

September 2015

## SUMMARY

I love September – things always start to happen. As a farm kid, it meant harvest, which meant not only going back to school but stress and hard work along with the bounty.

The Auspice Diversified Program gained approximately 0.30% in September. While a modest advance, it underpins the importance of low beta non-correlation at critical times as most global markets fell. Equities, Commodities, Real estate and other alternatives were generally lower and it was difficult to find markets, asset classes or investment strategies that gained during the month.

The program is performing as it should - as it has in the past when volatility rose and we took advantage of the trends that developed, up or down, providing value at a critical time.

## A Rising Tide

Last month, we had suggested that the market winds were beginning to strengthen and that we were poised to take advantage of them if they became more sustained, regardless of their direction.

That shift did begin to occur, enabling us to deliver a modest, positive gain in a month that was sharply negative for many asset classes (including equities) and capitalize on several short-term, negative market movements.

This uneasy market juncture provides a superb opportunity to assess the fitness of the managers that you have added to your crew. It is easy to lay claim to genius when tailwinds are blowing (as it has in the last several years), but does the same hold true during market turbulence? Did the managers you chose deliver the diversification benefits that you were expecting, or did their performance echo that of the broader market? How did they perform in 2014? Or in 2008?

Carl Icahn, David Stockman, James Grant and scores of others are expressing growing concerns about developing headwinds. If they are right, be sure that you have a crew with proven experience winning in those environments.

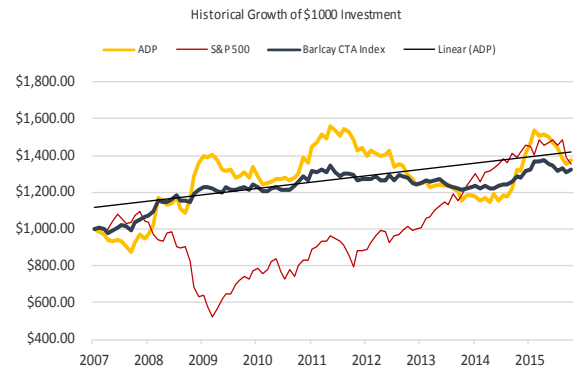
After all, a rising tide floats all boats, but are you prepared if the tide goes out?

## Sectors and Trades

September began with equity market optimism after the negative performance and sharp pull-back in August ended with a closing rally. The markets rose into the US Federal Reserve meeting on the 17th, but the market response to the unchanged policy and rate level left the market to resume the trend lower. September followed a similar pattern with a late month buy-back, yet the over overall trend is lower and the quarter ended sharply lower (S&P -7.00%). Commodities followed a similar path and were mostly weak on the month with few exceptions.

Gains were made in 6 of 7 sectors (with Grains being the only exception). The bulk of the gains came equally from Energies and Metals, complemented by all other sectors including Equity Indices. While not a massive return for the month, the opportunity is coming from several sources, which is exciting to see.

Along the same theme, there were no home-run gains or losses. Simply a lot of “singles”. Of note we exited two markets with an excellent trend capture: Palladium and Sugar (both short since June). The overall risk levels across sectors is very similar to last month with a slight increase in Equity risk from the short side and commodity tilted.



**Table 1: Recent Program Performance**

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	0.26%	-3.79%	-2.64%	1.20**
2015 YTD	-7.83%	-8.23%	-6.74%	-0.10**

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

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
8 Year Annualized Return	4.87%	-0.51%	2.91%	*3.14%
Cumulative Return	46.24%	-4.03%	25.75%	28.10%
Annualized Std Dev	11.97%	14.54%	16.25%	5.36%
Sharpe Ratio	0.41	-0.04	0.18	0.59
MAR Ratio	0.19	-0.01	0.06	0.32
Largest Drawdown	26.03%	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	1.00	-0.15	-0.26	0.78

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

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.

## 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.
- We added to the short in natural gas while trimming a portion of the petroleum shorts (Heating Oil and Crude Oil), and remain net short this sector.

### Metals

*Metals performed well*

- We remain short throughout the sector across Industrial and Precious metals, which accounts for our largest sector exposure.
- The most profitable shorts were in Zinc and Platinum.
- We profitably exited shorts in Palladium and Copper during the month.

### Grains

*Grains moved higher*

- The sector lost as the market moved higher against our short tilt.
- We stopped out of a new short in Wheat to reduce risk as the market rallied, while remaining net short along with Corn and Soybeans.

### Soft Commodities

*Softs moved up and down*

- Softs again contributed positively, primarily on the back of both existing and new short positions in Cotton.
- We exited the Sugar short profitably as this market showed exceptional strength, one of the few in the commodity sector.
- Coffee and Rubber also contributed positively from the short side.

### Equity Indices

*Equities were again sharply lower on the month*

- We held shorts in the Canadian TSX 60, S&P500, EuroStoxx, Hang Seng and Japan's Nikkei and saw gains with all in the month.
- We exited our short in Nasdaq as it rallied into the FED announcement, prudently reducing risk.
- Our overall portfolio exposure (risk) to equities is modest at 15%, slightly higher than a month ago.

### Currencies

*Currencies contributed positively*

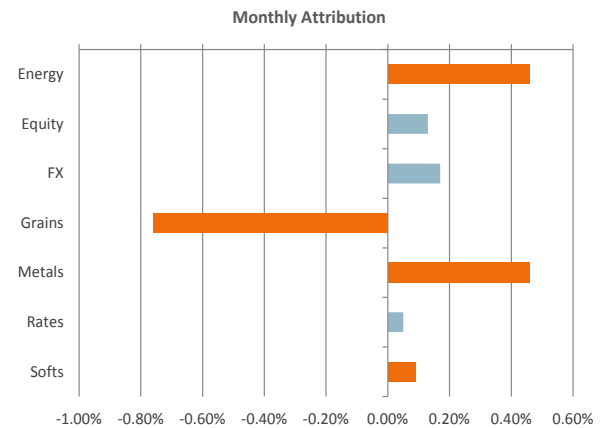
- Sector gain came from short positions in the Canadian and Aussie dollars with a negative offset from exiting a long position in the Euro.

### Interest Rates

*Interest Rate futures shifted higher across the curve*

- Small gain from long weights in US 5 and 10 Year Note futures slightly offset by shorts in US 30 Year Bond futures.
- 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 September 2015**

NAV	Auspice Managed Futures LP*
Series 1	1217.2205
NAV	Auspice Diversified Trust
Class A	9.5573
Class F	9.7918
Class S	9.3243
Class H	10.6916
Class X	11.1979

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