Long/Short Equity

Related Funds

361 Domestic Long/Short Equity Fund (ADMZX)
361 Global Long/Short Equity Fund (AGAZX)

About 361 Capital

361 Capital is a leading boutique asset manager focused on delivering an array of innovative strategies to institutions, advisors and their clients. Founded in 2001, the Firm has specializes in creating distinctive portfolio solutions using behavioral-driven, quantitative methods designed to monetize behavioral biases and market factors in order to pursue consistent alpha for client portfolios.

About Analytic Investors

Founded in 1970, Analytic Investors employs a quantitative investment process in managing assets for institutional and mutual fund investors in the United States, Australia, Europe, Canada, and Japan. The Los Angeles-based firm offers a variety of global and regional investment products including traditional equity, low volatility equity, long/short equity, and option-based strategies. Analytic Investors specializes in the application of modern quantitative tools and is a leader in the application of risk-managed strategies.

Alternative investments are speculative and involve substantial risks. It is possible that investors may lose some or all of their investment.

Strategy Thesis

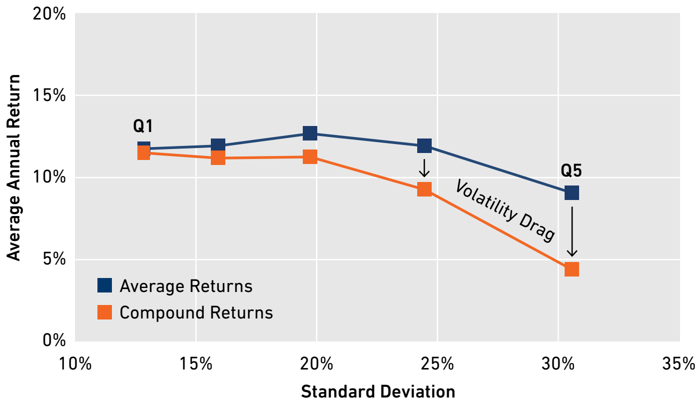
The thesis driving 361's Long/Short Equity strategies (sub-advised by Analytic Investors) contends that over time, stocks with higher betas do not outperform stocks with lower betas, as financial theory suggests. This "low volatility" anomaly is well-researched and widely accepted by both academics and practitioners alike.

Winning by Not Losing

Within the equity asset class, limiting losses by owning low volatility stocks has had a positive impact on long-term performance. As shown in both examples below, the risky quintiles did not result in increased returns, substantially reinforcing the concept that investors are not rewarded for taking additional risk. Additionally, the more volatility that is realized, the greater impact it has on compounded returns.

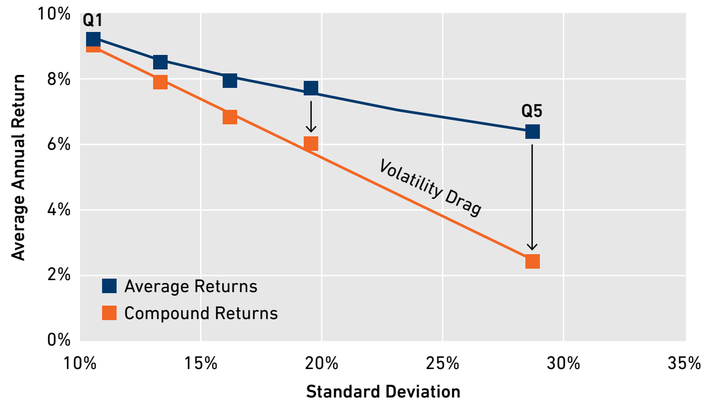
Performance by Risk Quintile — The Negative Effects of Volatility

US Large Cap (1968-2005)



Source: "Minimum-Variance Portfolios in the U.S. Equity Market" Clarke, de Silva, Thorley, *The Journal of Portfolio Management*, Fall 2006.

MSCI World Index (1997-2012)



Source: "Exploiting the Volatility Anomaly in Financial Markets" de Silva, March 2012.

