



# DIVERSIFIED TRUST

COMMENTARY +  
FUND PROFILE

MAY 2023

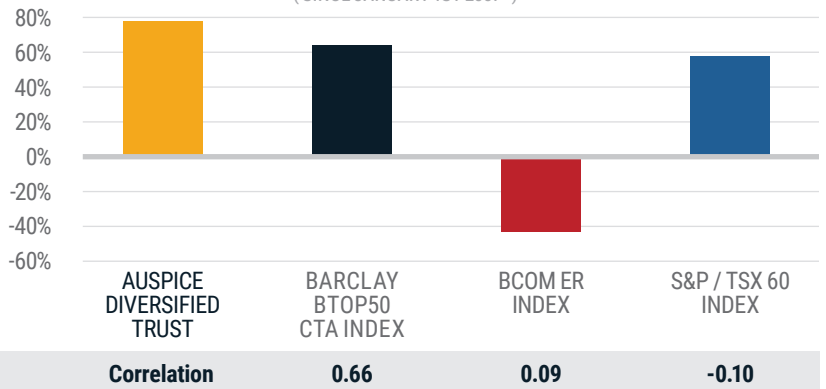
All performance data, portfolio information and pricing contained herein is as of May 31st, 2023.

**AUSPICE** Capital Advisors

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CALGARY, ALBERTA CANADA T2P 5L5



## CUMULATIVE PERFORMANCE (SINCE JANUARY 1ST 2007\*)



Source: Bloomberg and Auspice Investment Operations. \*The returns for Auspice Diversified Trust ("ADT") are net of fees. Returns represent the performance for Auspice Diversified Trust, Series X. Prior to December 2019, the returns were from Auspice Managed Futures LP, Series 1. Past performance is not indicative of future results. You cannot invest directly in an index. \*Correlation is a statistical measure that calculates the degree to which two portfolio or securities move in relation to one and the other, and can range between -1.0 and +1.0. A 0 correlation would indicate 0 similarity, a 1.0 correlation would indicate 100% correlation.

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Prior to February 28, 2023, this Fund was offered via offering memorandum only and this Fund was not a reporting issuer during such prior period. The expenses of the Fund would have been higher during such prior period had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer. Auspice obtained exemptive relief on behalf of the Fund to permit the disclosure of the prior performance data for the Fund for the time period prior to it becoming a reporting issuer.

## SUMMARY

Source of data is Bloomberg unless otherwise indicated.

Despite the “risk-off” sentiment last month across many global assets, Auspice Diversified Trust gained 0.87%, in line with benchmark indices. While the BTOP50 index gained 0.9% for the month, on a year-to-date basis, the spread remains over 3% per Table 1 with Auspice outperforming positive to negative. The long-only commodity benchmarks sold off aggressively, posting losses over 6% with both the energy heavy GSCI and more diverse Bloomberg Commodity Index (BCOM) now off over 13% in 2023. The trend-following and tactical Auspice Broad Commodity Index softened 2.3% to remain up 2.8% for the year.

As illustrated in Chart 1, the recent weakness in commodity and CTA benchmarks as depicted by BCOM and BTOP50 has been moderated by the Auspice Diversified Trust. The combination of capturing commodity upside in the “Commodity Alpha” section along with negative correlation to equities as depicted by the MSCI ACWI index in the “Crisis Alpha” sections is a valuable return stream and portfolio diversifier.

Beyond a few markets, most global benchmarks fell with some markets falling sharply. While the tech heavy Nasdaq made a 5.8% gain to lead benchmarks globally over 20% for the year and the S&P500 eked out a 0.25% gain for the month, many markets struggled. The global benchmark MSCI ACWI lost 1.1%, while the TSX60 lost 5.5% and the Hang Seng dropped over 8%.

