Angel Oak
CAPITAL ADVISORS

Angel Oak Capital Advisors, LLC

Angel Oak Multi-Strategy Income Fund
Quarterly Review

March 31, 2017

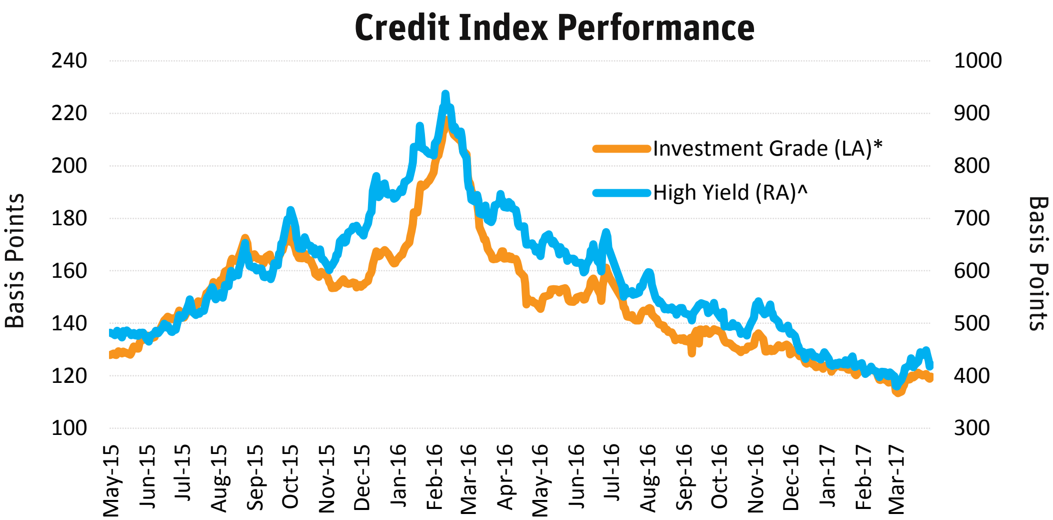
Quarter in Review

- 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 US 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.

[1] Source: Bloomberg, HFE.

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

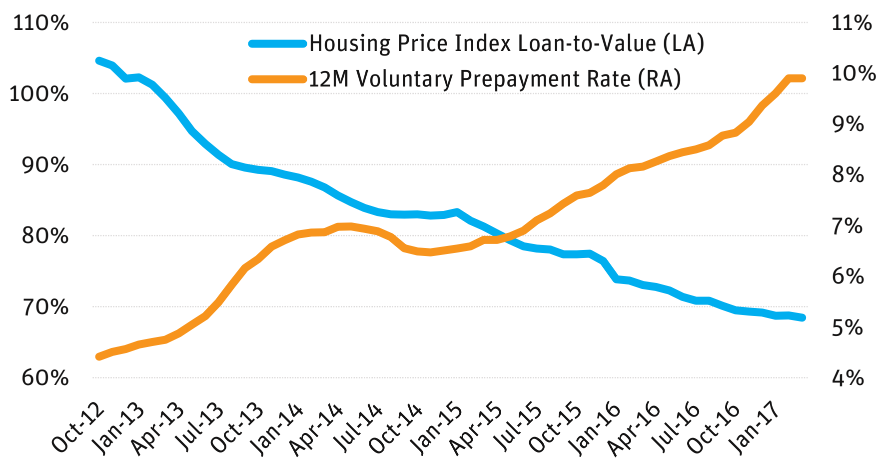
Source: Bloomberg and Yieldbook as of 3/31/17.



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.

