

## USCA All Terrain Fund

March-16

### Commentary

March was a very good month for stocks, with the MSCI World Index up 6.9%, almost exactly what it had declined in the two prior months. The USCA All Terrain Fund was up 1.8% for the month. In a vacuum we'd take 1.8% per month for the rest of our lives, with the lower risk we believe we are taking, and be ecstatic, but it sure doesn't feel that good relative to the stock market rally.

The primary source of underperformance was the Fund's continued exposure to "absolute return"-focused, multi-strategy funds. In the February letter we discussed what absolute return funds are and why we like them. To reiterate: absolute return-oriented funds seek to achieve positive, if unexciting, returns in all market environments (although there's, of course, no guarantee that they'll meet this objective). We like absolute return-oriented funds because we think they offer a better risk/return profile than traditional fixed income over the intermediate-to-long term, and provide a nice non-correlative balance to our traditional stock and bond portfolios. How do these funds profit even when stocks are headed south? By engaging in "relative value" strategies that are dependent not on market direction but changes in the relationships between two or more securities. This generally involves taking advantage of very tiny market inefficiencies. Perhaps a company's three-year bond appears to be slightly overvalued relative to its five-year bond, in which case the fund would buy the five-year and sell short the three-year. If they're correct and the relationship between the two converges back to normal, they make a profit regardless of whether the two bonds rise or fall.

Unfortunately, last month's market environment was not ideal for many of these strategies, which can often struggle in sharp recovery rallies such as that which took place in March. This is because it's often the lower quality stocks, which are generally the ones that are sold short in expectation of poor relative performance, that bounce the highest. The higher quality stocks that these funds are likely to own tend to be less volatile to both the downside and the upside. The MSCI World Index began the year down more than 10%, then rebounded to finish the quarter almost exactly where it started. Several of our funds suffered in this environment, including one of our largest holdings that engages in the relative value strategies described above. It experienced its fourth largest drawdown since its inception more than a quarter century ago (although still nothing too severe, consistent with its relatively low risk). However, last year this fund returned just under 13% while the overall market declined (as measured by the MSCI World Index). A more dramatic example of its low correlation to equities was the 2000-2002 bear market; this fund was up nearly 50% from April 2000 to September 2002, even as the equity markets lost nearly half their value.

While we believe that market momentum may well carry stocks higher in the near term, we consider equity market risk to be higher than average, as equity valuations are well above historical norms. We are therefore willing to give up some return in the short-term to protect your capital and still be around in the long-term. That means that if stocks do continue to rally, we won't fully participate due to our relatively low equity exposure. We continue to have a great deal of confidence in the underlying managers we have selected for All Terrain. What we think they have in common is discipline, patience, and humility, all characteristics we believe essential to successful long-term investing. As always, if you have any questions about the All Terrain Fund, please don't hesitate to contact us.

### Performance Overview\*

|                  | Jan   | Feb   | Mar  | Apr | May | Jun | Jul   | Aug   | Sep   | Oct  | Nov   | Dec   | YTD   | ITD   |
|------------------|-------|-------|------|-----|-----|-----|-------|-------|-------|------|-------|-------|-------|-------|
| <b>2016</b>      |       |       |      |     |     |     |       |       |       |      |       |       |       |       |
| USCA All Terrain | -2.7% | -1.2% | 1.8% |     |     |     |       |       |       |      |       |       | -2.2% | -8.4% |
| Global Equities  | -6.0% | -0.7% | 6.9% |     |     |     |       |       |       |      |       |       | -0.2% | -4.0% |
| Global Bonds     | 0.9%  | 2.2%  | 0.5% |     |     |     |       |       |       |      |       |       | 3.7%  | 3.6%  |
| 60/40 Blend      | -3.2% | 0.5%  | 4.3% |     |     |     |       |       |       |      |       |       | 1.4%  | -0.8% |
| <b>2015</b>      |       |       |      |     |     |     |       |       |       |      |       |       |       |       |
| USCA All Terrain |       |       |      |     |     |     | -0.9% | -2.9% | -3.0% | 1.8% | -0.1% | -1.5% | -6.4% |       |
| Global Equities  |       |       |      |     |     |     | 1.7%  | -6.8% | -3.9% | 7.8% | -0.5% | -1.7% | -3.8% |       |
| Global Bonds     |       |       |      |     |     |     | 0.2%  | 0.1%  | 0.5%  | 0.2% | -1.7% | 0.5%  | -0.1% |       |
| 60/40 Blend      |       |       |      |     |     |     | 1.1%  | -4.0% | -2.1% | 4.8% | -0.9% | -0.8% | -2.2% |       |

\* As of March 31, 2016. Performance shown is net of fund fees and expenses, and reflects the reinvestment of dividends and other investment income. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Current performance may be higher or lower than the performance quoted. Please note that the fund commenced operations on July 1, 2015.

