Angel Oak Financials Income Fund

Seeking to uncover compelling opportunities in financial services.

March 31, 2020

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. 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 2014, the firm has participated in 200+ new issuance deals, accumulating over $2 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

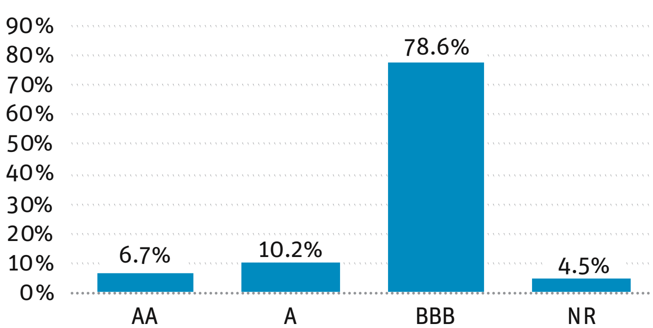
→ Expertise of a leading manager in the sector, providing access to an otherwise hard-to-reach market segment

→ Exhibits strong alignment with environmental, social and governance (ESG) factors by investing in financial institutions that have been designated as Responsible Financial Institutions (RFIs)

FUND CHARACTERISTICS

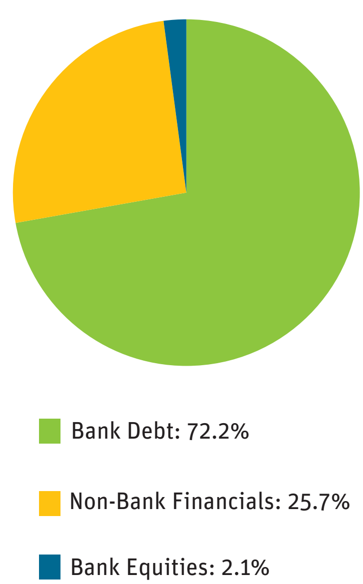
# of Issues	96
Fund Assets (All Classes)	$168.2 million
Average Price (Portfolio)	$102.0
Weighted Average Life	8.1
Average Coupon	5.68%
Distribution Yield (I-Shares)	4.35%
Effective Duration	3.6
Spread Duration	4.0

CREDIT QUALITY



As of 3/31/20. 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, there is a consolidation wave underway in the banking sector, 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.

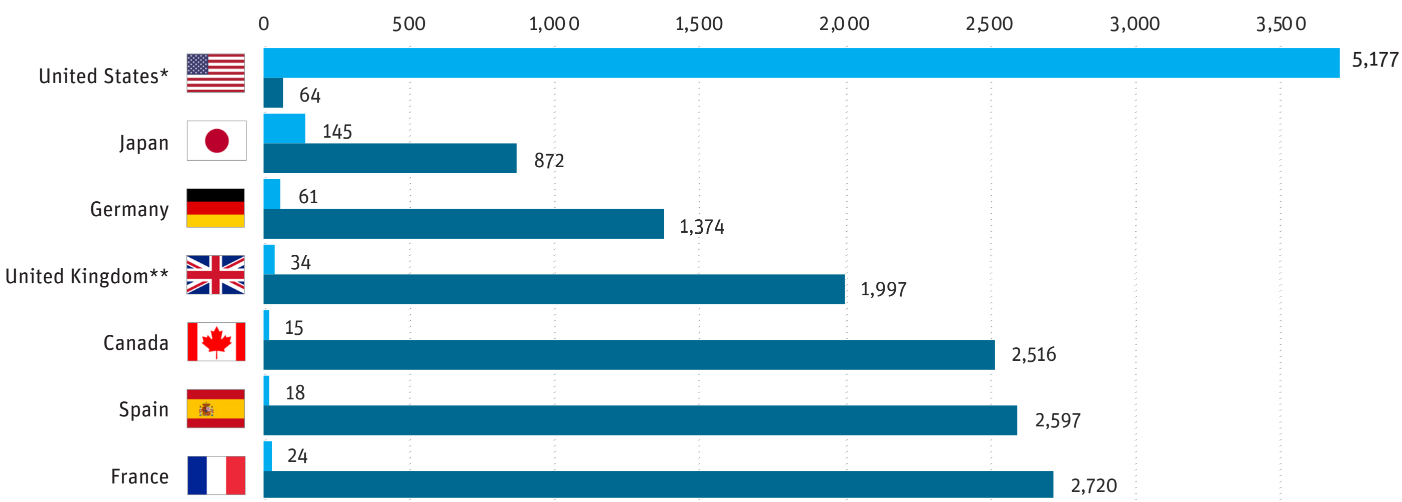
Community Bank Debt Opportunity

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 banking 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 & Piper Sandler as of 3/31/20.

