AUSPICE

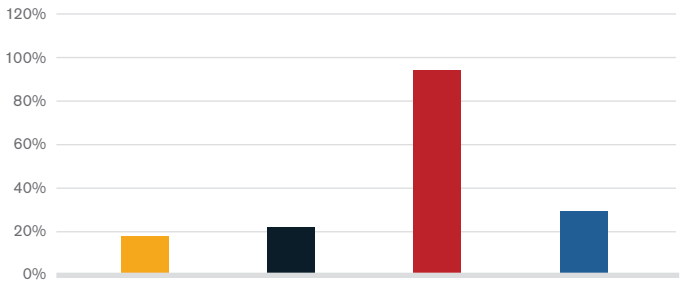
DIVERSIFIED PROGRAM

COMMENTARY + PORTFOLIO FACTS

MAY 2019

CUMULATIVE PERFORMANCE

(SINCE JANUARY 2007*)



	AUSPICE DIVERSIFIED	BARCLAY BTOP50 CTA INDEX	S&P 500	S&P / TSX 60
Correlation		0.68	-0.15	-0.09

*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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MAY 2019

SUMMARY

Auspice Diversified Program had a frustrating month losing 7.43% in May which eclipsed the losses by the benchmarks. After a strong April, and outperforming benchmarks in 2018, May was a storm of shifts that conspired at the same time across the diverse portfolio. As Chart 1 illustrates there is a history of stronger gains at critical times while outperforming benchmarks long-term. More detail in Outlook and Attributions sections.

With equity as a proxy for the shift in sentiment, after rallying from January 1 to April 30, May immediately brought a sharp reversal from the rally that erased the Q4 2018 losses. The S&P lost 6.58%, Nasdaq 7.93% while the MSCI World fell 6.08%. The resource tilted Canadian TSX/S&P60 was off 3.28% while the Energy sub-index fell a whopping 11.72%.

Commodities didn't provide much solace as the risk-off downdraft was led by energy markets and followed by industrial metals and soft commodities. The energy weighted GSCI fell 8.40% while the more diverse Bloomberg Commodity index was muted at -3.56%.

With both US and Canadian central banks holding rates steady at policy meetings this month, bond futures jumped back on existing trends higher after correcting last month. Inflationary concerns expressed last month were muted given the sharp sell-off in oil an important driver. The US dollar continued to show strength vis-à-vis most global currencies.

OUTLOOK

One of the best ways to make money is to stick with things that are working and cut those that are not. May was a bitter illustration of this in that our largest exposures coming into the month were in the top performing markets across diverse sectors. Unfortunately, these sectors all became the largest losses and we have thus made the biggest changes therein.

We also are very direct that we believe the key to outsized returns in this area is a commodity tilted risk budget complimented with an agile investment and risk management approach. Moreover, we will participate in equity trends, but to a lesser degree than most. Our outlook has not changed – but we have adjusted our risk accordingly and made changes based on shifts in trends. This is the agility that creates outsized returns in volatile times.

To reiterate: As we reflect on performance over the last year, a few things become apparent. First, given the prominent CTA benchmarks were down in 2018, it tells us that many

(CONTINUED NEXT PAGE)

Chart 1 HISTORICAL GROWTH OF $1000 INVESTMENT

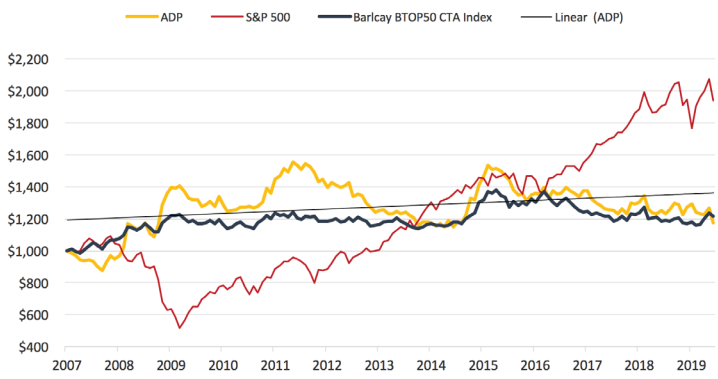
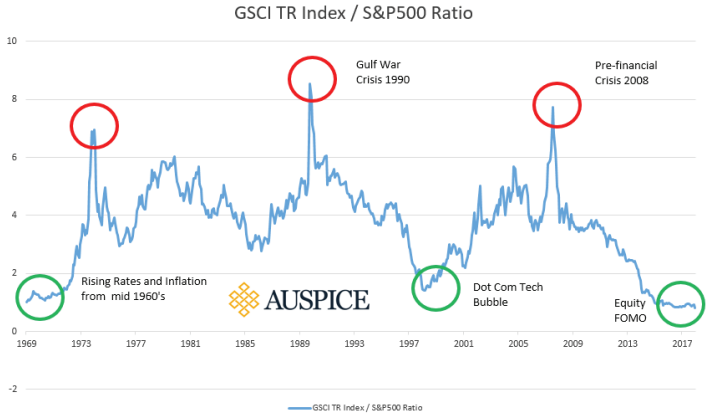


