

361 Managed Futures Strategy Fund Investment Commentary

September 30, 2018

361 CAPITAL®

Investment Philosophy

The 361 Managed Futures Strategy Fund seeks to generate an uncorrelated return by employing a suite of systematic trading models that take positions (long, short, or cash) in U.S. equity index futures contracts.

Category Overview

- The Morningstar Managed Futures Category returned 1.56% for the quarter, but saw wide dispersion with the top performing manager up over 7%, and the bottom performing manager down more than 3%.
- Trends that drove performance for traditional trend followers included short positions in gold and silver, as well as long positions in the S&P 500 Index and Nikkei Index. Biggest detractors were in Bonds, particularly long positions in longer-dated Treasuries.
- During the quarter, volatility was low with the VIX ending each month under 13.
- Year-to-date the category is down over 2% with wide dispersion. Some funds are up over 10%, while others are down more than 10%. This dispersion is due in part to the wide array of styles (e.g., short term, intermediate term, long term, counter trend), as well as wide ranges of leverage and volatility targets.

Statistics

	Fund	Category
Alpha α	2.76	-2.22
Beta	0.04	0.09
Correlation	0.07	0.13
Std Deviation	6.03	6.44
Sharpe Ratio	0.56	-0.15

Data from 1/1/2012-9/30/2018 for Class I Shares. Statistics calculated using monthly return data relative to S&P 500 Index.

Manager Comments (3Q18)

- Within the wide variety of programs in the category, our strategy is one of two single manager, short-term counter trend funds. Our models seek to exploit overreactions in equity markets and profit from the short-term mean reversion often observed following outsized moves (up or down). We expect the Fund to perform well in choppy or 'noisy' markets, while being more muted in steadily rising markets. With the VIX again below its long-term average, and noise at low levels for most of the quarter, the Fund performed in line with expectations.
- Given the relatively quiet markets, we were invested 13.23% on a net basis. Even with that limited exposure, we captured 28% of the return of the S&P 500 Index.

Highlights

- For the quarter, the 361 Managed Futures Strategy Fund was up 2.15%, outperforming the category by 59 bps.
- Since inception, the Fund has returned 3.49% vs. -0.67% for the category.
- The Fund has delivered a unique source of return that has low correlation to stocks 0.07%, bonds 0.16% and the Managed Futures category 0.18% since inception.*

Performance

Total Returns (%) As of 9/30/2018**	3Q18	1 Year	3 Year	5 Year	Since Inception 12/20/11
361 Managed Futures Strategy Fund – Class I	2.15%	4.68%	1.09%	1.86%	3.49%
FTSE 3-Month T-Bill Index	0.50%	1.57%	0.80%	0.49%	0.38%
Morningstar Category	1.56%	2.01%	-1.53%	1.48%	-0.67%

Annual Expense Ratio: Gross 1.90%.

*Source: Morningstar. Data from 1/1/2012 to 9/30/2018. Data is represented by the following sources: Stocks by the S&P 500 Index and Bonds by the Barclays Aggregate Bond Index.

**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)

- A common signature of short-term counter trend models is high hit ratios (i.e., profitable versus not profitable trades) which historically have been between 55-70%. For the quarter, we participated in a total of 33 trades—winning on 25 of them for a hit ratio of 75.76%. Year-to-date our hit ratio is 66% and 65% since inception, which is in line with expectations.
- All U.S. markets contributed positive returns for the quarter, with the biggest contributor being Nasdaq.
- While, as a whole, the managed futures category has experienced a difficult last few years, our unique approach has provided investors with positive returns over all trailing time periods. This return has been delivered with no correlation to the category or other broad asset classes.
- Ever-rising markets often lead investors to question allocations to diversifying strategies. We believe it is prudent to remain disciplined. With many uncertainties ahead (e.g., trade wars, rising rates, etc.), maintaining exposure to strategies that can generate return without market beta may be beneficial to investor portfolios.

Fund Attribution

	3Q2018
S&P 500	0.28%
Nasdaq 100	0.81%
Russell 2000	0.48%
Dow 30	0.18%
S&P 600	0.05%
VIX	0.16%

Since the financial crisis, the yield earned on cash has been low. Should rates continue to rise, it could be a tailwind for our strategy and the category.

Noise Statistics

	% of Time	S&P 500	AMFZX	Category
High	53%	0.20%	0.62%	-0.23%
Low	47%	2.45%	-0.02%	0.17%

Average monthly returns (12/31/11-9/30/18)

- Since inception of the Fund (12/31/11), the S&P 500 Index has spent almost half the time in high noise months and half in low noise months. The goal of our strategy is to provide a positive return when markets are noisy, which is also when equities typically struggle.
- Since inception of the Fund, our average monthly return when the S&P 500 Index had a noisy month is 62 bps vs. the category being down 23 bps.

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. Futures prices may be very volatile. The small margin required for futures contracts magnifies the effect of market volatility and allows the loss from a contract potentially to exceed the Fund's initial investment. With short contracts, the loss is theoretically unlimited since the appreciation of the underlying asset also is theoretically unlimited. Fund assets not invested in futures are invested primarily in investment-grade bonds. Bond prices generally fall when interest rates rise. 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.

Effective January 2018, the Citigroup 3 Month T-Bill Index changed its name to the FTSE 3 Month T-Bill Index.

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. Morningstar Managed Futures Category is defined as funds that primarily trade liquid global futures, options, swaps, and foreign exchange contracts, both listed and over-the-counter. More than 60% of the fund's exposure is invested through derivative securities. These funds obtain exposure primarily through derivatives; the holdings are largely cash instruments. It is not possible to invest directly in an index.

S&P 500 Index is a commonly recognized, market capitalization weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance. **Nasdaq 100 Index** measures the 100 largest, most actively traded U.S. companies listed on the Nasdaq stock exchange. This index includes companies from a broad range of industries with the exception of those that operate in the financial industry, such as banks and investment companies.

Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. **The Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. **S&P 600** is an index of small-cap stocks managed by Standard and Poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements.

Standard Deviation is a statistical measurement of performance fluctuations. Generally, the higher the standard deviation, the greater the expected volatility of returns. **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. **Sharpe Ratio** is a ratio developed to measure risk-adjusted performance. Correlation is a statistical measure of how two securities perform relative to each other. **VIX** is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking, is calculated from both calls and puts, and is a widely used measure of market risk, often referred to as the "investor fear gauge."

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