Crisis Risk Offset Element:

Systematic Trend Following

October 2016

PCA | PENSION CONSULTING ALLIANCE

Crisis Risk

Crisis risk is the risk that the level of economic activity, assumed and priced in markets, suddenly negatively surprises. Most markets are exposed to this economic growth risk. So, when economic growth severely negatively surprises, it can lead to a correlated selloff in risk assets. In a leveraged financial system, depending on circumstances, this result can be followed by credit contraction, leading to a cascade of illiquidity, margin calls, bond covenant violations, forced sales, negative marks, fear, financial stress, and rising unemployment; resulting in recession or worse.

The Crisis Risk Offset (CRO) class is intended to offset large declines in growth exposed assets. In order to be included in this strategic class, sub-strategies must exhibit the following characteristics:

- Offset growth risk (no or low correlation to equity markets on average)
- Impactful (have similar levels of volatility as equities)
- Scalable and liquid at institutional levels (implemented in deep and liquid markets)
- Positive expected return
- Systematic (not discretionary)
- Cost effective

Systematic Trend Following - one strategy that meets the above criteria:

Systematic Trend Following (STF) is a long-standing investment strategy that involves buying (going long) markets that have been rising and selling (going short) markets that have been declining, in the belief that those price trends will continue. The markets traded by STF managers typically include equity index markets, interest rate markets, currency markets, and commodity markets; the largest and most liquid markets in the world. The signal that indicates the position to be taken in each market is determined by assessing the past return in that market over the relevant look-back horizon. A positive past return is considered an "uptrend" and leads to a long position; a negative past return is considered a "downtrend" and leads to a short position. The strategy holds either a long or short position in every market traded depending upon the signal for that market over the look back period. Trend identification and scaling methods for positions vary by the system utilized by each STF manager.

Discussion:

Trend following is a unique strategy in that it relies only on historical price movements of markets. As long as there is price movement in stocks, bonds, currencies, and commodities; and prices move in such a way that a trend can be determined, then trend following strategies will continue to exist. Several academic and practitioner studies indicate that over long time periods, the return-to-volatility (Sharpe ratio) of systematic trend following has been similar to that of U.S. equities.[1]

Since 2001, trend following has exceeded the calendar year return to the S&P 500 five out of fifteen years. However, what is important is that the strategy's outperformance occurred in years when equity markets posted deeply negative returns. Specifically, in 2002 and 2008, the SG Trend[2] index, an index of the top, open, trend following managers by AUM, was able to provide offsetting positive returns, outperforming the S&P 500 by 48% and 58%, in 2002 and 2008, respectively.

