



## FOURTH QUARTER 2016 COMMENTARY

The Braddock Multi-Strategy Income Fund (“the Fund”) institutional share returned 0.48% for the fourth quarter and 6.36% for the calendar year 2016. Last quarter, the Fund outperformed the Fund’s primary benchmark, the Barclays Aggregate Bond Index by +3.46%, while lagging the Fund’s secondary benchmark, the BofAML US High Yield Index by -1.37%.

After an October marked with the uncertainty surrounding the U.S. presidential election, come November the financial markets seemingly embraced the presidential elect’s pro-growth, pro-business policies. The S&P 500 index reversed October’s downward trend to rally 5% into year end. The expectation of future U.S. growth combined with improvement in U.S. GDP during the second half 2016 led to a significant increase in U.S. Treasury Rates. The Fed confirmed this positive tone by increasing the Fed Funds rate by 25 basis points (“bps”) at their meeting in December.

The conclusion of 2016 was very positive given the tremendous market and political uncertainty that marked the first half of the year: including oil sinking to \$25/barrel, high yield debt and equities under pressure, and then summer’s unexpected “Brexit” event pushed the 10yr US Treasury yield to its historical low of 1.37% on July 8th, 2016.

## A COMPLIMENTARY PRODUCT

The last three years provide a window that demonstrates the historical benefits of the Fund as an allocation to an investor’s fixed income portfolio. Examining the Fund’s 3 year I-share annualized return of 5.38%, the Fund has outperformed the BofAML US High Yield Index annualized return of 4.69% by 69bps, while demonstrating much less volatility (see table below). Looking back to inception on 7/31/09, the Fund’s monthly correlation to the BofAML US High Yield Index was 0.30.

The Fund’s “upside/downside capture” confirms the Fund’s attractive low volatility and low correlation characteristics. For instance, from inception through 12/31/16, when the Barclays Aggregate Bond Index was shown down -1.00% on average, the Fund was up 1.018% (as shown in the table below as -101.8)<sup>1</sup>; and when the same Index was up +1.00%, the Fund was shown to be up 1.306% (as shown in the table as 130.6) on average.

	Standard Deviation	Sharpe Ratio	Upside Capture Ratio	Downside Capture Ratio
Braddock Multi-Strategy Income Fund (Institutional)	3.19	3.23	130.6	-101.8
Barclays Agg Bond	2.93	1.23	100.0	100.0
BofAML US High Yield	6.53	1.41	147.6	-4.7

Another valuable view is from the interest rate perspective. This quarter’s dramatic move in the U.S. 10yr Treasury (up 0.85% to a rate of 2.44%) was accompanied by the Bloomberg Barclays Aggregate Bond Index’s negative return of -2.98%,

1: An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark. Meanwhile, a downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has had negative returns.

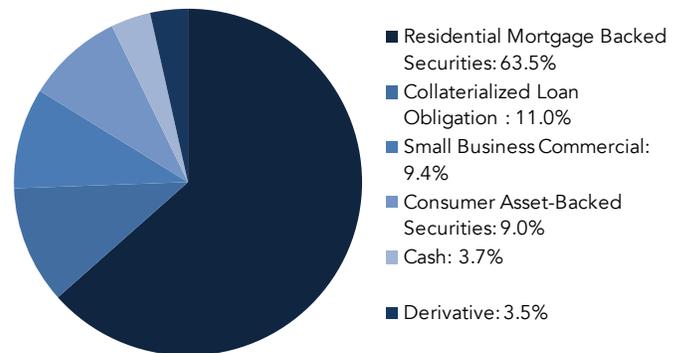
which corresponded to the Fund outperforming the index by +3.46%. The Fund’s inception to date correlation to the aggregate index is 0.06. This low correlation is partially driven by the Fund’s roughly 80% allocation to bonds with floating rate coupons – which have continued to provide increasing yields in a rising interest rate environment.

## FUND COMPOSITION & ATTRIBUTION

Fourth quarter Fund performance was driven by positive performance in Residential Mortgage Backed Securities (“RMBS”) holdings (+0.20%) and Collateralized Loan Obligation (“CLO”) positioning (+0.37%), and accompanied with small mark-to-market decreases in some fixed rate ABS positions.

While the composition has remained substantially the same in 2016, the Fund slightly increased its exposure to the Consumer Loan Asset-Securities (“ABS”) (6.5% to 9.0%) and the CLO (8.6% to 11.3%) sector over the quarter. The core strategy of investing in U.S. RMBS drove the 2016 return, while the allocation to CLOs added significant value on both a relative and absolute return basis.

Figure 1: Major Asset Breakdown, as of 12/31/2016



RMBS holdings continue to experience strong credit performance in the underlying collateral. RMBS delinquencies remain very low in newer issue securities and continue to fall in bonds that were originated before the financial crisis. 2016’s low interest environment led to increased voluntary prepayment rates, which decreases credit exposure for the Fund as loans that prepay out of a collateral pool cannot be a risk in the future.

