Angel Oak Financials Income Fund

Seeking to uncover compelling opportunities in financial services.

March 31, 2019

Angel Oak
FUNDS

About the Firm

Angel Oak Capital Advisors (Angel Oak) is an alternative credit manager focusing on value-driven fixed income investing. Angel Oak is focused on uncovering and capitalizing on dislocations across the credit markets driven by both economic and regulatory events. As of March 31, 2019, Angel Oak manages approximately $9.8 billion in assets across the liquidity spectrum. The firm's broad credit expertise ranges from mutual funds to private strategies, with investments spanning alternative credit assets including RMBS, CMBS, CLOs and financial services.

A Leader in Financial Services Investments

Angel Oak is currently one of the largest and most active investors in the community bank debt sector. Since mid-2014, the firm has participated in 150+ new issuance deals, accumulating over $1.0 billion in subordinated and senior community bank debt. The firm utilizes a strategic sourcing advantage through an extensive network of 70 regional and national broker-dealer relationships.

Uncover New Growth Opportunities In Fixed Income Investing

Potential Benefits of the Angel Oak Financials Income Fund

→ Opportunity for **higher levels of monthly income** than from traditional fixed income, with a strategy focused on optimizing a mix of attractive-yielding bank debt, bank equities and non-bank financials

→ Opportunity for high yield-like returns for **investment grade risk** — historically, our bank debt investments have seen strong yields and low volatility relative to Angel Oak's assessment of credit risk

→ Total return potential driven by banking sector **consolidation** — we see opportunities for total return potential in both the debt and equity allocations as consolidation trends have benefited the sector

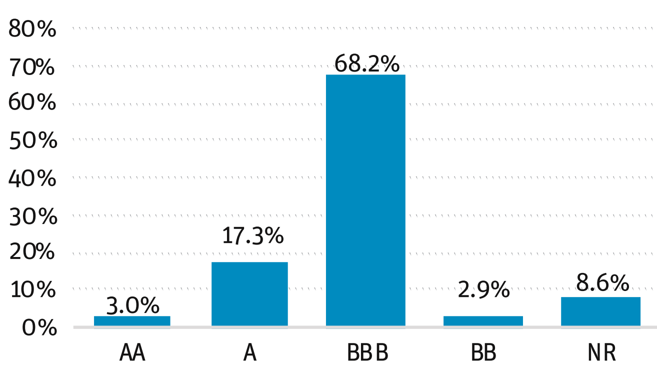
→ Low correlation to interest rates — returns and yields have typically exhibited less interest rate sensitivity than have traditional areas of the debt market

→ Expertise of a leading manager in the sector, providing access to an otherwise hard-to-reach market segment

FUND CHARACTERISTICS

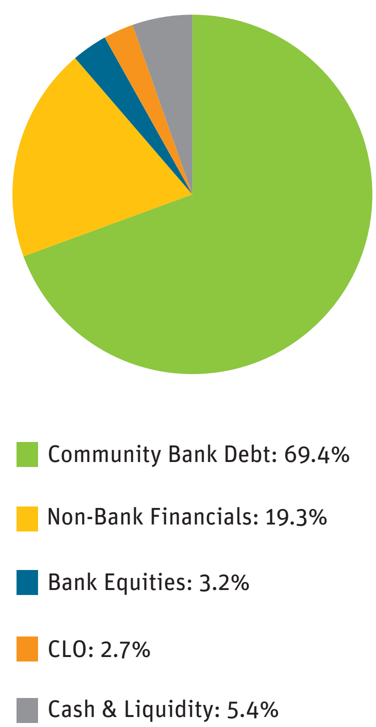
# of Issues	86
Fund Assets (All Classes)	$146.5 million
Average Price (Portfolio)	$94.9
Weighted Average Life	4.6
Average Coupon	5.14%
Distribution Yield (I-Shares)	4.99%
Effective Duration	3.0
Spread Duration	3.5

CREDIT QUALITY



As of 3/31/19. Totals may not equal 100% due to rounding.

ANFIX CURRENT ALLOCATION



Top Idea: Community Bank Debt

Across the financial services spectrum, Angel Oak sees the best opportunities over the next 12-24 months in the community banking sector. Post-financial crisis, the banking industry is near all-time highs from a capital and credit quality perspective. The banking sector has increased its common equity base by roughly a third since the crisis, and credit risk has declined sharply in the face of enhanced loan underwriting standards and increased regulatory oversight. Additionally, we look for bank earnings to benefit from higher interest rates as well as the recently enacted corporate tax changes. Finally, there is a consolidation wave underway, driving price appreciation as smaller institutions are assumed by larger banks.