US CPI inflation softened to 4.9% (from 5.0% in March) per Chart 2. We note that the rate of decline has slowed down and as such, speculation around rate cuts has subsided and central banks have continued to raise rates, albeit at a more muted pace. Despite the headline inflation softening slightly, we continue to observe persistent signs of commodity pressure showing up as “Agflation” as discussed in last month’s blog with Corn and Cotton making gains despite overall commodity market weakness. Both the US Fed and the Bank of England raised rates 0.25% in early May. Bond yields rose slightly with the benchmark US 10-year note rate closing at 3.64% from 3.43% as it looks like the US government will reach a debt ceiling deal and avoid default.

## OUTLOOK

During the inflationary environment of the 1970s, commodities, as represented by the Goldman Sachs Commodity Index (“GSCI TR”), delivered a cumulative 586.56% return versus just 17.25% for the S&P500. Alongside strong commodity returns, there was also significant volatility throughout the decade with commodity pullbacks of -77.38%, -43.65%, and -40.76%.

We are increasingly bullish on long term commodity fundamentals however retracements, particularly after a strong commodity market since H2 2020, are to be expected. The current consolidation and retracement in many (but not all) commodities, now fourteen months long, could prove an opportune time to add exposure.

With respect to equities, we are less optimistic. If there is one single tenet of investing to follow, it is “Don’t Fight the Fed”. The market has arguably been trying to, and not believing Central Bankers who are insisting they won’t drop rates any time soon.

CHART 1 COMMODITY & CRISIS ALPHA



Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. You cannot invest directly in an index.

TABLE 1 AUSPICE DIVERSIFIED TRUST PERFORMANCE

	Auspice Diversified Trust	Barclay BTOP50 CTA Index	BCOM ER INDEX	TSX 60 INDEX
1 Month	0.87%	0.91%	-6.08%	-5.53%
2023 YTD	2.53%	-1.38%	-13.16%	0.69%
1 yr (Jun 22)	-2.50%	-1.60%	-25.41%	-6.20%
3 yr (Jun 20)	43.25%	33.95%	54.19%	28.32%
5 yr (Jun 18)	42.84%	39.15%	7.99%	23.83%
10 yr (Jun 13)	44.75%	38.70%	-25.01%	62.05%
15 yr (Jun 08)	56.41%	44.15%	-54.21%	33.98%
Ann. Return (Jan 07)	3.60% <sup>1</sup> / 4.58% <sup>2</sup>	3.08%	-3.18%	2.84%
Std Deviation	11.63%	7.00%	16.68%	13.49%
Sharpe Ratio	0.39	0.48	-0.10	0.30
MAR Ratio	0.14	0.19	-0.04	0.06
Worst Drawdown	-26.04%	-16.11%	-73.87%	-44.27%

Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. You cannot invest directly in an index. 1/3/5/10/15 year is cumulative performance.

1. The returns for Auspice Diversified Trust (“ADT”) are net of fees. Returns represent the performance for Auspice Managed Futures LP Series 1 (2% mgmt, 20% performance) including and ending November 2019. From this point, returns represent the performance for Auspice Diversified Trust Series X (1% mgmt, 15% performance) which started in July 1st, 2014.

2. “Auspice Diversified 1 and 15” is provided for indicative purposes to illustrate full cycle net returns with the current lower fee structure (Series X). Auspice Diversified 1 and 15 is based on the realized gross returns of Auspice Managed Futures LP Series 1 (2% mgmt, 20% performance) through November 30th 2019, adjusted with the current lower (1 and 15) fee structure (Series X). December 1st, 2019 forward Auspice Diversified 1 and 15 represents the realized net returns from Auspice Diversified Series X.

**OUTLOOK (CONTINUED)**

The narrow breadth of strength and leadership in equities is also of concern to us. From a technical perspective, markets are strongest when rallies are broad based and weakest when they are driven by a handful of blue-chip stocks. The leadership of just a handful of tech stocks in 2023 should be viewed with caution in our opinion.

See this month's blog for more.

