AUSPICE

Auspice Diversified Program Commentary & Performance

October Commentary & Performance

The Auspice Diversified Program was up 2.01% in October.

- Equities moved higher and continue to dominate market movement.
- For a second month, Bonds moved higher on the month (lower rates).
- Currencies started month rallying significantly (vis-à-vis the USD) before falling off.
- Commodities were generally lower led by Energies, Softs, and Grains.
    - Energies were lower.
    - Softs were generally soft with exception of Lumber.
    - Metals were mixed.
    - Grains moved lower.

October felt like a repeat of September with Equity and Bonds rallying. However, while gains were made in those sectors, significant opportunity also arose tactically taking advantage of specific commodities from the long and short side.

While the strategy and the overall managed futures sector has pulled back in the last few years as depicted in the line chart, it is important to understand that the correlation has not been -1.00 or even a strong negative. In fact, the correlation since the beginning of 2011 has been approximately -0.15%. While the return of the strategy in this short period of time has been negative, the overall risk adjusted value to a portfolio is positive due to the non-correlation resulting in:

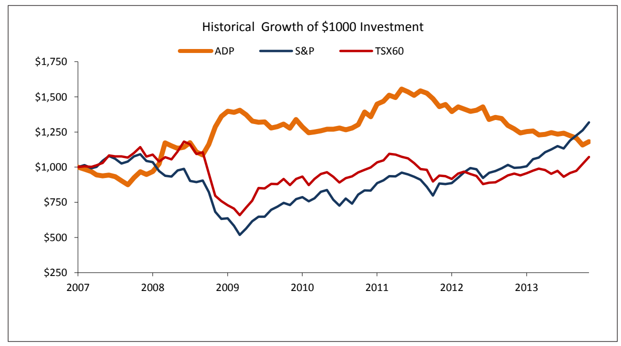
- Lower portfolio volatility during the period.
- Lower portfolio drawdown.
- Potential protection and performance during inevitable stock market corrections.

These elements improve non-correlated risk-adjusted performance and reduce overall portfolio risk while performance is being dominated by Equities. Focusing on the long term benefits of diversification will ultimately safeguard investors' portfolios when investors need it the most.

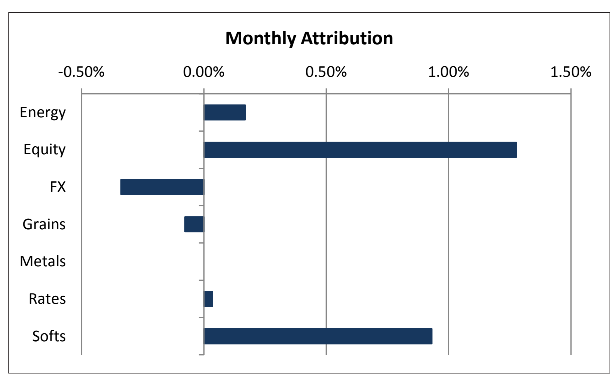
As shown in the table, while the strategy is in drawdown, the long term performance and benefit of Crisis Alpha has been significant leading to a higher annualized performance, lower volatility and lower drawdowns versus traditional equity markets given the low and slightly negative correlation. Time will tell what will bring about the next crisis; however Auspice has proven to be of long term benefit at a critical time.

Sectors and Trades:

- Equity markets provided the strongest sector gains for the portfolio.
- Have added to long Rates positions with both long and short term exposures.
- Most profitable positions were short Cotton and Coffee, long Lumber, Nasdaq, DJ Euro Stoxx, TSX 60, and GasOil.
- Exited Hang Seng equity market.
- Most challenging sector was Currency along with positions in Soybean Meal and VIX.
- Very few positions are held in Energy, Metals, and Grains.



Ending Oct. 2013	Auspice Diversified	TSX60	S&P500	Newedge CTA Index
6 Year Annualized Return	**3.38%**	-1.06%	3.18%	1.36%
Annualized Std Dev	**12.15%**	16.21%	17.95%	7.19%
Sharpe Ratio	**0.28**	-0.07	0.18	0.19
MAR Ratio	**0.13**	-0.02	0.06	0.12
Largest Drawdown	**25.57%**	44.27%	50.37%	11.45%
Correlation to Auspice Diversified	**1.00**	-0.22	-0.32	0.75



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

Key Points Regarding our Positions

Energies:

- The Energy sector was exited prior to the month and right at the beginning of October as it continued to move lower in October.
- Lone long position in GasOil was held profitably for a small sector gain.

Metals:

- We do not hold any metals positions at this time.
- Metals sector has been the most profitable commodity sector in 2013.

Grains:

- Grains continued to soften and we remain largely on the sidelines.
- We continue to hold a profitable short in Corn.
- We exited long Soymeal as the complex softened.

Soft Commodities:

- Softs had a great month on the back of tactical long and short positions within this diverse sector.
- New short in Cotton provided largest commodity sector gain.
- Short side gains in OJ and Coffee.
- Lumber moved higher and we are long.
- Small loss in Sugar from exiting a short lived long position.

Currencies:

- Currencies were choppy as the markets gyrated quickly higher and sharply falling versus the USD by month end for a small sector loss.
- New long position in Aussie dollar fell off at month end but holding.
- Holding long positions in the Pound, Euro and Swiss Franc.
- Remaining flat the Yen, Canadian dollar, Mexican Peso.

Rates:

- Small gain in the sector as the market continued higher (interest rates lower) and we have added a number of new positions from the long side.
- In the short end of the curve, we have added Euribor and Sterling 3 month to the long Eurodollars position.
- In the long end of the curve, we have added US 10 Year Notes and German Schatz 2 years.

Equity Indices:

- The Equity sector provided the largest portfolio gain from long positions in Nasdaq, DJ Euro Stoxx, and the Canadian TSX 60.
- This continues to be the most profitable sector for us in 2013.
- We exited the short VIX position early in the month to protect capital as it moved sharply higher. We have re-entered this short.
- We exited the long S&P position early in the month to protect capital as it moved lower only to re-enter the long later in the month.
- Exited the Hang Seng which was lagging severely while other equities performed.
- Position changes in this sector illustrate our agility to protect sector gains made in 2013.