



May 2016 Commentary and Performance

Summary

The Auspice Diversified Program corrected 1.64% in May following last month's outsized gains.

Commodities again led asset movement with positive trends as well as sharp reversals. Currencies fell sharply (USD index rose 3%) from the April lows while Equities moved slightly higher but appear contained by numerous unknowns: Upcoming US FED meetings regarding interest rate policy, OPEC, and Brexit (Britain leaving the EU) are all weighing on investor minds.

Sectors and Trades

This was a tough month for trend followers as gains made on trending sectors may have been given up by sharp reversals in other areas. While commodities again led assets movement with positive performance from Grains (see Figure 1), it came with along with sharp reversals in Metals (e.g. Silver fell 10%). Moreover, despite relatively subdued financial sectors of Rates and Equity, Currencies reversed sharply on US Dollar strength appearing to exacerbate the Metals sell-off.

The strategy shows a similar performance as peers for the month and some outperformance to benchmarks for the year and long term as outlined in Table 1 per Barclay CTA Index.

This month we added to Energy sector risk while reducing Metals for a modest gain in overall commodity exposure. On the financial side, while Equity and Fixed Income sector risk remained at a similar level, we reduced Currency sector exposure given the sharp reversal in the US Dollar.

The largest position gains came from Grains including Soybeans and Soybean Meal complimented by short VIX. The largest position losses came from reversals in Currencies and Metals: Canadian Dollar, Yen, Euro and Gold, Platinum, Silver. Losses in our short term strategies are focused in energies.

Return drivers breakdown in Figure 2 on page 2.

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



Winner - 2014 Altegris CTA Challenge

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

Chart 1: Historical Growth since January 2007

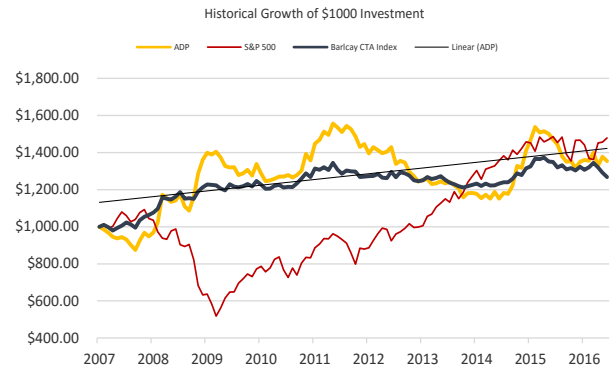


Table 1: Recent Program Performance

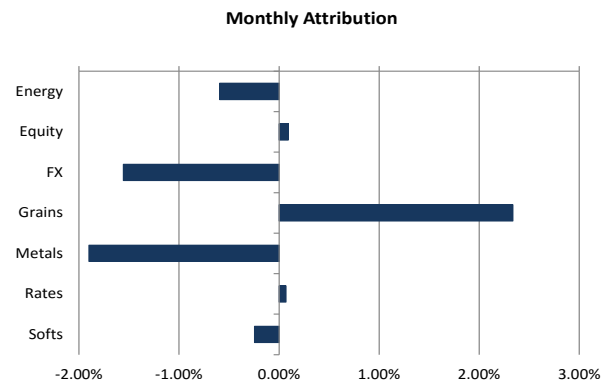
	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	-1.64%	0.69%	1.53%	-1.81%*
2016 YTD	-0.34%	7.39%	2.59%	-2.94%*

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

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
Annualized Return	3.27%	1.07%	4.24%	2.56%*
Cumulative Return	35.44%	10.53%	47.84%	26.85%
Annualized Std Dev	11.69%	13.73%	15.66%	5.49%
Sharpe Ratio	0.28	0.08	0.27	0.47
MAR Ratio	0.13	0.02	0.08	0.26
Largest Drawdown	26.04%	44.27%	52.55%	9.92%

*Performance for the Barclays CTA Index is estimated using the performance for the SG CTA Index (formerly Newedge)

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 other will just be interesting. For further information regarding positions or for feedback, please contact Auspice directly.



Equity Volatility – VIX

While we and our trend capturing approaches have been cautious in Equity markets for some time, and currently holding very little exposure, the VIX provided a recent opportunity. After consolidating near the December 2015 lows, a renewed push of weakness and breakdown emerged. It goes to show that you don't need to catch the bottom (or top) of trends to find a good trade.

Riding trends up and down – Soybean Meal

This market has provided a picture perfect (and risk adjusted) opportunity for investors who are agnostic to market direction and patient. After entering a short in late October, this trade was exited in late March 2016 as the long term trend reversed. While we didn't pick the bottom, the long trade was entered quickly after upward momentum developed. But the real key here is holding onto the winning trade. The gain by the end of April was terrific, but with constant volatility and in absence of a sharp reversal, we continue to ride this trend. It was the top performing position in the portfolio in May.



Figure 2: Return Drivers

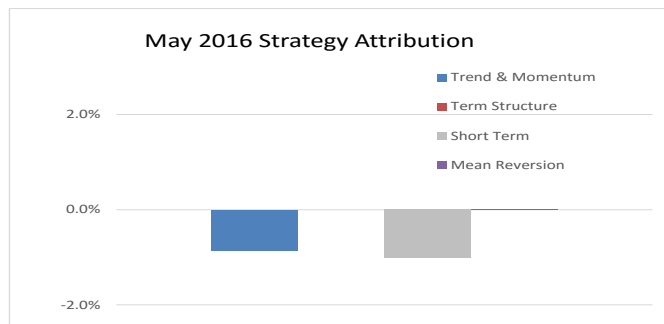


Table 3: NAVs ending May 2016

NAV	Auspice Managed Futures LP*
Series 1	1217.7651
NAV	Auspice Diversified Trust
Class A	9.5303
Class F	9.8324
Class S	9.2977
Class H	10.7356
Class X	11.2452



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.