AUSPICE

DIVERSIFIED PROGRAM

COMMENTARY + PORTFOLIO FACTS

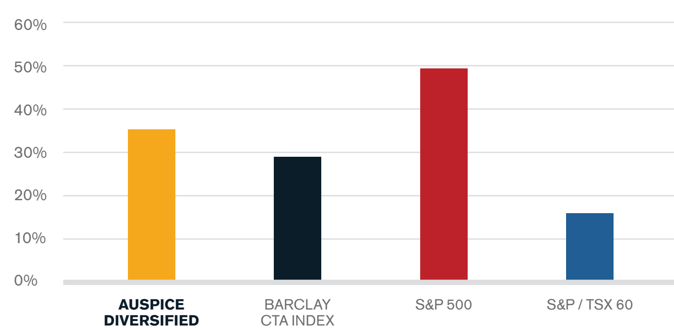
OCTOBER 2016

AUSPICE Capital Advisors

SUITE 510 - 1000 7TH AVE SW
CALGARY, ALBERTA CANADA T2P 5L5

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AUSPICE DIVERSIFIED	BARCLAY CTA INDEX	S&P 500	S&P / TSX 60
Correlation	0.76	-0.24	-0.14	

*Cumulative performance from January 2007. This represents the first full year of the fund and is most representative of the current strategy and portfolio.

INVEST WITH AUSPICE

Call us
888 792 9291

Visit us online to find out more
auspicecapital.com

altegris

Winner - 2014
Altegris CTA Challenge

MORNINGSTAR® Silver

Silver Medal
Best Opportunistic Hedge Fund - 2010

SUMMARY

The Auspice Diversified Program softened 1.34% in October to be off 1.36% year to date. The Barclay CTA Index pulled back an estimated 1.98% (Table 1) while the SG CTA index lost 2.59% for reference. Performance is thus slightly better than peer benchmarks in the short term and outperforms when considering the long term (3 and 9 year).

While three US presidential debates grabbed the world's attention during the month, the markets were choppy and mostly weaker. Perhaps this should be no surprise in front of the election on November 8th.

Global equity market benchmarks were generally lower on the month and are now weaker for a third month in a row. The S&P 500 and MSCI World were -1.94% and -0.63% respectively. Interest rate futures were also softer given additional comments from US FED members reinforcing a hawkish tone and possible rate increases for December. However, the US dollar was stronger vis-à-vis currencies, gaining over 3% and thus making commodities more expensive. The sustainability of this strength will be a big question given the election results.

Chart 1 HISTORICAL GROWTH OF $1000 INVESTMENT

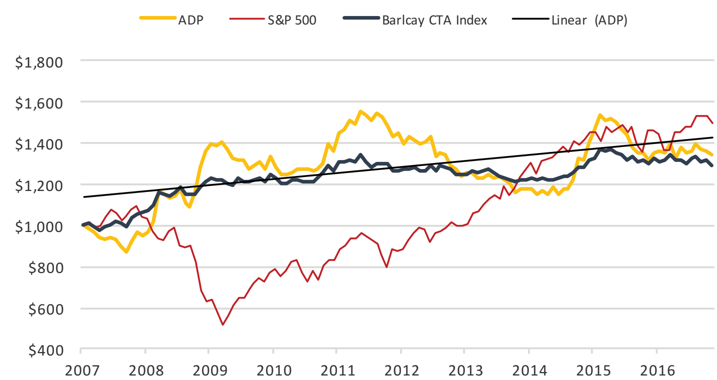


Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified	Barclay CTA Index	S&P 500	TSX 60
1 Month	**-1.34%**	-1.98%	-1.94%	1.15%
2016 YTD	**-1.36%**	-1.16%	4.03%	13.57%
1 yr (Nov 15)	**1.81%**	-0.85%	2.25%	9.29%
3 yr (Nov 13)	**13.50%**	5.96%	21.05%	13.13%
9 yr (Nov 07)	**38.49%**	22.55%	37.23%	2.28%
Annualized (Jan 07)	**3.02%**	2.64%	4.20%	1.60%

OUTLOOK

It has been a challenging period for trend following CTA/Managed Futures strategies recently. Most trends have been short or experiencing reversals of longer term trends, and thus doing less was often doing more. But while the agility of an agnostic long/short CTA strategy can be a detriment during choppy markets, the benefits of trend capture from gains and steadfast risk management outweigh the short term costs.