Global Equities is measured by the MSCI World Index and Global Bonds is measured by the BarCap - Global Aggregate Index. Please see the strategy, index and statistic definitions at the end of this report.

Sources: USCA Asset Management LLC and the Portfolio Investments, Bloomberg and eVestment Alliance, LLC.

### Fund Description, Terms & Service Providers

The USCA All Terrain Fund seeks long-term risk-adjusted returns that are attractive as compared to those of traditional public equity and fixed income markets. The fund pursues its investment objective using a multi-manager, fund-of-funds approach by investing predominantly in non-affiliated collective investment vehicles, including privately-offered investment funds commonly known as "hedge funds", and publicly traded funds, including exchange-traded funds and mutual funds, which utilize one or more investment or trading strategies, including, without limitation, long-only equity and/or fixed income, relative value, event driven, long/short equity and/or fixed income, managed futures, and global macro strategies.

Minimum Investment: \$100,000  
Subscriptions: Monthly  
Redemptions/Tenders: Quarterly after 1-year anniversary of fund's inception, subject to sole discretion of Board  
Management & Subadvisory Fees: 0.80% (note subadvisory fees may vary)  
Other Expenses: some capped at 1.0% per annum (please see the prospectus for a complete description of fees & expenses)

Eligibility: Accredited Investors  
Tax Reporting: K-1 (note: fund may generate UBTI)  
Advisor: USCA Asset Management, LLC  
Auditor: KPMG LLP  
Administrator: U.S. Bancorp Fund Services  
Custodian: U.S. Bank National Association  
Legal Counsel: Thompson Hine LLP

### Risk Disclosure Statement

An offer can only be made by the prospectus and only in jurisdictions in which such an offer would be lawful. The prospectus contains important information concerning the investment objective, risk factors, expenses and other material aspects of the USCA All Terrain Fund to carefully consider, and must be read carefully before a decision to invest is made. Please contact USCA Asset Management at (713) 366-0500 to obtain a free copy of the prospectus.

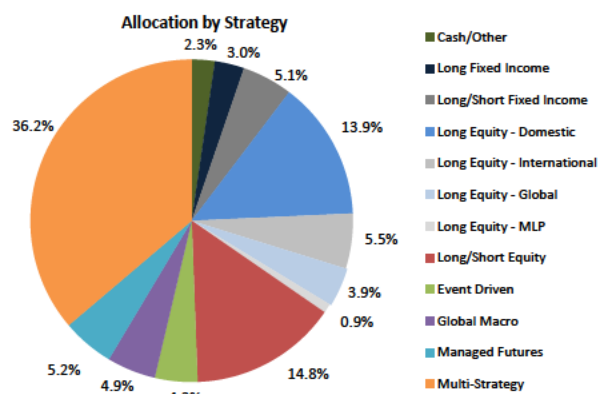
Any person subscribing for an investment must be able to bear the risks involved and must meet the fund's suitability requirements. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that the fund's investment objectives will be achieved. Among the risks we wish to call to the particular attention of prospective investors are the following:

- The fund is a closed-end, non-diversified management investment company.
- A fund investment is speculative and involves a substantial degree of risk.
- Past results are not necessarily indicative of future performance, and performance may be volatile.

- An investor could lose all or a substantial amount of his or her investment.
- The fund is highly illiquid. There is no secondary market for the investors' interest and none is expected to develop.
- No shareholder has the right to require the Fund to redeem its shares. Redemptions are available only through quarterly repurchase offers made at the discretion of the Board.
- Fees and expenses will offset the fund's trading profits.
- The fund will involve a complex tax structure, which an investor should review carefully with its tax advisor before investing.
- The fund is not required to provide periodic pricing or valuation information to investors with respect to its individual investments.
- Some of the underlying funds are not subject to the same regulatory requirements as mutual funds.
- A limited portion of the trades executed may take place on foreign markets.
- The fund is subject to conflicts of interest.