Beyond "Low Volatility"

As a pioneer of the research surrounding low volatility investing, Analytic Investors has applied their findings to exploiting this well-documented anomaly, and incorporated quantitative methodologies to enhance the stock selection process for both their long and short holdings. The overarching philosophy contributing to the stock selection process maintains that stock performance is driven by fundamental characteristics that can be identified and observed independently as they fall in and out of favor with investors over time. Therefore, these characteristics possess explanatory power that can be predictive of a stock's future outperformance or underperformance relative to a broad benchmark. Further, this dynamic factor exposure is in stark contrast to the static beta exposure achieved with "Smart Beta" approaches.

Seminal Research

The Road to Low Volatility Investing

1972

The Capital Asset Pricing Model: Some Empirical Tests

— Black, Jensen, Scholes

1992

The Cross-Section of Expected Stock Returns

— Fama, French

1997

On Persistence in Mutual Fund Performance

— Carhart

2006

Minimum Variance Portfolios in the U.S. Equity Market

— Clarke, de Silva, Thorley

Process

Portfolios are constructed with a 100% long exposure to stocks that have lower predicted betas and positive predicted alphas. Each portfolio has short exposure ranging from 25% to 35% consisting of stocks with higher predicted betas, and lower predicted alphas. This results in a portfolio that has roughly 70% net exposure to its respective index, but with significantly less volatility than the market (as represented by the benchmark).

Selected Equity Universe

Risk Assessment

Fundamental Risk

Statistical Risk

Stock-Specific Risk

Alpha Engine

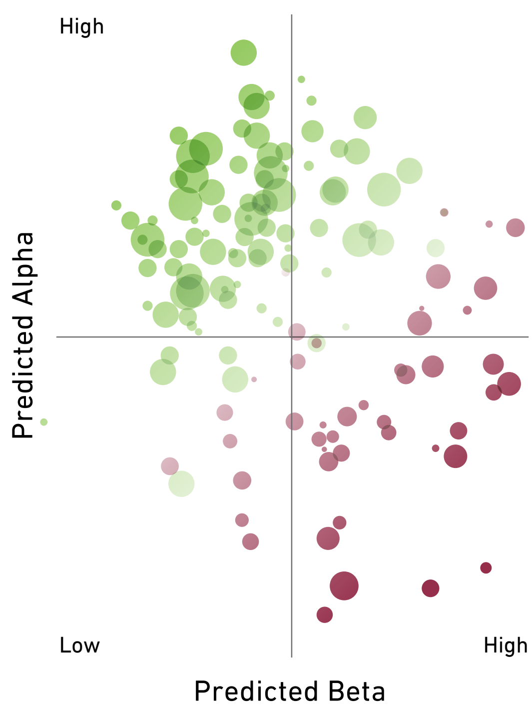
Fundamental Characteristics*

Factor Momentum

Factor Mean Reversion

Optimization

Analytic Investors evaluates each stock's risk from three distinct angles. The use of a variety of risk-forecasting models across multiple timeframes results in a robust risk forecast.



Long

Short

Independent from the risk assessment, each stock is analyzed to determine the potential for outperformance relative to the market. Analytic Investors examines between 30-70 characteristics, depending on the strategy,* to determine what investors' preferences are when investing, and consequently what characteristics are driving market returns. This dynamic security selection and weighting process is adaptive to the ever-changing investment landscape.