We believe that it is likely trends will emerge and extend post the US election, and patience and discipline will be rewarded. Based on our experience, the markets feel like they are a spring, waiting to move one way or another. This sentiment covers both financial and commodity markets. What the markets need are clarity and catalyst. We believe the US election may provide that combination.

The Auspice Diversified Program remains a potentially valuable addition to many portfolios including those with existing CTA/Managed Futures exposure. With a long term correlation of -0.24 to the S&P (see front page), this illustrates equity and Auspice returns are accretive together. At 0.52 correlation to the SG CTA Index on a 1 year basis (daily returns), the combined performance and non-correlation to other CTAs is also valuable. As illustrated in Chart 1, the strategy shows historic outperformance to the Barclay CTA Index in the critical times of 2008, 2010 and 2014 when non-correlated returns are needed most.

AUSPICE

ATTRIBUTIONS AND TRADES

October extended the period of choppy activity along with the reversals of some long established trends. This occurred in most sectors, both Commodity and Financial, with Currencies being the exception. As such, gains came from this one sector (See Chart 2).

As the US Dollar continued to strengthen, we added to and took new short positions in Currencies including the Canadian Dollar, British Pound and the Euro.

The most notable sector shift was in Interest Rates. Many of these positions have been held for a long time with US 10 Year Notes held over a year and Five Year Notes since 2013. While we exited some of the long exposure in the previous months, October had us shift entirely to short in multiple markets.

Within Energy, the performance was impacted by both the price action and the placement on the curve. For example, while we were long Natural Gas and the market sold off, our positioning in the back of the curve was profitable.

Grains provided some of the strongest upward movement in commodities after selling off since early June, and we reduced short exposure in Soybeans and Wheat while adding the outperforming Canola market which gained over 11%.

Return Drivers: While the last couple months the Short Term (non-trend) and Mean Reversion strategies provided offsetting value, this month they were flat while Trend Following struggled. See Chart 3. The value in this combination remains the lack of correlation in the return drivers.

POSITION HIGHLIGHTS

GAINS

- British Pound: added to short position as deteriorated over 5%.
- Canadian Dollar: added to short as US Dollar strengthened.
- WTI Crude: long further out on the curve where not impacted by recent correction.
- Natural Gas: as above, taking advantage of the curve.
- Rubber: new position added early in month gained over 10%.

LOSSES

- Japanese Yen: corrected in October after leading last month.
- Heating Oil: correction to the downside holding long position.
- Silver: Silver pulled back 7% during the month.
- Sugar: pulled back 6%, we reduced exposure.

Chart 2 SECTOR PNL MONTHLY ATTRIBUTION

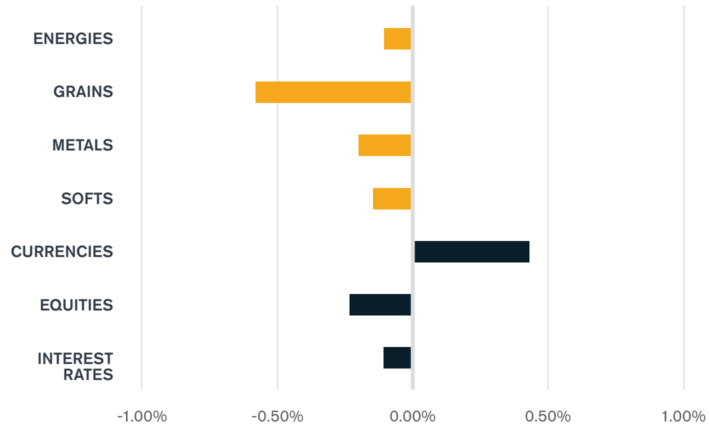
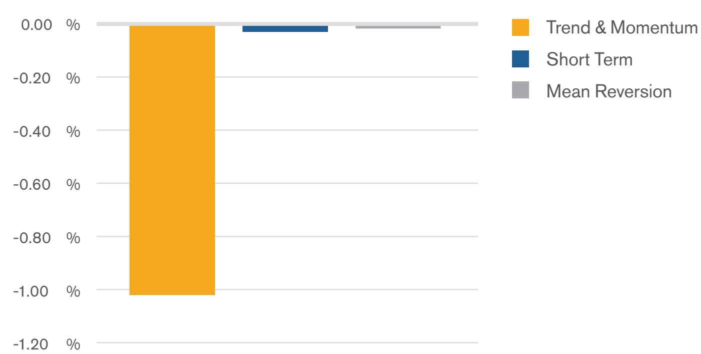


