AUSPICE

Auspice Diversified Program Commentary & Performance

May 2015

The Auspice Diversified Program lost 2.03% in May to be up 0.06% year to date. The month was highlighted by sharp reversals in a number of markets, both financial and commodity, that are typical of market transitions. We note that overall market volatility looks more significant when compared to the equity markets which remain low. As such, we remain modestly exposed to the markets right now remaining agile, opportunistic and patient as we believe there is a "spill over" effect coming.

Preparing portfolios for market turmoil

Statistical analysis is only as valuable as our ability to use it.

Our industry is full of examples of risk adjusted statistics like Sortinos, Sharpes and MARs that are important, but tend to be ignored (in favour of recent performance or volatility statistics). But none, in our experience, is more broadly recognized and used less effectively than correlation.

This is unfortunate. Building a portfolio designed to weather the market's ups and downs must be done by utilizing non-correlated income streams so that one asset's performance zigs while the other zags. There is simply no other way.

The market's one-way trajectory since 2009 has encouraged the use of high beta assets in order to perform competitively. This goes for "traditional" alternatives like infrastrucure, private equity, and real estate as well. Once markets begin to roil with higher volatility, however, a portfolio constructed with highly correlated assets can generate tremendous losses. Ironically, many client portfolios that we analyze appear well diversified on the surface, but carry a much higher market beta and carry more vulnerability to a downturn than expected!

If impending market volatility has you evaluating the inter-connectedness and safety of your portfolios, talk to us.

Auspice Diversified Program's return stream has low or no correlation to almost every asset class you can think of - equities, bonds, real estate, commodities, private equities...even other alternatives and CTAs.

We know that we can help.

Chart 1: Auspice Diversified Program since 2007

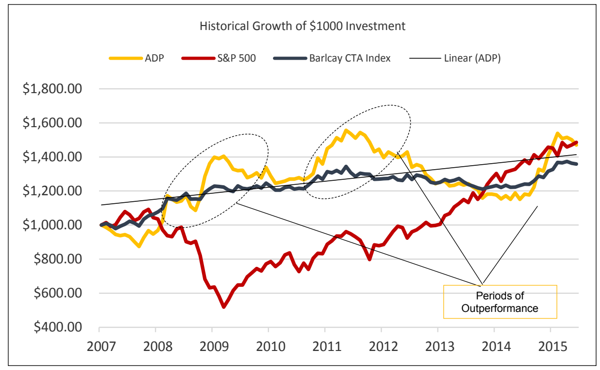

Table 1: Recent Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
1 Month	**-2.03%**	**-1.30%**	**1.05%**	**-0.30*%**
2015 YTD	**0.06%**	**2.31%**	**2.30%**	**3.26*%**

Table 2: Long-term Program Performance

	Auspice Diversified	TSX 60	S&P 500	Barclay CTA Index
8 Year Annualized Return	**5.69%**	1.06%	4.08%	*3.84%
Cumulative Return	**55.70%**	8.77%	37.68%	35.18%
Annualized Std Dev	**12.09%**	14.38%	16.12%	5.47%
Sharpe Ratio	**0.47**	0.07	0.25	0.70
MAR Ratio	**0.22**	0.02	0.08	0.39
Largest Drawdown	**26.03%**	44.27%	52.55%	9.92%
Correlation to Auspice Diversified	**1.00**	-0.15	-0.25	0.79

*Performance for the Barclays CTA Index is estimated using the performance for the Newedge CTA Index

Sectors and Trades

May was a challenging month for trend following strategies. While low volatility and trendless environments are obviously more difficult, it is the transitions from a trend down to up (or vice versa) that creates the most challenge. With the exception of domestic (US) equities, this has been the overall theme afflicting Commodities, Currencies, and Rates in 2015. As such the start of this year has proven unfulfilling, yet an environment we do our best to protect capital in.

In May, gains were made in 2 of 7 sectors, Currencies and Grains, while Energy and Metals markets were the most challenging (see Figure 1 on next page). The most profitable positions on the month were shorts in the Yen, long positions in the Nasdaq and Nikkei, along with shorts in Grains (Soybeans, Corn). The largest losses came from new long positions in Energy that quickly reversed along with sharp sell-offs in Metals and the Hang Sang (highlighting all equity markets are not behaving the same).

Key Positions

Figure 1: Attribution for Auspice Diversified

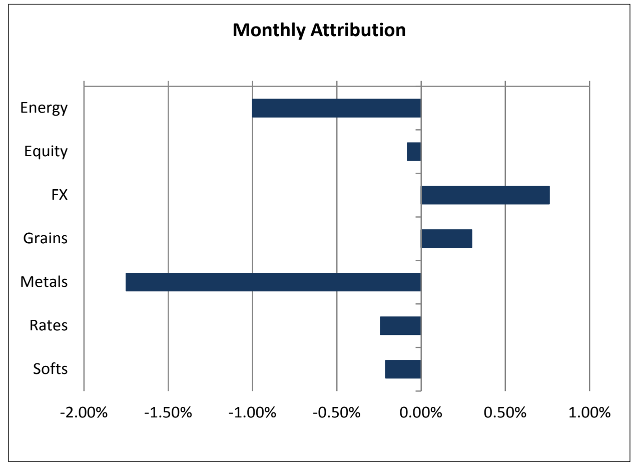

Table 3: NAVs ending April 2015

NAV	Auspice Managed Futures LP*
Series 1	1321.3697
NAV	**Auspice Diversified Trust**
Class A	10.3868
Class F	10.5962
Class S	10.1342
Class H	11.5783
Class X	12.1240

Energies

Petroleum markets rallied then fell-off

- After petroleum markets continued their push higher, we added long positions in a number of markets (Brent Crude, WTI, Heating Oil, Gasoline) early in the month. So far, there has been little follow-through and we already trimmed some of this exposure, exiting Brent.
- Exited our short in Natural Gas, a solid trend capture since the end of December.

Metals

Metals were volatile

- Industrial metals came into the month rallying causing us to exit profitable shorts in Nickel and add a long position in Copper to the existing Zinc position. However, the market reversed sharply and we have trimmed the positions.
- We remain short Platinum which continued to soften.
- Very little Metals exposure at this time.

Grains

Grains were soft

- While Grains were weak, Wheat bucked the trend and we exited the recently added short.
- Remain short Corn and Soybeans.

Soft Commodities

Softs were choppy

- We remain short Coffee, which continues to drip lower.
- Cotton was choppy and the recently added long position was exited on a sharp reversal.
- Added a long position in Rubber at month end.

Equity Indices

Equities were mixed

- While most markets were profitable, holding long positions in S&P, Nasdaq and Nikkei, while short the VIX, pockets of volatility eroded the profits.
- Hong Kong's Hang Seng and the Canadian TSX 60 Index softened.
- We reiterate the market action is more volatile than the perception.

Currencies

Currencies softened vis-à-vis the USD

- We continue to hold a profitable short in the Yen.
- Very little sector exposure since taking profits in the last couple months.

Interest Rates

- Rates consolidated
- We adjusted positions in May exiting the long Schatz 2 years while adding a short in US 30 Year Bonds as the long end continues to look soft.