



**361 Capital, LLC**

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**March 30, 2020**

This brochure provides information about the qualifications and business practices of 361 Capital (referred to below as 361 Capital, 361, or Adviser). If you have any questions about the contents of this brochure, please contact us at (303) 224-3900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

361 Capital is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration with the SEC does not imply a certain level of skill or training. Additional information about 361 is also available on the SEC's website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

## Item 2 – Material Changes

This Brochure dated March 30, 2020, provides the following material updates to the Brochure dated March 25, 2019.

- 361 Capital LLC closed the 361 Global Equity Absolute Return Fund and 361 Macro Opportunity Fund

Our brochure may be requested by contacting us at (303) 224-3900 and/or via electronic mail at [info@361capital.com](mailto:info@361capital.com). Additional information about 361 Capital is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser, if applicable.

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## Item 4 – Advisory Business

361 Capital, a Delaware limited liability company has been in business since 2001 and offers the services described below primarily to investment companies (mutual funds), institutional investors (e.g. pensions, endowments, foundations, etc.), and individuals through separately managed accounts.

361 Capital manages both mutual funds and separate account strategies. Our approaches, which include traditional, long-only strategies, and various hedged or tactical strategies that fall under the “alternatives” label, are primarily quantitative in nature, employing algorithms designed to exploit identified market inefficiencies. It is our belief that investors behave in systematically exploitable ways, either due to behavioral biases, or because of the size and structure of their investment programs. As such, we endeavor to create and manage dynamic, opportunistic strategies that benefit from these psychological and structural flaws, in consciously capacity constrained ways. Specific to our long-only equity portfolios, we believe that investor expectations are strongly influenced by the opinions, forecasts and announcements of perceived market experts, including Wall Street analysts and company management. By incorporating a combination of proprietary quantitative, fundamental and behavioral valuation techniques, we seek to invest in companies that we believe are likely to be the beneficiaries of future favorable earnings announcements and upward earnings estimate revisions.

361 Capital, an investment adviser registered with the SEC, is the investment adviser for 361 Managed Futures Strategy Fund, the 361 Global Managed Futures Strategy Fund, the 361 U.S. Small Cap Equity Fund, the 361 Global Long/Short Equity Fund, and the 361 Domestic Long/Short Equity Fund. The five Investment Companies (“Mutual Funds,” “Funds,” or “361 Funds”) are all registered under the Investment Company Act of 1940 and are part of the Investment Managers Series Trust (“IMST”).

361 Capital’s principal owner is Tom Florence, Principal and Managing Manager of 361 Capital. In addition, John Riddle, Mark Jaeger, and Blaine Rollins are equity owners of the firm. You can find additional information regarding the firm’s ownership in Part 1A of our Form ADV.

As of December 31, 2019, 361 Capital managed discretionary client assets valued at approximately \$1,539 million and did not manage any client assets on a non-discretionary basis.

### Types of Advisory Services

361 Capital provides investment management services as the adviser to pooled investment vehicles, U.S. mutual funds and separately managed accounts. 361 Capital offers various investment products based on distinctive investment approaches. Products are defined by standard market capitalization categories such as large-cap, mid-cap and small-cap equities, as well as alternative categories, such as managed futures, long/short equity and global macro. These advisory services involve the active management and oversight of client assets based on our client’s specific investment needs, and in the case of our separate account strategies, compliance with client specific written investment guidelines.

361 Capital advisory services also include asset allocation recommendations and the use of non-361 Capital investment products to gain exposure to other asset classes. The non-361 Capital investment products are evaluated by members of the investment team based on cost, liquidity and suitability.

### Tailored Relationships

All of 361 Capital's investment products have detailed investment guidelines. The investment guidelines can be modified to address the specific needs of our separate account clients (but not our mutual fund clients). By reviewing our client's investment goals and objectives as well as their risk tolerances, 361 Capital will make any necessary adjustments to the investment guidelines so that they better match the needs of the client. 361 Capital will also work with clients to develop client specific asset allocation policies and procedures. All customization related to investment guidelines and asset allocation policies are mutually approved and fully documented.

### Wrap Fee Programs

361 Capital does not sponsor wrap fee programs. 361 Capital does selectively participate in wrap fee programs sponsored by unaffiliated, third-party vendors. Investors can access 361 Capital investment products through those third party programs. There are no differences between how 361 Capital manages wrap fee accounts and how we manage other accounts. A portion of the wrap fee charged to the client by the sponsor is paid by the sponsor to 361 Capital for our management services.

### Unified Managed Account Programs

361 Capital provides investment and trading recommendations in the form of a model portfolio to a sponsor or overlay manager, which may utilize such recommendations in connection with its management of program client accounts. Generally, it is only the sponsor or the overlay manager, and not 361 Capital, which acts as the investment adviser to clients of such programs and the sponsors' or overlay managers' clients may or may not be able to request that the sponsor or overlay manager utilize 361 Capital's investment and trading recommendations when managing their accounts.

## **Item 5 – Fees and Compensation**

### Mutual Funds

361 Capital provides advisory services to certain mutual funds. The 361 Funds are composed of five different series, each a series of the IMST.

- 361 Managed Futures Strategy Fund
- 361 Global Managed Futures Strategy Fund
- 361 Global Long/Short Equity Fund
- 361 Domestic Long/Short Equity Fund
- 361 US Small Cap Equity Fund

UMB Fund Services, Inc. provides fund accounting, fund administration, compliance, and transfer agency services to the Mutual Funds. Mutual Fund Administration, LLC serves as co-administrator. IMST Distributors, LLC acts as the distributor in connection with offering Mutual Fund shares. 361 Capital is not affiliated with these Mutual Fund service providers. Specific Information concerning the 361 Funds, including a description of the services provided by management and the fees charged for those services, is generally contained in each 361 Funds' Prospectus and Statement of Additional Information. A copy of a prospectus may be downloaded from [www.361capital.com](http://www.361capital.com).