Heavy CLO new issuance during the quarter was met by strong traditional fixed income investor demand. This demand, primarily related to the desire for floating rate debt, drove capital appreciation across the CLO sector. Senior secured loans, the collateral in CLO trusts, have shown improved credit metrics throughout the second half of 2016.

The Fund’s allocation to the consumer ABS sector provides diversification while capitalizing on the current strength of the U.S. consumer balance sheet. The U.S. consumer began and ended 2016 on solid footing. U.S. household Debt to Disposable Income is sitting at its lowest level (103.7) since 2002 while the S&P Experian Consumer Default Composite Index hit the lowest rate the



market has seen over the past 10 years. U.S. Personal Savings as a percent of Disposable Income is healthy at 5.5%.

We enter 2017 with significant strength in the U.S. Housing and Consumer sectors which should continue to drive strong credit performance in the Fund's holdings. The U.S. financial and treasury markets expect improved U.S. GDP over the 2016's 1.9% and we tend to agree with this forecast as energy prices have stabilized and U.S. wages are

now growing above 3%,<sup>2</sup> vs the sub 2.5% experienced from 2011 through 2014 – which all leads to a healthy consumer, the primary performance driver of our sector. We are also finding new and attractive opportunities across the structured finance bond markets. We believe the portfolio, with its low duration profile and its growing opportunities, is well positioned for any potential headwinds today's fixed income markets.

<sup>2</sup>; Source: Atlanta Federal Reserve

### Performance Through 12/31/16

	Q4 2016	YTD	1 Year	3 Year	5 Year	Ann ITD*
BDKAX	0.43	6.15	6.15	5.13	9.89	10.62
BDKAX w/Load	-3.84	0.04	0.04	3.08	8.59	9.74
BDKCX	0.18	5.29	5.29	4.33	9.05	9.78
BKDNX	0.48	6.36	6.36	5.38	10.15	10.89
Barclays Agg Bond	-2.98	2.65	2.65	3.03	2.23	3.73
BofAML US High Yield	1.85	17.34	17.34	4.69	7.30	9.48

**Performance data quoted represents past performance and is no guarantee of future results.** Total return figures include the reinvestment of dividends and capital gains. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. For the most recent month end performance, please call (800) 207-7108. Returns showing less than one year are cumulative. The gross operating expenses for the Class A, C, and Institutional Shares are 2.10%, 2.85%, and 1.85%, respectively. The net operating expenses after fee waiver and/or expense reimbursements are 1.76%, 2.51% and 1.51% for the Class A, C, and Institutional Shares, respectively. The contractual agreement between the Fund and the Advisor for fee waiver and/or expense reimbursement is in effect until April 30, 2017. Without the contractual agreement, performance would have been lower. Performance results with load reflect the deduction of Class A Shares of the 4.25% maximum front-end sales charge. Class C Shares are subject to a contingent deferred sales charge of 1.00% when redeemed within 12 months of purchase. Performance represented without the load would be lower if this charge was reflected. Because of ongoing market volatility, Fund performance may be subject to substantial short term changes. The Fund commenced investment operations on 12/31/2015. Performance prior to this date is represented by the Predecessor Account, which commenced operations on 7/31/2009, and has been adjusted to reflect each respective Class' fees and expenses. \*ITD represents inception-to-date, 7/31/2009.

**The Fund commenced investment operations on December 31, 2015, after the conversion of a limited partnership Account, Braddock Structured Opportunities Fund Series A, L.P., which commenced operations on 7/31/2009, (the "Predecessor Account"), into shares of the Fund's Institutional Class. Information portrayed in the performance table and growth chart prior to December 31, 2015 is for the Predecessor Account. The Fund's objectives, policies, guidelines and restrictions are in all material respects equivalent to those of the Predecessor Account. The Predecessor Account was not registered under the Investment Company Act of 1940, as amended (the "1940 Act"), and therefore was not subject to certain restrictions imposed by the 1940 Act on registered investment companies and by the Internal Revenue Code of 1986 on regulated investment companies. If the Predecessor Account had been registered under the 1940 Act, the Predecessor Account's performance may have been adversely affected.**

#### **RISKS AND OTHER DISCLOSURES:**

**Before investing you should carefully consider the Braddock Multi-Strategy Income Fund's investment objectives, risks, charges and expenses. This and other information about the Fund is in the prospectus and summary prospectus, a copy of which may be obtained by calling 800-207-7108 or by visiting the Fund's website at [www.liber-tystreetfunds.com](http://www.liber-tystreetfunds.com). Please read the Fund's prospectus or summary prospectus carefully before investing.**