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 manager Sreeni Prabhu.

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 and the Financial Strategies Income Term Trust. 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. Johannes holds a finance degree from Georgia State University and an M.B.A. from Emory University's Goizueta Business School.

NAVID ABGHARI - Senior Portfolio Manager

Navid is a Senior Portfolio Manager at Angel Oak Capital and a Portfolio Manager for the Financials Income Fund and the Financial Strategies Income Term Trust. Navid primarily focuses on credit derivatives across the firm's strategies. Prior to joining Angel Oak in 2015, Navid was an Executive Director at J.P. Morgan Securities in New York where he ran the U.S. synthetic CDO trading desk. He also oversaw the modeling and risk systems for the global tranche business. Navid holds a B.B.A in Economics and Finance from the University of Georgia graduating summa cum laude, with Highest Honors.

CHERYL PATE, CFA® - Portfolio Manager

Cheryl is a Portfolio Manager at Angel Oak Capital and serves as a Portfolio Manager for the Financials Income Fund and the Financial Strategies Income Term Trust. Cheryl has more than 15 years' experience in financial services and primarily focuses on investment research and credit underwriting, 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. Cheryl holds an M.B.A. from Duke University's Fuqua School of Business, a B.S. in Commerce (Finance) from the University of British Columbia and the Chartered Financial Analyst (CFA) designation.

KEVIN PARKS, CFA® - Portfolio Manager

Kevin is a Portfolio Manager at Angel Oak Capital and serves as a Portfolio Manager for the Financials Income Fund. Kevin previously served as the Chief Investment Officer for Parks Capital Management, LLC, which specialized in community bank long/short equity investing, and also served as a subadvisor to the Financials Income Fund's long-only, small-cap equity allocation from July 2018 to December 2019. Prior to that, Kevin was an Analyst at Hildene Capital Management, where he analyzed structured products such as TruPS CDOs and CLOs and helped maintain the infrastructure by monitoring the underlying collateral of the structured products. Kevin graduated summa cum laude from Syracuse University and holds a B.S. degree in Finance with a minor in Public Communications, as well as an M.B.A from New York University's Stern School of Business with a concentration in Law & Business and Entrepreneurship.

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PERSON FINANCIALS DEBT MANAGEMENT TEAM

15+

AVERAGE YEARS OF FINANCIALS EXPERIENCE

200+

PRIMARY ISSUANCE DEALS

$2B+

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) robust industry fundamentals, including pristine asset quality, 2) capital bases more than a third above pre-crisis levels, 3) strengthened regulatory oversight and 4) strong core profitability, helped by marginal regulatory cost relief. 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 twelve to eighteen 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	Credit Underwriting	Committee Approval	Surveillance and Optimization
Extensive Network Leverage industry relationships, reputation, and broker/dealers to ensure an expansive footprint.	**Large Pipeline Refined** Stringent analysis utilizing our proprietary BankSURF™ Credit Ratings Model, publicly available data, and management interviews.	**Bottom-up Approach** Extensive due diligence and fundamental credit analysis, focusing on capital adequacy, asset quality, liquidity and profitability. Environmental, Social Responsibility and Governance (ESG) factor assessment of management and firm.	**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** Monitor performance against underwritten assumptions to ensure compliance with defined risk parameters and objectives. Create impact through engagement with bank management.

High Conviction on Community Bank Debt Opportunities

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

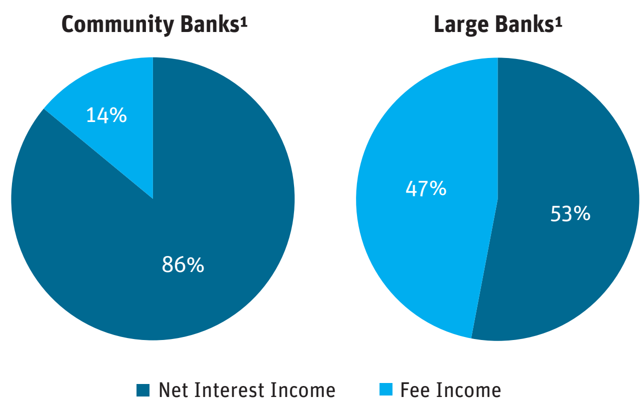
1. Transparent Business Models

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

→ Net interest income, or spread income, accounts for 86% of revenue (industry average)