Please review the "Risk Factors" and "Conflicts of Interest" sections of the prospectus.

#### Strategy Allocation and Top 10 Positions\*



| Top 10 Portfolio Positions   | Size  | Strategy                    |
|------------------------------|-------|-----------------------------|
| 1. Millennium                | 10.8% | Multi-Strategy              |
| 2. Carlson                   | 8.4%  | Multi-Strategy              |
| 3. Greenlight Masters        | 5.8%  | Long/Short Equity           |
| 4. Och Ziff                  | 5.5%  | Multi-Strategy              |
| 5. Brevan Howard             | 4.9%  | Global Macro                |
| 6. Blue Mountain             | 4.7%  | Multi-Strategy              |
| 7. York                      | 4.3%  | Long/Short Fixed Income     |
| 8. Perry                     | 4.3%  | Event Driven                |
| 9. First Eagle Global        | 3.9%  | Long Equity - Global        |
| 10. Brandes International    | 3.9%  | Long Equity - International |
| Top 10 Portfolio Positions % |       | 56.5%                       |
| Total Number of Positions    |       | 27                          |

\* As of March 1, 2016. Please note that fund strategies and allocations are subject to change over time.

#### Allocation & Attribution (Gross of Fees & Expenses)\*

|                             | Attribution |       |       | Return on Invested Capital |       |
|-----------------------------|-------------|-------|-------|----------------------------|-------|
|                             | Allocation  | MTD   | YTD   | MTD                        | YTD   |
| Cash/Other                  | 2.3%        | 0.0%  | 0.0%  | 0.0%                       | 0.1%  |
| Long Fixed Income           | 3.0%        | 0.0%  | 0.0%  | 1.2%                       | 1.1%  |
| Long/Short Fixed Income     | 5.1%        | 0.2%  | 0.0%  | 4.9%                       | 0.0%  |
| Long Equity - Domestic      | 13.9%       | 1.0%  | 0.2%  | 6.9%                       | 1.3%  |
| Long Equity - International | 5.5%        | 0.4%  | 0.0%  | 7.5%                       | -0.3% |
| Long Equity - Global        | 3.9%        | 0.2%  | 0.1%  | 5.1%                       | 3.5%  |
| Long Equity - MLP           | 0.9%        | 0.1%  | 0.0%  | 15.4%                      | -2.1% |
| Long/Short Equity           | 14.8%       | 0.4%  | -0.4% | 2.8%                       | -2.7% |
| Event Driven                | 4.3%        | 0.1%  | -0.1% | 1.5%                       | -2.7% |
| Global Macro                | 4.9%        | -0.1% | 0.0%  | -2.0%                      | -0.9% |
| Managed Futures             | 5.2%        | -0.2% | -0.1% | -4.5%                      | -1.0% |
| Multi-Strategy              | 36.2%       | -0.2% | -1.3% | -0.7%                      | -3.7% |
|                             | 100.0%      | 1.9%  | -1.7% |                            |       |

\* Allocation as of March 1, 2016. MTD and YTD Attribution and Return on Invested Capital represent the month of March and since January 1, 2016 through March 31, 2016, respectively.

#### Index & Statistic Definitions

**MSCI World Index.** The MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries\*. With 1,643 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**BarCap Global Aggregate Index.** The Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index: the US Aggregate (USD300mn), the Pan-European Aggregate, the Asian-Pacific Aggregate, and the Canadian Aggregate Indices. The Global Aggregate Index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets not tracked by the regional aggregate benchmarks (CLP, MXN, ZAR, ILS and TRY). A component of the Multiverse Index, the Global Aggregate Index was created in 2000, with index history backfilled to January 1, 1990.

**60/40 Blend.** The 60/40 Blend represents the performance of a portfolio that consists 60% of the MSCI World Index and 40% of the BarCap Global Aggregate Index rebalanced monthly.

**Rate of Return (ROR).** The compound geometric average return that assumes the same rate of return every period to arrive at the equivalent compound growth rate reflected in the actual return data.

