

361 U.S. Small Cap Equity Fund Investment Commentary

September 30, 2018

361 CAPITAL[®]

Investment Philosophy

Based on an institutional strategy with a 10-year track record, our process is rooted in 30 years of research based on the belief that companies receiving favorable earnings estimate revisions from analysts and/or report positive earnings surprises, often exhibit better relative price performance. Our investment process ranks stocks based on the likelihood that revisions and/or surprises will occur in the future.

Category Overview

- The Russell 2000 Index, the small cap benchmark, gained 3.6% during the third quarter. This trailed the large cap Russell 1000 Index, which gained 7.4% over the same time period.
- On a rolling three-month basis, the Russell 2000 Index's underperformance in the third quarter was the widest since February. It also marked a reversal from the second quarter when it outperformed the Russell 1000 Index.
- Within the Russell 2000 Index, the smallest stocks underperformed the benchmark as a whole.
- Within the small cap universe, as was the case across equity markets broadly, companies with higher growth characteristics outperformed those that are more value oriented.

Fund Details

| | |
|----------------------|---------------------------------|
| Inception | 12/31/2016 |
| Benchmark | Russell 2000 Index |
| Morningstar Category | Small Blend |
| Vehicles Available | Separate Account Mutual Fund |

Manager Comments (3Q18)

- Our unique approach aims to create a portfolio of companies that exhibit positive behavioral characteristics. This manifests in owning stocks with attractive analyst sentiment and those believed to generate positive earnings surprises. Our research indicates that, over time, a portfolio of companies ranked highest on these behavioral characteristics outperform those with the opposite characteristics.
- For the quarter, our models were able to populate the portfolio with companies that received 810 net positive earnings revisions. This is 699 more than would be expected from a random, similar-sized portfolio from the same universe. This marks the 7th straight quarter that the Fund has experienced positive excess revisions, and 43rd straight quarter for the institutionally managed separate account.

Highlights

- For the quarter, the 361 U.S. Small Cap Equity Fund gained 3.83%, outperforming the Morningstar Small Blend Category and the Russell 2000 Index which returned 2.77% and 3.58%, respectively.
- Year-to-date, the Fund has returned 8.24%, which kept pace with the Category average of 8.26%. The Fund is trailing the benchmark, which gained 11.51% over the same period.
- Analyst sentiment declined from last quarter. Within our small cap universe, 53% of earnings revisions were positive. The ratio of positive-to-negative revisions is still above the long-term average.

Performance

| Total Returns (%) As of 9/30/2018* | 3Q18 | 1 Year | Since Inception 12/31/2016 |
|---|-------|--------|----------------------------------|
| 361 U.S. Small Cap Equity Fund - Class I | 3.83% | 10.58% | 13.40% |
| Russell 2000 Index | 3.58% | 15.24% | 15.06% |
| Morningstar Small Blend Category | 2.77% | 12.06% | 11.90% |

Annual Expense Ratio: Net 0.98%/Gross 8.19%

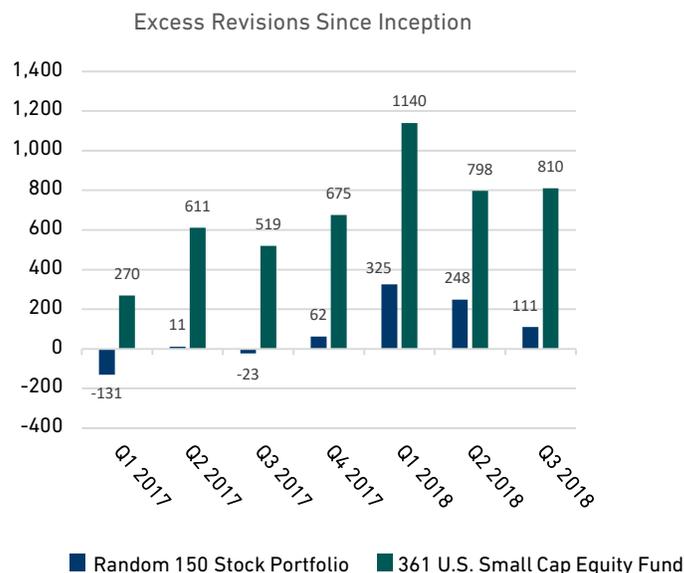
The Net with Limitation expense ratio is 0.99% for Class I. The Adviser has contractually agreed to maintain the total annual fund operating expenses at stated levels, exclusive of certain expenses such as acquired fund expenses and dividend and interest expenses on short sales until 2/28/2019. See Prospectus for additional details.

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

Manager Comments (continued)

- We believe, over time, this predictive ability should provide excess positive return, however, the elevated number of revisions did not materially impact the portfolio in the third quarter. The stocks that received the most upward revisions slightly underperformed those with the fewest.
- While our behavioral models are focused on this specific anomaly, the momentum present due to improving expectations by analysts, was a secondary exposure given our process. For the quarter, this exposure made up for the muted impact of our behavioral models.
- Our lack of exposure to growth was a slight detractor for the quarter. We seek to own stocks that score high on our behavioral models and also look attractive from a valuation lens. Over time we expect this to be additive, however in time periods when value lags growth, it is a slight headwind.
- Our portfolio is constructed to be sector neutral compared to the benchmark. Therefore, picking stocks that are in the top deciles of our model's behavioral has historically ranked as a main contributor to performance over time. Stock selection within Healthcare and Consumer Staples contributed the most during the quarter, whereas Information Technology and Industrials detracted.

Analyst Revisions



Portfolio Management



John Riddle, CFA

- Chief Investment Officer, Portfolio Manager
- 38 years of experience



Mark Jaeger, CFA, CPA

- Managing Director, Portfolio Manager
- 32 years of experience

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.

Investments made in small and mid-capitalization companies may be more volatile and less liquid due to limited resources or product lines and more sensitive to economic factors. The Fund may also invest in exchange-traded funds (ETFs), thus shareholders will bear additional costs and the ETF may not exactly replicate the performance it seeks to track.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. Morningstar Small Blend Category is defined as small-blend portfolios that favor U.S. firms at the smaller end of the market-capitalization range. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Earnings Revisions is the count of analyst changes or initiations of company earnings during a given period.

The 361 Funds are distributed by IMST Distributors, LLC.