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

REVENUE AND CAPITAL COMPOSITION



2. High-Quality Deposit Base

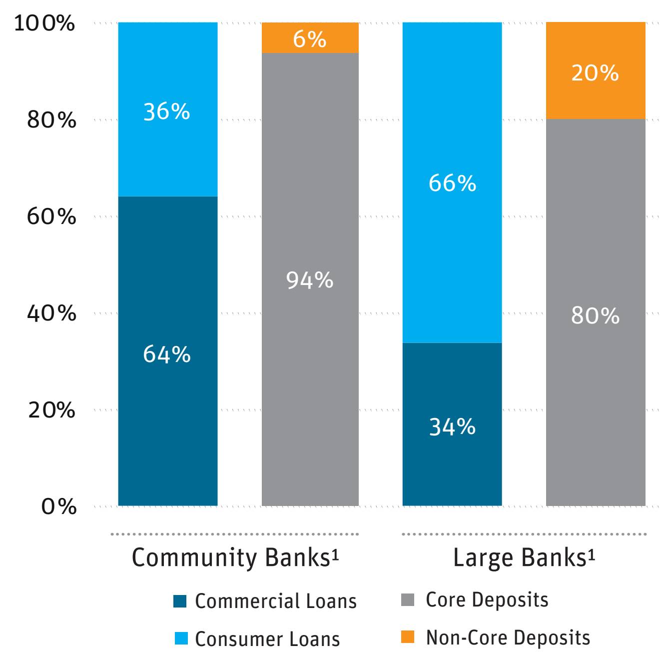
Community banks are funded largely by low-cost, “sticky” deposits:

→ Transaction accounts are typically the stickiest form of deposit gathering

→ Core deposits comprise 94% of total deposits (industry average)

→ Core deposits are the cheapest source of funding

LOAN AND DEPOSIT COMPOSITION



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 3/31/20.

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.

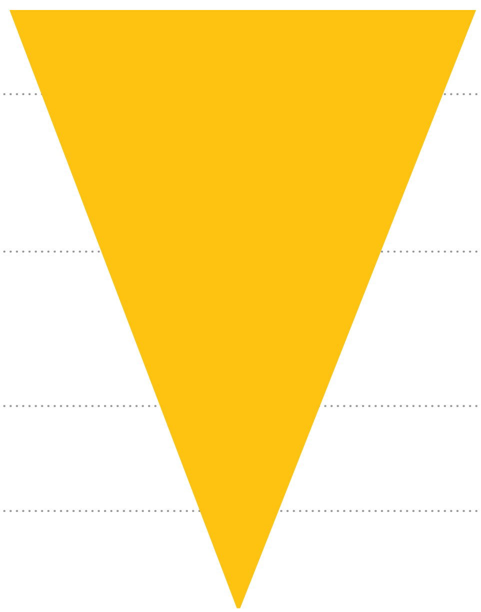
Our model builds on the CAMELS[1] approach, taking the ratios a step further by applying them in a quantitative model to assess default probabilities. BankSURF™ also serves as a portfolio surveillance tool and completes timely assessments of U.S. commercial banks and their parent holding companies.

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 3/31/20)	1Q20	YTD	1 Year	3 Years	5 Years	Inception[1]
Class I	-6.16%	-6.16%	-1.18%	2.54%	1.89%	2.39%
Class A at NAV	-6.21%	-6.21%	-1.52%	2.29%	1.64%	2.14%
Class A at MOP[2]	-8.32%	-8.32%	-3.79%	1.51%	1.17%	1.71%

[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.

**Gross expense ratios are reported as of the 5/31/19 prospectus. The net expense ratios are reported as of the 1/31/20 Annual Report and are referenced in the 5/31/19 prospectus. The Adviser has contractually agreed to waive fees through 5/31/21.*

30-Day SEC Yield as of 3/31/20

	Class A	Class I
Subsidized	4.00%	4.32%
Unsubsidized	3.58%	3.90%

Expense Ratio by Share Class*

	Class A	Class I
Gross	1.43%	1.18%
Net	0.94%	0.69%

Performance quoted is past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data shown. Current performance for the most recent month-end 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 3-5 Year 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.

Responsible Financial Institution (RFI): A designation developed by Angel Oak Capital Advisors to indicate financial institutions with an objectively measurable commitment to environmental sustainability, social responsibility and strong corporate governance.

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. Investments in debt securities typically decrease when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and nonrated securities present a greater risk of loss to principal and interest than higher-rated securities do. 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 lead to losses that are greater than the amount invested. The Fund may make short sales of securities, which involves the risk that losses 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 or 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. 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. For more information on these risks and other risks of the Fund, please see the Prospectus.

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..

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

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