An investment in the Braddock Multi-Strategy Income Fund is subject to risk, including the possible loss of principal amount invested and including, but not limited to, the following risks, which are more fully described in the prospectus: **Mortgage-backed securities:** subject to "prepayment risk" (the risk that borrowers will repay a loan more quickly in periods of falling interest rates) and "extension risk" (the risk that borrowers will repay a loan more slowly in periods of rising interest rates). If the Fund invests in mortgage-backed or asset-backed debt securities that are subordinated to other interests in the same pool, the Fund may receive payments only after the pool's obligations to other investors have been satisfied. The risk of defaults is generally higher in the case of mortgage pools that include so-called "subprime" mortgages. **Real estate risk:** property values may fall due to increasing vacancies or declining rents resulting from unanticipated economic,

legal, employment, cultural or technological developments. **CLO risk:** Collateralized Loan Obligations (CLOs) largely depend on the type of underlying collateral securities and the tranche in which the Fund invests. While CLOs are subject to the typical risks associated with debt instruments (i.e., interest rate risk and credit risk), the Fund is also subject to asset manager, legal and regulatory, limited recourse, liquidity, redemption, and reinvestment risks as a result of the structure of CLOs in which the Fund may invest. **Credit Risk:** securities held by the Fund could be subject to credit risk, including factors that may impair the credit rating and which may cause the value of the Fund's investment to decline. **Interest rate risk:** your investment may go down in value when interest rates rise, because when interest rates rise, the prices of bonds and fixed rate loans fall. Generally, the longer the maturity of a bond or fixed rate loan, the more sensitive it is to this risk. Falling interest rates also create the potential for a decline in the Fund's income. These risks are greater during periods of rising inflation. **High Yield ("Junk") bond risk:** junk bonds are speculative investments which involve greater risk of default, downgrade, or price declines, can be more volatile and tend to be less liquid than investment-grade securities. **Repurchase agreement risk:** may be viewed as loans made by the Fund which are collateralized by the securities subject to repurchase. The Fund's investment in repurchase agreements may be subject to market and credit risk with respect to the collateral securing the repurchase agreements. **Reverse repurchase agreement risk:** reverse repurchases provide the Fund with cash for investment purposes, which creates leverage and subjects the Fund to the risks of leverage. Reverse repurchase agreements also involve the risk that the other party may fail to return the securities in a timely manner or at all. **Liquidity risk:** the Fund may not be able to sell some or all of the investments that it holds due to a lack of demand in the marketplace or other factors such as market turmoil. The sales price the Fund could receive for any particular portfolio investment may differ from the Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued by the Fund using a fair value methodology due to the fact that illiquid assets may be difficult to value. **Leverage risk:** as a result of borrowing or other investment techniques, the Fund may be leveraged. Leverage creates exposure to gains and losses in a greater amount than the dollar amount made in an investment. **Derivatives risk:** derivative instruments, futures contracts, options, swap agreements, and/or selling securities short involve risks different from direct investment in the underlying assets, including but not limited to: futures contracts may cause the value of the Fund's shares to be more volatile; the Fund may not fully benefit from or may lose money on option or shorting strategies; swaps may be leveraged, are subject to counterparty risk and may be difficult to value or liquidate. **Non-diversification risk:** as a non-diversified fund, the Fund may focus its assets in the securities of fewer issuers, which exposes the Fund to greater market risk than if its assets were diversified among a greater number of issuers. The Fund may not be suitable for all investors. We encourage you to consult with appropriate tax and financial professionals before considering an investment in the Fund.

The **Barclays Aggregate Bond Index** measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities. Index Inception: 1/1/1986. The **Bank of America Merrill Lynch U.S. Cash Pay U.S. High Yield Index** tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating, at least 18 months to final maturity at the time of issuance, at least 1 year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. Index Inception: 5/31/1992. The **S&P 500 Index** is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. **S&P Experian Consumer Default Composite Index** measures the default rates across autos, first and second mortgage and bankcards, and also offers investors a broader benchmark combining and measuring the default rates of all four indices included in the S&P/Experian Consumer Credit Default Indices. One cannot directly invest in an index. One basis point (bps) is equal to 0.01%.

**Standard Deviation** indicates the volatility of a fund's total return and is useful because it identifies the spread of a fund's short-term fluctuations. In general, the higher the standard deviation, the greater the volatility of the return. **Sharpe Ratio** is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance. **Upside / Downside Capture** ratio shows you whether a given fund has outperformed--gained more or lost less than--a broad market benchmark during periods of market strength and weakness, and if so, by how much. An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark. Meanwhile, a downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has been in the red.

The views in this material are for informational purposes only and do not constitute investment advice. The views in the material were those of the Fund's sub-advisor as of the date written and may not reflect its views on the date this material is first disseminated or any time thereafter.

The Fund may not be suitable for all investors. We encourage you to consult with appropriate financial professionals before considering an investment in the Fund.

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