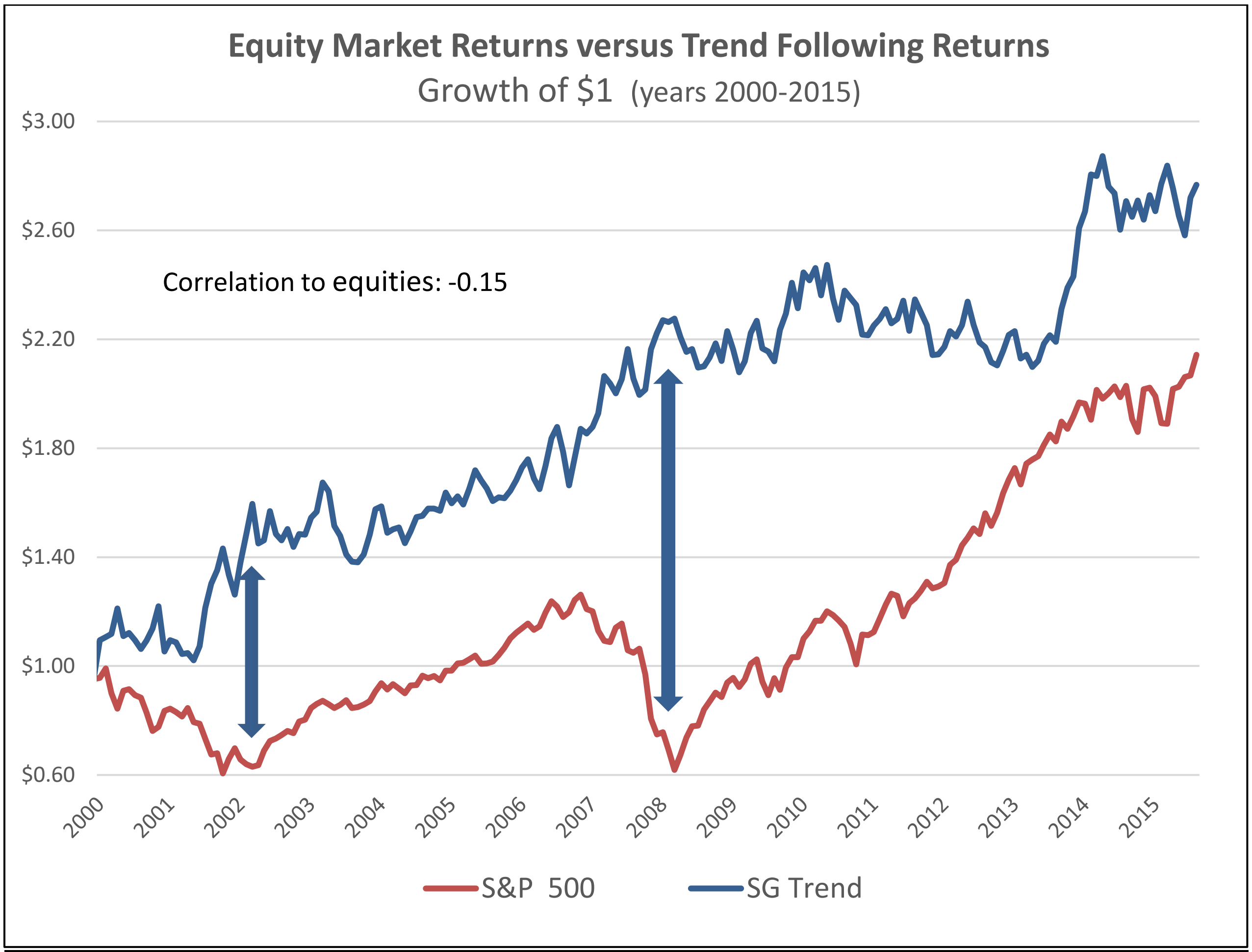
Year ending 12/31	Calendar Year Performance														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
SG Trend	-0.1	26.1	11.9	2.7	0.8	8.2	8.6	20.9	-4.8	13.1	-7.9	-3.5	2.7	19.7	0.0
S&P 500	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	26.5	15.2	2.1	16.0	32.4	13.7	1.4
Difference	11.8	48.2	-16.8	-8.2	-4.1	-7.6	3.1	57.9	-31.3	-2.1	-10.0	-19.5	-29.7	6.0	-1.4

[1] Source: Brian Hurst et Al., "Demystifying Managed Futures" Journal of Investment Management, 3rd Quarter 2013

[2] The SG Trend Index tracks the 10 largest (by AUM) trend following strategies that are representative of trend followers in the managed futures space. Furthermore, these managers must be open to new investments, provide returns daily, and be highly correlated to their trend following peers.