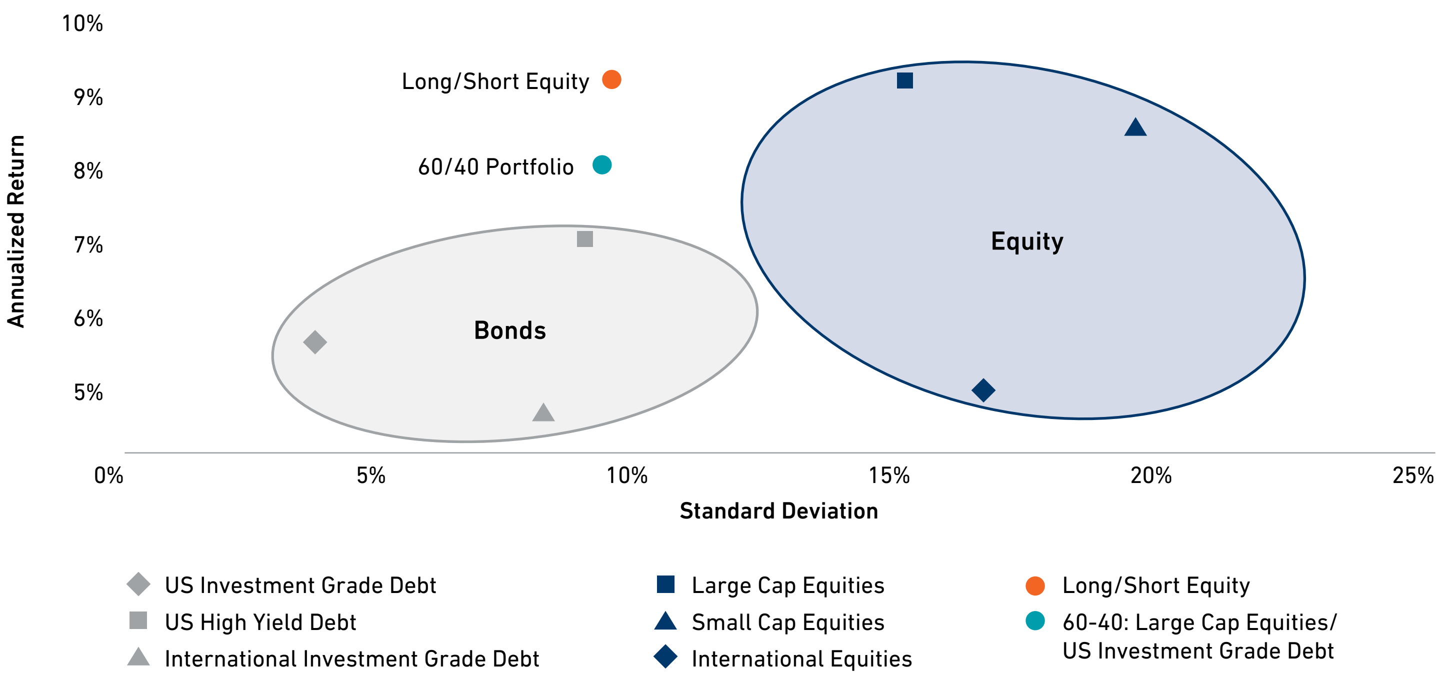
*361 Global Long/Short Equity Fund examines 30+ characteristics and uses the MSCI World Index as its Equity Universe, while 361 Domestic Long/Short Equity Fund examines 70+ characteristics and uses the Russell 1000 Index as its Equity Universe.

Portfolio Implementation

Given increased market uncertainty, limited growth opportunities and a low-return fixed income environment facing investors today, we believe that advisors should rethink core portfolio elements. Over the last 20 years, Long/Short Equity strategies have matched the performance of equities, with essentially the same level of volatility as a more traditional 60/40 portfolio, and with smaller drawdowns. As such, we encourage advisors to think of Long/Short Equity as a core position—replacing a portion of both equity and fixed income allocations—rather than a minor “alternative” satellite element.

Strengthening the Core with Long/Short Equity

By exploiting a larger opportunity set while reducing market exposure, Long/Short Equity has historically generated compelling returns with reduced risk versus traditional core investments.



Source: Morningstar Direct 1/1/1994 to 12/31/2015

Summary

When implemented as part of an integrated portfolio strategy, allocations to Long/Short Equity provide investors with the potential to capture equity-like returns while managing volatility and drawdown risk—compared with a typical long-only equity and fixed-income approach. As a result, Long/Short Equity may improve a client’s overall experience, keeping them invested across market cycles, so that portfolio assets can continue to work and the power of compounding can be fully realized over the long term.

For additional insights, call 866.361.1720 or visit 361capital.com.

Connect with 361 Capital | Follow us @361Capital

You should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. For a prospectus, or summary prospectus, that contains this and other information about the Funds, call 1-888-736-1227 or visit our website at www.361capital.com. Please read the prospectus or summary prospectus carefully before investing.