## Separate Accounts

361's basic fees for our advisory products are described below.

**Large Cap Concentrated Equities:** 361's fee scale for actively managed institutional Large Cap Concentrated Equity is: 0.75% on the first \$10 million; 0.60% on the next \$15 million; 0.55% on the next \$25 million; 0.45% on the next \$50 million; over \$100 million subject to negotiation.

**Mid Cap Diversified Equities:** 361's fee scale for actively managed institutional Mid Cap Diversified Equity is: 0.85% on the first \$10 million; 0.75% on the next \$15 million; 0.65% on the next \$25 million; 0.55% on the next \$50 million; over \$100 million subject to negotiation.

**U.S. Small Cap Equities:** 361's fee scale for actively managed institutional Small Cap Diversified Equity is: 0.95% on the first \$10 million; 0.85% on the next \$15 million; 0.75% on the next \$25 million; 0.70% on the next \$50 million; over \$100 million subject to negotiation.

**361's fee scale for our non-institutional high-net-worth separate account clients:** 1.00% on the first \$5 million; 0.85% on the next \$5 million; 0.75% on the next \$40 million; 0.65% on the next \$50 million; 0.50% on any amount thereafter. Our typical high-net-worth client receives broader investment advisory services, greater investment customization and more comprehensive client servicing than our typical institutional client and consequently pays higher fees.

361 may negotiate fees for its advisory services with each registered investment company in which 361 acts as an adviser or as a sub-adviser. The prospectus for each registered investment company provides information about fees payable by the registered investment company or principal investment adviser.

Where special circumstances prevail, fees are set by mutual agreement. 361 may waive or alter such advisory fees for clients participating in certain wrap fee or managed account programs.

With respect to 361 Capital's Separate Account clients, 361 Capital personnel may invest client assets in, or recommend that clients invest in, mutual funds managed by 361 Capital ("361 Funds"). 361 Capital will not charge an advisory fee on any Separate Account client assets which 361 Capital directs to invest in 361 Funds. All management fees received by 361 Capital will be received through the Fund. Management fees paid to 361 Capital by the mutual funds may be higher than the advisory fee that 361 Capital would have charged to the client, and could result in the Separate Account client indirectly paying a higher fee. This could create a conflict of interest due to the higher fees paid by the Client. Clients may bear the cost of custodial fees transactions fees and administrative expenses, among others, for investment in a related fund. Investors may be able to buy mutual fund shares of 361 Funds directly without incurring any sales or service charge.

## Fee Billing

361's clients are typically billed for fees on a quarterly basis, either in arrears or in advance. Clients may choose to have the fee deducted directly from their custodial account, or to pay it directly to 361. If a client paid fees quarterly in arrears and in the event that the client terminates 361's services prior to the end of any quarterly period, fees will be charged only for the portion of the quarter in which services were rendered by 361. If the client paid fees in advance and termination occurs during the quarter, the prorated portion of the fee not yet earned will be refunded to the client.

## Other Fees

361 does not take physical custody of any of our client's assets, and therefore does not collect any fees for custodial services (see Custody), but the client may incur fees charged to its account by its selected custodian. 361 is not a broker-dealer and does not receive compensation for the purchase or sale of securities, but clients will incur expenses for brokerage and other transaction costs from firms used to execute trades in the client's account (see Item 12 - Brokerage Practices).

## **Item 6 – Performance-Based Fees**

As of December 31, 2019, 361 has no clients for investment advisory services that have a performance-based fee arrangement.

## **Item 7 – Types of Clients**

361 provides investment advice primarily to mutual funds, separately managed accounts to institutional investors including U.S. corporate pension and profit sharing plans, state and municipal public retirement funds, endowments, foundations, trusts, estates, charitable organizations, funds of investment companies and sub advisory services to privately offered pooled investment vehicles. 361 also provides investment advice to non-institutional investors including high-net-worth individuals, estates and trusts and other specialized portfolios. 361 also provides investment advisory services through programs sponsored by investment advisory or financial planning firms not affiliated with 361. For more information on these relationships, see the Wrap Fee Programs sub-section of the Advisory Business section above.

## Account Minimums

With respect to separate account clients, the minimum account size for an institutional client is typically \$2 million. The minimum account size for a non-institutional client is \$1 million. 361 may accept or continue to provide services to smaller accounts at its discretion. 361 may also waive or alter such investment minimums for clients participating in certain wrap fee or managed account programs.

Investors in the 361 Funds are typically subject to account opening and maintenance minimums that are described in greater detail in the respective Prospectus or Statement of Additional Information for the particular fund.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### Methods of Analysis

361 Capital employs multiple methodologies while managing our various strategies, but all of our approaches are generally rooted in behavioral finance, attempting to exploit market inefficiencies. In the case of our long-only equity strategies, our proprietary quantitative models attempt to identify companies that are believed to be poised for attractive relative price appreciation. 361 Capital generally evaluates each company within a defined universe with respect to relative trading liquidity, price performance, security analyst behavior, earnings estimates, security valuations, surprise earnings

announcements, earnings quality, and other fundamental characteristics. While the quantitative models are the primary driver of returns to our strategies, once potential purchase candidates are identified, certain fundamental analyses are conducted by 361's equity analysts on large cap concentrated and large cap value concentrated strategies, and to a lesser extent on small cap diversified and mid cap diversified strategies. Particular focus is applied to earnings persistence, the quality of a company's reported earnings and the relationship of the company's current stock price to a variety of valuation measures.

