

## Investment Philosophy

The 361 Macro Opportunities Fund combines 361 Capital's quantitative abilities with the market insight and experience of the portfolio manager, providing investors with risk-aware exposure to multiple asset classes. The unconstrained, tactical approach seeks to invest in areas of the global markets that are experiencing positive trends and will avoid or short areas of the market that are in negative trends.

## Category Overview

- The Morningstar Multialternative Category returned 0.99% for the quarter, with the top performing fund up over 13% and the bottom down 5%.
- Positive trends for equity markets included the U.S. which has continued to outperform broader global equities. Domestic stocks were up over 7%, while non U.S. developed equities were up over 1%, and Emerging Markets were down slightly. Strategies with more U.S. equity exposure benefited from this trend.
- Funds in the category with overweights to Healthcare, Industrials and Communication Services experienced tailwinds, as they were the top performing sectors. Energy, Real Estate and Utilities were the worst performing sectors.
- Within commodities, short metals positions (gold and silver) and long positions in Energy would have led to positive performance. Short positions in wheat and natural gas would have detracted.
- In fixed income, short positions in the 2-year Treasury would have resulted in positive performance, while long positions in longer term bonds (10- and 30-year) would have resulted in negative performance.

## Manager Comments (3Q18)

- Global macro challenges continued to build during the third quarter. The Federal Reserve continued to return the Fed Funds rate to a more normal level given the current strength in the U.S. labor market. The financial markets continued to lift interest rates even higher as they feared rising cost pressures and increasing U.S. Treasury supply. While rising rates helped the U.S. Dollar, this only added to the pressures on overseas economies as dollar-based commodities and inputs became more expensive. As a result, U.S. investors were wise to ignore overseas stock and bond markets during the quarter and, instead, focus their attention on U.S.-based assets.

## Portfolio Management



**Blaine Rollins, CFA**

- Managing Director, Lead Portfolio Manager
- 29 years of experience
- Author of the Weekly Research Briefing

## Highlights

- For the third quarter, the 361 Macro Opportunity Fund returned 1.41% outpacing the Morningstar Multialternative category by 0.42%.
- Since inception, the Fund has returned 0.12% vs. 0.80% for Morningstar Multialternative Category, placing it in the top half of the category.
- Over the 3-year time period, the fund has outpaced the category returning 2.95% vs 2.06%.

## Performance

Total Returns (%) As of 9/30/2018*	3Q18	1 Yr.	3 Yr.	Since Inception 6/30/2017
361 Macro Opportunity Fund - Class I	1.41%	1.72%	2.95%	0.12%
FTSE 3-Month T-Bill Index	0.50%	1.57%	0.80%	0.57%
Blended Index	3.23%	7.52%	11.10%	5.56%
Morningstar Category Average	0.99%	1.63%	2.06%	0.80%

Annual Expense Ratio: Net 2.24%/Gross 3.50%

The Net with Limitation Expense Ratio is 1.90% for Class I. Gross expense ratio includes dividend and interest expense on short sales of 0.16%, acquired fund fees and expenses. See reverse for more information.†

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

## Manager Comments (continued)

- The Fund is designed to seek out areas of the market exhibiting positive trends for long positions while seeking weaker areas for short or neutral positions. The largest contributors on the long side came from equity positions in Healthcare, Consumer Discretionary and Technology. The largest short contributors came from positions in Financials and Housing. This area of the market struggled given rising rates and a flattening of the yield curve.
- Other contributors included our neutral exposure in fixed income, and our commodity exposure to energy.
- Largest detractors came from our equity positions within the Energy and Communications sectors. Discussion of potential regulation in certain Internet and social media stocks resulted in some of the difficulty of the sector for the quarter.
- We are seeing global macro risks continuing to grow to levels we have not seen in many years. Global trade wars with China and Europe, a political financial crisis in Italy, the ongoing Brexit situation in the U.K., and rising inflation and interest rates in the U.S, are a few of the challenges we face. These uncertainties have begun to weigh on global economic momentum and corporate profitability.
- The Fund's goal is to protect capital during these uncertain times and as a result, at quarter end, the Fund had nearly one third of its assets in cash and other short-term cash investments.

## Q3 Average Net Exposure

Asset Class	361 Macro Exposure	ETF Proxy Performance	
		ETF Proxy	Performance
U.S. Equities	60.20%	SPY	7.65%
Developed Non-U.S. Equities	1.57%	EFA	1.52%
Emerging Markets	1.00%	EEM	(0.95%)
Bonds	1.33%	AGG	(0.08%)
Commodities	5.30%	DBC	1.64%
Cash and Short Term	30.60%	--	--

Source: Bloomberg

ETF proxies serve to illustrate the performance of individual asset classes in the market. It is not indicative of actual positions in the Fund. SPY State Street Global Advisors SPDR S&P 500 ETF. EFA iShares MSCI EAFE Index ETF. EEM iShares Emerging Markets ETF. AGG iShares Core U.S. Aggregate Bond ETF. DBC PowerShares DB Commodity Index Tracking ETF.

**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](http://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. Small- and mid-sized company securities tend to be less liquid and more volatile than those of large companies. High-yield bonds have higher default rates. Prices of commodities and related contracts may be very volatile for a variety of reasons, and may be difficult to liquidate in volatile markets. Commodity-related investments potentially may generate too much "non-qualifying income" that would jeopardize the Fund's status as a "regulated investment company," with significant adverse tax consequences for the Fund or its shareholders. 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.

† 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.

The **FTSE 3 Month T-Bill Index** measures monthly return equivalents of yield averages that are not marked to market. The **Three-Month Treasury Bill Indexes** consist of the last three three-month Treasury bill issues. **Blended Index 80% MSCI ACWI** is defined as a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. 20% **Barclays Global Aggregate Bond Index** is defined as an index that provides a broad-based measure of the global investment grade fixed-rate debt markets. It is not possible to invest directly in an index.

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