

361 Domestic Long/Short Equity Fund Investment Commentary

September 30, 2018

361 CAPITAL[®]

Investment Philosophy

The 361 Domestic Long/Short Equity Fund seeks to deliver an equity-like return with significantly less variability than the Russell 1000 Index. Based on decades of research on the low beta anomaly, by 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 Long/Short Equity category was up 2.74% for the quarter with significant dispersion in the category. The top performing funds were up over 20%, while the worst performers were down more than 6%.
- Growth stocks outperformed value for quarter. Many of the funds in the category are value biased—resulting in a headwind for the category broadly.
- Healthcare was up over 14%, far outpacing any other sector. Funds with a healthcare focus and/or overweight to the sector were among the top performers.

Fund Details

Inception 3/31/2016

Sub-Advisor Analytic Investors

Benchmark Russell 1000 Index

Morningstar Category Long/Short Equity

Manager Comments (3Q18)

- Our strategy combines decades of research into the low volatility anomaly, as well as research into drivers of stock returns over time, to build 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. Using multiple lenses while viewing stocks not only provides diversification, but also multiple sources of potential return.
- While the Fund tends to be most exposed to lower beta stocks, it can have exposure across the beta spectrum: Stocks with moderate beta were the best performers over the quarter. Our short stock selection with in the highest beta names was also additive to performance.
- Our alpha models detracted slightly from performance, however individual stock selection was the biggest detractor. Higher expected alpha stocks underperformed the benchmark for the quarter creating a headwind for the Fund. Our models have been favoring stocks with strong quality metrics—a characteristic that has historically generated positive returns. Over the last 21 months, however, lower quality stocks have outperformed higher quality stocks by a wide margin.

Highlights

- The 361 Domestic Long/Short Equity Fund returned 3.11% vs. 7.42% for the Russell 1000 Index and 2.74% for the Long/Short Equity category.
- Since Inception, the Fund has returned 7.59% vs. 17.25% for the Russell 1000 Index.
- Since inception, the Fund has outpaced the Morningstar Long/Short Equity Category with a return of 7.59% vs. 6.47%.

Performance

Total Returns (%) As of 9/30/2018*	3Q18	1 Year	Since Inception 3/31/2016
361 Domestic Long/Short Equity Fund Class I	3.11%	11.74%	7.59%
Russell 1000 Index	7.42%	17.76%	17.25%
Morningstar Category	2.74%	5.68%	6.47%

Annual Expense Ratio: Gross 2.76%/Excluding Dividend & Interest on Short Sales 2.13%.

The Net with Limitation Expense Ratio is 1.54% for Class I. The Gross expense ratio includes dividend and interest expense on short sales of 0.63%, 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 2/28/2019. See Prospectus for additional details.

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

Past returns shown do not guarantee future results. Current performance may be lower or higher. Call 888-736-1227 for the latest month-end returns. Return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than original cost. Other share class performance may vary.

Manager Comments (continued)

- Negative contribution from stock selection on a relative basis came from what we did not own. About 10% of the Russell 1000 Index is in three names: Amazon, Apple and Microsoft. While these names were up 15% for the quarter, our portfolio has limited exposure (1% in total). This underweight stems from the models assigning a high beta to these stocks, and the alpha predicted is not exceptionally favorable given how they rank on our quality metrics.
- From a sector perspective, our underweight to Healthcare detracted from performance as it was the best performer for the quarter. Our short position in Industrials was the biggest contributor, followed closely by our positioning within the new Communication Services sector.
- Year-to-date and over the 1-year period, we are lagging the performance of the Russell 1000 Index, but on a beta-adjusted basis, we are outperforming. While equity markets have experienced a strong year thus far, there are plenty of concerns that may affect markets and investor sentiment, including the upcoming mid-term elections, continued uncertainty around trade and interest rate hikes. We believe the investment philosophy and process for the 361 Domestic Long/Short Equity Fund will continue to provide investors with the ability to participate in equity markets while minimizing volatility and downside risk.

Q3 Sector Attribution

	ADMZX	Russell 1000 Index	Contribution Effect
Communication Services	2.28	9.62	0.56
Consumer Discretionary	8.01	10.28	-0.57
Consumer Staples	6.42	6.40	-0.63
Energy	3.57	5.79	0.54
Financials	14.29	13.99	0.23
Healthcare	5.34	14.04	-1.50
Industrials	-2.72	9.99	0.58
Information Technology	17.92	20.79	0.33
Materials	-1.41	2.87	0.13
Real Estate	7.03	3.41	-0.78
Utilities	8.55	2.82	-0.49
Cash	30.72	--	-2.12

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. 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 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 **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. **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.

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.

Morningstar rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category. Fund performance used within the rankings, reflects certain fee waivers, without which, returns and Morningstar rankings would have been lower. Mutual funds are assigned a rank within a universe of funds, relative to a peer group and similar in investment objective as determined by Morningstar. The lower the number rank, the better the fund performed compared to other funds in its category.

The 361 Funds are distributed by IMST Distributors, LLC.