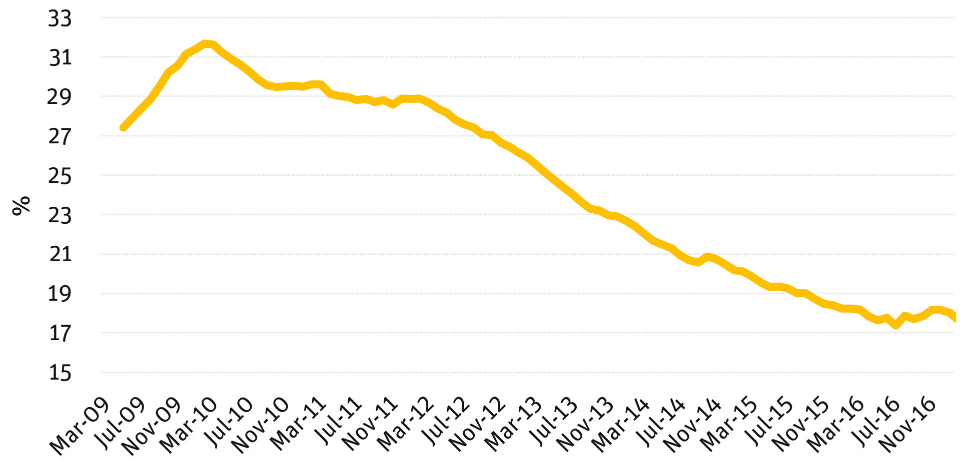
Fundamental Backdrop

Legacy Non-Agency RMBS VPR vs. LTV



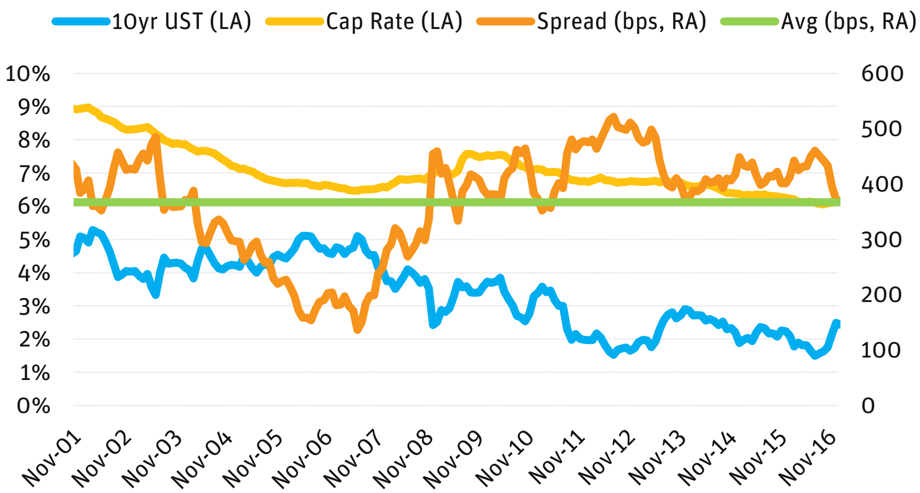
Source: Bloomberg as of 3/31/17.

Non-Agency Loans 60+ Days Delinquent



Source: Bloomberg as of 3/31/17.

US Cap Rates, All Property Types



Source: RCA, Morgan Stanley Research as of 1/31/17.

S&P Leveraged Loan 100 Index

Source: Bloomberg as of 3/31/17.

Portfolio Performance

Summary

- The Fund was up 0.42% in March, bringing the YTD/Q1 2017 total return to 1.80%, outperforming the benchmark by just under 100 basis points as the Bloomberg Barclays U.S. Aggregate Bond Index was up only 0.82% for Q1. Structured credit continued to outpace core fixed income using the Bloomberg Barclays U.S. Agg as a proxy.
- Credit strategies benefited the Fund as credit spreads continued to rally in the first quarter. Non-agency RMBS was the largest contributor to Fund performance, attributing 1.16%.
- Duration strategies provided for much lower price volatility as compared to the benchmark. The lower rate-duration sensitivity continues to dampen price volatility. The 1-year downside deviation of the Fund is 1.0 as compared to 2.71 for the benchmark.*

*Source: Bloomberg.

				Annualized			
Net Total Returns as of 3/31/17	1 Mo.	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	SI[1]
Class I	0.42	1.80	1.80	8.93	3.86	6.08	8.06
Class A at NAV	0.40	1.71	1.71	8.59	3.57	5.84	7.85
Class A at MOP[2]	-1.86	-0.59	-0.59	6.19	2.79	5.36	7.43
Bloomberg Barclays U.S. Agg. Bond Index	-0.05	0.82	0.82	0.44	2.68	2.34	2.91

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 the Angel Oak Multi-Strategy Income Fund A Class (ANGLX) was June 28, 2011, while the inception date of the Institutional Class (ANGIX) was August 16, 2012. The returns of ANGIX shown for periods prior to the inception date include the returns of ANGLX and are adjusted to reflect the operating expenses of ANGIX. [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	1.41%	1.19%
Net Expense Ratio^	1.24%	0.99%
SEC Yield (Subsidized)	4.60%	4.96%
SEC Yield (Unsubsidized)	4.64%	5.00%

FUND CHARACTERISTICS

Fund Assets (All Classes)	$5.0 bn
Number of Securities	952
Distribution	Monthly
Effective Duration	2.5
Average Price (Portfolio)	$88.8
Average Price (NA RMBS)	$82.5
Floating Rate (%)	60.3

FUND STATISTICS

(Since Inception)	Fund[3]	Index
Standard Deviation	3.6	3.9
Sharpe Ratio	3.3	1.0
Correlation to Index	0.1	1.0
Positive Months (%)	81.2	63.8
Negative Months (%)	18.8	36.2

[3]ANGIX

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

Sector Attribution

		Q1 2017*	YTD 2017*
	% of Market Value	Attribution (%)	Attribution (%)
RMBS	56.8	1.16	1.16
CMBS	14.6	0.36	0.36
ABS	9.2	0.06	0.06
CLOs	8.7	0.34	0.34
Corporates	6.5	0.21	0.21
Cash	4.2	0.00	0.00
Credit Hedges	-	0.01	0.01
Fund Expenses	-	-0.34	-0.34
Total	100.0	1.80	1.80

*Estimated returns, net of hedges, and unaudited.