361's equity holdings within client portfolios are typically diversified across economic sectors in general accordance with broad market weightings. 361 may utilize risk measurement and return attribution software in order to manage closely the risks and fundamental exposures of our client's equity assets. For our managed futures strategies, and components of our macro strategy, we rely on technically based models that measure price movements, market breadth, volume, volatility, and other market characteristics, in order to identify attractive environments for our approaches and to identify entry and exit points. Our long/short equity strategies, which are sub-advised by Analytic Investors (Analytic Investors is a part of Wells Capital Management, a registered investment advisor and a wholly owned subsidiary of Wells Fargo Asset Management Holdings, LLC), use predictive models to identify expected alpha and beta on securities, and optimization techniques to combine long and short positions in a diversified portfolio intended to take advantage of the low volatility anomaly.

**Large Cap Concentrated** - The investment objective is to use a combination of proprietary quantitative, and behavioral valuation techniques to identify companies that we believe are likely to be the beneficiaries of future favorable earnings announcements and upward earnings estimate revisions. The investment universe consists of the stocks in the Russell 1000® Index. The portfolio typically holds between 50 and 60 securities. The appropriate benchmarks include the Russell 1000® Index and S&P 500® Index. This investment process cannot eliminate the possibility of negative random events driving performance for short periods of time.

**Mid Cap Diversified** – The investment objective is to use a combination of proprietary quantitative and behavioral valuation techniques to identify companies that we believe are likely to be the beneficiaries of future favorable earnings announcements and upward earnings estimate revisions. The investment universe consists of the stocks in the S&P MidCap 400® Index and the Russell Midcap® Index with a market capitalization generally between \$2 billion and \$30 billion. The portfolio generally holds between 50 and 80 securities. The appropriate benchmarks include the Russell Midcap® Index and the S&P MidCap 400® Index. This investment process cannot eliminate the possibility of negative random events driving performance for short periods of time.

**US Small Cap** – The investment objective is to use a combination of proprietary quantitative and behavioral valuation techniques to identify companies that we believe are likely to be the beneficiaries of future favorable earnings announcements and upward earnings estimate revisions. The investment universe consists of the stocks in the S&P SmallCap 600® Index and the Russell 2000® Index with a market capitalization generally less than \$5 billion. The portfolio generally holds between 90 and 150 securities. The appropriate benchmarks include the Russell 2000® Index and the S&P SmallCap 600® Index. This investment process cannot eliminate the possibility of negative random events driving performance for short periods of time.

Macro?



361 will also create customized investment portfolios based on the above mentioned primary strategies for select institutional investors. Examples of such customized portfolios include style-based indexes as the target universe, market neutral long/short portfolios and country-specific non-U.S. equities.

As discussed in Item 5 above, 361 Capital may cause or recommend that Separate Account clients invest all or a portion of account assets in the 361 Funds. This may create a conflict of interest, as the 361 Funds pay 361 Capital a separate advisory fee. To seek to mitigate this conflict of interest, 361 Capital will not charge an advisory fee on any SMA Client assets which it directs to invest in 361 Funds. Clients should be aware, however, that management fees paid to 361 Capital by the mutual funds may be higher than the advisory fee that 361 Capital would have charged to the client, and could result in the Separate Account client indirectly paying a higher fee.

***There can be no assurance that the objectives associated with any strategies described above will be met. 361 Capital may at anytime add, remove, or modify the strategies it employs.***

***Investing in securities involves risk of loss that clients should be prepared to bear.***

#### Material Risks

The list of risk factors below is not a complete or comprehensive enumeration or explanation of the risks involved in an investment through 361 Capital, or any of the client portfolios it manages. For shareholders or potential shareholders in the 361 Funds, managed by 361 Capital, please refer to the Prospectus(es) and Statement(s) of Additional Information for a complete description of risks associated with the Mutual Fund(s).

ETF portfolios managed by 361 Capital involve general market risk as well as the potential that a specific ETF does not track its underlying index or strategy. In addition, there is market impact risk.

*Equity securities:* For client portfolios, 361 Capital may take both long and short positions in issuers in the United States as well as foreign (non-United States) markets, including emerging markets. Client portfolios may also be invested in pooled investment vehicles, including registered investment companies, such as mutual funds and ETFs.

*Small-Capitalization Company Risk:* The securities of small-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger companies or the market averages in general. The earnings and prospects of these companies are generally more volatile than larger companies. Small-capitalization companies may experience higher failure rates than do larger companies. Stocks of such companies involve higher risks in some respects than do investments in stocks of larger companies.

*Exchange Traded Funds Risk.* ETFs typically trade on securities exchanges and their shares may, at times, trade at a premium or discount to their net asset values. In addition, they may not replicate exactly the performance of the benchmark index it seeks to track for a number of reasons, including transaction costs incurred by the exchange traded fund, the temporary unavailability of certain index securities in the secondary market or discrepancies between the exchange traded fund and the index with respect to the weighting of securities or the number of securities held. Investing in exchange traded funds, which are investment companies, may involve duplication of advisory fees and certain other expenses. Client

portfolios will typically incur brokerage costs when purchasing and selling shares of Exchange Traded Funds.

*Derivatives:* 361 Capital or managers may invest client portfolios in derivative instruments, including futures and options contracts; futures contracts on securities, commodities, and securities indices; and options on securities, securities indices, commodities and futures, and swaps. Futures contracts generally are standardized, exchange-traded contracts that provide for the sale or purchase of a specified financial instrument or currency at a future time at a specified price.

