

## April 2015

The Auspice Diversified Program lost 0.98% in April to be up 2.14% year to date. The month was highlighted by profit taking in Energy and Currencies while riding the Equity markets cautiously higher. We are modestly exposed to the markets right now remaining agile, opportunistic and patient.

## Dealing with irrational times

Environments like this are challenging for fundamental practitioners. We have seen currency (down), commodity (down), equity (up) and volatility (down) levels stretched, making it difficult to understand whether or not fundamentals are actually driving current market movements. Discretionary investing makes sense in rational, logical and fundamentally driven environments, yet can prove entirely ineffective if markets are being driven by non-fundamental factors like momentum, greed, crowd behavior - the 'irrational times'.

However, these irrational times can present excellent opportunities for non-discretionary approaches that are able to identify and commit to trends that may appear counter-intuitive, irrational or non-fundamental and help to identify when to exit long term trends as the risk-reward relationship changes.

The rules-based, process-oriented approach of Auspice, for example, can provide tremendous advantages as investment portfolios seek out non-correlated returns to offset the inherent risks in today's complex markets. Markets can spend just as much time driven by the irrational as rational. The question you need to ask yourself is this: Does your portfolio have a strategy that does well in market environments, up or down, that are driven by irrational, non-fundamental drivers? If the answer is I don't know, then the answer is likely no. Which then makes the next step: Auspice.

## Sectors and Trades

Despite the modest loss on the month, we are happy with the year to date result and the discipline exhibited in adjusting positions that have been very profitable, specifically where the risk-reward changed markedly. Positions were crystalized in both financial and commodity markets, notably Energy and Currencies, the primary source of return the last 9 months.

In April, we exited Currency short positions in Euro, British Pound and the Canadian Dollar. We have also exited the short in WTI Crude Oil after trimming the bulk of the petroleum short exposure in February. Lastly, we have added to shorts in Grains across the complex: Wheat, Soybeans and Corn. The most profitable positions in the month were long the Hang Seng and Zinc, while the largest losses came from exiting the long term short trade in WTI Crude Oil, Sugar and Currencies. Gains were still made in 2 of 7 sectors, Metals and Equity, despite this profit taking (see Figure 1 next page).



Chart 1: Auspice Diversified Program since 2007

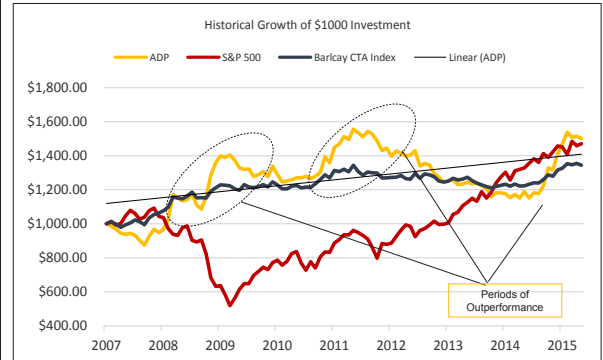


Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	-0.98%	1.99%	0.85%	-2.69*
2015 YTD	2.14%	4.05%	1.44%	0.76*

Table 2: Long-term Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
8 Year Annualized Return	6.06%	1.85%	4.36%	*3.78%
Cumulative Return	60.06%	15.83%	40.68%	34.53%
Annualized Std Dev	12.06%	14.47%	16.15%	5.56%
Sharpe Ratio	0.50	0.13	0.27	0.68
MAR Ratio	0.23	0.04	0.08	0.38
Largest Drawdown	26.03%	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	1.00	-0.15	-0.25	0.79

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

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## Key Positions

### Energies

#### *Petroleum markets rallied*

- Exited our short in WTI Crude Oil as the market rallied and volatility picked up.
- Remain short Natural Gas which continues to soften.
- Very little sector exposure at this time, but recognize that the dominant trend is still down, specifically in North America.

### Metals

#### *Metals were mixed*

- We remain modestly exposed to metals as sub-sectors moved in opposite directions: Precious metals softened while Base/Industrial metals firmed up.
- We remain short Platinum which continued to soften.
- Zinc continued to lead industrial metals and moved higher against shorts. As such, we have exited and shifted to a long position which became profitable quickly.

### Grains

#### *Grains were soft*

- After coming into the month without sector exposure, we have added shorts on the renewed weakness that we have seen long term.
- New shorts added late month in Corn, Wheat, and Soybeans.

### Soft Commodities

#### *Softs were choppy*

- The breakfast blend: all good things come to an end, and we exited the short Sugar position for a solid gain while remaining short Coffee, which lacked direction on the month.
- We exited the recently added long position in Rubber for a small loss.

### Equity Indices

#### *Equities were profitable*

- We continue to hold long positions in S&P, Nasdaq and Nikkei.
- We added long exposure to the Hong Kong's Hang Seng and the Canadian TSX 60 Index while trimming the long exposure from Europe's Eurostoxx.
- The short in the sharply sliding VIX futures remains.
- Positions remain agile and quick to change on directional shifts in this sector given the low volatility.

### Currencies

#### *Currencies corrected*

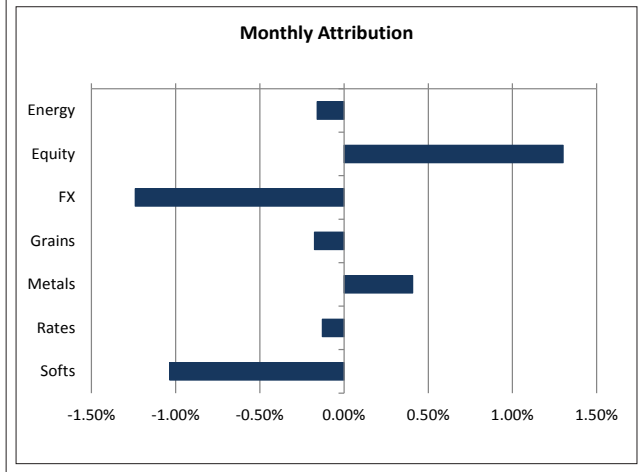
- We reduced the currency short exposure significantly to remain short only in the weakest in the market - the Yen.
- Pr • We exited long term profitable shorts in the Canadian Dollar, the Euro and the recently added short in British Pound.

### Interest Rates

#### *Rates consolidated*

- The short end consolidated to little effect on the Schatz 2 years. .
- The long end softened - we do not have any exposure at this time.
- Very little exposure to the sector generally

**Figure 1: Attribution for Auspice Diversified**



**Table 3: NAVs ending April 2015**

NAV	Auspice Managed Futures LP*
Series 1	1348.7773
NAV	Auspice Diversified Trust
Class A	10.6051
Class F	10.7635
Class S	10.3473
Class H	11.7642
Class X	12.3275

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