



### October 2015 Commentary and Performance

#### SUMMARY

The Auspice Diversified Program lost approximately 2.75% in October, resulting from one of the strongest monthly equity market rebounds in recent memory. This comes after a gain in the strategy in September (resulting from market losses) when most assets fell and we were positioned to further protect downside risks. The massive, swift reversal caught our (primarily) short positions and we could not reverse them quickly enough to avoid a loss.

Is this a temporary reprieve or longer term shift from the recent equity and commodity weakness? Time will tell. The markets remain choppy with relatively short term moves up and down. While markets are challenging to stomach, they are operating at a volatility level that should bring opportunity to those agnostic and patient as to price direction long term. These are the times when a true non-correlated alternative strategy is a critical portfolio component alongside steadfast risk management and discipline.

We had mentioned in past the difficulties that a trend following strategy faces to perform consistently when markets reverse themselves as quickly as they did in October. While the jumpy markets were temporarily hard on the Diversified Program, portfolios constructed with ADP as the 'diversifier' would have seen very strong gains on the backs of equity exposure and only slightly compromised by its ADP exposure.

Because of its very low correlation to other asset classes, ADP is best used as a complement to portfolios and should be viewed in an overall portfolio context – helping to effectively protect capital when it is needed most, but not hurting portfolio returns much when sharp reversals occur.

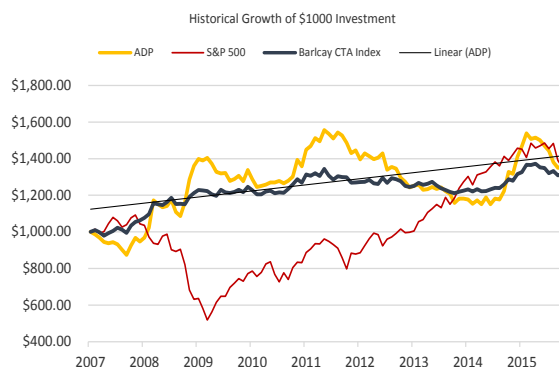
#### Sectors and Trades

Q4 started with a strong equity market in October after volatile and weak Q3. It would seem after the US FED held steady last month, markets as a whole stabilized and found some confidence. The rally in October has domestic (US) equities back in positive territory for the year while most global indices remain negative.

After significant weakness year to date, commodities have generally have stabilized, or at least ceasing to weaken (with a few exceptions).

After strong gains across most sectors last month, October was more challenging. Gains were made in 2 of 7 sectors, with the bulk of the gains in Energies. The most challenging sectors were Equity (where we topped out of our short positions) and Metals, where we trimmed our exposures.

The largest position gains came from shorts in Energies, led by Natural Gas and Gasoline. The largest losses came from shorts in Equity indices and Metals (profit taking) along with Aussie dollar and Cotton. The overall risk levels across sectors shifted by reducing Equity to zero and Metals significantly while increasing Energy exposure. We remain commodity tilted, though with a smaller short exposure.



**Table 1: Recent Program Performance**

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	-2.75%	1.27%	8.30%	-0.68*
2015 YTD	-10.36%	-7.06%	0.99%	-1.42*

**Table 2: Long-term Program Performance**

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
8 Year Annualized Return	3.92%	-0.82%	3.75%	*2.73%
Cumulative Return	36.05%	-6.41%	34.20%	24.05%
Annualized Std Dev	11.94%	14.48%	16.49%	5.33%
Sharpe Ratio	0.33	-0.06	0.23	0.51
MAR Ratio	0.15	-0.02	0.07	0.28
Largest Drawdown	26.03%	44.27%	50.37%	9.92%
Correlation to Auspice Diversified	1.00	-0.17	-0.27	0.78

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



Winner - 2014 Altegris CTA Challenge

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\*Returns represent the performance of the Auspice Managed Futures LP Series 1.



### Key Positions

#### Energies

*Petroleum markets were profitable*

- For both global petroleum and domestic natural gas, most of the month was softer, resulting in a positive attribution.
- Natural Gas moved sharply lower.

#### Metals

*Metals were off on profit taking*

- While we remain short throughout the sector across Industrial and Precious metals, we have taken profits and trimmed the exposure in the face of Metals strength.
- We exited a profitable shorts in Nickel and Zinc while remaining short Platinum.

#### Grains

*Grains were mixed*

- The strategy remains short Grains.
- While Soybeans showed a little more strength than Corn and Wheat, the sector had a positive attribution from the short weights.

#### Soft Commodities

*Softs moved up and down*

- Gains from a long position in Sugar complemented by a short in Rubber didn't quite offset the losses from the shorts in Cotton and Coffee.

#### Equity Indices

*Equities jumped higher*

- We exited all of our equity shorts: Canadian TSX 60, S&P500, EuroStoxx, Hang Seng and Japan's Nikkei.
- No equity exposure at this time.

#### Currencies

*Currencies contributed negatively*

- While Currencies were generally muted, the short in the Aussie dollar moved sharply against us and we trimmed the exposure.
- We remain short the Canadian Dollar, and have added a new short in Swiss Franc.

#### Interest Rates

*Interest Rate futures shifted lower across the curve*

- Small losses from long weights in US 10 Year Note and Long Gilt (UK).
- We believe we are positioned for a modest long term rise in interest rates should that occur.

Figure 1: Attribution for Auspice Diversified

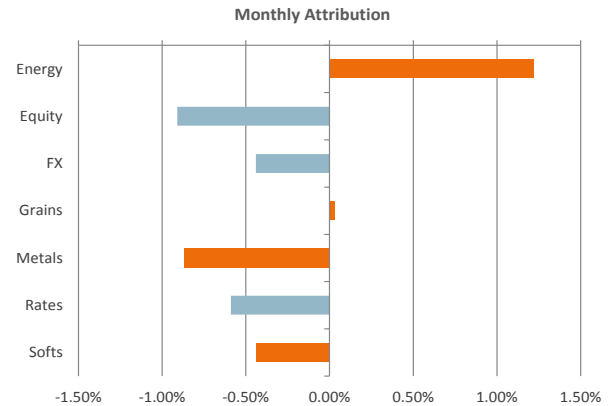


Table 3: NAVs ending October 2015

NAV	Auspice Managed Futures LP*
Series 1	1183.7116
NAV	Auspice Diversified Trust
Class A	9.2886
Class F	9.5251
Class S	9.0621
Class H	10.4003
Class X	10.8930

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