Angel Oak
CAPITAL ADVISORS

Angel Oak Capital Advisors, LLC

Angel Oak Flexible Income Fund
Quarterly Review

March 31, 2017

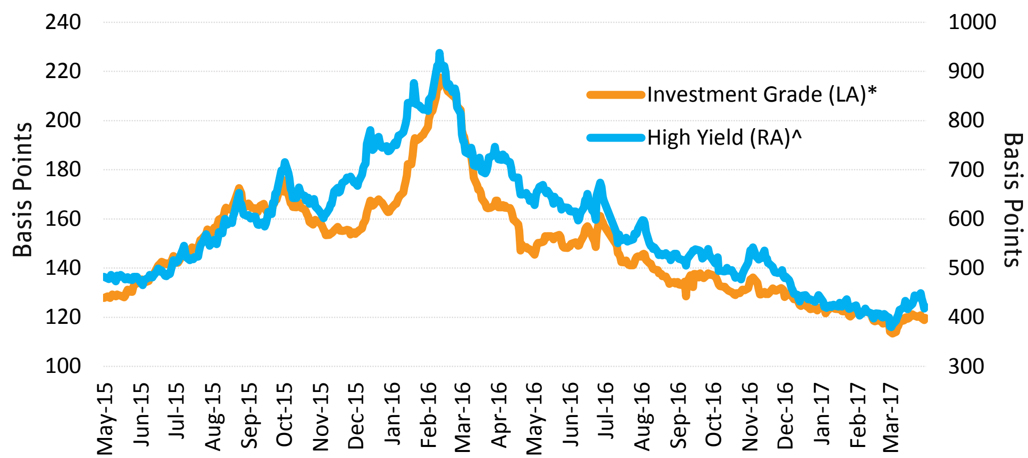
Quarter in Review

- U.S. risk-free rates were mixed for the first quarter of 2017 as the yield curve flattened; 2-year yields rose 6 basis points while 10-year yields fell by 5 basis points, resulting in the 2s/10s and 2/30s both being flatter by 12 basis points. Despite higher rate volatility, particularly on the front end, risk assets outperformed during the first quarter of 2017. The S&P 500 Total Return Index was up by 6.05% while the Bloomberg Barclays Investment Grade, High Yield, and U.S. Aggregate Indices returned 1.22%, 2.70%, and 0.82%, respectively.
- Labor market conditions continued to improve into 2017. Despite nonfarm payrolls rising less than expected for the month of March (98K vs. 180K expected), the headline unemployment rate actually fell to 4.5% from 4.7% to start the year. Nonfarm payroll gains averaged 178K per month in Q1 and are on pace to send the unemployment rate as low as 4.1% by next year.[1] With the unemployment rate now 20 basis points below the Fed's official estimate of the longer-run normal level, market participants are keeping a close eye on wage and inflation data, which remain stubbornly low by historical measures. Consumer Price Index (CPI) has risen sharply from cyclical lows in 2015 as the dip in crude oil prices has benefited the headline number, which reached 2.7% in March. Core Personal Consumption Expenditures (Core PCE), the Fed's preferred inflation gauge, remains stubbornly below their long-term target of 2% - coming in at only 1.8% YoY through February 2017. Nonetheless, the Federal Open Market Committee (FOMC) is maintaining its stance toward tighter monetary policy, and fed funds futures are pricing in approximately 2 more hikes this year.
- The FOMC released the minutes from their March meeting, which revealed the FOMC is considering reducing their balance sheet as early as this year: "Most participants anticipated that gradual increases in the federal funds rate would continue and judged that a change to the committee's reinvestment policy would likely be appropriate later this year."
- On the housing front, the 20-City Case-Shiller Home Price Index was up 5.73% YoY in January, and pending home sales were up 5.5% MoM in February as Case-Shiller home price indices continue to outpace broader consumer inflation data. The positive data continues to be a tailwind to residential housing-backed assets.

Benchmark Performance	3/31/2017	12/31/2016	Quarterly Change (bps)
1-Month LIBOR	0.98	0.77	+21
3-Month LIBOR	1.15	1.00	+15
2-Year Treasury	1.25	1.19	+6
5-Year Treasury	1.93	1.93	0
10-Year Treasury	2.39	2.44	-5
30-Year Treasury	3.01	3.07	-6
2s/10s Curve	1.13	1.25	-12
2s/30s Curve	1.76	1.88	-12
S&P 500 Total Return Index	4,538	4,279	+605
Citi IG Bond Index Bond OAS	120	124	-4
Citi HY Bond Index Bond OAS	421	445	-24

Source: Bloomberg and Yieldbook as of 3/31/17.