*Options.* 361 may trade in put and call options, which are highly specialized activities and entail greater than ordinary investment risks. Trading put and call options can result in large amounts of leverage because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options. As a result, the leverage offered by trading in options could cause an investor's asset value to be subject to more frequent and wider fluctuations than would be the case if the investor did not invest in options. Conversely, purchasing options limit an investor's risk to the premium paid which can give an investor exposure to a larger dollar amount without commensurate capital requirements.

*Over-the-Counter Trading.* 361 Capital may purchase or sell derivative instruments that are not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater than the risk associated with an exchange-traded instrument. In addition, a portfolio may not be able to dispose of, or enter into a closing transaction with respect to, such an instrument as easily as in the case of an exchange-traded instrument. Derivatives not traded on exchanges are not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available with respect to these instruments.

*Hedging Transactions.* 361 Capital will, from time to time, employ various hedging techniques to attempt to reduce the risk of an outright purchase of an investment or highly speculative investments in securities. There remains a substantial risk, however, that hedging techniques may not always be effective in limiting losses. If the Adviser analyzes market conditions incorrectly or employs a strategy that does not correlate well with portfolios' investments, the hedging techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These hedging techniques may also increase the volatility of client portfolios; may involve a small investment of cash relative to the magnitude of the risk assumed; or result in a loss if the other party to the transaction does not perform as promised.

*Liquidity of Futures Contracts.* Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day (each a "daily limit"). Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be entered into nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved beyond the daily limits for several consecutive days with little or no trading. Over-the-counter instruments generally are not as liquid as instruments traded on recognized exchanges.

*Non-United States Futures Transactions.* Foreign futures transactions involve the execution and clearing of trades on a foreign exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the

foreign country. Such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, a client portfolio for which 361 Capital employs non-United States futures may not be afforded certain of the protections that apply to domestic transactions. In addition, the price of any foreign futures or option contract may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

*Fixed Income Securities Risk.* Fixed income securities are subject to the risk that securities could lose value because of interest rate changes. Fixed income securities with longer maturities are subject to greater price shifts as a result of interest rate changes than fixed income securities with shorter maturities. Fixed income securities are generally subject to credit risk (see paragraph directly below), which is the risk that an issuer will not make timely payments of principal and interest. Limited trading opportunities for certain fixed income securities may make it more difficult to sell or buy a security at a favorable price or time.

*Credit risk.* Failure of an issuer or guarantor of a fixed income security, or the counterparty to a derivative transaction, to make timely interest or principal payments or otherwise honor its obligations, could cause a portfolio to lose money. Similarly, a decline or perception of a decline in the credit quality of a bond can cause the bond's price to fall.

*Interest rate risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices.

*High yield risk.* High yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities. High yield bonds involve a greater risk of price declines than investment-grade securities due to actual or perceived changes in an issuer's creditworthiness. In addition, issuers of high yield bonds may be more susceptible than other issuers to economic downturns, which may result in a weakened capacity of the issuer to make principal or interest payments

*Lack of Liquidity.* The Adviser monitors the liquidity of client assets in making decisions regarding the client investments. However, certain investments, including derivatives, may have to be held for a substantial period of time before they can be liquidated to the portfolio's greatest advantage or, in some cases, at all. Portfolios may also hold securities for which a market exists but which generally have a relatively low trading volume. Portfolios may not be able to dispose of such securities at the most favorable price or time if there is limited demand when the Adviser wishes to sell them.

*Counterparty Credit Risk.* Many purchases, sales, financing arrangements, and derivative transactions in which portfolios may engage involve instruments that are not traded on an exchange. Rather, these instruments are traded between counterparties based on contractual relationships. As a result, the portfolio would be subject to the risk that a counterparty will not perform its obligations under the related contract. The Adviser intends to use counterparties it believes to be creditworthy but there can be no assurance that a counterparty will not default and that a portfolio will not sustain a loss on a transaction as a result.

*Leveraging risk.* The use of leverage, such as entering into futures contracts, margin borrowing, options, and short sales, may magnify a portfolio's gains or losses. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying instrument can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Borrowings will usually be from broker-dealers and will typically be secured by a client's securities and other assets. Under certain

circumstances, such a broker-dealer may demand an increase in the collateral that secures portfolio obligations and if the portfolio were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the portfolio's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the portfolio's profitability.

*Management and strategy risk.* The ability of a portfolio to meet its investment objective is directly related to the Adviser's investment strategies for portfolios, and multi-strategy approach. The investment process used by 361 Capital or Managers could fail to achieve client investment objective and cause investments to lose value.

*Foreign investment risk.* To the extent a portfolio has investment exposure to foreign markets, the portfolios performance will be influenced by political, social and economic factors affecting investments in such markets. Special risks associated with investments in foreign markets include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards. Emerging markets tend to be more volatile than the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries.

*Market sector risk.* The Advisers investment strategy may result in significantly over or under exposure to certain industries or market sectors, which may cause a portfolio's performance to be more or less sensitive to developments affecting those industries or sectors.

*Non-Diversification/Concentration.* The Adviser may invest client accounts primarily in the equity securities of a small number of issuers. Accordingly, a client's portfolio may be subject to more rapid change in value than would be the case if the Adviser elected not to concentrate on certain issuers or maintained a wider diversification among industries, geographic areas, types of securities and issuers.

*Trading Decisions Based on Quantitative Techniques.* 361's trading decisions are based on quantitative research utilizing fundamental inputs and 361 Capital conducts proprietary research which builds on the base signals. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability.

*Model Degradation Risk.* Like any investment process, 361's quantitative models are dependent on a thesis of how the markets they trade function. If there is a structural shift in a market that invalidates 361's thesis or significantly changes the characteristics of the market, then it is possible that the trading model will no longer be able to deliver a positive, exploitable edge. 361 has controls in place for discontinuing a model that is no longer viable, but there is still risk from loss of opportunity by not being able to trade the market, and loss of capital as the model transitions from viable to unviable.