## Strategy Definitions

**Relative Value.** Relative value strategies attempt to take advantage of relative pricing discrepancies between various instruments, including equities, fixed income, options and futures. Managers may use mathematical, fundamental or technical analysis to determine misvaluations. Securities may be mispriced relative to an underlying security, related securities, groups of securities, or the overall market. Relative value investments may be available only cyclically or not at all. Furthermore, if assumptions used in the research and analysis of relative value investments are incorrect or if the model used to evaluate such investments is flawed, relative value strategies may be unsuccessful.

**Managed Futures.** Managed futures strategies involve speculative trading in futures, forwards and options thereon. Managers may trade portfolios of instruments in U.S. and non-U.S. markets in an effort to capture passive risk premiums, and attempt to profit from anticipated trends in market prices. These managers generally rely on either technical or fundamental analysis or a combination thereof in making trading decisions and attempting to identify price trends. They may attempt to structure a diversified portfolio of liquid futures contracts, including, but not limited to, stock index, interest rate, metals, energy and agricultural futures markets. Participation in a market that is either volatile or trendless could produce substantial losses for a fund. Failure to identify trends or to exit a market position after a trend matures could also produce substantial losses for a fund.

**Event Driven.** Event-driven strategies are designed to profit from changes in the prices of securities of companies facing a major corporate event. The goal of an event-driven strategy is to identify securities, which may include common or preferred stock as well as many types of fixed income, with a favorable risk-reward ratio based on the probability that a particular event will occur. Such events include mergers and acquisitions as well as restructurings, spin-offs and significant litigation (e.g., tobacco or patent litigation).

**Global Macro.** Global macro strategies typically seek to generate income and/or capital appreciation through a portfolio of investments focused on macro-economic opportunities across numerous markets and instruments. These strategies rely on the use of, among other things, cash and derivative markets, each of which bear their own risks, as well as certain assumptions about global macro-economic trends. There can be no assurance that such macro-economic assumptions will prove to be correct. Global macro managers may employ relative value, event driven, long/short and other strategies or trading approaches. Trading positions are generally held both long and/or short in both U.S. and non-U.S. markets. Global macro strategies are generally categorized as either discretionary or systematic in nature and may assume aggressive investment postures with respect to position concentrations, use of leverage, portfolio turnover, and the various investment instruments used.

**Long/Short Equity and Fixed Income.** Long/short equity/fixed income strategies generally seek to produce returns from investments in the global equity and/or fixed income markets. These strategies are generally focused on absolute returns and the trades implemented in the strategy generally capitalize on the manager's views and outlooks for specific markets, regions, sectors, or securities. While these strategies involve both long and short positions in various equity and/or fixed income securities, the manager's positions will generally reflect a specific view about the direction of a market. Unlike traditional equity or fixed income funds, the directional view relates less to the absolute direction of the market and more toward the specific positions (longs versus shorts) held within a portfolio (nonetheless, a manager may take a directional position that relates to the absolute direction of the market). In addition to making shifts in markets, regions, sectors or securities, managers have the flexibility to shift from a net long to a net short position, but in general will maintain a net long exposure. An exception is for those managers that are classified as short sellers, who maintain a consistent net short exposure in their portfolio, meaning that significantly more capital supports short positions than is invested in long positions (if any is invested in long positions at all). Unlike long positions, which one expects to rise in value, short positions are taken in those securities the portfolio manager anticipates will decrease in value. Long/short equity/fixed income managers may be generalists or may specialize in various areas, including, but not limited to, market sectors, geographies, or a certain segment of the market. There can be no assurance that the valuation assumptions utilized in establishing a long and/or short position in a particular security will prove to be correct or that the strategy will be implemented correctly.

**Long Equity and Fixed Income.** Similar to long/short equity and/or fixed income described above, managers employing this strategy generally do not engage in short selling or hedging of the market risks associated with their investments, but rather inherent in these strategies is the risk associated with the equity and/or fixed income markets as a whole, in addition to the risks described in "Long/Short Equity and Fixed Income" described above. In certain instances, a manager may raise cash as a means of taking a negative view on the market in an attempt to mitigate a portion of the market risk associated with this strategy.

**Multi-Strategy.** Multi-strategy funds generally employ some or all of the strategies described above.

The descriptions above reflect the current expectations regarding the strategies that may be used by the funds in which the Fund is invested. Managers have significant latitude when managing these funds and could make changes to these strategies, or the way they are implemented.