

May Commentay & Performance

The Auspice Diversified Program was up 1.71% in May.

Upside Opportunity and Downside Protection: While May was challenging for many global markets, equities in particular, some of the sectors that have struggled in recent quarters provided an offset. The result is non-correlated performance at its finest and the exact reason to include managed futures as a core allocation in any portfolio. While we are quick to point out that the results of the program are non-correlated as opposed to negatively correlated, this does allow for times of positive performance as the traditional equity markets are failing. Over time, the correlation is a small negative (-0.10 to -0.30 range), and it comes from months and periods like May, when performance kicks in just at the right time.

For those interested, Michael Covel, a leading author specializing in Managed Futures and trend following, interviewed Tim Pickering on his background and the unique aspects that make Auspice a Next Generation CTA. [Listen](#) to the podcast through iTunes.

Monthly commentary:

The Auspice Diversified Program was profitable in 3 of the 7 sectors traded. While we again made gains in Interest Rates, excellent gains came from Metals and in particular, Soft Commodities.

Interesting Trades: While the strategy did not exit any specific profitable trades of note, some of the most profitable trades month over month include: short Cotton and Coffee, short Copper, and long interest rate futures. We also exited Gold after we noted in January that we had “ate humble pie” and got back on the long Gold trend that we exited at 2011 year end. However, this uptrend did not develop the same way again and we exited to be flat Gold at this time.

The 5 year statistics (Jun 07 - May 12) are: +8.64% annualized return with 12.97% volatility. The worst drawdown is 11.35% with an average Margin to Equity ratio of 6.4%. The global equity markets remain down over this same period with 25-35% more volatility. Over the long run, the performance of the Auspice Diversified Program highlights not only the non-correlation and absolute return characteristics of the strategy, but the lower risk profile from traditional investments due to stringent risk management and downside protection.

Additionally, for those interested in more ideas about investing in alternatives, please check out www.amfmblog.com.

Key Points Regarding our Positions

Energies: After exiting long positions in Crude and Gasoline in April, the Energy sector has continued to pull back. During May we exited a long Heating Oil position to be flat and entered Crude position from the short side. We remain short natural gas (not news anymore!). The sector was not profitable for us in May.



For those with specific interest in this sector alone, please contact Auspice regarding the launch of our Energy focused strategy in collaboration with Pulse Capital Partners. The program went live on the March 1st.

Metals: After a 3 month hiatus, Metals was a profitable sector. Gains were made primarily from the short side of Copper. We added to the short side in Palladium during May. As mentioned above, we exited Gold to be flat.

Grains: Grains gave back some of their April gains with reversals in Soybeans and Wheat (in opposite directions). Soybean price reversed and dropped hard while Wheat rallied. At month end we remain unchanged in both markets, long Soybeans and short Wheat. Our short trade in Corn provided some offset to the reversals as it continued to move lower.

Soft Commodities: Softs provided the largest sector gain in May led by rapid deterioration in Cotton and Coffee. Additionally, we have added a new short in Orange Juice while remaining flat Lumber at this time.

Currencies: Currencies continued to be choppy and have been so for almost a year now. We made a number of position changes and the sector had a modest loss on the month. We exited the recent new long position taken in British Pound, as well as the long positions in Aussie and Canadian Dollars. We took a new long position in US Dollar Index. A new short was entered in Swiss Franc and we remain short the Euro. We are on the sidelines in Yen.

Interest Rates: After adding to our long position in April for some modest gains, the move higher in rates was significant. We remain long 30 year Bonds, US 10 year Notes (since early 2011), and 5 year Notes. As of this writing, we have also added 2 year Notes from the long side which is a classic example of trading with the trend regardless of the price. It appears interest rate futures are excellent antiseptic right now.

Equity Indices: As mentioned last month, this was the sector to watch. After moving higher January through March, the weakness that started in April accelerated in May. While Nasdaq led the way last month, as of this writing we exited long positions in S&P 500 and Russell 2000 for small losses and are flat all 3 of those markets. We remain short the French CAC 40 which remains amongst the weakest in the sector and added shorts in the Asian markets, Hang Seng and Nikkei. We continue to monitor trend in this sector closely.

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