Angel Oak FUNDS

Multi-Strategy Income Fund 3Q 2015 Commentary

The Angel Oak Multi-Strategy Income Fund (“The Fund” or “ANGIX”) was down 0.61% for the third quarter of 2015. For the year, ANGIX is up 2.27%, outperforming the Fund’s benchmark by over 1.0% as the Barclays U.S. Aggregate Bond Index was up 1.13% over the same time period, as high current income helped offset increased price volatility across the credit markets.

Volatility was the theme throughout the third quarter as investors dealt with uncertainty regarding the future path of U.S. monetary policy and Asian economic growth. U.S. high-yield and emerging markets saw the most underperformance in the fixed income space as fears about the energy sector remain and forced selling from continued mutual fund outflows. The Fund’s focus on less correlated, structured credit such as legacy non-agency RMBS, benefited performance as prices were more stable compared with many other areas of U.S. fixed income. Since 2011, investors have seen a continued decline in the correlation between high-yield corporate credit and non-agency RMBS. While the Fund’s assets are not fully immune to global macro volatility, the downside deviation during times of corporate stress has become much less prevalent over the past 36 months. Performance in 2015 illustrates the Fund’s current bias of low interest rate sensitivity, high income and a decoupling from high-yield credit during times of market stress.

Total Returns (as of 9/30/15)	3Q 2015	YTD	1 Year	3 Years	Inception[2]
Class I	-0.61%	2.27%	2.88%	4.84%	9.57%
Class A at NAV	-0.68%	2.08%	2.63%	4.60%	9.39%
Class A at MOP[3]	-2.92%	-0.23%	0.32%	3.80%	8.81%
Index[1]	1.23%	1.13%	2.94%	1.71%	3.26%

Sector Performance Update

Non-Agency Residential Mortgage-Backed Securities (RMBS)

Trading volumes plummeted in the third quarter for non-agency RMBS. 3Q had the lowest quarterly trading volume since 2010. As the non-agency space has become increasingly dominated by real money, trading volumes tend to decline amid upticks in macro volatility. This

ABOUT THE FUND

The Fund seeks the best risk-adjusted opportunities in fixed income that offer the potential for both stable monthly dividends and price appreciation. The Fund employs a top-down strategy to identify relative valuation opportunities within the structured credit markets and a bottom-up credit selection process to selecting individual issues. The managers will invest opportunistically across a wide range of credits and issuer types based on relative value within fixed income.

FUND CHARACTERISTICS AS OF 9/30/15

Fund Assets (All Classes)	$4.6 Billion
Dividends	Monthly
Effective Duration	2.2

FUND INFORMATION

	A Shares	I Shares
Tickers	ANGLX	ANGIX
CUSIP	03463K307	03463K406
Gross Exp Ratio*	1.45%	1.20%
Net Exp Ratio*	1.24%	0.99%
SEC Yield subsidized	6.40%	6.81%

Represent 30-day SEC yields as of 9/30/15

Current performance may be lower or higher than the 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. Returns shown for A Shares at NAV do not reflect the maximum sales load of 2.25%; if reflected, performance would be lower than shown. Current performance to most recent month end can be obtained by calling 855-751-4324.

[1]Barclays U.S. Aggregate Bond Index. [2]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. [3]Maximum offering price takes into account the 2.25% maximum initial sales charge.

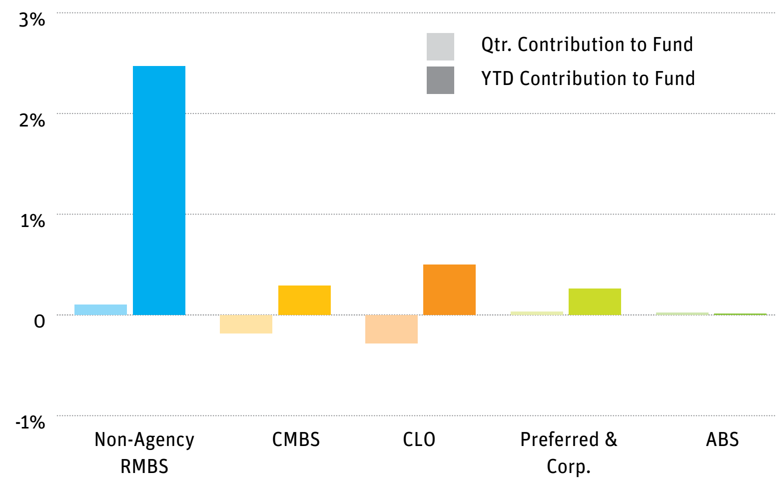
*Gross expense ratios for the A Class and the Institutional Class are reported as of the 5/31/15 prospectus. The net expense ratios for the A Class and the Institutional Class are reported as of the 1/31/15 Annual Report and are referenced in the 5/31/15 prospectus. For the A Class and Institutional Class, the Adviser has committed contractually to waive fees and/or reimburse expenses so that net annual fund operating expenses do not exceed certain levels through 5/31/16 and may be discontinued at any time by the Fund’s Adviser after 5/31/16.

