



Angel Oak

CAPITAL ADVISORS

Impact of the Coronavirus Outbreak on the Markets

2/28/20

As fear grows over coronavirus (now known as COVID-19), concerns surrounding growth and potential for recession have reemerged. Equity weakness and the widening of credit spreads in high-yield corporates and bank loans have been swift and pronounced. Risk-free yields are now at or approaching all-time lows, as the market is pricing in potentially three rate cuts in 2020. Amid the volatility, the structured credit markets have been relatively resilient, especially in areas of mortgage credit. Because of our conservative positioning going into this environment, we believe we are well positioned to take advantage of any widening in high-quality areas of structured credit.

Within structured products, we continue to have a high degree of conviction toward mortgage credit thanks to positive and improving residential credit fundamentals and high current income. The incredibly swift and historic move lower in risk-free rates is positive for RMBS, CMBS, and consumer ABS and all have, thus far, exhibited spread stability in spite of this uncertain environment. Low rates should drive higher prepayments, which should continue to be supportive for both legacy RMBS as well as RMBS 2.0, further corroborating our position.

Fear of the unknown gripping markets could potentially end as swiftly as it began. The relatively short-duration, high-quality exposure in the Angel Oak Multi-Strategy Income Fund is well positioned to rotate quickly into attractive opportunities that may emerge in the coming weeks. As we have done since inception, we will continue to target high current income by identifying high-quality cash flows that will likely perform over the long-term credit cycle. The coming weeks may present some very compelling opportunities to do just that.



Sam Dunlap

Chief Investment Officer
Public Strategies

Sam is a Managing Director and Chief Investment Officer of the public strategies at Angel Oak Capital and serves as a Portfolio Manager for the Angel Oak Multi-Strategy Income Fund and the Angel Oak Multi-Strategy Income UCITS Fund. He is also responsible for managing the separately managed accounts for Angel Oak clients, primarily depository institutions, and focuses on building and managing strategies within the residential mortgage-backed securities market as well as managing the interest rate risk exposure across the Angel Oak Funds and managed accounts.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Angel Oak Mutual Funds. This and other important information about each Fund is contained in the Prospectus or Summary Prospectus for each Fund, which can be obtained by calling Shareholder Services at 855-751-4324. The Prospectus or Summary Prospectus should be read and carefully considered before a decision to invest.

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. For more information on these risks and other risks of the Funds, please see the Prospectus.

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

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