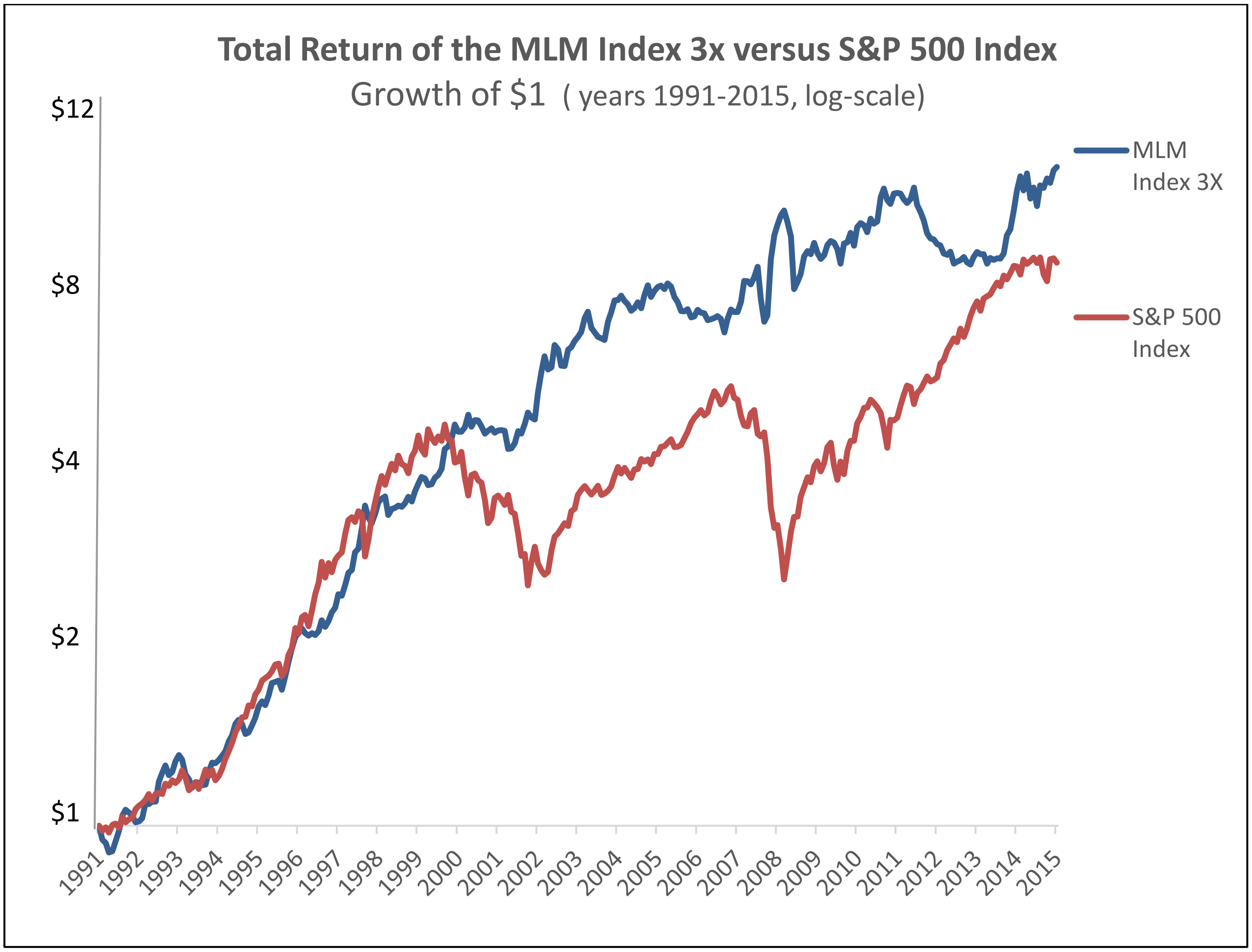
While historically the SG Trend index has provided a positive return-to-risk of 0.44, systematic trend following is not a low risk strategy. It is for this reason that the strategy has the potential to offset risk emanating from other volatile markets, providing significant diversification to an overall portfolio. Historically, its returns have been negatively correlated to equities at -0.15, but more importantly, it tends to react strongly when equity markets are broadly and severely negative. Since tumbling equity markets tend to be very damaging for most institutional portfolios (typically institutions have a large exposure to equity risk), the benefit of this attribute of the strategy is extremely appealing.

Presenting the same information visually in the following chart, the return behavior of systematic trend following is virtually the "mirror image" of the equity market, particularly during the most desperate of equity market environments. However, returns to the strategy are episodic. The strategy can go for long periods of time in a sideways direction, oscillating between gains and losses. During these times, where market trends are less pronounced, investors in the strategy must be patient. It is important that investors understand this reality prior to making an investment.



PCA PENSION CONSULTING ALLIANCE

Following is a longer history (in log-scale) of a simple 12-month systematic trend following strategy, as represented by the MLM 3x Index[3]. The graph shows that long-term returns to this simple trend following strategy have historically been similar to those of equities over time (particularly during the 1990's), but clearly returns have been offsetting in difficult equity market periods.



