forward in any sustained wind, either by tacking in a headwind or going full sail when the wind comes from behind. There are only two wind conditions that make going difficult - a dead calm or strong, swirling ones.

Consider equity markets in 2015 so far. The winds have been ferocious at times, but have been swirling in every direction: deep declines followed by remarkable recoveries and back into deep declines again with frightening speed.

Trying conditions. It is proving difficult for most strategies to set their sails in this environment, because the moment the wind presents opportunity, it shifts and efforts to capture it rendered useless.

The best managers and strategies in these times fight to hold onto their position until the winds steady - like our Diversified Program has done - and not give up much ground while the winds continue to howl.

And when they do steady - as they always do - we, for one, are fully prepared to take advantage regardless of the wind's strength or direction. Now is the ideal time to assess your current crew to be sure that you are in the best position to do the same. Perhaps an experienced addition this month will spell the difference between winning and losing the Regatta.

Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	**-2.14%**	**-4.45%**	**-6.26%**	**-1.00*%**
2015 YTD	**-8.07%**	**-4.61%**	**-4.21%**	**-0.41*%**

Table 2: Long-term Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
8 Year Annualized Return	**5.58%**	0.34%	3.71%	*3.61%
Cumulative Return	**54.43%**	2.77%	33.79%	32.79%
Annualized Std Dev	**12.12%**	14.51%	16.26%	5.48%
Sharpe Ratio	**0.43**	0.02	0.23	0.66
MAR Ratio	**0.21**	0.01	0.07	0.36
Largest Drawdown	**26.03%**	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	**1.00**	-0.14	-0.24	0.78

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

Sectors and Trades

While August started with relative stability after exceptional commodity weakness and equity outperformance in July, the quiet didn't last. Commodities renewed their slide and Equities followed suit thereafter, to the portfolio's initial benefit. Yet in the final days of the month, a sharp rally in both erased gains briefly (notably, gains have come back in the first days of September as equity markets continue to correct.)

Gains were made in 2 of 7 sectors - Energy and Soft Commodities. While modest losses came from Currencies, Rates and Grains, the biggest pullback came from Equity as markets rallied at month end. While we entered the month with a neutral exposure - long Nasdaq and short the Canadian TSX 60 - we exited Nasdaq and have moved to short across most major equity markets. This shift was not a result of a 'hunch' – it was a result of our signals identifying a current trend. And while month end provided a surprise in terms of a rapid, though possibly short-lived, bounce, we remain tilted this way opportunistically and tactically.

The most profitable positions on the month were short positions in Crude Oil, Heating Oil, and the Hang Seng equity index market, which did not bounce back as much as other markets did. The largest losses came from shorts in Gold and Nasdaq, which we still hold positions in.

Key Positions

Energies

Petroleum markets were whippy

- After exiting long positions in July and positioning short, we added to our short exposure early in the month.
- Most of the month was softer, resulting in a positive attribution.
- The rally back in Crude erased some of gains. We have trimmed some of the shorts, but remain net short this sector.

Metals

Metals held up versus other commodities

- As markets became volatile, Gold rallied against our short position while most Industrial metals remained soft, where we remain short.
- We are short throughout the sector all across Industrial and Precious metals, which accounts for our largest sector exposure.

Grains

Grains remain volatile looking for direction

- Small sector loss as we exited long positions in Soybean Meal and Canola.
- We remain long Wheat and added new Shorts in Corn and Soybeans.

Soft Commodities

Softs moved lower

- Softs again contributed positively, primarily on the back of a short position in Sugar.
- A new short in Rubber (traded on the Tokyo Commodity Exchange), also contributed positively.

Figure 1: Attribution for Auspice Diversified

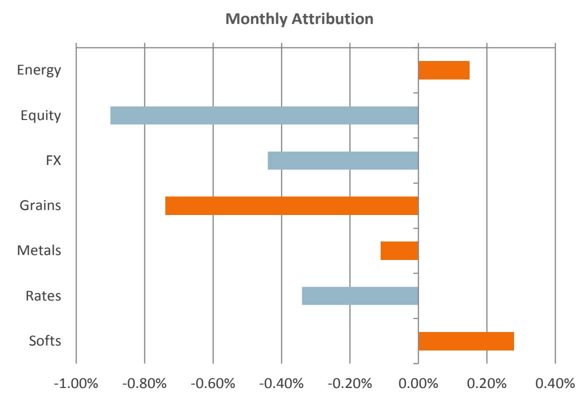


Table 3: NAVs ending June 2015

NAV	Auspice Managed Futures LP*
Series 1	1214.0439
NAV	**Auspice Diversified Trust**
Class A	9.5359
Class F	9.7613
Class S	9.5098
Class H	10.6584
Class X	11.1630

Equity Indices

Equities were sharply lower on the month – weakest month in almost 4 years

- Our long position in Nasdaq was short lived - less than a month. Exited with a small loss and shifted to short.
- Adding to the short in the Canadian TSX 60 were S&P, Euro Stoxx, Hang Seng and Japan's Nikkei.
- While our overall portfolio exposure (risk) to equities is modest, we are tilted fully short.

Currencies

Currencies were choppy vis-à-vis the USD

- Small sector loss as we held short positions in the Canadian and Aussie dollars while adding a long position in the Euro, which offset gains as this market corrected sharply at month end.

Interest Rates

Interest Rate futures rallied modestly before falling at month end

- Interest rate futures acted inversely to the commodity and equity markets, selling off at month end and resulting in a small loss.
- Early strength had the strategy shift to a long weight in US 10 Year Notes, adding to the long position in in 5 Year Notes while remain short the US 30 Year Bond futures.
- We are positioned for a modest long term rise in interest rates should that occur.

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