RMBS

- Non-agency RMBS produced a total return of 192 basis points in the first quarter, which attributed 116 basis points to Fund performance. Performance was led by income of 113 basis points. Continued spread tightening across the non-agency RMBS sector resulted in prices finishing the month up 79 basis points.
- Legacy NA RMBS bonds across sectors continue to trade between 175-250 discount margin. Spreads continue to test their post-crisis tights as money manager and insurance company demand, coupled with strong fundamentals, has provided strong tailwinds.

CMBS

- The sector fended off the continuing negative pressure from retail headlines to finish the quarter with a positive total return of 241 basis points. CMBS attributed 36 basis points to Fund performance.

CLOs

- CLOs had a total return of 324 basis points in Q1, attributing 34 basis points to the Fund. Spreads rallied sharply to start the year as investor appetite for floating rate products remained strong.

ABS

- The Fund has been ramping a short-duration, AAA-rated, ABS allocation with a focus on prime auto and credit card receivables. Given the alterations in money market reform that took effect in Q4 last year, the Fund has taken advantage of dislocations created by the regulatory changes. The ABS allocation returned 131 basis points in Q1, attributing 6 basis points to the Fund.

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	
RMBS*	82.6	56.8	60.1	-3.3	4.6	4.6	-	3.1	2.9	0.2
CMBS	93.1	14.6	13.9	0.7	4.8	3.8	1.0	1.2	0.6	0.6
ABS	99.7	9.2	4.9	4.3	1.2	1.6	-0.4	1.3	1.9	-0.6
CLOs	100.3	8.7	10.8	-2.1	4.5	4.7	-0.2	0.2	0.1	0.1
Corporates	102.3	6.5	6.5	-	3.6	5.5	-1.9	4.2	4.4	-0.2
Cash	-	4.2	3.8	0.4	-	-	-	-	-	-
Total	88.8	100.0	100.0	-	4.2	4.4	-0.2	2.5	2.3	0.2

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

RMBS

- The Fund's allocation fell by 3.3% throughout the quarter to finish at 56.8%. Improving fundamentals, coupled with the floating rate nature of the product, continue to drive the overweight to the sector.
- As the legacy sector continues to amortize down, we are seeing healthy new issue markets emerge across a variety of mortgage products. The Fund continues to favor the legacy sector, but will look to new issue products for relative value.

CMBS

- The allocation to CMBS increased by 70 basis points throughout the quarter to finish at 14.6%. Despite the recent retail headlines, commercial real estate valuations continue to improve, creating relative value opportunities in seasoned BBB- bonds.

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.

ABS

- The Fund increased the ABS exposure in Q1 by over 4% as short-term swap spreads continued to widen, providing focused opportunities in short-duration, AAA-rated structured credit. The average yield for the ABS allocation is approximately 1.5% with a weighted average life (WAL) of just over 1 year. The allocation provides a yield pickup compared to cash and cash equivalents and has focused on shortening maturity and duration in Q1 as spreads tightened.

Definitions

ABS: Asset-backed securities.
CLO: Collateralized loan obligation.
CMBS: Commercial mortgage-backed security.
RMBS: Residential mortgage-backed security.
Basis Points (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.
Downside Deviation: A measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR). It is used in the calculation of a risk measure known as the Sortino Ratio.
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.
Floating Rate: A floating-rate security is an investment with interest payments that float or adjust periodically based upon a predetermined benchmark.
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.
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 a U.S. Treasury bond and a debt security with the same maturity but of lesser quality.
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.
Weighted Average Life (WAL): Average length of time that each dollar of unpaid principal on a loan, a mortgage or an amortizing bond remains outstanding.

Disclosures

Mutual fund investing involves risk; Principal loss is possible. Investments in debt securities typically decreases when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower rated and non-rated securities present a greater risk of loss to principal and interest than higher rated securities. Investments in asset-backed and mortgage-backed securities include additional risks that investors should be aware of including credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. Derivatives may involve certain costs and risks such as illiquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested.

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.

The Angel Oak Funds are distributed by Quasar Distributors, LLC.