AUSPICE

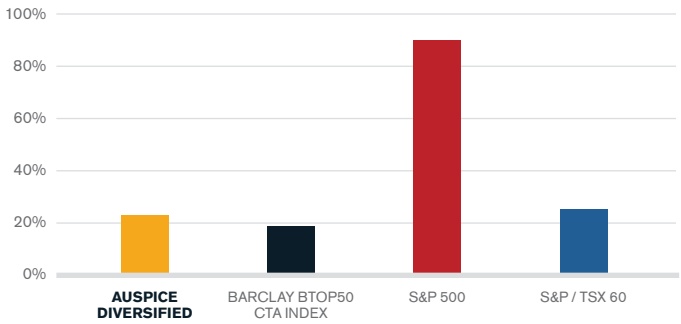
DIVERSIFIED PROGRAM

COMMENTARY + PORTFOLIO FACTS

MAY 2018

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AUSPICE DIVERSIFIED	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.69	-0.20	-0.11

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

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SUMMARY

The Auspice Diversified Program had a strong month gaining approximately 1.41% in light of the sector weakness with the benchmark Barclay BTOP50 and SG CTA indices falling an estimated 1.76% and 2.38% respectively. This highlights the Auspice approach remains unique. With performance now similar for the year and recently outperforming, this compliments the long-term outperformance per Table 1 while Chart 1 and illustrates the history of stronger gains at critical times of CTA performance.

Global equities generally ended positively but market specifically and regionally were quite unique. The S&P and Nasdaq gained 2.16% and 5.32% respectively while the MSCI World lagged at 0.31% for reference. The resource tilted Canadian TSX/S&P60 added 3.15% but remains negative for the year while the Nasdaq index leads equities.

While the US Fed had previously appeared to signal further rate increases in 2018 consistent with inflationary data, the May meeting held rates unchanged and witnessed a more subdued tone. Both rates and currencies reacted as political concerns in Europe and an Italian "crisis" dragged the Euro down and interest rates fell sharply at month end. Currencies were weak vis-a-vis the US Dollar which continued its recent outperformance.

Commodity benchmarks had another solid month adding to the outperformance to most equity benchmarks in 2018. The energy tilted GSCI gained 1.28% while the more diverse Bloomberg Commodity Index gained 1.25% on the month. Strength came from Ags, both Grains and Soft Commodities, and was complimented by Energies while Metals continues to lag.

OUTLOOK

While many CTA strategies struggled in May, as observed through the benchmark CTA indices weakness, many are wondering (as are we) why. Our best guess is that many CTA benchmarks are dominated by the largest of managers and strategies that focus risk on financial markets. At Auspice, we are focused on commodities IN ADDITION to financial futures – an important distinction. To be clear we do not force this, but allow the opportunity if momentum and volatility merits it.

Volatility and momentum continues to improve especially in commodities and we believe the opportunity remains very good. Our strategies found trend following opportunities in both commodities and financial markets.

(CONTINUED NEXT PAGE)