**ATTRIBUTIONS AND TRADES**

Positioning was relatively stable with some trend corrections and changes pulling back results. Per Chart 3, gains were dominated by short Grains and long Equities with compliments by Energies, Currencies and Rates. Negative attribution was led by the recently outperforming Soft Commodity sub-sector as this spring's star performer in Sugar corrected and risk was reduced. Metals also corrected on the back of weakness in precious metals led by Platinum (exited) and Silver while Zinc shorts provided an offset.

As highlighted last month, May performance illustrated that it is not only asset class diversification that can provide differing results, but the tactical positioning within asset classes. This month it occurred outside of commodities in equities, a rare occurrence given the typical higher correlation within the asset class. Global weakness in many markets was eclipsed by our agile and agnostic trend following approach with long exposures in Nikkei and Nasdaq.

**BY SECTOR**

**Energies:** Energies: Sector gains from both Trend and Short Term (non-trend) strategies as energy weakened across petroleum and natural gas markets.

**Softs:** Correction mostly attributed to Sugar along with exiting long Coffee.

**Metals:** Corrected as the sector weakened and new shorts were initiated along with reduced long exposure in precious metals.

**Equities:** Sector gain on existing long exposures along with new added short Hang Seng.

**Grains:** Gains as added to short across sector.

**Rates:** Small gain from new short in UK Long Gilts.

**Currencies:** Small gain attributed to added short Aussie Dollar.

**RETURN DRIVERS:**

Trend-following strategies led gains and were complimented by the non-correlated short-term (non-trend) strategies. See Chart 4.

**POSITION HIGHLIGHTS**

**GAINS**

- Zinc fell 16% leading gains in short metals markets.
- Soybeans dropped over 6%.
- Gains in Nikkei and Nasdaq led equities.

**LOSSES**

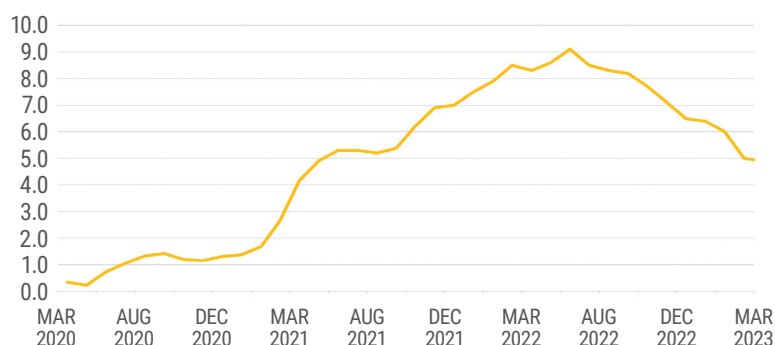
- British Pound softened over 1%.
- Silver softened 6.5%.
- Sugar corrected nearly 5%.

**TABLE 2 AUSPICE DIVERSIFIED TRUST PERFORMANCE**

Auspice Diversified Trust Series	Annualized Return				NAVPU CAD \$
	1yr	3yr	5yr	10yr	
Series X	-2.53%	12.69%	7.45%	n/a	15.0345
Series A	-3.62%	12.21%	6.70%	3.22%	12.0459
Series F	-2.61%	11.83%	6.93%	3.59%	12.8269
Series I	-1.42%	16.21%	9.88%	5.86%	17.5462

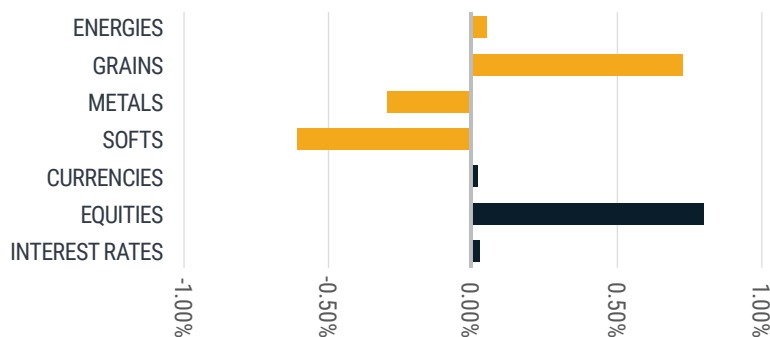
Source: Bloomberg and Auspice Investment Operations. Past performance is not indicative of future results. The returns for Auspice Diversified Trust ("ADT") are net of fees.