*Awards: CTA Intelligence US Performance Awards 2014, Best Managed Futures Mutual Fund, http://www.ctaperformanceawards.com. The CTA Intelligence Performance Awards recognize and reward those CTAs (Commodity Trading Advisor) who have successfully outperformed their competitors over the last twelve months, as determined by a panel of expert judges. HFM US Performance Awards 2013, Newcomer – Managed Futures (CTA), http://www.hfmweek.com. The HFMWeek U.S. Performance Awards celebrate those funds that have stood out in the competitive market over the past twelve months, honoring those that have outperformed their peers and demonstrated impressive growth through the volatility of the last year. International Hedge Fund Awards 2014, 40 Act Mutual Fund of the Year – 361 Managed Futures Strategy Fund and Hedge 100, http://www.acquisition-intl.com. Acquisition International's International Fund Awards honor outstanding fund performance and continued organizational excellence within the global financial services industry. "Institutional quality" refers to products that have the potential to pass the due diligence scrutiny of institutional investors due to liquidity, cost on a relative basis to similar strategies, and investment process.

Investing involves risk, including possible loss of principal. The potential loss from a short sale is theoretically unlimited since the appreciation of the underlying asset also is theoretically unlimited. Frequent trading by the Fund may reduce returns and increase the number of taxable transactions. Concentration of its portfolio in relatively few issuers may make the Fund more volatile than a diversified fund.

The 361 Domestic Long/Short Equity Fund is new and has a limited operating history. As a result, prospective investors have a short track record on which to base their future investment decisions. The 361 Global Long/Short Equity Fund invests in foreign investments that entail additional risk from adverse changes in currency exchange rates, lax regulation, and potential market instability.

Alpha measures the difference between a fund's actual and expected returns, based on beta, and is generally used as a measure of a manager's added value over a passive strategy.

Beta measures a fund's sensitivity to market movements. The beta of a market is 1.00 by definition.

Average Return is referring to the Arithmetic Mean, which is the sum of a collection of numbers divided by the number of numbers in the collection.

Compounded Return is referring to the Geometric Mean. In mathematics, the geometric mean is a type of mean or average, which indicates the typical value of a set of numbers by using the multiplication of their values (as opposed to the arithmetic mean which uses their sum).

Volatility Drag denotes the negative impact of volatility to realized returns. For example losing 50% requires a 100% gain to break even between two return series (or if one has $10 and losses $5, they must double their money to gain the value in their investment back to $10) whereas a 10% loss only requires roughly an 11% gain to break even.

US Large Cap is primarily the Russell 1000 Index. However, monthly returns for the Russell 1000 large capitalization index are available starting in January 1979, 11 years after the January 1968 start date of the "Minimum-Variance Portfolios in the U.S. Equity Market" study. For the overlapping 324 months from 1/1979 through 12/2005, the correlation coefficient between the CRSP-based market return and the Russell 1000 index is 99.7%, indicating a very close match. The CRSP database has comprehensive monthly and daily returns data on several hundred NYSE shares dating back to 1926. Our specification of 1,000 U.S. domiciled equity securities, excluding closed-end funds and REITS, requires the addition of the Amex market, which is not included for a full calendar year in CRSP until 1963.

The **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership, and includes the reinvestment of dividends.

US Investment Grade Debt is represented by the **Barclays Aggregate Bond Index** which is a broad bond index covering most U.S. traded bonds and some foreign bonds traded in the U.S.

US High Yield Debt is represented by the **Barclays US Corporate High Yield Index** which measures the USD-denominated, high yield, fixed-rate corporate bond market.

International Investment Grade Debt is represented by the **Barclays Global Aggregate Index** which is a flagship measure of global investment grade debt from twenty-four local currency markets.

The **MSCI World Index** is a free float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index includes reinvestments of dividends, net of foreign withholding taxes.

Large Cap Equities is represented by the **S&P 500 Index** which is a commonly recognized, market capitalization weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

Small Cap Equities is represented by the **Russell 2000 Index** which measures the performance of the small-cap segment of the U.S. equity universe.

International Equities is represented by the **MSCI EAFE Index** which is a free-float adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

Long/Short Equity is represented by the **Credit Suisse Long/Short Equity Hedge Fund Index** which is a subset of the Credit Suisse Hedge Fund Index that measures the aggregate performance of long/short equity funds. Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalizations.

It is not possible to invest directly in an index.

The 361 Funds are distributed by IMST Distributors, LLC.