Table 1 ABSOLUTE PERFORMANCE

	Auspice Diversified (2/20 fees)	Barclay BTOP50 CTA Index	S&P 500	TSX 60
1 Month	**-7.43%**	-1.51%	-6.58%	-3.28%
2019 YTD	**-9.19%**	3.33%	9.78%	11.94%
1 yr (Jun 18)	**-6.06%**	3.00%	1.73%	1.20%
3 yr (Jun 16)	**-13.26%**	-5.07%	31.24%	17.15%
5 yr (Jun 14)	**2.05%**	3.46%	43.07%	14.98%
10 yr (Jun 09)	**-10.97%**	2.21%	199.42%	52.08%
12 yr (Jun 07)	**24.42%**	17.96%	79.80%	19.57%
Annualized (Jan 07)				
Return	**1.31%**	1.61%	5.49%	2.10%
Std Deviation	**11.25%**	6.55%	14.77%	12.76%
Sharpe Ratio	**0.21**	0.27	0.48	0.27
MAR Ratio	**0.05**	0.10	0.10	0.05
Worst Drawdown	**-26.04%**	-16.11%	-52.56%	-44.27%

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



Source: Dr. Torsten Dennin, Incrementum AG

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OUTLOOK (CONTINUED)

managers are tilted financially (versus commodities) given the challenges and reversal of trends in those markets late in the year. Second, the performance from commodity trends is beneficial and yet not focused on by many large managers making up the CTA benchmarks as highlighted by our outperformance in 2018. Third, this is confirmed in 2019 as these same benchmarks that underperformed last year are performing well, and so far outperforming, alongside equities.

ATTRIBUTIONS AND TRADES

The three largest exposures, while diverse, all collaborated to form the bulk of the monthly loss. Sharp reversals in Energy, Equities and Grains from existing trends hurt performance. Each of these sectors has been reduced substantially, exited entirely, or shifted to the opposite exposure.

Energies were the hardest hit area and we reduced exposures significantly while remaining long petroleum markets. Natural gas was already short and benefitted from the sector weakness. Equities were exited completely to hold no current exposure, long or short. Our agile approach is monitoring closely and can adjust quickly going forward.

Grains have been weak for some time and just last month the top performing commodity sector only lagging equities. The reversal experienced was violent enough to move some exposures from short right to long (eg. Corn).

One the upside, Interest Rate futures performed well, extending upside gains after a bobble in April while Softs gained on weakness in Cotton.

Return Drivers: While trend following strategies were challenged by reversals in the largest exposures, unfortunately the non-correlated Short-Term strategies focused in Energies did not help. (see Chart 3).

