COMMONWEALTH LIQUID ALPHA FUND

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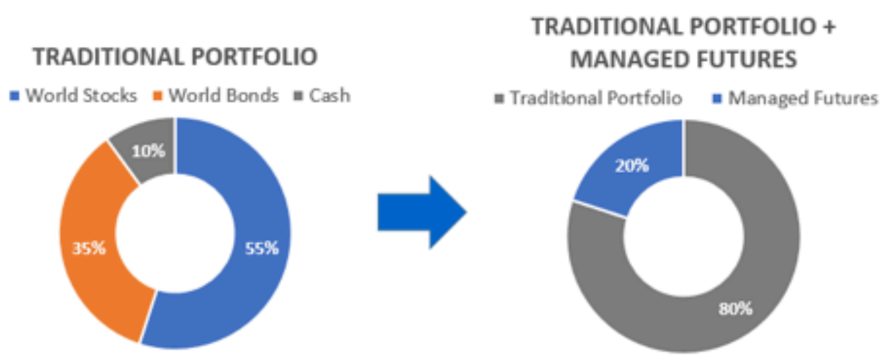
3Q16 Market Review

As we have noted in prior Market Outlooks, tail risks abound in global markets. Be it capital flight from China, slowing earnings growth in the US, banking system contagion in Europe, Brexit, negative interest rates, Russia moving nuclear missiles to the Polish border, the specter of multiple Fed rate hikes in 2017, or the dysfunctional political season in the US, many drivers could send the stock market into a tailspin. However, the path of least resistance for risk assets remained higher in the 3rd quarter. One of our favorite market commentators has stated that the current environment requires "hardhats and sunglasses," implying that the base case is for more of the same: a quiet, benign, even boring, grind higher in income-producing stocks and persistently low interest rates. Nonetheless, the potential severity of low probability "Black Swan" events is significant. While the chance of, say, a Deutsche Bank insolvency may be low (we estimate well below 20%), such an event could have more systemic risk and more damaging repercussions than even the 2008 Lehman Brothers bankruptcy. As we stated following the 1Q16 equity market correction, there remains a 90% chance that we remain in a bull market in 2016, and this "base case" continues to play out. But most investors (including ourselves) remain cautious. Perhaps as a result, equities climbed the proverbial "Wall of Worry" during the quarter, and the S&P 500 gained a bit over 3% in steady fashion.

Impact of Managed Futures on a Traditional Portfolio



Stats	Traditional Portfolio	Enhanced Portfolio	Impact of Managed Futures
Annualized Return	3.2%	3.6%	More return
Annualized Volatility	8.3%	6.8%	Less volatility
Largest Drawdown	38%	28%	Smaller drawdowns
Sharpe Ratio	0.38	0.53	Higher Sharpe Ratio

January 2000 through June 2016, World Stocks = MSCI World Index, World Bonds = JP Morgan Global Bond Index, Cash = 1-month LIBOR, Managed Futures = SG CTA Index, Sources: Bloomberg, Systematica, CB&T Estimates

This benign "Goldilocks" environment requires prudent asset allocators to position themselves in the "sunshine" of equity beta (hence "sunglasses"), but the latent risks require macro hedges that can insulate portfolios from potential shocks (the "hardhats"). As we have discussed previously, we believe the best form of "sunglasses" is a diversified portfolio of high quality, income-producing equities and credits, managed in a tax- and cost-efficient manner. In our view, the best form of "hardhats" is to focus on managed futures and macro strategies with the potential to generate "crisis alpha," and this is the area on which our Liquid Alpha strategy focuses.

3Q16 PERFORMANCE REVIEW

The 3rd quarter proved to be a strong proof of concept for Commonwealth's edge in selecting differentiated, high quality fund managers. Commonwealth Liquid Alpha Fund ("Liquid Alpha") gained +3.2% during 3Q16, bringing YTD performance to an estimated +2.1%. While these are far from eye-popping gains, they compare well on a relative basis and illustrate the strategy's ability to grind out positive performance even in sub-optimal market conditions, while still behaving as a macro portfolio hedge.