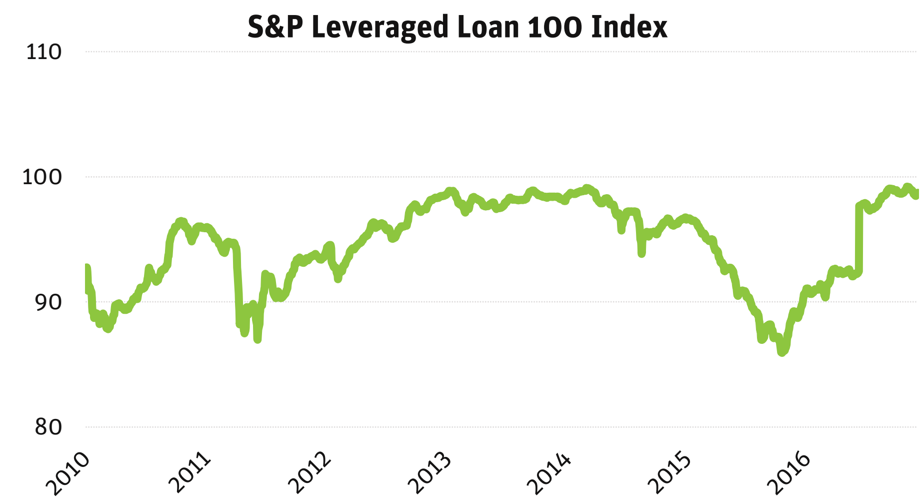
Credit Index Performance



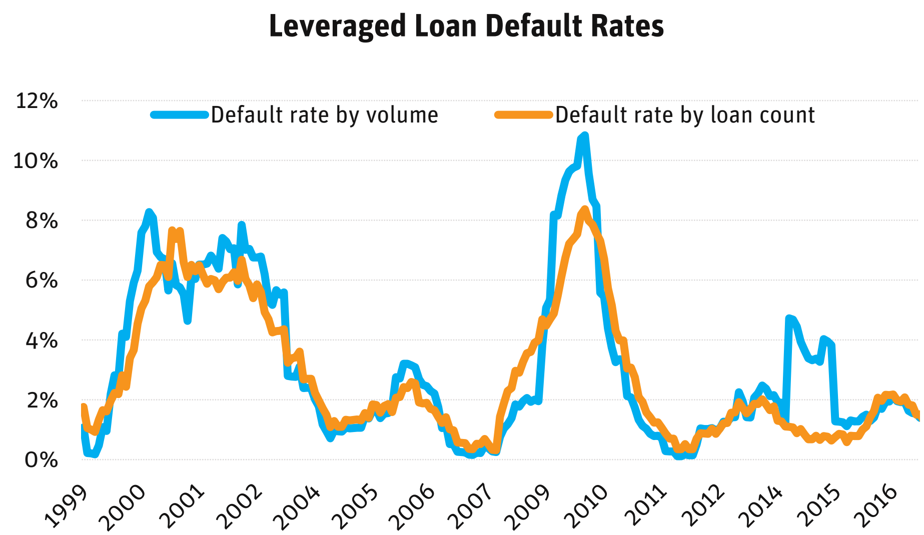
Source: Citigroup as of 3/31/17.
*Investment Grade Index Name: Citi U.S. Broad Investment-Grade Bond Index.
^High Yield Index Name: Citi High Yield Market Index.

[1] Source: Bloomberg, HFE.