*Crowding/Convergence.* There is competition among quantitatively focused managers, and 361's ability to deliver returns that have a low correlation with equity markets and other funds is dependent on its ability to employ models that are simultaneously profitable and differentiated from other managers. To the extent that 361 is not able to develop sufficiently differentiated models, the client's investment objectives may not be met.

*Risk of Programming and Modeling Error.* 361's quantitative research and modeling process is complex. Although 361 seeks to hire skilled individuals and implement proper oversight, the complexity of the modeling creates an opportunity for error; one or more of such errors could adversely affect a client's portfolio and likely would not constitute a trade error under 361's policies.

## **Item 9 – Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the Adviser or the integrity of its management. 361 Capital has no applicable disciplinary information.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Funds managed by a subsidiary of Lovell Minnick Partners LLC ("Lovell"), a private equity firm and Registered Investment Adviser have an ownership interest (through direct owners) in 361 Capital. Lovell (through direct owners) has the right to appoint a Director to our Board of Managers, but does not otherwise control the day-to-day business or operations of 361. Jeffrey D. Lovell is the Chairman and Managing Director at Lovell Minnick Partners and is currently a member of 361's Board of Managers.

Lighthouse Investment Partners ("Lighthouse") owns a minority interest in 361 Capital. Lighthouse Partners is an investment manager dedicated solely to managing Funds of hedge funds. Their main goals are to protect, diversify and grow client assets, while providing more clarity, confidence and certainty around their investments. They believe this can be accomplished through the use of a proprietary managed account platform, built over recent years, which provides more active portfolio management, better asset control and full transparency.

We have relationships with various entities in the financial industry, some of which result from our relationships with Lighthouse and Lovell. However, we are not controlled by Lighthouse or Lovell, and we operate independently from both Lighthouse and Lovell, and any party affiliated with them. Thus, we do not believe that these relationships create a material conflict of interest for our clients.

361 Capital also operates as a commodity pool operator and commodity trading advisor in its capacity as adviser to the 361 Funds.

Certain employees of the Adviser are Registered Representatives of IMST Distributors, LLC ("Foreside"), an unaffiliated broker-dealer and Financial Industry Regulatory Authority ("FINRA") member. 361 does not execute any client transactions with Foreside. 361 pays Foreside a fee for holding these employees' registrations with FINRA. Other than the relationship disclosed above, 361 and its employees do not have any affiliations or arrangements with other financial services companies that pose material conflicts of interest.

### Industry Activities

361 provides investment advice to various Wrap sponsors. See the Wrap Fee Programs subsection under the Item 4 - Advisory Business section above.

## Item 11 – Code of Ethics

361 Capital has adopted and implemented a Code of Ethics (the “Code”) in accordance with Section 204A of the Advisers Act and Rule 204A-1 under the Advisers Act which sets forth the professional standards expected of each of 361 Capital’s employee and procedures for avoiding or otherwise dealing with conflicts of interest that arise from time to time. The Code requires each employee of 361 Capital who participates in or obtains information regarding the purchase or sale of securities for a client, or whose functions relate to the making of any recommendations with respect to such purchases or sales to comply with the provisions of the Code. The Code contains written policies and procedures reasonably designed to prevent the misuse of Material, Non-Public information by 361 Capital or any person associated therewith that would be in violation of the Advisers Act or the Securities Exchange Act of 1934, or the rules or regulations there under.

The Code requires all employees to comply with applicable federal securities laws and requires that certain employees (called “Access Persons” under the Advisers Act) get pre-clearance on all personal securities transactions and report their initial, quarterly and annual personal securities holdings and transactions. The Code also imposes restrictions on the purchase or sale of securities for an employee’s own account and accounts in which the employee has a beneficial interest. Employees are not restricted from holding the same securities that are held in client accounts. This may lead in certain situations to potential conflicts of interest. 361 seeks to mitigate such conflicts by developing policies and procedures that focus on employee long term investing while requiring employees to conduct themselves in a manner to avoid potential conflicts. Additionally, the Code requires the following: (1) employees must report any violations of the Code promptly to 361 Capital’s Chief Compliance Officer, (2) 361 Capital must provide each employee of 361 Capital with a copy of the Code and any amendments, and (3) employees must provide 361 Capital with acknowledgment of their receipt of the Code of Ethics and any amendments thereto.

A free copy of the Code will be provided to any client of 361 Capital upon request by contacting us at (303) 224-3900 and/or via electronic mail at [info@361capital.com](mailto:info@361capital.com).

## Item 12 – Brokerage Practices

### Selecting Brokerage Firms

Generally, in the absence of specific written instructions from a client, 361 determines the broker through whom securities transactions are to be executed. It is 361’s policy to seek the best execution available with respect to each transaction, in light of the overall quality of brokerage and research services provided to it or its clients. Best execution is not limited to obtaining the lowest commissions but involves seeking the most favorable terms for a transaction reasonably under the circumstances. In selecting brokers for portfolio transactions, 361 considers, without limitation, the overall direct net economic results to an account, including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to 361 and the financial strength and stability of the broker. Receipt of products or services other than brokerage or research is not a factor in allocating brokerage.

## Directed Brokerage

361 will accept in writing direction from clients regarding the brokers to be used. Clients may have existing arrangements permitting them to offset certain administration, accounting, custody, consultant, or other fees in relation to the amount of brokerage transactions handled by a specific broker.