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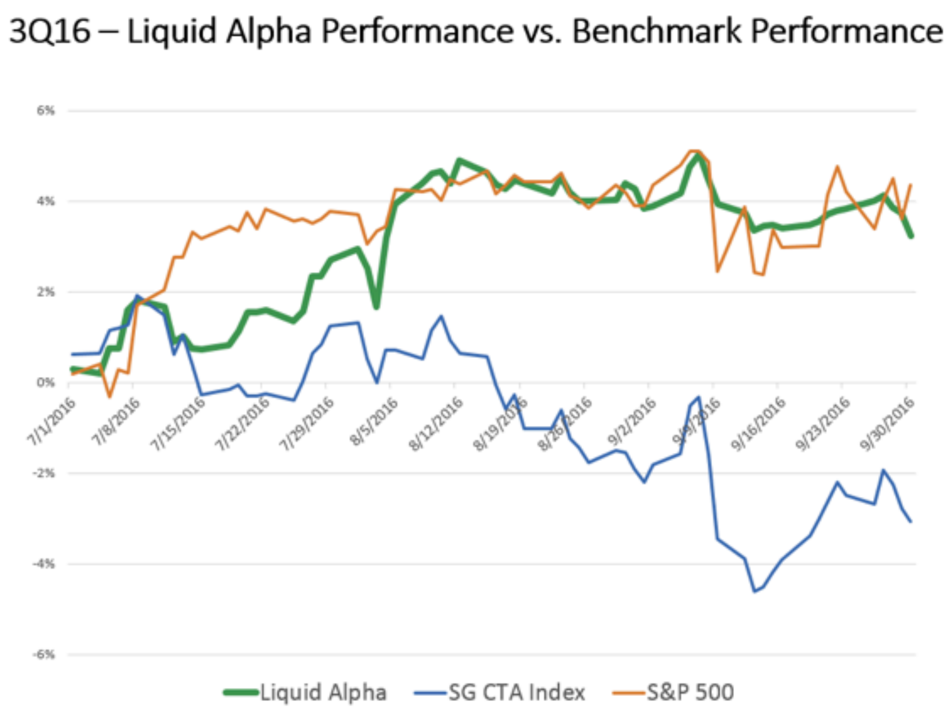
As we've discussed in the past, there is no free lunch in portfolio management, and while managed futures strategies generally perform well in periods of strongly trending (up or down) markets, they tend to underperform in choppy, low volatility bull markets. In a portfolio context, this works well, as these strategies perform best when a traditional portfolio struggles, lag somewhat when a traditional portfolio performs well, and have historically generated positive returns over a market cycle. This is what we saw in 3Q16. As the S&P 500 quietly gained over 3%, our most relevant benchmark, the SG CTA Index, lost a little over 3%. However, in this context Liquid Alpha gained over 3%, meaning it outperformed its benchmark by over 6%, and generally kept pace with equities even in the very environment when we would typically expect equities to outperform.



What drove this relative performance gap? In a specific sense, Liquid Alpha's outperformance relative to its benchmark was driven by its lack of reliance on the very largest macro markets, such as US equity indices and Treasury bonds. Our strategy of using smaller, more diversified managers means we have exposure to a more idiosyncratic mix of tradable instruments, and we benefited from moves in agricultural markets such as grains and livestock, and energy markets such as natural gas.

In a more general sense however, 3Q16 serves to illustrate Commonwealth's edge in manager selection, due diligence, and portfolio construction. As we have discussed previously, we came into 2016 with a "wish list" of private managers we wanted to access for our clients in a direct and cost-effective way. For the most part, these were "off the run" and somewhat capacity constrained managers which large asset allocators are unable to access. However structuring these investment placements is far from an overnight process, especially for a start-up fund. While we have been working tirelessly throughout the year to establish direct investments with these managers, it has taken several months to position the portfolio in what we believe is an optimal manner. July marked the first full month in which Liquid Alpha was both solely constituted of private fund managers and contained investments with all of our initial "wish list" of managers. While we will continue to make opportunistic portfolio changes and add new managers in the coming quarters as circumstances warrant, we believe the strategy is extremely well-positioned at present. While it is a fool who completely ignores the role of luck in investing, we do not think it is entirely coincidence that, since July 1, Liquid Alpha generated an annualized run-rate of over 12% returns, while running at a below-target risk level of 6% annualized volatility, for a Sharpe Ratio in excess of 2.0. While we want to be clear that this level of risk-adjusted performance is unsustainable, at around 2x our long-term expectation, we do believe 3Q16 demonstrates our edge in manager selection, and the quality of the underlying managers that constitute Liquid Alpha. In short, we believe we have built a unique portfolio of high quality managers, in a cost effective manner that will generate strong absolute and relative performance, and serve as a very productive complement to traditional portfolio construction. Not all hardhats are created equal.