Chart 2 SECTOR PNL MONTHLY ATTRIBUTION

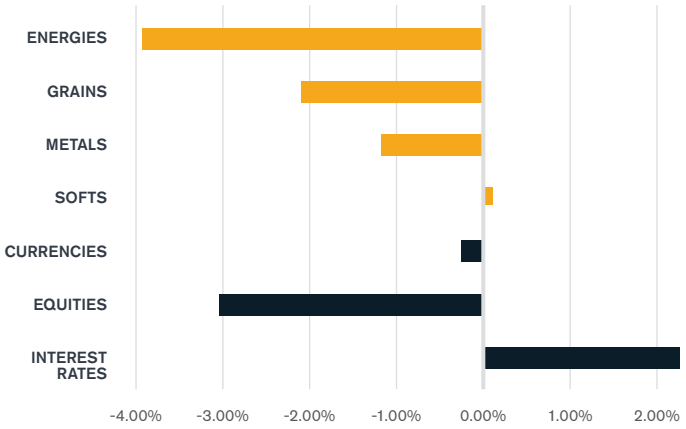
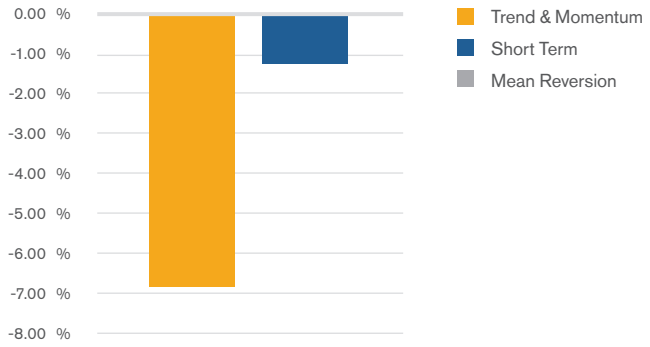


Chart 3 STRATEGY (RETURN DRIVER) ATTRIBUTION



* Strategy Attribution excludes all fees.

POSITION HIGHLIGHTS

GAINS

- US 30 Year bond futures led the Rate gains.
- Cotton weakness provided sector gains.
- Natural Gas shorts helped offset energy sector losses.

LOSSES

- Losses across long petroleum energies.
- Losses across equity indices.
- Rally in Grains led by Wheat and Soybeans exposures.

EXPOSURE AND RISK ALLOCATION

Commodity to Financial exposure decreased commodity to 59:41 from 70:30 last month per Chart 4.

Within commodities, the most notable changes were decreases in Energies while adding to Soft Commodities. Within Financials, increases in Rates offset the exit from Equities.

Portfolio exposure ended the month at 6% which is below the historical average level is 6.9% as measured by the Margin to Equity ratio (see Chart 6 next page).

Chart 4 COMMODITIES VS. FINANCIAL EXPOSURE

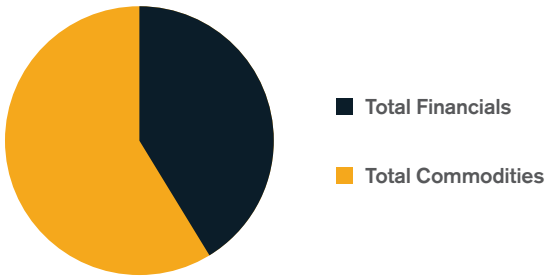
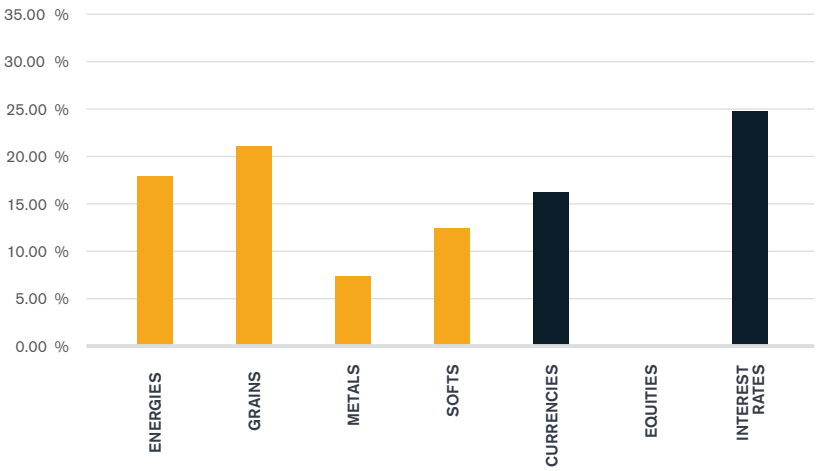


Chart 5 CURRENT SECTOR RISK



CURRENT RISK BY SECTOR

ENERGIES		17.75%
Largest Holdings	**Position**	**% of Risk**
Natural Gas	Short	9.55%
Gasoline	Long	3.24%
WTI Crude Oil	Long	2.51%