Nevertheless, in following the client's direction to use a particular broker to execute either all or part of the brokerage transactions, clients must be aware that, in so doing, they should consider whether such a designation may result in certain costs or disadvantages to the client, either because client may pay higher commissions than might otherwise be obtainable by 361 or receive less favorable net prices and executions on some transactions, or both.

For directed brokerage accounts, 361 takes into consideration certain constraints or requirements that are specific to particular client accounts, and that would affect those accounts' ability to participate in soft dollar programs. These constraints include, for example, contractual provisions that preclude soft dollar participation (such as in the case of certain of the 361's wrap program client accounts) or high trade-away costs that would adversely affect the 361's ability to seek best execution.

In addition, clients' direction may adversely affect 361's ability to, among other things, obtain volume discounts on bunched orders and/or achieve best execution. When effecting bunched orders, 361 attempts to include transactions of clients who have directed the use of a particular broker in the bunched order. In such transactions the executing broker must agree to transfer that portion of a bunched order relating to a client who has directed the use of a particular broker to the broker specified by the client. If the executing broker does not agree to make this transfer, the order for the same security on behalf of a client who has directed the use of a particular broker will be executed through the specified broker, and the cost of the transaction may be greater.

Clients desiring to instruct 361 to direct transactions to a particular broker-dealer should consider whether the commissions, execution, clearance and settlement capabilities, and fees for custodial or other services (as applicable) that will be provided to the clients by its selected broker-dealers will be comparable to those otherwise obtainable by 361. Such clients may lose the possible advantages, benefits and savings on execution that 361 may be able to obtain for full discretionary accounts. For example, for full discretionary accounts, 361 may be able to reduce transaction costs by aggregating orders for several clients as a single transaction. All, or a portion of, a client-directed transaction may not be able to be included in these aggregated orders and thus, not benefit from any transaction cost savings.

## Soft Dollars

361's policy is to seek the best execution available with respect to each transaction. 361 regards best execution as not being limited to obtaining the lowest commissions, but rather seeking the most favorable terms for a transaction under the particular facts and circumstances associated with a particular trade and specific to an account.

In accounts where 361 executes trades, accounts are either free brokerage or directed brokerage. In the case of "free brokerage" accounts, 361 selects the brokers that will execute trades. Such free brokerage accounts are typically also subject to soft dollar arrangements. A portion of that commission may pay for services described in Section 28(e) of the Securities Exchange Act of 1934.

In contrast, in a "directed brokerage" arrangement, a client requests that 361, subject to the 361's satisfaction that the client is receiving best execution, direct commission business to a particular broker

that has agreed to provide services, pay obligations or make cash rebates to the client. 361 generally does not receive products, cash rebates, or services under these arrangements. Instead, the clients typically receive the products, services or cash rebates generated by their commissions.

As of the date of this Brochure, a significant majority of 361's client accounts (representing a minority of the firm's current managed assets) invest in 361's equity strategies through a Wrap/SMA program where trading is conducted by "directed brokerage" (see Directed Brokerage above). These accounts are normally smaller in size and are typically subject to high trade-away fees in the event that 361 and the client seek to use brokers other than those provided for in the wrap/SMA documentation. 361 believes that, in most circumstances, the additional expense could cause such trading activity to not be in the best interests of the client.

361 has adopted policies and procedures to seek to ensure that clients are receiving, in 361's view, an appropriate blend of brokerage services, and that the current arrangements continue to be in the clients' best interests. Such reviews and procedures may, for example, extend to situations (such as the present) where a large number of 361's client accounts are, by virtue of being subject to directed brokerage, not participating in soft dollar arrangements while indirectly benefiting from research and brokerage services obtained through the soft dollar arrangements in place for 361's other clients. In addition to the relative numbers of client accounts, 361's policies and procedures also allow 361 to take into account, where relevant, assets under management, investment strategies, potential and actual participation, and portfolio turnover rates across 361's client accounts, among such other factors as 361 may deem relevant.

A quarterly review is typically conducted of the soft dollar impact of free brokerage accounts, as well as a review of each directed brokerage account to seek to ensure they are receiving what 361 believes to be an appropriate blend of research and/or brokerage services. The review may also consider the financial impact the soft dollar program has on directed brokerage accounts taking into consideration their market executions over time, compared to directed brokerage executions.

The usage and amount of soft dollar trades are periodically evaluated and may be lowered or suspended when the amount of soft dollar commissions generated are in excess of the soft dollar budget for the same time period. 361 will typically not increase the soft dollar rates of the accrual if soft dollars accrued are lower than the soft dollar budget over the same time period, and will pay for some portion of research and brokerage service expenses with hard dollars.

361 seeks to address the potential conflict of interest that exists with its trading of free brokerage accounts. This conflict of interest exists due to the fact that commissions paid by such accounts may pay for research or brokerage services used by the adviser. Those research or brokerage services may then in turn benefit other accounts (which from time to time could constitute a significant number of 361's client accounts) that, for the reasons described above, do not participate in soft dollar arrangements. To help mitigate any conflicts of interest, 361 may pay a percentage of 28(e) eligible items with hard dollars, based on the quarterly reviews described above. The portion paid by 361 typically takes into consideration various factors, which may include an assessment of whether and the extent to which clients benefit from specific research and execution services, the portion of directed brokerage AUM versus free brokerage accounts AUM, investment strategies, and portfolio turnover rates.

361's policies and procedures seek to provide for the consideration of various factors when seeking to assess "best execution," including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to the Adviser and the financial strength and stability of the broker.



361 may receive proprietary research and brokerage services, within the meaning of Section 28(e), from certain counterparties that execute trades for Clients. Proprietary research generally includes access to analysis, forecasts, and in-house research. This type of research does not have an identifiable value and is provided based on 361's total client trading activity or by simply opening an account. We may also use client commissions to acquire soft dollar items that we would otherwise be obligated to provide to, or acquire at our own expense for, the relevant account(s) and for which we therefore receive a benefit. Nonetheless, we believe that such soft dollar items may provide the clients with benefits by supplementing the research and services otherwise available to the clients and will use such soft dollar in good faith.