Chart 1 HISTORICAL GROWTH OF $1000 INVESTMENT

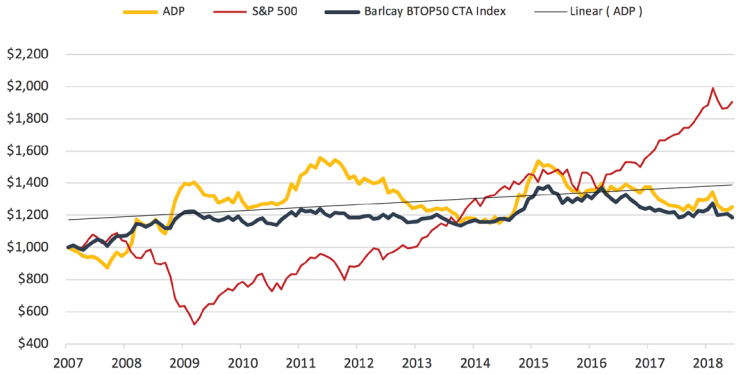

Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified (2/20 fees)	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**1.41%**	-1.76%	2.16%	3.15%
2018 YTD	**-3.93%**	-3.95%	1.18%	-0.96%
1 yr (Jun 17)	**-0.54%**	-2.57%	12.17%	4.86%
3 yr (Jun 15)	**-14.91%**	-10.95%	28.37%	8.62%
5 yr (Jun 13)	**1.34%**	0.40%	65.75%	29.65%
10 yr (Jun 08)	**9.50%**	3.96%	93.18%	8.20%
Annualized (Jan 07)				
Return	**2.00%**	1.52%	5.82%	2.18%
Std Deviation	**11.17%**	6.60%	14.56%	12.70%
Sharpe Ratio	**0.28**	0.26	0.51	0.28
MAR Ratio	**0.08**	0.11	0.11	0.05
Worst Drawdown	**-26.04%**	-14.08%	-52.56%	-44.27%

GSCI/S&P500 RATIO: EQUITIES EXPENSIVE, COMMODITIES CHEAP?

Source: Dr. Torsten Dennin, Incrementum AG

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OUTLOOK (CONTINUED)

While the strategy is designed to participate in and capture medium to long term trends, often it will miss the quick, sharp corrections that grab headlines (like in February). We believe the strategy is positioned well to take advantage of these more significant type of trends regardless of asset type and importantly beyond equity. These types of returns are accretive to most portfolios which are heavily weighted and highly correlated to equities.

ATTRIBUTIONS AND TRADES

We remain out of all equity exposure.

Energies led the portfolio per Chart 2 during May. Not only did Petroleum markets continue with their momentum higher, there were opportunities for both trend following and our short term strategies. Portfolio gains were complimented by a diverse set of opportunities including within Soft Commodities in added exposure to Cotton and new positions in the Euro currency and German Euro-Schatz Notes.

Within Ags, Grains were particularly challenging. While we are looking for volatility, sometimes choppiness can be tough to time and Grains were indeed volatile, trading back and forth. The portfolio remains tilted long yet agile and a number of adjustments were made including an increase in Corn exposure while exiting Soybean Meal.

Metals generally softened and remain the laggard in the bullish yet diverse commodity sector. The portfolio is short across the sector with the exception of Nickel which we added early in the year and it continues to appreciate, up over 18%.

Within Financials, while the returns were silent, there was some important repositioning. The portfolio shifted shifted to long the US Dollar as it continued to rally. With the exception of the Japanese Yen, the portfolio is now tilted short currencies.

In Rates, we have reduced shorts in US futures markets and shifted to long in some European markets as interest rates have fallen fueled by political concerns.

Return Drivers: Strategies lined up this month with Short Term (non-trend) strategies having an exceptional month and complimented by the core trend following (see Chart 3). Small gains with also made in Mean Reversion strategies.

Chart 2 SECTOR PNL MONTHLY ATTRIBUTION

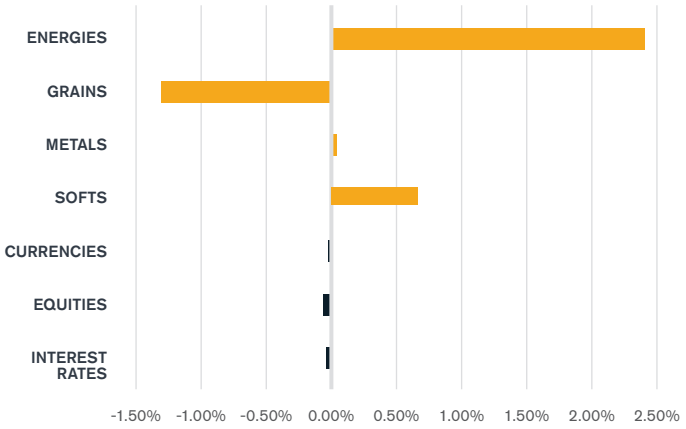
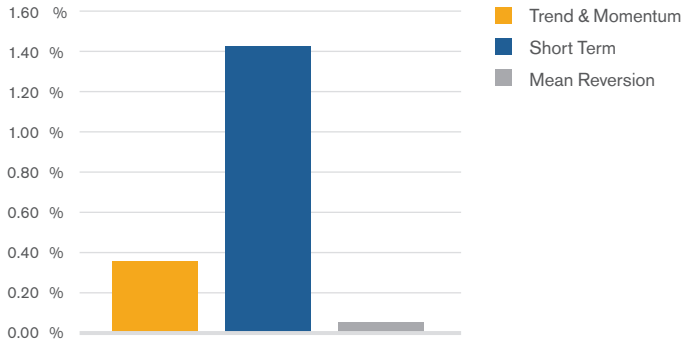


Chart 3 STRATEGY (RETURN DRIVER) ATTRIBUTION



* Strategy Attribution excludes all fees.