Chart 3 STRATEGY (RETURN DRIVER) ATTRIBUTION



AUSPICE **DIVERSIFIED PROGRAM**

COMMENTARY + PORTFOLIO FACTS

OCTOBER 2016

EXPOSURE AND RISK ALLOCATION

Portfolio risk* shifted away from the commodity market dropping 23% of the total risk budget of the portfolio over financials (which gained the same amount). The portfolio is now more balanced with a slight commodity tilt as can be seen in Chart 4.

The changes came from decreases in Energies and Grains risk while adding exposure across all financial markets including Currencies, Equities and Interest Rate (See Chart 5).

Additional risk came from short exposures in Currencies vis-à-vis the US Dollar while within Equity indexes we added modest long exposure. However, one of the most significant changes is the shift to short Interest Rate futures virtually across the curve from long to short duration.

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

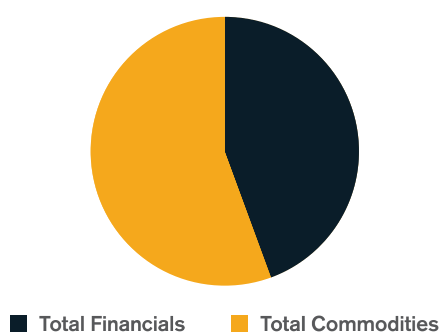
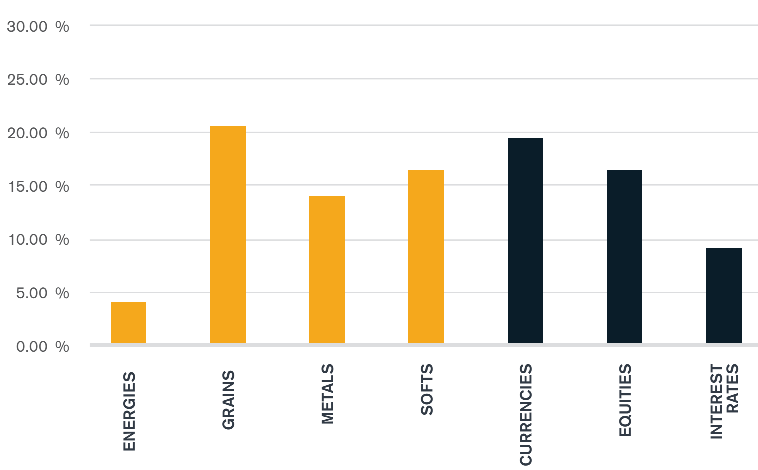


Chart 5 CURRENT SECTOR RISK



* Risk is expressed as the maximum expected loss in a position or sector divided by the total portfolio risk across all positions.

CURRENT RISK BY SECTOR

ENERGIES **4.52%**

Largest Holdings	Position	% of Risk
Heating Oil	Long	2.10%
RBOB Gasoline	Short	1.00%
Natural Gas	Long	0.73%

GRAINS **20.60%**

Largest Holdings	Position	% of Risk
Soybeans	Short	5.60%
Wheat	Short	5.48%
Canola	Long	5.26%

METALS **14.69%**

Largest Holdings	Position	% of Risk
Zinc	Long	10.96%
Platinum	Short	1.26%
Silver	Long	0.96%

SOFTS **15.74%**

Largest Holdings	Position	% of Risk
Coffee	Long	6.33%
Rubber	Long	5.80%
Sugar #11	Long	1.94%

CURRENCIES **19.63%**

Largest Holdings	Position	% of Risk
British Pound	Short	8.12%
Canadian Dollar	Short	5.15%
Euro	Short	4.31%

EQUITIES **15.82%**

Largest Holdings	Position	% of Risk
Nikkei (Japan)	Long	4.94%
S&P TSX 60 (Canada)	Long	3.18%
NASDAQ 100 (USA)	Long	2.82%

INTEREST RATES **9.00%**

Largest Holdings	Position	% of Risk
Treasury Bond/30yr (USA)	Short	3.95%
Treasury Note/10yr (USA)	Short	2.91%
Long Gilt (UK)	Short	1.10%

AUSPICE

AUSPICE **DIVERSIFIED PROGRAM**

COMMENTARY + PORTFOLIO FACTS

OCTOBER 2016

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.