In conclusion, systematic trend following has generated an attractive return to risk profile, provided negative correlation to U.S. equities (particularly in down-trending equity markets), and is a persistent scalable strategy that can be implemented systematically and thus inexpensively. We expect that the strategy will continue to deliver this type of profile in the future.

[3] The MLM Index™ trades a total of 22 futures contracts: 11 commodity, 6 currency and 5 global fixed incomes. Each of the 3 sub-baskets in the Index (commodities, currencies, global fixed income) is weighted by its relative historical volatility. Markets within each sub-basket are equally weighted. The MLM Index™ can take long or short positions in any of its 22 markets; there are no neutral positions.

DISCLOSURES: This document is provided for informational purposes only. It does not constitute an offer of securities of any of the issuers that may be described herein. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified. The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the investment in question will achieve comparable results or that the Firm will be able to implement its investment strategy or achieve its investment objectives. The actual realized value of currently unrealized investments (if any) will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which any current unrealized valuations are based.

Neither PCA nor PCA's officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data subsequently generated herefrom, and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. PCA and PCA's officers, employees and agents expressly disclaim any and all liability that may be based on this document and any errors therein or omissions therefrom. Neither PCA nor any of PCA's officers, employees or agents, make any representation of warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change.

The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

All trademarks or product names mentioned herein are the property of their respective owners. Indices are unmanaged and one cannot invest directly in an index. The index data provided is on an "as is" basis. In no event shall the index providers or its affiliates have any liability of any kind in connection with the index data or the portfolio described herein. Copying or redistributing the index data is strictly prohibited.

The Russell indices are either registered trademarks or tradenames of Frank Russell Company in the U.S. and/or other countries.

The MSCI indices are trademarks and service marks of MSCI or its subsidiaries.

Standard and Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. S&P indices, including the S&P 500, are a registered trademark of The McGraw-Hill Companies, Inc.

CBOE, not S&P, calculates and disseminates the BXM Index. The CBOE has a business relationship with Standard & Poor's on the BXM. CBOE and Chicago Board Options Exchange are registered trademarks of the CBOE, and SPX, and CBOE S&P 500 BuyWrite Index BXM are servicemarks of the CBOE. The methodology of the CBOE S&P 500 BuyWrite Index is owned by CBOE and may be covered by one or more patents or pending patent applications.

The Barclays Capital indices (formerly known as the Lehman indices) are trademarks of Barclays Capital, Inc.

The Citigroup indices are trademarks of Citicorp or its affiliates.

The Merrill Lynch indices are trademarks of Merrill Lynch & Co. or its affiliates.

The SG Trend Index is a trademark of Societe General Corporate & Investment Banking.

The MLM Index and MLM Index 3x is a trademark of Mount Lucas Management LP.

FTSE is a trademark of the London Stock Exchange Group companies and is used by FTSE under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. No further distribution of FTSE data is permitted with FTSE's express written consent.

While PCA has reviewed the terms of the Fund referred to in this document and other accompanying financial information on predecessor partnerships, this document does not constitute a formal legal review of the partnership terms and other legal documents pertaining to the Fund. PCA recommends that its clients retain separate legal and tax counsel to review the legal and tax aspects and risks of investing in the Fund. Information presented in this report was gathered from documents provided by third party sources, including but not limited to, the private placement memorandum and related updates, due diligence responses, marketing presentations, limited partnership agreement and other supplemental materials. Analysis of information was performed by PCA.

An investment in the Fund is speculative and involves a degree of risk and no assurance can be provided that the investment objectives of the Fund will be achieved. Investment in the Fund is suitable only for sophisticated investors who are in a position to tolerate such risk and satisfy themselves that such investment is appropriate for them. The Fund may lack diversification, thereby increasing the risk of loss, and the Fund's performance may be volatile. As a result, an investor could lose all or a substantial amount of its investment. The Fund's governing documents will contain descriptions of certain of the risks associated with an investment in the Fund. In addition, the Fund's fees and expenses may offset its profits. It is unlikely that there will be a secondary market for the shares. There are restrictions on redeeming and transferring shares of the Fund. In making an investment decision, you must rely on your own examination of the Fund and the terms of the offering.