In instances when the above services may include components not eligible under Section 28(e), 361 makes a reasonable allocation of the cost of the research and/or brokerage services according to its use and all non-eligible research and/or brokerage services are separately invoiced and paid for with cash from 361 and not with client commissions.

As noted above, 361 may have an incentive to select certain brokers based on the soft dollar items provided by such brokers rather than the client's interests in receiving the most favorable execution. There is a potential conflict of interest in these soft dollar arrangements because 361 may have an incentive to trade clients' accounts in order to pay for research or brokerage services even if the specific client may not benefit from such research or brokerage services.

In certain circumstances, the benefits of the research or brokerage services provided to each client may not directly align with the client's commission costs. For example, 361 may use these research services and products for the benefit of all of its clients and not just the client whose transactions paid for the research services. Moreover, it is possible that the client whose transactions generate brokerage commissions that are used to pay some of 361's research obligations may not benefit in any way from this research.

Overall, 361 understands its duty to seek overall best execution of transactions for Clients and has instituted internal controls and procedures designed to ensure fair treatment of all accounts and that 361 is receiving best execution for Client transactions over time, taking into account all pertinent factors.

#### Wrap Fee Brokerage

A wrap fee sponsor may recommend the retention of 361 as investment adviser, monitor and evaluate 361's performance, execute the client's portfolio transactions without commission charge, and provide custodial services for the client's assets, or provide any combination of these or other services, all for a single fee paid by the client to the sponsor. However, in evaluating such an arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by 361. Transactions are affected without commissions. Trades are generally required to be executed only with the sponsor with whom the client has entered into the wrap fee arrangement, so that 361 may not be free to seek best price and execution by placing transactions with other brokers or dealers. In such instances, no assurance can be given that the sponsor sponsoring the wrap fee arrangement offers best price and execution. Accordingly, the client may wish to satisfy himself that the sponsor offering the wrap fee arrangement can provide adequate price and execution of most or all transactions. The client should also consider that, depending upon the level of the wrap fee charged by the sponsor, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of

such services if they were to be provided separately and if 361 were free to negotiate commissions and seek best price and execution of transactions for the client's account.

#### Trade Aggregation

Where appropriate, and advantageous to the client, transactions for multiple advisory clients may be aggregated for execution purposes, and, in general 361 seeks to aggregate trades when it has the opportunity to do so. Generally, aggregation of trades will not negatively affect commissions charged and execution prices on such transactions. Specifically, 361 Capital may “bunch” orders for multiple accounts according to a pre-determined allocation methodology whereby clients typically receive an average price and are assessed a fixed commission charge. 361 will seek to allocate the opportunity to purchase or sell that security or other investment among such clients on an equitable basis, taking into consideration such factors as size of the portfolio, concentration of holdings, investment objectives and guidelines, tax considerations, purchase cost, and cash availability. Circumstances involving partial fills may arise whereby 361 may determine that, while it would be both desirable and suitable that a particular security or other investment be purchased or sold for more than one advisory client, there is a limited supply or demand for the security or other investment. In these instances, 361 will normally seek to allot a pro rata allocation of the completed fill to the accounts included in the original transaction.

### **Item 13 – Review of Accounts**

#### Periodic Reviews

With respect to separately managed accounts, 361 client accounts are generally managed and reviewed in a tiered structure. New account set up is implemented by the operations and compliance teams utilizing client investment management agreements and attachments, which may or may not include investment restrictions. Portfolios are set up in the portfolio accounting system and the trade order management system with all necessary fields. Trading, portfolio accounting, daily affirmations, daily reconciliations, daily valuations and other daily activities are governed by the rules and restrictions set up in these systems. Each client account that is managed under one of 361's equity strategies is balanced to a model during initial and periodic trading. These models are reviewed daily by 361's portfolio managers, and/or quantitative and fundamental analyst teams.

Compliance staff monitors non-wrap client portfolios' compliance with client investment policies and regulatory restrictions periodically. Portfolio performance is reviewed by compliance and client services/marketing staff as needed. 361's operations staff reviews securities positions and reconciles account information at least monthly to available records kept by other persons, such as custodial records or broker confirmations. If any question arises about an account, 361 promptly reviews the account in detail, notifies the client if a significant issue is detected, and resolves the issue promptly.

#### Review Triggers

Additional ad hoc reviews covering performance and investment guidelines are carried out by members of the compliance, portfolio management, operations/portfolio accounting and client service groups. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, or political or economic environment.

## Regular Reports

Standard client account reports are provided to clients (except clients participating in certain wrap fee service arrangements where reporting to clients is carried out by the Sponsor or financial adviser) on a quarterly basis and include: portfolio holdings, transactions, performance information and a brief market commentary. A hard copy of the written reports is typically mailed, or delivered by e-mail (if requested by the client), in the month following quarter end. More frequent reports may be provided upon request.

With respect to Investment Company (Mutual Fund) portfolio(s) sub-advised by 361 Capital, 361 Capital submits quarterly reports to the Board of Directors of the Mutual Fund(s) to which it provides investment management services. The reports generally contain information about the Fund's holdings, current market and economic conditions, and investment techniques used to implement such Fund's investment strategy. In addition, Fund shareholders receive an annual report that discusses investment performance and relevant market and economic conditions affecting the fund which includes fund holdings. Additional information on Fund investments is also available to shareholders in the Fund's semi-annual report. Furthermore, the Funds are required to file a report with the SEC on Form N-PORT that contains a complete list of Fund portfolio holdings for each month in the Fund's fiscal quarter not later than 60 days after the end of that quarter.