**CHART 2 CONSUMER PRICE INDEX (CPI) YOY% CHANGE**



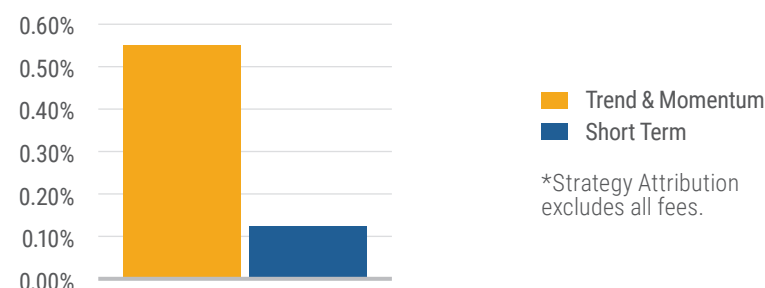
Source: Bloomberg and Auspice Investment Operations. See definitions at end for more.

**CHART 3 SECTOR PROFIT/LOSS AND MONTHLY ATTRIBUTION**



Source: Auspice Investment Operations.

**CHART 4 STRATEGY (RETURN DRIVER) ATTRIBUTION**



\*Strategy Attribution excludes all fees.

Source: Auspice Investment Operations.

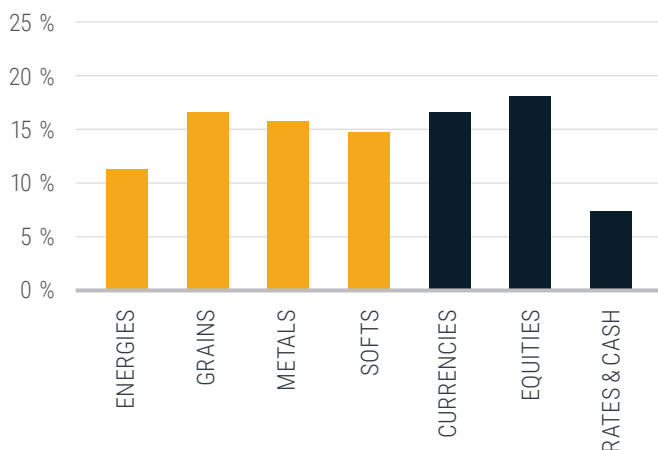
## EXPOSURE AND RISK ALLOCATION

Commodity to Financial exposure was further shifted away from the heavy commodities tilt to 58:42 from 69:31 last month per Chart 6, while the overall exposure has been reduced significantly.

Overall portfolio exposure, as measured by the Margin to Equity ratio, has decreased to 3.2% from 4.9% last month and is now well below the historical average level of 6.7% (see Chart 8 next page). Historically, when the ratio slipped to very low levels (<4%), this has indicated a transition in opportunities with the ability to add risk as trends develop.

In Commodities, risk was decreased primarily in Metals while increased in Grains. Financial exposure was increased mostly in Currencies.

### CHART 6 CURRENT SECTOR RISK



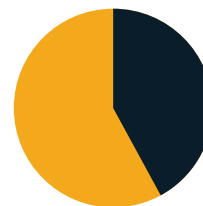
Source: Auspice Investment Operations.

\*Sector and individual market risk is expressed relative to the overall portfolio VAR/risk. Risk based on 1-day VaR.

### CHART 5 COMMODITIES VS. FINANCIAL EXPOSURE

■ Total Financials  
■ Total Commodities

Source: Auspice Investment Operations.