POSITION HIGHLIGHTS

GAINS

- Long energies led by Heating Oil and Natural Gas (Short Term).
- New shorts in Euro were beneficial.
- Long Cotton with a rally of 4.85% on the month.
- Entered long German Euro-Schatz 2 Year Note and took profits quickly on volatility.

LOSSES

- Volatility in Wheat had the portfolio trim Wheat and exit Soybean Meal on weakness.
- Weakness in Yen caused long exposure reduction.
- Sugar rallied against long term short and we took some profits but remain short.

EXPOSURE AND RISK ALLOCATION

Commodity exposure was trimmed versus Financial exposure. The current ratio is 75:25 down from 89:11 last month per Chart 4. While still considered slightly higher tilt to commodity it is less extreme but still highlights the commodity opportunity.

Within commodities, the most notable changes were decreases in Energies and Grains while adding slightly to Metals and Softs.

In Financials, the big change was an increase in Currency exposure while Rates and Equity remains unchanged.

Portfolio exposure overall has shifted from the bottom end of the range to slightly above average at 8.5%. The historical average level is 6.8% as measured by the Margin to Equity ratio (see Chart 6 next page).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

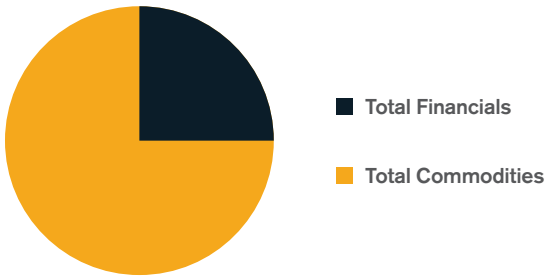
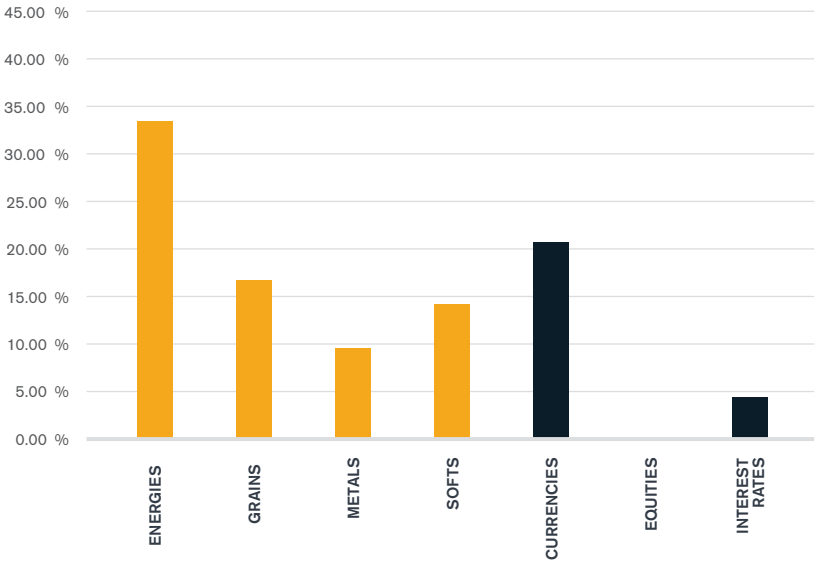


Chart 5 CURRENT SECTOR RISK



CURRENT RISK BY SECTOR

ENERGIES		33.50%
Largest Holdings	**Position**	**% of Risk**
Heating Oil	Long	8.51%
Gasoline	Long	7.65%
Gas Oil (UK)	Long	6.24%

GRAINS		17.17%
Largest Holdings	**Position**	**% of Risk**
Wheat	Long	6.49%
Canola	Long	4.90%
Corn	Long	4.49%