Community bank debt, in particular, is an alternative income class that offers some unique attributes. The current dislocation in the sector, lack of analyst coverage, and credit ratings combine to result in excess risk-adjusted spreads. These debt assets retain what Angel Oak believes are attractive risk levels with strong underlying credit profiles and can provide high yield-like return potential with historically low levels of volatility.

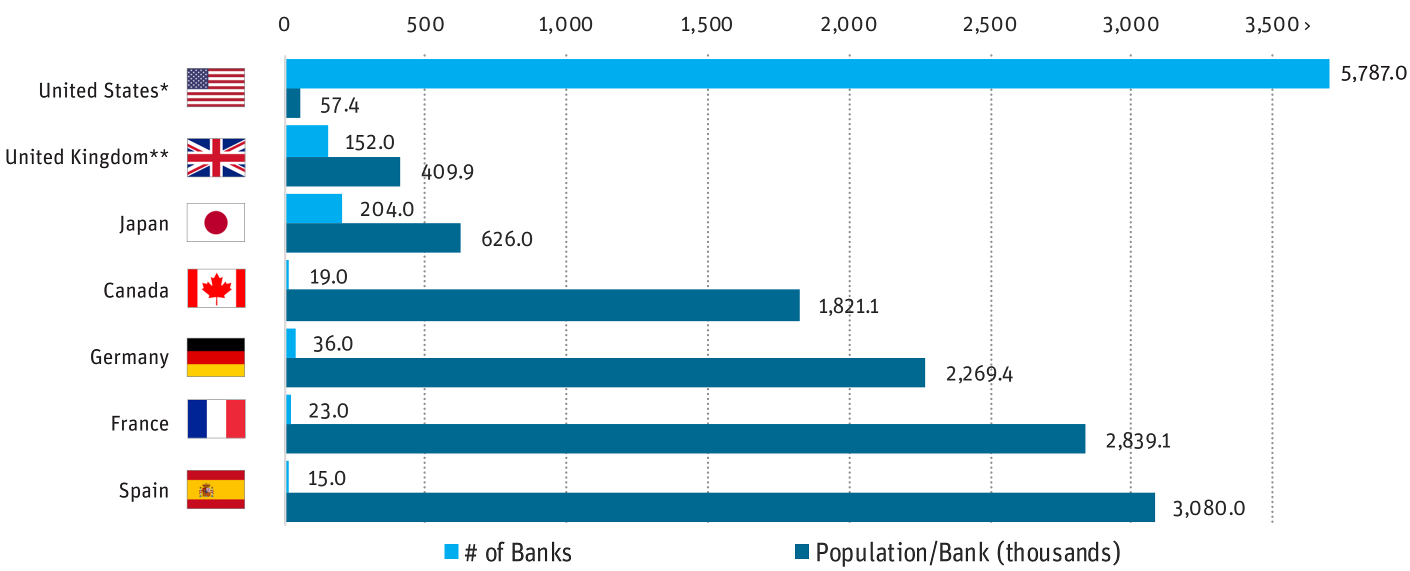
Community Bank Debt Opportunity

MARKET DISLOCATION: We believe there is a dislocation in the bank debt market, whereby sophisticated investors are able to extract higher interest rates from strong community banks that are looking for avenues to optimize their capital structures and/or fund organic and inorganic growth. Smaller banks typically have less access to capital markets due to asset and deal size, perceived lower deal liquidity, and lack of investor understanding of their funding strategies and operations.

CONSOLIDATION: We look for continued consolidation in the bank sector, particularly community banks, given the need for scale in a post-Dodd-Frank world, the over-banked nature of the U.S. banking system and improved equity valuations. Consolidation should result in a stronger earnings and credit profile for the combined entity as well as price appreciation potential for underlying debt.

NICHE MARKET: The community bank debt market is a niche market, with limited access for retail investors. A small number of broker-dealers bring the bulk of community bank debt deals to market to a group of known investors with whom they have strong relationships.

U.S. BANKING SYSTEM PRIMED FOR CONSOLIDATION



*Number of banks in the U.S. represents the number of FDIC-Insured institutions disclosed in the FDIC Quarterly Banking Report.
**Includes all banks incorporated in the UK.

Sources: FDIC, FSA, S&P Global Market Intelligence & Sandler O'Neill. As of 6/30/18.

A Seasoned Financials Team

The Angel Oak Financials team has a deep and varied skill set spanning bank management, structuring, fundamental research, regulation, Treasury and asset/liability management, as well as vast industry experience in community banking and capital markets. The team is supported by the Fund's additional portfolio managers Sreeni Prabhu, Brad Friedlander and Clayton Triick, CFA®.

