361 Global Long/Short Equity Fund Investment Commentary

September 30, 2018

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 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.
- U.S. stocks outperformed non-U.S. stocks by a wide margin—nearly 600 bps. The category is comprised mostly of U.S. focused managers and as a result, put non-U.S., or globally-oriented managers, at a relative disadvantage.
- 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.

Statistics

	Fund	Category	Index
Alpha α	4.16	-1.19	-
Beta	0.40	0.50	-
Std Deviation	6.75	5.09	9.59
Sharpe Ratio	1.12	0.60	0.89
Sortino Ratio	2.10	0.92	1.51
Up Capture	62.97	48.80	-
Down Capture	35.39	57.63	-

Data from 2/1/2014-9/30/2018 for Class I Shares. Statistics calculated using monthly return data relative to MSCI World Index.

Highlights

- The 361 Global Long/Short Fund returned 1.80% vs. 4.98% for the MSCI World Index and 2.74% for the Long/Short Equity category.
- Since Inception, the Fund has returned 7.86% vs. 8.34% for the MSCI World Index. This return has been achieved with a beta of only 0.40.
- The Fund has delivered attractive up/down capture numbers since inception (62.97%/35.39% vs. 48.80%/57.63% for the category, respectively).

Performance

Total Returns (%) As of 9/30/2018*	**3Q18**	**1 Year**	**3 Year**	**Since Inception** 1/6/2014
361 Global Long/Short Equity Fund - Class I	1.80%	4.66%	6.53%	7.86%
MSCI World Index	4.98%	11.24%	13.54%	8.34%
Morningstar Category	2.74%	5.68%	5.41%	3.29%

Annual Expense Ratio: Gross 2.21%/Excluding Dividend & Interest on Short Sales 1.60%.

The Net with Limitation Expense Ratio is 1.50% for Class I. The Gross expense ratio includes dividend and interest expense on short sales of 0.61%, 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.

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. These two lenses of viewing stocks each provide separate contributions as far as return to the portfolio.

Manager Comments (continued)

- Our alpha models have struggled year-to-date (YTD) and over the 1-year period as stock characteristics our process typically favors (e.g., value, quality, low beta) have faced strong headwinds over the last 21 months. Growth has significantly outperformed value, high beta has outperformed low beta, and high quality has lagged lower quality. For these reasons, it has been a relatively difficult environment for the Fund, but our flexibility in factor exposure and limited use of leverage has kept underperformance minimal.
- Another headwind to our relative underperformance comes from what we do not own. The MSCI World Index, as well as a number of funds in the category, have healthy exposures to six stocks: the FAANG stocks and Microsoft. These stocks have driven one third of the performance of the benchmark YTD and over the 1-year timeframe. The portfolio does not own these names because they are higher beta, and/or do not score well on our alpha models. Our alpha models have stayed away in part because of valuation, but more so because the models are looking for quality characteristics the process tends to favor.
- From a sector perspective, our net short exposure in Healthcare detracted from performance as it was the best performer for the quarter. Energy was our biggest contributor.
- While it is frustrating that performance is lagging the category, it is in line with expectations given the vast number of headwinds the portfolio has experienced. One of the questions that we encourage our team to ask is whether we would rather implement a portfolio with the opposite positioning. In the case of the 361 Global Long/Short Equity Fund, would we rather have a significant portion of our performance coming from six names, or would we rather be diversified. Would we rather own high beta stocks with low quality characteristics, or low beta stocks with strong quality characteristics. For us, our conviction rests in the strategy's time-tested approach and we remain confident in the consistency of our process over the long term–even during the inevitable timeframes when we will lag.
- Our three-year number relative to the category and benchmark does not reflect the Fund's strong performance before the end of this quarter. This is due to the fact that the market hasn't experienced a significant drawdown since Q3 2015 and has continued its ascent with historically low volatility. We seek to provide a strategy that, over time, 'wins by not losing,' and without having any downward markets it has been a headwind for our conservative approach. We believe it prudent for investors to review performance in down markets when evaluating long/short equity managers, or they may find they'll be overexposed the next time we encounter a rough patch.

Q3 Sector Attribution

	AGAZX	MSCI World Index	Contribution Effect
Communication Services	-2.18	8.33	-0.88
Consumer Discretionary	23.01	10.44	-0.29
Consumer Staples	7.32	8.17	-0.06
Energy	2.67	6.52	1.15
Financials	6.51	16.71	-0.16
Healthcare	-3.01	12.59	-0.95
Industrials	15.81	11.25	0.39
Information Technology	15.61	15.33	-0.46
Materials	-2.27	4.74	0.31
Real Estate	1.84	2.95	-0.19
Utilities	3.74	2.97	0.01
Cash	30.96	--	-1.41

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. **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.