

December and 2014 Commentary & Performance

GREAT GAINS IN 2014!

The Auspice Diversified Program gained 4.19% in December to be up 24.76% in 2014. While equities did well on the year, this highlights the non-correlated value of this absolute return strategy in the face of traditional asset volatility.



How to do better?

As an extension to last month's discussion on replication, we acknowledge that everyone wants to base arguments, including investment thesis, on analysis. While this is logical, we recognize that you can't prove a NEW idea by using analysis of the past.

To make improvements, adapt and evolve, we need to combine the best of analytical thinking, based in replication, with intuitive thinking which produces new outcomes.

These are new markets. They are indeed evolving. With a foundation in volatile markets and disciplined risk management, coupled with a commitment to not fade, our quest is to improve.

We will continue to evolve the Auspice Diversified Program, striving to do better by combining analysis, scientific research, with experience and intuition.

This year went very well: simply by starting at a point of replication, not fading, and working hard to evolve and improve.

We are better than we were and intend to better than we are.

Sectors and Trades

Momentum from last month continued in December with Energy and Currency positions again leading the way. Shorts in Energy as well Currencies (versus USD) were most fruitful complemented by shorts in Soft Commodities and long Interest Rate futures.

This month, gains were made in 4 of 7 sectors (see Figure 1). For the year, 6 of 7 sectors were positive, with Equity the only negative performance. Both financial and commodity sectors made significant contributions during the month and the year.

During the month, Energies were again the strongest performer complimented by Currencies while on the year it was reversed and Currencies led the strategy gains. Significant gains from Softs, Rates, Metals and Grains rounded out the diversified performance. The most profitable positions of the year were short Gas Oil and Euro but this was backed up by many other energies and currencies. The most challenging markets were indeed the equities which were volatile and reversed direction numerous times.

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Chart 1: Auspice Diversified Program Line Chart

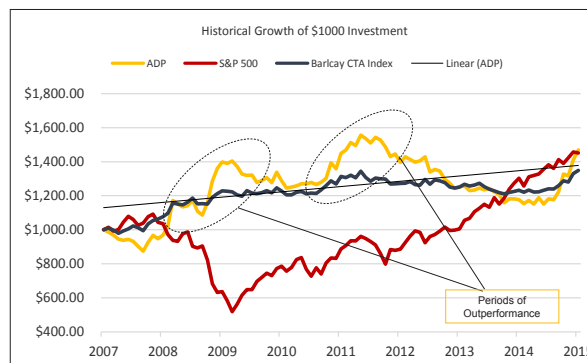


Table 1: Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	4.19%	-0.95%	-0.42%	1.41**
YTD	24.76%	9.07%	11.39%	9.47**

Table 2: 7 Year Annualized Return

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
7 Year Annualized Return	6.13%	0.80%	4.95%	*3.28%
Cumulative Return	51.63%	5.72%	40.20%	25.33%
Annualized Std Dev	12.26%	14.97%	16.83%	5.49%
Sharpe Ratio	0.50	0.05	0.29	0.60
MAR Ratio	0.24	0.02	0.10	0.33
Largest Drawdown	26.03%	44.27%	47.51%	9.92%
Correlation to Auspice Diversified	1.00	-0.20	-0.28	0.80

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

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

Key Positions

Energies

Energy markets continued lower

- We remain short the petroleum side of the Energy sector which led performance. Short Crude Oils, Heating Oil, Gasoline, GasOil.
- Added a short in Natural Gas during the month.

Metals

Metals were off slightly

- We continue to hold shorts in Gold, Silver, Platinum, and Copper while adding a short in Zinc.
- The slightly positive sector performance for the year largely came from a first half long positions in Nickel and Palladium along with latter shorts in Silver and Platinum.

Grains

Grains strongest amongst commodities

- Grains moved slightly higher to start the month before pulling back.
- We added new long positions in Wheat, Canola and Corn.
- Grains sector was positive in 2014 led by both long and short position gains in Corn and Soybeans.

Soft Commodities

Softs were softer

- Gains on shorts in Sugar were complimented by a new short in Coffee.
- Sector positive on the year led by Q1/2 long Coffee and Q3/4 short in Sugar.

Currencies

Currency continue to outperform

- Gains were made in all components, a fantastic year after many quiet and choppy years.
- All existing positions have been held: Short Yen, Aussie, British Pound, Euro, Swiss Franc and Canadian Dollar.

Interest Rates

Gains made in the sector

- Strong gains from long the U.K. Long Gilt Bond market which also led the sector gains for the year.

Equity Indices

Equities were softer to end the year

- Equities continue to be a challenging sector rife with reversals and choppy behaviour.
- The month started weak causing us to exit some long positions only to reverse.
- We ended the year long the S&P 500 and Nasdaq, while exiting the long Nikkei and short VIX positions for reduced sector exposure.

Figure 1: Attribution for Auspice Diversified

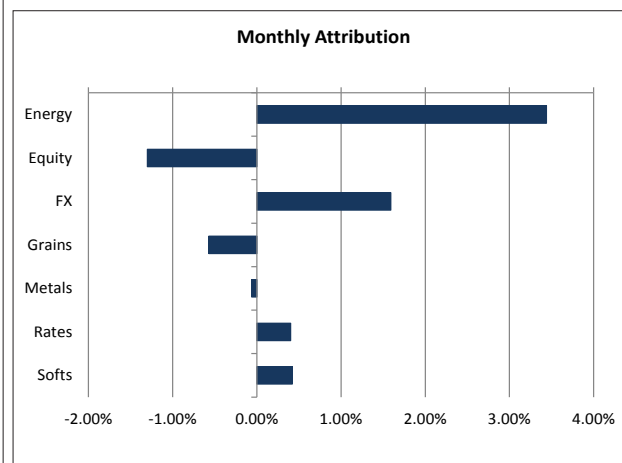


Table 3: NAVs ending December and 2014 Returns

NAV	Auspice Managed Futures LP*
Series 1	1320.57 / +24.76%
NAV	Auspice Diversified Trust
Class A	10.3961 / +24.40%
Class F	10.5646 / +22.26%
Class S	10.1434 / +24.39%
Class H	11.5473 / +21.17%
Class X	12.0812 / +20.81%

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