

361 Global Long/Short Equity Fund Investment Commentary

March 31, 2019

361 CAPITAL[®]

Investment Philosophy

The 361 Global Long/Short Equity Fund seeks to deliver an equity-like return with significantly less variability than the MSCI World Index. Based on decades of research on the low beta anomaly by the subadvisor Analytic Investors, the portfolio seeks low beta/high-predicted alpha stocks as long candidates and high beta/low-predicted alpha stocks as short candidates.

Category Overview

- The Morningstar Long/Short Equity category was up 5.84% for the quarter capturing about 40% of the return of the S&P 500 Index's 13.65%.
- As expected, when equities experience significant rallies, the Long/Short Equity category will lag given the lower exposure and lower beta to the markets, generally. Funds with neutral or even negative equity exposure significantly lagged, with the worst performer down over 6%.
- Growth continued its outperformance vs. value, which is typically a headwind for managers in the Long/Short Equity category that may have a value bias. This value tilt is very prominent within many of the funds in the space.
- U.S. stocks again outperformed non-U.S. by over 300 basis points causing a slight headwind for the small handful of funds in the category that must maintain international exposure.
- Funds with overweight exposure to Technology, Real Estate and Energy benefitted as those sectors were significant outperformers.

Manager Comments (1Q19)

- Our strategy combines decades of research into the low volatility anomaly, as well as research into drivers of stock returns over time, in building a portfolio that is 100% long stocks with low predicted beta/high predicted alpha and is 30% short stocks with high predicted beta/low predicted alpha. Both the beta and alpha approaches of evaluating stocks provide a separate and unique contribution to return of the portfolio over time.
- Fund performance is best viewed through three lenses; market environment (i.e., what was our exposure to the market and how did it perform), beta spread (i.e., did high beta stocks lag lower beta stocks) and alpha (i.e., did the stocks we assign higher alphas to outperform those with lower predicted alphas).

Highlights

- The 361 Global Long/Short Equity Fund was up 6.74% for the quarter vs. the category which was up 5.84%.
- Since inception, the Fund has returned nearly that of the market with a beta of only 0.47.
- The Fund has delivered attractive up/down capture numbers since inception of 60.69% and 42.95%, respectively, comparing favorably to the Long/Short Equity category at 48.71% and 58.93%, respectively.

Performance

Total Returns (%) As of 03/31/19*	1Q19	1 Year	3 Year	5 Year	Since Inception 01/06/14
361 Global Long/Short Equity Fund - Class Y	6.74%	-2.16%	3.32%	5.75%	6.33%
MSCI World Index	12.48%	4.01%	10.68%	6.78%	6.97%
Morningstar Category	5.84%	-0.29%	4.24%	2.14%	2.34%

Annual Expense Ratio: Gross 2.29%/Excluding Dividend & Interest on Short Sales 1.44%.

The Net with Limitation Expense Ratio is 1.39% for Class Y. The Gross expense ratio includes dividend and interest expense on short sales of 0.85%, acquired fund fees and expenses. The Adviser has contractually agreed to maintain the total annual fund operating expenses at stated levels, exclusive of certain expenses such as acquired fund expenses and dividend and interest expenses on short sales until 02/29/20. See Prospectus for additional details.

*Returns shown over one year are annualized. Returns include the reinvestment of dividends and income.

Statistics

	Fund	Category	Index
Alpha α	2.63	-1.81	-
Beta	0.47	0.52	-
Std Deviation	7.51	6.01	10.97
Sharpe Ratio	0.79	0.32	0.65
Sortino Ratio	1.28	0.44	0.99
Up Capture	60.69	48.71	-
Down Capture	42.95	58.93	-

Data from 02/01/14-03/31/19 for Class Y Shares. Statistics calculated using monthly return data relative to MSCI World Index.

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Manager Comments (continued)

- **Environment:** We expect to lag in risk-seeking markets like we experienced in Q1 given the Fund's net exposure of +70% and target beta of 0.5; as anticipated, cash was the largest single detractor for the quarter. While we lagged long-only equities given a less than 100% exposure to the market, we did outperform the Long/Short Equity category and outperformed our beta target by 50 basis points.
- **Beta:** Our beta positioning detracted from performance as the lower beta stocks underperformed their high beta counterparts, which is not surprising in a risk-on market environment. The highest beta stocks (which we are short) were the best performing quintile, as those stocks were up over 17%.
- **Alpha:** Alpha positioning detracted from performance as the stocks with the highest predicted alpha underperformed those with the lowest. The stocks in the lowest alpha quintile were up over 14% vs. the broader market which were up over 12%.
- Headwinds from both the beta and alpha positioning were somewhat mitigated through positive stock selection. Top contributors for the quarter were stocks whose betas were both below 1 (Rio Tinto and Power Corp. of Canada), as well as a short position in a stock with beta significantly over 1 (Tesla).
- On a sector basis, our stock selection in Consumer Discretionary was robust, as was our short selection in materials. The biggest detractor was a net short positioning in Energy, as the sector was up over 14%. By the end of the quarter, the Fund maintained short exposure in Energy and Materials, and increased its net long exposure to the Information Technology sector.

- The Fund is one of the few in the category that maintains consistent exposure to non-U.S. names. Even with the headwind over the quarter of non-U.S. stocks lagging U.S. stocks by over 300 bps, the Fund outperformed the category.

Sector Attribution

	AGAZX	MSCI World Index	Contribution
Communication Services	3.22	8.19	-0.42
Consumer Discretionary	15.66	10.60	0.56
Consumer Staples	7.42	8.47	-0.09
Energy	-0.65	6.08	-0.97
Financials	4.56	16.16	0.66
Healthcare	3.83	13.00	-0.24
Industrials	17.86	11.11	-0.26
Information Technology	12.64	15.22	-1.23
Materials	-0.75	4.58	0.60
Real Estate	3.08	3.24	-0.05
Utilities	3.58	3.36	0.01
Cash	29.56	--	-3.63

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.

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. Foreign investment entails additional risk from adverse changes in currency exchange rates, tax regulation, and potential market instability. 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.

As of 03/31/19, the Fund held a 2.93% position in Rio Tinto, a 3.18% position in Power Corp. of Canada and a -1.19% position in Tesla.

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. **Morningstar Long/Short Equity Category** is defined as long-short portfolios that hold sizable stakes in both long and short positions in equities and related derivatives. At least 75% of the assets are in equity securities or derivatives. It is not possible to invest directly in an index.

Beta measures a fund's sensitivity to market movements. The beta of a market is 1.00 by definition. **Correlation** is a statistical measure of how two securities perform relative to each other. **Standard Deviation** is a statistical measurement of performance fluctuations. Generally, the higher the standard deviation, the greater the expected volatility of returns. **Sharpe Ratio** is a ratio developed to measure risk-adjusted performance. **Sortino Ratio** is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative asset returns, called downside deviation. **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. **Down Capture** measures manager's performance in down markets. A down-market is defined as those periods (months or quarters) in which market return is less than 0. Essentially, it measures what percentage of the down-market was captured by the manager. **Up Capture** measures a manager's performance in up markets relative to the market (benchmark) itself.

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