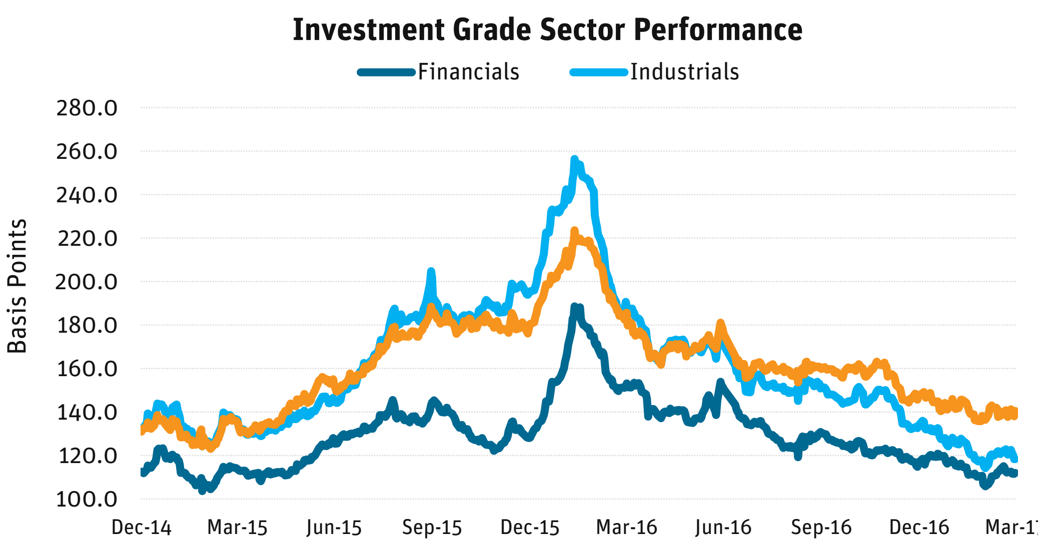
Fundamental Backdrop



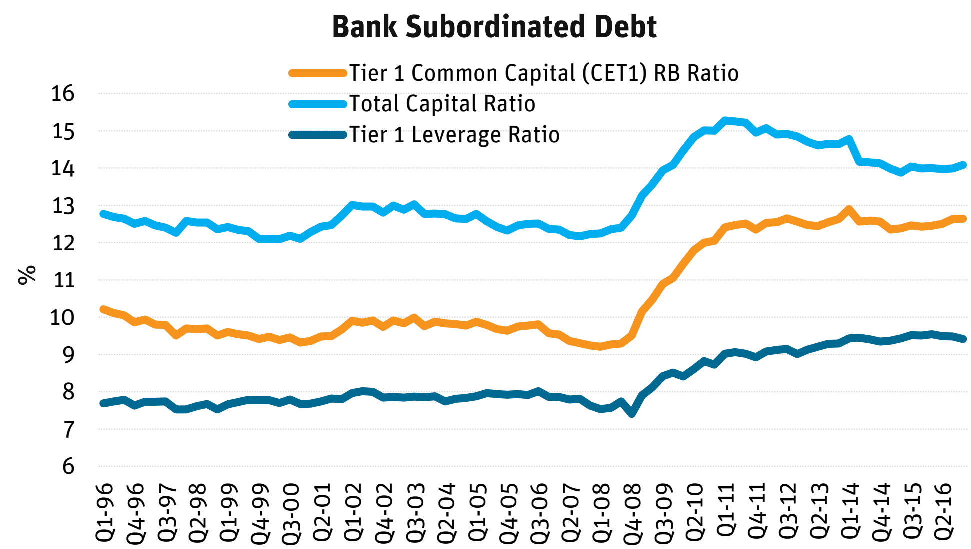
Source: Bloomberg as of 3/31/17.



Source: Deutsche Bank as of 3/31/17.



Source: RCA, Morgan Stanley as of 3/31/17.



Source: SNL of 12/31/16.

Portfolio Performance

Summary

- The Fund was up 1.52% in the first quarter, outperforming the benchmark by approximately 70 basis points as the Bloomberg Barclays Aggregate Bond Index was up only 0.82% over the same time period. Corporate credit spreads tightened in the first quarter in the face of higher interest rate volatility. Additionally, bank stocks lagged the broader equity market in the first quarter following significant outperformance after the U.S. presidential election.
- Corporates (financials) were the largest contributor to Fund performance in Q1, attributing 185 basis points. The CLO allocation continued to perform well, attributing 74 basis points for the quarter.
- The Fund is up 2.19% on an annualized basis since inception, outperforming the benchmark by 16 basis points/year with an effective duration approximately 3 years shorter than the benchmark. The Fund is up 8.92% on a trailing 12-month basis, outperforming the benchmark by over 800 basis points during that time period.

				Annualized		
Net Total Returns as of 3/31/17	1 Mo.	3 Mo.	YTD	1 Yr.	3 Yr.	SI[1]
Class I	-0.10	1.52	1.52	8.92	-	2.19
Class A at NAV	-0.13	1.42	1.42	8.55	-	1.95
Class A at MOP[2]	-2.40	-0.91	-0.91	6.09	-	0.99
Bloomberg Barclays U.S. Agg. Bond Index	-0.05	0.82	0.82	0.44	-	2.03

Current performance may be lower or higher than performance data quoted. Performance quoted is past performance and is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance to the most recent month end can be obtained by calling 855-751-4324. [1]The inception date of both the Angel Oak Flexible Income Fund A and I Class (ANFLX and ANFIX) was November 3, 2014. [2]Maximum Offering Price takes into account the 2.25% maximum initial sales charge.