is reflective of the long-term investment strategy of buy-and-hold money buyers, but also of the market's positive view on housing and consumer fundamentals. These dynamics have also been the primary driver behind the price stability exhibited by non-agencies through the first three quarters of the year. As discussed in prior commentaries, the Fund looks to find value during these technical moves to buy cheaper assets and total return opportunities.

Commercial Mortgage-Backed Securities (CMBS)

Dissimilar to other areas of structured credit, new issue supply was the most overwhelming headline throughout the third quarter. Investors became increasingly more cautious throughout the quarter as macro volatility weighed on all risk assets, which resulted in a sustained move wider with each new issue announcement. The other major headline in September was a deal failing to clear its BBB- tranche and the issuer having to retain those bonds. In our view, this was largely a reflection of the credit quality of the first loan, which had been previously securitized in a pre-crisis deal. The payoff of the previous loan was less than the outstanding loan amount, creating a loss to those pre-crisis deals, even though the new appraisal justified a higher payoff number. While the deal did push spreads wider across CMBS, the market's reaction was encouraging as investors reflected a new standard with respect to underwriting quality.

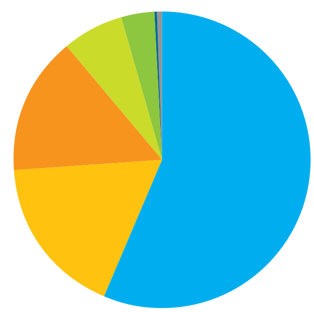
3Q 2015 SECTOR PERFORMANCE*



Collateralized Loan Obligations (CLOs)

CLO spreads continued to come under pressure as the third quarter unfolded. CLOs have outperformed high-yield bonds throughout the year given the lower exposure to commodities and the floating rate nature. As we go further in the credit cycle and default expectations increase, security selection is becoming even more important. CLO pricing is now heavily influenced by the performance of the underlying loans, as we have had enough stress in the market to identify better-performing transactions. CLO managers who were once considered top tier are trading at wider levels if the portfolio quality is perceived to be weak. Our focus on better-quality deals, shorter maturities and higher-coupon defensive bonds has helped ANGIX's allocation outperform the broader market. That being said, Fund assets have not been immune to the sell-off in credit markets. CLO spreads are now at levels not seen since mid-to-late 2012. Fundamentals and technicals are still relatively favorable for CLOs as new issuance is expected to be muted through year-end. If the loan pipeline remains low, it will only be secondary market sellers that can push prices lower. The Fund will continue to be cautiously optimistic on short-term technicals, which has been the allocation's stance since the second quarter of this year.

PORTFOLIO COMPOSITION



Non-Agency RMBS	56.4%
CMBS	17.6%
CLO	15.1%
Preferred & Corp.	6.6%
ABS	3.6%
Agency RMBS	0.4%
Cash	0.3%

As of 9/30/15

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory prospectus and summary prospectus 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.

*Gross as of 9/30/2015· Sector allocations are subject to change and are not recommendations to buy or sell any security. Collateralized loan obligations are subject to additional risks including that collateral may be insufficient to make payment obligations and may be characterized as illiquid security.

30-Day SEC Yield: The SEC yield is an annualized yield based on the most recent 30-day period. Subsidized yields reflect fee waivers in effect. Without such waivers, yields would be reduced. Unsubsidized yields do not reflect fee waivers in effect. As of 9/30/15, the subsidized and unsubsidized 30-day SEC yield for ANGLX were 6.40% and 6.43%, respectively, and for ANGIX they were 6.81% and 6.84%, respectively. The unsubsidized SEC yield is higher than the subsidized SEC yield due to the Fund recouping previously waived expenses.
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. Please note that an investor cannot invest directly in the index; therefore its performance does not reflect a reduction for fees or expenses incurred in managing a portfolio.
Correlation: A statistical measure of how two securities move in relation to another. Index used for comparison is the Barclays Aggregate Bond Index
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.
RMBS: Residential mortgage-backed securities. **ABS:** Asset-backed securities

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations. Diversification does not ensure a profit or guarantee against loss.

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 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 result in losing 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.

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