## CURRENT RISK BY SECTOR

Largest Holdings	Position	% of Risk
<b>ENERGIES 11.1%</b>		
Heating Oil	Short	3.2%
Gas Oil (Diesel)	Short	2.1%
RBOB Gasoline	Short	1.7%
<b>GRAINS 16.6%</b>		
Soybeans	Short	6.8%
Wheat	Short	3.8%
Soybean Meal	Long	3.7%
<b>METALS 15.7%</b>		
Copper	Short	5.8%
Zinc	Short	3.8%
Silver	Long	2.2%
<b>SOFTS 14.8%</b>		
Sugar	Long	12.6%
Cotton	Short	1.7%
Rubber	Short	0.6%
<b>CURRENCIES 16.4%</b>		
Aussie Dollar	Short	7.3%
Japanese Yen	Short	6.3%
Chinese Yuan	Long	1.7%
<b>EQUITIES 18.2%</b>		
NASDAQ	Long	6.9%
Nikkei (Japan)	Long	6.4%
Hang Seng (Hong Kong)	Short	3.6%
<b>RATES &amp; CASH 7.2%</b>		
Long Gilt (UK)	Short	4.0%
Treasury Notes/10yr (USA)	Long	0.4%
Treasury Notes/5yr (USA)	Long	0.4%

Source: Auspice Investment Operations.

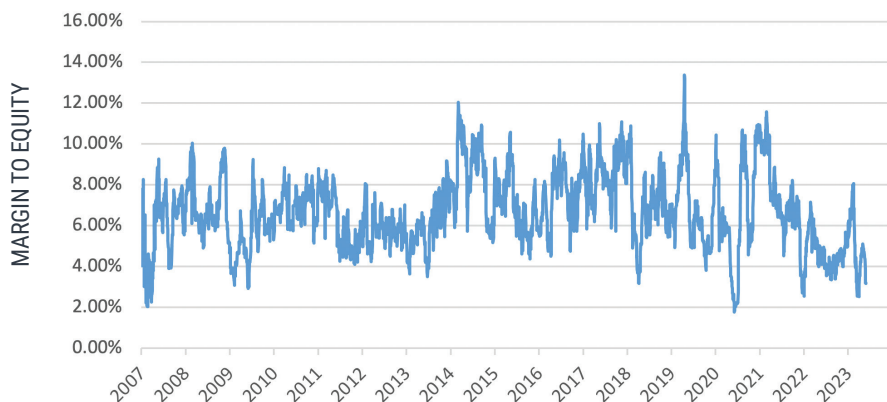
## INVESTMENT OBJECTIVE

The Fund seeks to generate returns on investment in, trading in or exposure to commodity and financial interests. Using a disciplined rules-based investment process, the fund captures dominant trends long and short, agnostic to market direction and popular consensus. Risk management and capital allocation is systematic to preserve capital as the strategy's core objective along with

providing returns that are non-correlated to traditional equity, fixed income and most alternative strategies. A core goal is to provide performance and crisis alpha in times of significant equity correction.

## FUND DETAILS

CHART 7 PORTFOLIO EXPOSURE (MARGIN TO EQUITY)



Source: Auspice Investment Operations.

Fund Details (Jan 2007)		Trade Statistics	
Annualized Return	3.60% <sup>1</sup> / 4.58% <sup>2</sup>	Avg Monthly Gain	2.88%
Annualized Std Dev	11.63%	Avg Monthly Loss	-2.12%
Largest Drawdown	26.04%	Daily Std Dev	0.70%
Sharpe Ratio <sup>3</sup>	0.39	Daily VAR (sim w/99% conf)	-0.54%
MAR Index <sup>4</sup>	0.14	Round Turns per \$million	800
Sortino	0.69	Margin to Equity ratio	6.7
Upside/Downside Deviation	0.15 / 0.05	Average Hold Period (Days)	69
Correlation to MSCI ACWI	-0.16	% Profitable	40%
Correlation to TSX60	-0.10	\$Win / \$Loss	1.7
Correlation to BCOM ER	0.09	Skew	0.95

Source: Auspice Investment Operations.  
Past performance is not indicative of future results.