FUND INFORMATION AS OF 3/31/17

	Class A	Class I
Gross Expense Ratio	1.49%	1.28%
Net Expense Ratio^	0.94%	0.69%
SEC Yield (Subsidized)	4.49%	4.85%
SEC Yield (Unsubsidized)	4.06%	4.41%

FUND CHARACTERISTICS

Fund Assets (All Classes)	$163.4 mm
Number of Securities	77
Distribution	Monthly
Effective Duration	2.7
Average Price (Portfolio)	$100.6

FUND STATISTICS

(Since Inception)	Fund[3]	Index
Standard Deviation	4.9	4.1
Sharpe Ratio	0.6	0.6
Correlation to Index	0.0	1.0
Positive Months (%)	67.9	57.1
Negative Months (%)	32.1	42.9

[3]ANFIX

^The Adviser has contractually agreed to waive fees through May 31, 2017.

Sector Attribution

		Q1 2017*	YTD 2017*
	% of Market Value	Attribution (%)	Attribution (%)
Corporates	71.6	1.85	1.85
CLOs	14.1	0.74	0.74
CMBS	4.5	-0.85	-0.85
RMBS	0.3	0.05	0.05
ABS	-	0.00	0.00
Cash	9.5	0.00	0.00
Credit Hedges	-	0.00	0.00
Fund Expenses	-	-0.27	-0.27
Total	100.0	1.52	1.52

*Estimated returns, net of hedges, and unaudited.

Corporates

- The corporate allocation was up approximately 311 basis points for Q1 2017, contributing 185 basis points to the Fund.
- Bank sub-debt issuances started the year well with spreads tightening in both primary and secondary markets. In addition, the dislocation in pricing between primary and secondary markets helped enhance total return in the quarter.
- Primary issuance for Q1 2017 was $1.1 billion, more than double the supply of Q1 last year.
- The theme in global risk markets continues to be “the hunt for yield.” We anticipate further investor inflows into the space as they reach for yield and the asset class matures. This should drive credit spreads to tighten even with continued strong primary market issuance.

CLOs

- CLOs had a total return of 278 basis points in Q1, attributing 74 basis points to the Fund. Spreads rallied sharply to start the year as investor appetite for floating rate products remained strong.

CMBS

- CMBS detracted from Fund performance over the quarter, attributing -85 basis points to Fund performance. The CMBS allocation has been pared down from over 10% to less than 5% in Q1 as the portfolio shifted into the dislocations in regional and community bank debt.

Sector Exposure

	Weighted Avg. Price	% of Market Value		% Change	Spread Duration in Years		% Change	Rate Duration in Years		% Change
		3/31/2017	12/31/2016		3/31/2017	12/31/2016		3/31/2017	12/31/2016	
Corporates	102.4	71.6	51.8	19.8	4.2	4.2	-	4.0	3.7	0.3
CLOs	100.0	14.1	33.8	-19.7	4.7	4.4	0.3	-	0.1	-0.1
CMBS	81.1	4.5	10.3	-5.8	3.5	0.4	3.1	-	0.5	-0.5
Cash & Other	-	9.8	4.1	5.7	-	-	-	-	-	-
Total	100.6	100.0	100.0	-	4.2	3.4	0.8	2.7	1.6	1.1

*Weighted Avg. Price excludes interest-only (I/O) positions.

Corporates

- The Fund's allocation to corporates increased by 19.8% during the quarter as the Fund continues to increase exposure to senior and subordinated obligations of depository institutions.
- The target allocation to corporate credit increased to over 70% as regional and community bank debt spreads have lagged generic HY and IG corporate spread tightening in 2017. The increase in interest rates and overall steepening of the U.S. yield curve should improve banks' investment portfolio book yields and net interest margins. The potential for deregulation increases the prospects for creating efficiencies in the banking industry, which would improve expected profitability in the future. This would improve debt service coverage ratios and imply lower credit risk premiums.
- The Fund continues to favor the sector for the attractive spreads of high-quality names, improving bank fundamentals and accelerated merger and acquisition activity.

CLOs

- The Fund reduced its overall CLO exposure as refinancing activity allowed the Fund to selectively rotate into higher-quality, short-duration, high current-carry bonds to mitigate price volatility in a spread-widening environment.
- Throughout Q1, the market ground slowly tighter despite a record amount of refinancing activity. Although spreads tightened in both the leveraged loan market and the CLO market, increasing LIBOR still makes CLOs an attractive investment.