## **Item 14 – Client Referrals and Other Compensation**

From time to time 361 Capital may enter into written agreements with third parties who solicit potential advisory clients on behalf of 361 Capital, although it currently does not have any such arrangements in place. Such agreements will comply with Rule 206(4)-3 under the Advisers Act and, in entering into such agreements, 361 Capital will comply with that rule and with other applicable requirements of the Advisers Act and applicable state securities law requirements. Generally, those agreements provide for payment of a retainer and a percentage of the investment management fees 361 Capital collects from advisory clients who become clients as a result of the solicitor's efforts. Generally, advisory clients are not responsible for any part of the compensation that solicitors receive, and 361 Capital does not charge clients introduced by such solicitors any higher fee or any additional amount as a result of obligations to pay such solicitors for their solicitation services. Such agreements are generally for an unspecified duration and are terminable upon thirty (30) days notice.

361 may also compensate employees of 361 Capital for client referrals so long as such arrangements comply with federal securities laws and any applicable state securities laws. Clients will not be charged a higher fee as a result of these arrangements.

## Additional Compensation

In exchange for commissions generated by discretionary trading activity, 361 receives research services from a variety of brokerage firms. See the Item 12 - Brokerage Practices section of this Brochure for a description of the services and benefits 361 receives from brokerage firms.

## **Item 15 – Custody**

361 Capital typically does not have physical custody of client securities or assets. Our clients' assets are typically maintained at nationally recognized banks or brokerage firms, otherwise known as custodians.

361 has a limited power of attorney to place trades on the client's behalf. If authorized by the client, 361 may also have the authority to directly debit client accounts for quarterly fees, and therefore may be deemed to have custody under certain securities laws. With respect to the mutual funds managed by 361 Capital, information about the respective fund's custodian can be found in its prospectus or statement of additional information. See also Item 5 - Fees and Compensation section of this Brochure for more information on direct debiting.

Clients will receive monthly or quarterly statements from their qualified custodian. Clients should review and compare the account statements they receive from the qualified custodian with those they receive from 361. For more information on the reports that you will be provided by us, see Item 13-Review of Accounts section.

### **Item 16 – Investment Discretion**

361 Capital, typically receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment discretion may be limited by a written statement of the client such as an investment policy statement, which includes investment objectives, investment guidelines, and restrictions. Clients may place restrictions on certain securities especially as it relates to tax recognition, securities in other investment accounts or concentration in sectors or asset classes. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing. Client imposed restrictions on trading or securities may have a material impact on investment strategy implementation and/or performance returns.

### **Item 17 – Voting Client Securities**

361 is responsible for voting proxies for portfolio securities consistent with the best economic interest of clients. Some clients choose to retain the authority to vote their own proxies. In these cases, the client should make arrangements with the custodian or other third-party service provider for delivery of the proxy materials. 361's quantitative investment process does not provide output or analysis that would be functional in analyzing proxy issues. 361, therefore, has retained an expert independent third party to assist in proxy voting, currently Institutional Shareholder Services ("ISS"). 361 follows the pre-determined benchmark proxy voting guidelines and uses the research services provided by ISS. In providing proxy voting services to 361, ISS provides vote recommendations on a pre-determined benchmark proxy voting policy. 361 is responsible for monitoring and testing ISS to ensure that proxies are appropriately voted. Clients may contact 361 by mail or e-mail regarding questions about a particular solicitation. Clients are permitted to place reasonable restrictions on 361's voting authority in the same manner that they may place such restrictions on the actual selection of account securities, or to instruct 361 to vote a particular proxy in a certain manner. Direction from a client on a particular proxy vote will take precedence over the pre-determined benchmark proxy voting guidelines. 361's use of ISS is not a delegation of 361's fiduciary obligation to vote proxies for clients.

With respect to client accounts subject to ERISA, unless proxy voting responsibility has been expressly reserved and is being exercised by another fiduciary for an ERISA plan, 361 will vote all proxies relating to securities held for the client account and shall make appropriate arrangements with each account custodian to have proxies forwarded, on a timely basis to the appropriate person.

In circumstances when there may be a material conflict of interest between 361's interests and clients' interests in how proxies are voted (such as when 361 knows that the proxy issuer is also a 361 client), 361 will vote the proxies in accordance with the recommendations of ISS' pre-determined benchmark proxy voting guidelines. Because the guidelines are pre-determined by ISS and designed to be in the best interest of shareholders, application of the pre-determined benchmark proxy voting guidelines to vote client proxies should, in most cases adequately address any possible conflicts of interest. 361 will provide a written response for information regarding proxy votes, or policies and procedures, including proxy statements, record of votes, and any material documentation used to make a decision on how to vote upon written request from the client.

361, in accordance with SEC recordkeeping rules shall maintain for a period of at least five years a record of each proxy statement received regarding client securities, records of votes cast on behalf of clients, records of client requests for proxy voting information, and a copy of any written response, and all documents prepared by 361 regarding votes cast in contradiction to the pre-determined benchmark proxy voting guidelines, and all proxy voting policies and procedures and any amendments. Proxy statements received from issuers are available on the SEC's EDGAR database and are available upon request.

A free copy of 361 Capital's proxy voting guidelines and information regarding how 361 Capital has voted a client's securities are available upon request by contacting us at (303) 224-3900 and/or via electronic mail at [info@361capital.com](mailto:info@361capital.com).

#### **Item 18 – Financial Information**

A registered investment adviser is required to provide certain financial information or disclosures about its financial condition. 361 Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.