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)

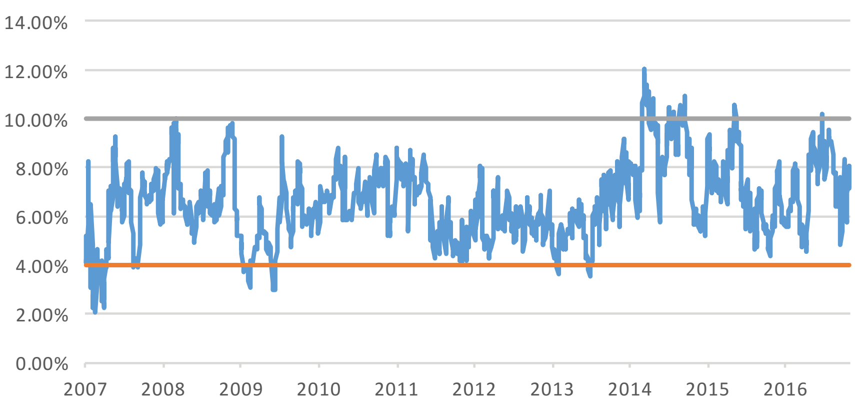


Table 3 NAVS

NAV	Auspice Managed Futures LP*
Series 1	1205.4017
NAV	**Auspice Diversified Trust**
Class A	9.4139
Class F	9.7549
Class S	9.1844
Class H	10.6509
Class I	11.4490
Class X	11.1570

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	3.02%	Avg Monthly Gain	2.81%
Annualized Std Dev	11.49%	Avg Monthly Loss	-2.12%
Largest Drawdown	-26.04%	Daily Std Dev	0.70%
Sharpe Ratio[1]	0.26	Daily VAR (sim w/99% conf)	-0.88%
MAR Index[2]	0.12	Round Turns per $million	362
Sortino	0.68	Margin to Equity ratio	6.61
Upside/Downside Volatility[3]	2.83% / 1.30%	Average Hold Period (Days)	69
Correlation to S&P 500	-0.24%	% Profitable	37.07%
Correlation to TSX60	-0.14%	$Win / $Loss	1.71
Correlation to BCOM ER	0.05		

Program Details	
Structure	Unit Trust / LP / Mngd Account / Offshore
Mgmt Fee	0-2%
Incentive Fee	20% w/High-Water Mark
Liquidity	Monthly (no lockup)
Firm Assets	$243M
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.
3. Standard deviation of positive (Upside) or negative (Downside) monthly returns over the risk free rate.

AUSPICE

FUND FACTS (CONT)

MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2016	-0.22%	3.12%	-4.93%	3.59%	-1.64%	0.56%	2.44%	-1.55%	-1.06%	-1.34%			**-1.36%**
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 oldest series of Auspice Managed Futures LP, Series 1 (2% management and 20% performance fee).
See Important Disclaimers and Notes for additional details.

IMPORTANT DISCLAIMERS AND NOTES

COMPARABLE INDICES

*Returns for **Auspice Diversified or "ADP"** represent the performance of the Auspice Managed Futures LP Series 1. Performance is calculated net of all fees.

The **Barclay CTA Index** is a leading industry benchmark of representative performance of commodity trading advisors. There are currently 532 programs included in the calculation of the Barclay CTA Index for 2016. The Index is equally weighted and rebalanced at the beginning of each year. It is a non-investable index.

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 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 **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.

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.

INVEST WITH AUSPICE

Call us
888 792 9291
Visit us online to find out more
auspicecapital.com

AUSPICE Capital Advisors
SUITE 510 - 1000 7TH AVE SW
CALGARY, ALBERTA CANADA T2P 5L5

AUSPICE