

Angel Oak Capital Advisors Creates New Risk Model That Measures Bank Health

ATLANTA (December 20, 2016) – Angel Oak Capital Advisors, LLC (AOCA), is pleased to announce the Angel Oak BankSURF model, a new rating system used to assess the credit quality of the U.S. banks of all sizes.

Until now, many debt issuances by smaller banks have gone unrated due to the high cost of obtaining a rating and the credit ratings agencies' tendency to ignore banks with less than \$1 billion in assets, which account for approximately 80 percent of all U.S. banks. This results in uncertainty in the market, as these banks are unable to provide objective measures of their credit quality when they issue bonds or engage in other deal making. Similarly, investors struggle to properly value credit risk at small banks.

AOCA's BankSURF will help change all this. "In most cases, these banks dot the street corners of Main Street, USA, and are the backbones of their local communities. We believe the time has come to fill this void by developing an accurate rating system for all segments of the market," says AOCA Managing Director Johannes Palsson.

AOCA's credit experts have developed a formulaic approach that analyzes publicly available data to assess the capital adequacy, asset quality, profitability, liquidity and balance sheet composition of each bank. Based on those factors, the model assigns each bank one of 21 easy-to-understand credit strength ratings, which provide investors with certain information they need to compare the credit worthiness of banks and identify potential investment opportunities.

"We rigorously tested the model's ability to assess the historical default risk of banks over time, and were very pleased with the results," Palsson says about the model. "As a result, with more accurate information, we're better equipped to make investment decisions across our strategies."

AOCA has a long track record evaluating the credit quality of the banking industry. It is a market leader in investing in bank subordinated debt, with over \$500 million invested in this unique asset class over the past two years. AOCA's investment team brings years of experience from industry, regulatory and academic perspectives to the implementation of investment strategies. BankSURF serves as a portfolio surveillance tool and supplements other research and analysis for identifying potential investment opportunities in bank subordinated debt.

ABOUT ANGEL OAK CAPITAL ADVISORS, LLC

Angel Oak Capital is an investment management firm focused on providing compelling fixed income investment solutions for its clients. Backed by a value-driven approach, Angel Oak Capital seeks to deliver attractive risk-adjusted returns through a combination of stable current income and price appreciation. Its experienced investment team seeks the best opportunities in fixed income with a specialization in mortgage-backed securities and other areas of structured credit.

As of September 30, 2016, Angel Oak Capital has over \$5.5 billion in assets under management across its mutual funds, private funds and separately managed accounts.

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