CMBS

- The CMBS allocation was decreased to 4.5% - from over 10% to start the year –art of the Fund's rotation into single name regional and community bank credit and away from structured credit. Portfolio managers will continue to pare back the exposure to align with the Fund's financial sector focus.

Definitions

ABS: Asset-backed securities.
CLO: Collateralized loan obligation.
CMBS: Commercial mortgage-backed security.
RMBS: Residential mortgage-backed security.
Basis Point (bps): One hundredth of one percent and is used to denote the percentage change in a financial instrument.
Bloomberg Barclays U.S. Aggregate Bond Index: An unmanaged index that measures the performance of the investment-grade universe of bonds issued in the United States. The index includes institutionally traded U.S. Treasury, government sponsored, mortgage and corporate securities.
Bloomberg Barclays U.S. Corporate High Yield Bond Index: An unmanaged index that measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.
Bloomberg Barclays U.S. Corporate Investment Grade Index: An index that measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.
Citi IG Bond Index Bond: An index that tracks the performance of U.S. Dollar-denominated bonds issued in the U.S. investment-grade bond market.
Citi HY Bond Index Bond: A U.S. dollar-denominated index which measures the performance of high-yield debt issued by corporations domiciled in the U.S. or Canada.
Consumer Price Index (CPI): a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
Correlation: A statistical measure of how two securities move in relation to another. Index used for comparison is the Barclays Aggregate Bond Index.
Effective Duration: Measures a portfolio's sensitivity to changes in interest rates. Generally, the longer the effective duration, the greater the price change relative to interest rate movements.
LIBOR: A benchmark rate that some of the world's leading banks charge each other for short-term loans. It stands for Intercontinental Exchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.
Rate Duration: Measures the duration of a security or portfolio at a specific maturity point along the entirety of the yield curve.
S&P 500 Total Return Index: An American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.
S&P/Case-Shiller 20-City Home Price Index: The Index seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas.
S&P Leveraged Loan 100 Index: A capitalization-weighted syndicated loan index based upon market weightings, spreads and interest payments.
Sharpe Ratio: A statistical measure that uses standard deviation and excess return to determine reward per unit of risk. A higher Sharpe ratio implies a better historical risk-adjusted performance. The Sharpe ratio has been calculated since inception using the 3-month Treasury bill for the risk-free rate of return.
Spread: The difference in yield between LIBOR and a debt security with the same maturity but of lesser quality.
Spread Duration: A bond's price sensitivity to spread changes.
Standard Deviation: A statistical measure of portfolio risk used to measure variability of total return around an average, over a specified period of time. The greater the standard deviation over the period, the wider the variability or range of returns and hence, the greater the fund's volatility. The standard deviation has been calculated since inception.
Tier 1 Common Capital (CET1) RB Ratio: Measurement of a bank's core equity capital compared with its total risk-weighted asset that signifies a bank's financial strength.
Total Capital Ratio: The percentage of a bank's capital to its risk-weighted assets.
Tier 1 Leverage Ratio: The relationship between a banking organization's core capital and its total assets.

Disclosures

Mutual fund investing involves risk. Principal loss is possible. The Fund can make short sales of securities, which involves the risk that losses in securities may exceed the original amount invested. The Fund may use leverage, which may exaggerate the effect of any increase or decrease in the value of securities in the Fund's portfolio on the Fund's Net Asset Value and therefore may increase the volatility of the Fund. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are increased for emerging markets. Investments in fixed income instruments typically decrease in value when interest rates rise. Derivatives involve risks different from and, in certain cases, greater than the risks presented by more traditional investments. Investments in asset-backed and mortgage-backed securities include additional risks that investors should be aware of, such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund is non-diversified, so it may be more susceptible to being adversely affected by a single corporate, economic, political or regulatory occurrence than a diversified fund. The Fund will incur higher and duplicative costs when it invests in mutual funds, ETFs and other investment companies. There is also the risk that the Fund may suffer losses due to the investment practices of the underlying funds.

Bond ratings are grades given to bonds that indicate their credit quality as determined by a private independent rating service such as Standard & Poor's. The firm evaluates a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA,' which is the highest grade, to 'D,' which is the lowest grade. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as non-rated.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and it may be obtained by calling 855-751-4324, or visiting www.angeloakcapital.com. Read it carefully before investing.

It is not possible to invest directly in an index.

Opinions expressed are as of 3/31/17 and are subject to change at any time, are not guaranteed, and should not be considered investment advice.

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