METALS		9.60%
Largest Holdings	**Position**	**% of Risk**
Copper	Short	2.52%
Zinc	Short	2.08%
Gold	Short	1.94%

SOFTS		14.63%
Largest Holdings	**Position**	**% of Risk**
Cotton	Long	12.05%
Sugar #11	Short	2.58%

CURRENCIES		20.98%
Largest Holdings	**Position**	**% of Risk**
Euro	Short	7.04%
British Pound	Short	5.93%
Swiss Franc	Short	2.83%

EQUITIES		0.00%
Largest Holdings	**Position**	**% of Risk**

INTEREST RATES		4.11%
Largest Holdings	**Position**	**% of Risk**
Long UK Gilt	Long	2.83%
Treasury Bond/30yr (USA)	Short	0.66%
Treasury Note/5yr (USA)	Short	0.34%

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

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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.

With a long term correlation of -0.20 to the S&P (see front page), and a modest 0.66 correlation to the SG CTA Index (1 year basis - daily returns), this demonstrates the combined performance and non-correlation to equity and other CTAs is accretive and valuable.

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)

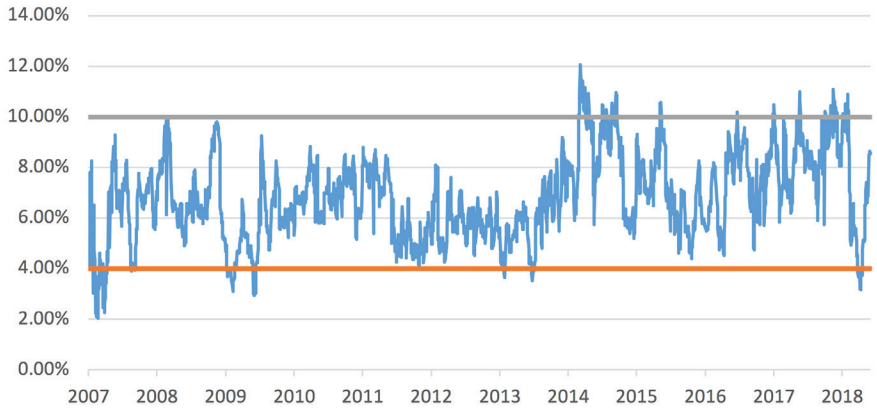

Table 3 NAVS

NAV	Auspice Managed Futures LP*	
Series 1	1124.3932	1.41%
NAV	**Auspice Diversified Trust**	
Class A	8.7077	1.35%
Class F	9.1731	1.44%
Class S	8.4961	1.35%
Class I	10.9510	1.53%
Class X	10.4952	1.44%

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	2.00%	Avg Monthly Gain	2.80%
Annualized Std Dev	11.17%	Avg Monthly Loss	-2.05%
Largest Drawdown	-26.04%	Daily Std Dev	0.68%
Sharpe Ratio[1]	0.28	Daily VAR (sim w/99% conf)	-1.29%
MAR Index[2]	0.08	Round Turns per $million	450
Sortino	0.5	Margin to Equity ratio	6.8
Upside/Downside Deviation	0.15 / 0.05	Average Hold Period (Days)	23
Correlation to S&P 500	-0.20	% Profitable	43%
Correlation to TSX60	-0.11	$Win / $Loss	1.31
Correlation to BCOM ER	0.06	Skew	1.18

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	$177M
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.

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FUND FACTS (CONT)

MONTHLY PERFORMANCE TABLE*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2018	3.12%	-5.81%	-2.27%	-0.19%	1.41%								**-3.93%**
2017	-3.66%	-1.89%	-1.35%	-1.39%	-0.53%	-0.51%	-1.61%	2.76%	-2.53%	5.16%	-0.27%	0.67%	**-5.31%**
2016	-0.22%	3.12%	-4.93%	3.59%	-1.64%	0.56%	2.44%	-1.55%	-1.06%	-1.34%	2.68%	-0.13%	**1.15%**
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.

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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 BTOP50 CTA Index** seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. The BTOP50 employs a top-down approach in selecting its constituents. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50.

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 S&P Goldman Sachs Commodity Excess Return Index **(S&P GSCI ER)**, is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

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.

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