Auspice Diversified Trust	Fundserv Code	Management Fee	Performance Fee	Minimum
Series X	ACA778X	1%	15%	\$1mm
Series A	ACA718A	2%	20%	\$1,000
Series F	ACA728F	1%	20%	\$1,000
Series I	ACA738I	Negotiated	Negotiated	\$25mm

Source: Auspice Investment Operations.  
Past performance is not indicative of future results.

## KEY ATTRIBUTES

- Higher allocation to commodities relative to our peers,
- Negative correlation to equity, no correlation to commodity,
- Low margin to equity (average <7.0%) makes it scalable and cash efficient
- Portfolio Management team with experience trading in volatile environments.
- Positive skew: Auspice Diversified Trust has outperformed at critical times of crisis, recovery, and volatility expansion.

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3. Assumes Risk free rate of 0%.

4. MAR is the annualized return divided by the largest drawdown.

Program Details	
Other Structures	Managed Account, Delaware LLC
Auspice Diversified Trust Liquidity	Daily
Firm Assets	\$814M

Source: Auspice Investment Operations.  
Past performance is not indicative of future results.

MONTHLY PERFORMANCE TABLE\*

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2023	2.15%	-3.64%	0.34%	2.92%	0.87%								2.53%
2022	2.20%	4.32%	7.95%	3.54%	-1.84%	0.55%	-2.90%	-0.17%	2.43%	-0.51%	-4.30%	0.00%	11.19%
2021	2.67%	9.55%	-0.89%	4.61%	0.61%	-1.50%	-1.77%	0.98%	0.49%	1.32%	-4.28%	-1.89%	9.62%
2020	-2.06%	-0.19%	9.72%	-3.16%	-0.47%	0.28%	3.36%	2.08%	-2.15%	0.99%	2.69%	6.73%	18.46%
2019	-4.14%	-0.47%	-0.65%	3.50%	-7.43%	-0.37%	0.52%	10.60%	-7.59%	-1.33%	1.42%	0.25%	-6.75%
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%

Source: Auspice Investment Operations.  
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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share and/or unit value and reinvestment of all dividends and/or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

RISK RATING

Auspice Capital Advisors Ltd. has rated the volatility of this fund as **medium**.

This rating is based on how much the Fund's returns have changed from year to year. It does not tell you how volatile the Fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

LOW	LOW TO MEDIUM	<b>MEDIUM</b>	MEDIUM TO HIGH	HIGH
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For more information about the risk rating and specific risks that can affect the Fund's returns, refer to the risk section of the Fund's simplified prospectus.

## BENCHMARK DESCRIPTIONS

The BTOP50 seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50. For 2022 there are 20 CTA funds in the Barclay BTOP50 Index. The BTOP 50 is the most comparable index for Auspice Diversified Trust, however there are significant differences, such as the average exposure to commodity futures (versus financial futures), and average trade length. Reference to the BTOP50 benchmark does not imply that Auspice Diversified Trust will achieve similar performance.

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. Second to the BTOP50, the SG CTA is the most comparable index for Auspice Diversified Trust, however there are significant differences, such as the average exposure to commodity futures (versus financial futures), and average trade length. Reference to the SG CTA benchmark does not imply that Auspice Diversified Trust will achieve similar performance.

The Bloomberg Commodity Index Excess Return (BCOM ER) Index is a broadly diversified commodity price index that tracks prices of futures contracts on physical commodities on the commodity markets. Like Auspice Diversified Trust, the index is designed to minimize concentration in any one sector. No one commodity can compose more than 15% of the BCOM ER index, no one commodity and its derived commodities can compose more than 25% of the index, and no sector can represent more than 33% of the index. There are significant differences however, most importantly, that the BCOM ER index is passive, and 100% commodities, whereas Auspice Diversified Trust is active, and also trades financial futures. Reference to the BCOM ER benchmark does not imply that Auspice Diversified Trust will achieve similar performance.