JOHANNES PALSSON
Managing Director, Senior Portfolio Manager

Johannes is a Managing Director and Senior Portfolio Manager at Angel Oak Capital and a Portfolio Manager for the Financials Income Fund. Johannes' primary focus is on investment research and management of community and regional bank debt across the firm's strategies.

Prior to joining Angel Oak in 2011, Johannes served as Chief Financial Officer for The Brand Banking Company, where he managed the overall finance function. He began his career at SunTrust Robinson Humphrey in 1996, where the scope of his responsibilities included interest rate risk modeling and investment strategies.

NAVID ABGHARI
Senior Portfolio Manager

Navid is a Senior Portfolio Manager at Angel Oak Capital and a Portfolio Manager for the Financials Income Fund. He has over 10 years of experience in fixed income markets, focusing on corporate credit trading, risk management, credit derivatives and structured products.

Prior to joining Angel Oak in 2015, Navid was an Executive Director at J.P. Morgan Securities in New York, where he was Head of Americas synthetic collateralized debt obligation (CDO) trading. He oversaw the modeling and risk systems for the global tranche business, directed the U.S. hedging activities of the global tranche book, was market maker for synthetic CDOs and master asset vehicle notes (Canadian asset-backed commercial paper), and ran the U.S. index basis book.

CHERYL PATE, CFA®
Senior Portfolio Analyst

Cheryl is a Senior Portfolio Analyst at Angel Oak Capital. She has more than 15 years' experience in financial services and primarily focuses on investment research, particularly in the non-bank financials and community banking sectors.

Cheryl joined Angel Oak in 2017 from Morgan Stanley, where she was an Executive Director and Head of Consumer & Specialty Finance Equity Research. Her research coverage included the consumer finance, specialty finance, mortgage servicing/originations, mortgage REIT, payments, fintech and banking industries.

9
PERSON FINANCIALS DEBT MANAGEMENT TEAM

15
AVERAGE YEARS OF FINANCIALS EXPERIENCE

150+
BANKS INVESTED IN

$1B +
IN COMMUNITY BANK ASSETS UNDER MANAGEMENT

Optimizing Portfolio Mix Across Financial Services

Angel Oak's portfolio management team seeks financial services investment opportunities with the greatest risk/reward potential. Our investment opportunities are evaluated on a relative value basis and weighted by liquidity. Importantly, risk management is involved at every step of our investment underwriting to ensure strict compliance with our investment objective.

These are the three main asset classes in which the fund is investing:

COMMUNITY BANK DEBT: Offers the highest risk/reward potential in the current environment, in our view. Our conviction in the underlying strength of the sector is driven by 1) strong industry fundamentals, including pristine asset quality, 2) capital bases more than a third above pre-crisis levels, 3) strengthened regulatory oversight and 4) earnings tailwinds from higher interest rates, lower corporate taxes and marginal regulatory cost improvements. Additionally, the niche market characteristics and ensuing market dislocation allows investors to extract excess yield. Increasing consolidation in the banking industry provides the potential for enhanced total return from price appreciation.

COMMUNITY BANK EQUITY: Underpinned by the same strong banking industry fundamentals, small cap community banks offer an opportunity where equity valuations significantly lag larger community and regional bank peers due to more retail skewed investor bases and a lack of institutional research coverage. Valuation gaps should narrow over time as management teams execute on strategy and increase bank assets. Further upside potential is possible through increasing dividend payouts and consolidation activity.

NON-BANK FINANCIALS: We believe the small-cap non-bank financials debt space is a similarly dislocated market, with little analyst coverage or institutional following, and offers investors high relative coupons. This space is more nascent than is community bank debt and has really emerged in size only over the past nine to twelve months. As such, coupons may be higher than they are for community bank debt, but issuance is smaller and more episodic.

Our asset selection process has enabled us to emerge as a leader in the financial services sector.

Sourcing	Preliminary Review	Final Due Diligence	Committee Approval	Surveillance and Optimization
Extensive Network Leverage industry relationships, reputation, and broker/dealers to ensure an expansive footprint.	**Large Pipeline Refined** Stringent fundamental analysis is generally based on publicly available information as well as management interviews.	**Bottom-up Approach to Underwriting** Once preliminary approval is achieved, an extensive due diligence process takes place.	**Risk Sizing** Deep and diverse investment committee ensures that the investment meets the strategy's parameters and objectives and that diligence is appropriately scoped.	**Monitoring and Analysis** Performance vs. underwritten assumptions are monitored to ensure compliance with defined risk parameters and objectives.

