



June 2016 Commentary and Performance

Summary

The Auspice Diversified Program gained 0.56% in June to end the quarter and first half on a positive note. Per Table 1 the TSX 60 was off and the S&P 500 was virtually flat.

“Unknowns” including the US FED meeting, OPEC, appeared to have had little effect while Brexit brought in significant volatility into the global marketplace. In both commodities and financial markets, there have been good trends yet riding out the risk and daily volatility is the challenge. e.g. prior to the decision the US Dollar Index fell over 3% only to gain 3.4% post decision. As such, being mindful of risk has been mission critical.

Sectors and Trades

The strategy currently shows a similar performance versus the peer group for the month and the year (Table 1) and outperforming long term (Table 2) versus the Barclay CTA Index.

While a decent month for trend it could have gone either way. Choppy volatility can wreak havoc for trends, and thus we reduced various exposures post Brexit. However, trends did persist once the market calmed down. Gains came from 5 sectors led by Interest Rates and Metals and were complimented by Softs, Grains and Currencies (see Figure 1). Losses came from Energies which were softer with the exception of Natural Gas, and the small exposures we had to Equity indices.

Commodity versus financial risk was fairly steady on the month, yet there were some significant changes within the broad categories. Within commodities, we reduced Energy risk while adding Soft Commodity. This primarily came from exiting Energies while holding the Sugar market which moved sharply higher. We also reduced Grain exposure on weakness while added to Metals. Financially, Currencies and Equity exposures were further reduced, with a single Equity exposure at this time (TSX 60). Added risk in Fixed Income came from mark to market gains post Brexit.

The largest position gains came from Soybeans, Sugar, Zinc and Silver complimented with the Japanese Yen and various Interest Rate Futures. The largest position losses came from weakness and exiting petroleum-based Energy markets, the British Pound, Corn (which dropped 17% from the month’s peak to month end).

Trend following strategies were positive and the bulk of the return, while Short-Term strategies also contributed. Mean-reversion exposures were off slightly.

Return drivers breakdown in Figure 2 on page 2.

Program NAVs for the Canadian LP and Trust in Table 3 on page 2.



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Note: Please refer to “Important Disclaimers” regarding comparable indices used herein.

Chart 1: Historical Growth since January 2007

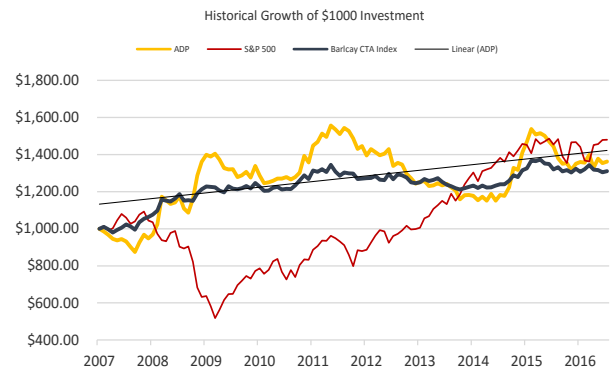


Table 1: Recent Program Performance

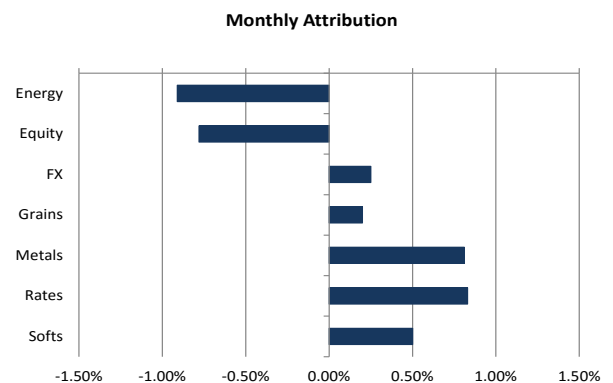
	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	0.56%	-0.42%	0.09%	0.50%*
2016 YTD	0.21%	6.95%	2.69%	0.29%*

Table 2: Long-term Program Performance (Since Jan 2007)

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
Annualized Return	3.31%	1.01%	4.21%	2.89%*
Cumulative Return	36.19%	10.06%	47.97%	31.97%
Annualized Std Dev	11.63%	13.67%	15.59%	5.38%
Sharpe Ratio	0.28	0.07	0.27	0.54
MAR Ratio	0.13	0.02	0.08	0.29
Largest Drawdown	26.04%	44.27%	52.55%	9.92%
Correlation	1.00	-0.14	-0.25	0.77

*Performance for the Barclays CTA Index is estimated using the performance posted on the www.BarclayHedge.com website.

Figure 1: Attribution for Auspice Diversified





Notable Positions

While we have a deeply rooted belief in providing transparency to our positions, going as far as discussing individual trades on a monthly basis, or even publishing indices in the sector, we have decided to try this in a different format. Each month, we will detail a couple notable trades. Some will be profitable, some may illustrate a lack of trend or sharp reversal in a market, and others may just be interesting. For further information regarding positions or for feedback, please contact Auspice directly.



Currency volatility– Yen

As confidence built in a “Remain” decision, most currencies weakened vis-à-vis the British Pound. And indeed some had been weakening long before (e.g. the commodity tilted Canadian and Aussie dollars started to weaken in early May). The Yen is an exception and has rallied since early spring. As such we entered a long position in February as it broke through a long period of consolidation. Brexit only created a small pause and the market has continued on its trajectory after the vote.



Industrial demand? – Zinc

While Copper is often used as the de facto industrial metal, markets like Zinc can be even more interesting. Whether it be industrial demand, that has been reported on since April, or the perception thereof, the market broke out in April and we entered. The market initially weakened in May but stayed within risk boundaries and has been a steady climb since. In this case Brexit is almost indiscernible and the market continued on its trajectory.

Figure 2: Return Drivers

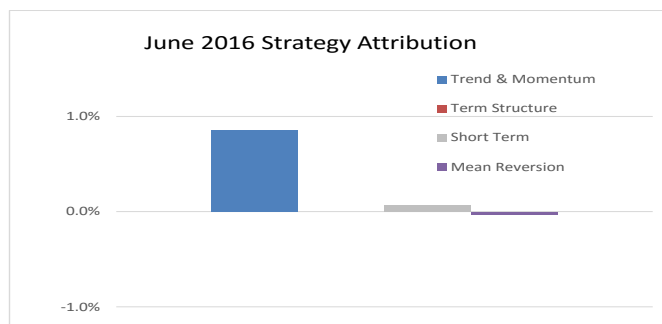


Table 3: NAVs ending June 2016

NAV	Auspice Managed Futures LP*
Series 1	1224.5232
NAV	Auspice Diversified Trust
Class A	9.5795
Class F	9.8918
Class S	9.3458
Class H	10.8004
Class X	11.3132



Important Disclaimers and Notes

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.

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.

Excess Return (ER) Indexes do not include collateral return.

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.