The S&P Goldman Sachs Commodity Excess Return Index ("GSCI"), 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. Like Auspice Diversified, it provides exposure to a number of commodities. There are significant differences however. Importantly, the GSCI index is passive, concentrated in energy, and 100% commodities. Auspice Diversified Trust is active long and short, diversified equally across seven sectors, and also trades financial futures. Reference to the GSCI benchmark does not imply that Auspice Diversified Trust will achieve similar performance.

The S&P/TSX 60 ("TSX 60") Index is a stock market index of 60 large companies listed on the Toronto Stock Exchange. Maintained by the Canadian S&P Index Committee, a unit of Standard & Poor's, it exposes the investor to 60 stocks in nine industry sectors. There is a low degree of similarity between the TSX 60 and Auspice Diversified Trust. As the main benchmark for equity performance in Canada its inclusion is typically used to illustrate how Auspice Diversified Trust is notably different from equities, an important consideration for portfolio managers and investors alike.

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). There is a low degree of similarity between the S&P 500 and Auspice Diversified Trust. As the main benchmark for equity performance in the US its inclusion is typically used to illustrate how Auspice Diversified Trust is notably different from US equities, an important consideration for portfolio managers and investors alike.

The MSCI ACWI (Net) Index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets. There is a low degree of similarity between the MSCI ACWI and Auspice Diversified Trust. As the main benchmark for global equity performance its inclusion is typically used to illustrate how Auspice Diversified Trust is notably different from global equities, an important consideration for portfolio managers and investors alike.

The Nasdaq Composite Index is the market capitalization-weighted index of over 3,000 common equities listed on the Nasdaq stock exchange. There is a low degree of similarity between the Nasdaq and Auspice Diversified Trust. As the main benchmark for technology stock performance its inclusion is typically used to illustrate how Auspice Diversified Trust is notably different from technology stocks, an important consideration for portfolio managers and investors alike.

## GLOSSARY

1. Commodity Trading Advisors (CTAs) are professional investment managers, similar to portfolio managers in mutual funds, who seek to profit from movements in the global financial, commodity and currency markets by investing in exchange traded futures, options, and OTC forward contracts.
2. CPI - The Consumer Price Index (CPI) is a measure of the average change overtime in the prices paid by urban consumers for a market basket of consumer goods and services. It is often referenced as a measure of inflation.
3. Value at risk (VaR) is a measure of the risk of loss for investments. It estimates how much a set of investments might lose (with a given probability), given normal market conditions, in a set time period such as a day.
4. The Margin to Equity ratio represents the amount of trading capital that is being held as margin at any particular time. For example, if a CTA fund with \$100 million AUM executes trades requiring \$25 million in margin, the margin-to-equity ratio is 25%.
5. Standard deviation is a measure of how much an investment's returns can vary from its average return. It is a measure of volatility and, in turn, risk.
6. The Sharpe ratio measures the performance of an investment such as a security or portfolio compared to a risk-free asset, after adjusting for its risk. It is defined as the difference between the returns of the investment and the risk-free return, divided by the standard deviation of the investment returns.

7. The MAR Ratio is the annualized return divided by the largest drawdown.
8. Skew is the degree to which returns are asymmetric around the mean. Why does skew matter? If portfolio returns are right, or positively, skewed, it implies numerous small negative returns and a few large positive returns. If portfolio returns are left, or negatively, skewed, it implies numerous small positive returns and few large negative returns.
9. Worst Drawdown measures the maximum fall in the value of the investment, as given by the difference between the value of the lowest trough and that of the highest peak before the trough.
10. Alpha is a measure of the active return on an investment, the performance of that investment compared with a suitable market index. An alpha of 1% means the investment's return on investment over a selected period of time was 1% better than the market during that same period.
11. Crisis alpha means that an investment strategy generates positive return in periods of high financial stress. For example, if a manager is short the market when it crashes, that manager will generate positive returns when other investors lose money.

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