High Conviction on Community Bank Debt Opportunities

Stable and secure business models that may offer high yield-like returns with investment grade risk.

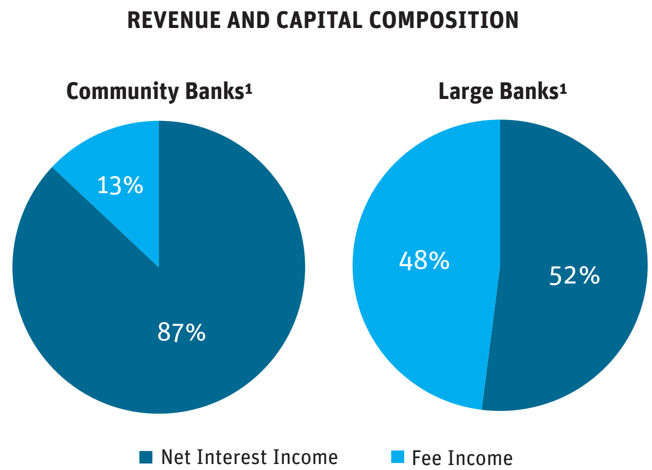
1. Transparent Business Models

Community banks generate revenue with simpler business models than do their traditional counterparts:

→ Net interest income, or spread income, accounts for 87% of revenue (industry average)

→ Loan book leans toward relationship-based commercial lending, particularly commercial real estate

→ Earnings are generally positively impacted by rising interest rates



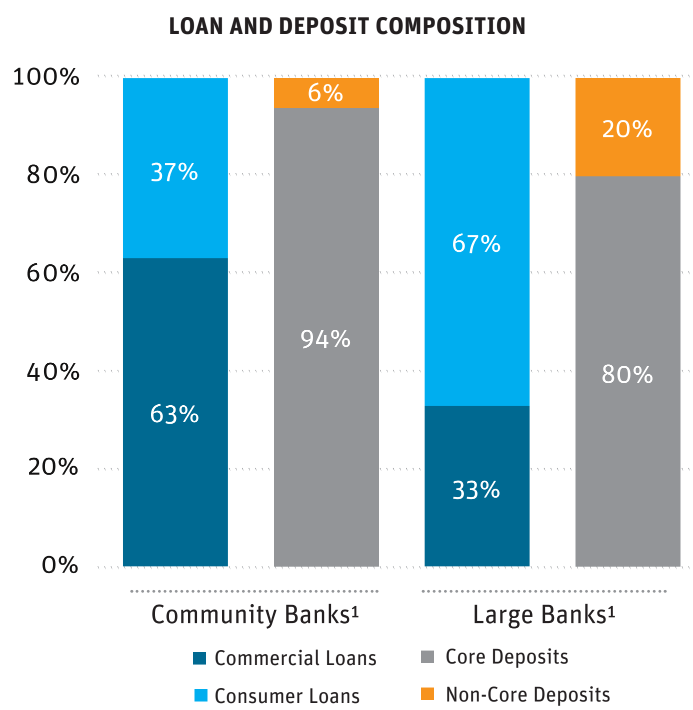
2. High-Quality Deposit Base

Community banks are funded largely by low-cost, "sticky" deposits:

→ Transaction accounts are typically the stickiest form of deposit gathering

→ Core deposits comprise ~95% of total deposits (industry average)

→ Core deposits are the cheapest source of funding



3. Lower Relative Exposure

Lending structure can mean lower risk overall:

→ Strong ties to local communities — as such, commercial real estate accounts for 47% of community bank loans

→ Lower exposure to consumer lending relative to larger banks

→ Little to no exposure to volatile capital market businesses

[1]Angel Oak considers banks with less than $30 billion in assets as Community Banks and institutions with assets in excess of $500 billion Large Banks.

Source: S&P Global Market Intelligence as of 3/31/19.