GRAINS		20.83%
Largest Holdings	**Position**	**% of Risk**
Corn	Long	16.57%
Soybeans	Short	1.87%
Wheat	Short	1.28%

METALS		7.70%
Largest Holdings	**Position**	**% of Risk**
Silver	Short	6.06%
Gold	Long	1.44%
Copper	Long	0.20%

SOFTS		12.45%
Largest Holdings	**Position**	**% of Risk**
Cotton	Short	6.34%
Sugar	Short	6.11%

CURRENCIES		16.46%
Largest Holdings	**Position**	**% of Risk**
British Pound	Short	4.94%
Aussie Dollar	Short	3.81%
Euro	Short	3.70%

EQUITIES		0.00%
Largest Holdings	**Position**	**% of Risk**
	No positions	

INTEREST RATES		24.81%
Largest Holdings	**Position**	**% of Risk**
Treasury Bond/30yr (USA)	Long	9.99%
Treasury Note/10yr (USA)	Long	6.78%
Euro Schatz (German)	Long	3.93%

* 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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AUSPICE **DIVERSIFIED PROGRAM**

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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 -0.15 to the S&P (see front page), and a modest 0.68 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)

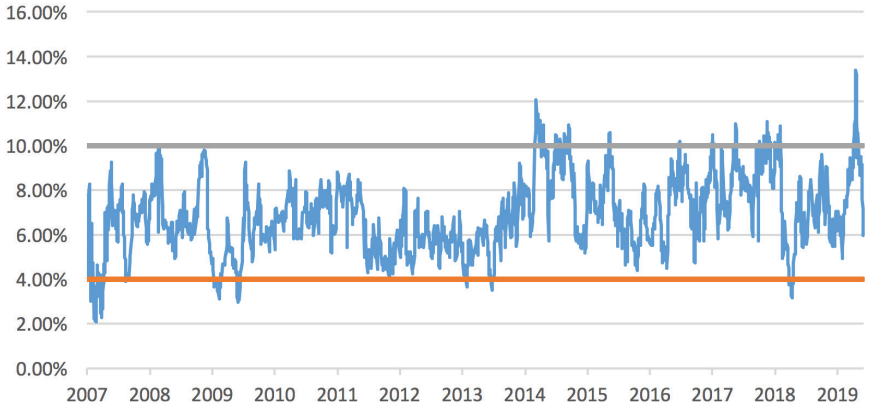

Table 3 NAVS

NAV	Auspice Managed Futures LP*		
LP		MTD	YTD
Series 1	1056.2328	-7.43%	-9.19%
NAV	**Auspice Diversified Trust**		
Class A	8.1139	-7.49%	-9.47%
Class F	8.6365	-7.40%	-9.07%
Class S	7.9175	-7.48%	-9.46%
Class I	10.4230	-7.31%	-8.65%
Class X	9.8843	7.40%	-9.06%

Program Statistics (from Jan 2007)		Trade Statistics	
Annualized Return	1.31%	Avg Monthly Gain	2.80%
Annualized Std Dev	11.25%	Avg Monthly Loss	-2.13%
Largest Drawdown	-26.04%	Daily Std Dev	0.67%
Sharpe Ratio[1]	0.21	Daily VAR (sim w/99% conf)	-0.97%
MAR Index[2]	0.05	Round Turns per $million	600
Sortino	0.36	Margin to Equity ratio	6.9
Upside/Downside Deviation	0.15 / 0.06	Average Hold Period (Days)	64
Correlation to S&P 500	-0.15	% Profitable	40%
Correlation to TSX60	-0.09	$Win / $Loss	1.46
Correlation to BCOM ER	0.05	Skew	1.01

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	$204MM
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
2019	-4.14%	-0.47%	-0.65%	3.50%	-7.43%								**-9.19%**
2018	3.12%	-5.81%	-2.27%	-0.19%	1.41%	-1.48%	1.89%	3.57%	-0.84%	-4.75%	3.66%	1.64%	**-0.61%**
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), and based in Canadian Dollars (CAD). See Important Disclaimers and Notes for additional details.

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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 and based in Canadian Dollars (CAD).

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 **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.

The CTA indexes do not encompass the whole universe of CTAs. The CTAs that comprise the indices have submitted their information voluntarily and the performance has not been verified by the index publisher.

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.

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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