Taking Bank Health Assessment a Step Further

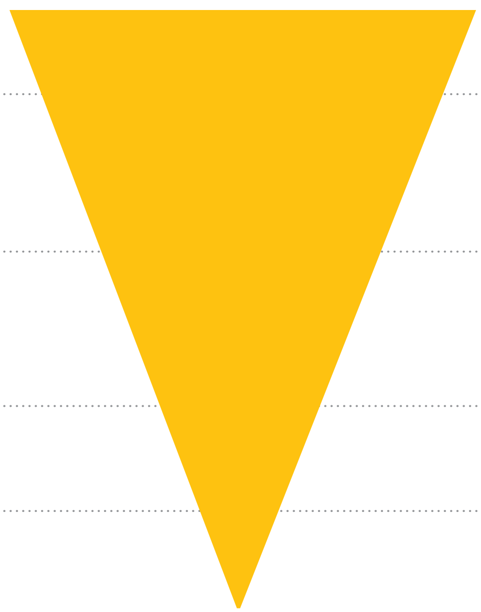
Angel Oak has developed BankSURF®, a proprietary bank default risk and credit ratings model, to assess the risk of all U.S. commercial banks. BankSURF supplements our research and fundamental analyses, combining quantitative objective risk modeling and qualitative judgment.

Our model builds on the CAMELS[1] approach, taking the ratios a step further by applying them in a quantitative model to assess default probabilities. BankSURF® also serves as a portfolio surveillance tool and completes timely assessments of U.S. commercial banks and their parent holding companies.

With the BankSURF® process, Angel Oak is able to uncover higher-quality bank debt that the rating agencies and other investment firms may not even follow given the size of the community bank.

Using the BankSURF® System to Assess Risk and Weight the Portfolio

RISK DRIVERS TO ANGEL OAK U.S. BANK DEFAULT RISK AND CREDIT RATING WEIGHT

CATEGORY	RELATIVE WEIGHT
Capital Adequacy	
Tangible Equity to Tangible Assets	
Asset Quality	
Adjusted Texas Ratio	
Loan Loss Reserve	
Liquidity	
Short-Term Liquidity Ratio	
Loan-to-Deposit Ratio	
Portfolio Concentration	
High-Risk Real Estate Loans and C&I Loans[2]	
Profitability	
Return on Average Assets (ROAA)	

We utilize a proprietary approach to bank credit risk assessment and portfolio surveillance to uncover debt with what we feel are very attractive relative valuations and lower risk profiles.

[1]CAMELS: A common regulatory approach for evaluating banks based on the following factors: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Sensitivity.
[2]C&I Loans: Commercial and industrial loans.

Disclosures

Financials Income Fund Performance

Total Returns (as of 3/31/19)	1Q19	YTD	1 Year	3 Years	Inception[1]
Class I	1.46%	1.46%	3.96%	5.92%	3.21%
Class A at NAV	1.39%	1.39%	3.82%	5.67%	2.99%
Class A at MOP[2]	-0.84%	-0.84%	1.46%	4.86%	2.46%

[1]The inception date of both the Angel Oak Financials Income Fund A and I Class (ANFLX and ANFIX) was 11/3/14.
[2]Maximum Offering Price takes into account the 2.25% maximum initial sales charge.

30-Day SEC Yield as of 3/31/19

	Class A	Class I
Subsidized	4.53%	4.88%
Unsubsidized	4.10%	4.44%

Expense Ratio by Share Class

	Class A	Class I
Gross	1.38%	1.12%

Performance quoted is past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. 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 for the most recent month end for the Angel Oak Funds can be obtained by calling 855-751-4324 or by visiting www.angeloakcapital.com.

Adjusted Texas Ratio: A method of assessing the credit issues present in banking institutions that is calculated by dividing the bank's nonperforming assets by its tangible common equity and loan loss reserves.

Average Coupon: Equal to the total interest payments of an issue divided by bond year dollars.

Correlation: A statistical measure of how two securities move in relation to another. Index used for comparison is the Bloomberg Barclays U.S. Aggregate Bond Index.

Distribution Yield: The distribution yield is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The yield does not include long- or short-term capital gains distributions.

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.

Return on Average Assets (ROAA): A ratio that measures the efficiency with which a business utilizes its assets to generate a profit.

Spread: The difference in yield between two bonds of similar maturity but different credit quality.

Spread Duration: A bond's price sensitivity to spread changes.

Tranche: A portion of debt or structured financing. Each portion, or tranche, is one of several related securities offered at the same time but with different risks, rewards, and maturities.

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.

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 the bonds to indicate their credit quality as determined by rating agencies including, but not limited to, S&P and Moody'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 a rating agency has not issued a formal rating, the adviser will classify the security as non-rated.

Diversification does not guarantee a profit or protect against a loss in declining markets.

Effective 12/16/18, the Angel Oak Flexible Income Fund changed its name to the Angel Oak Financials Income Fund.

Must be preceded or accompanied by a prospectus. To obtain an electronic copy of the prospectus, please visit www.angeloakcapital.com.

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

→ **Visit AngelOakCapital.com or call 888.685.2915 for more information.**

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