



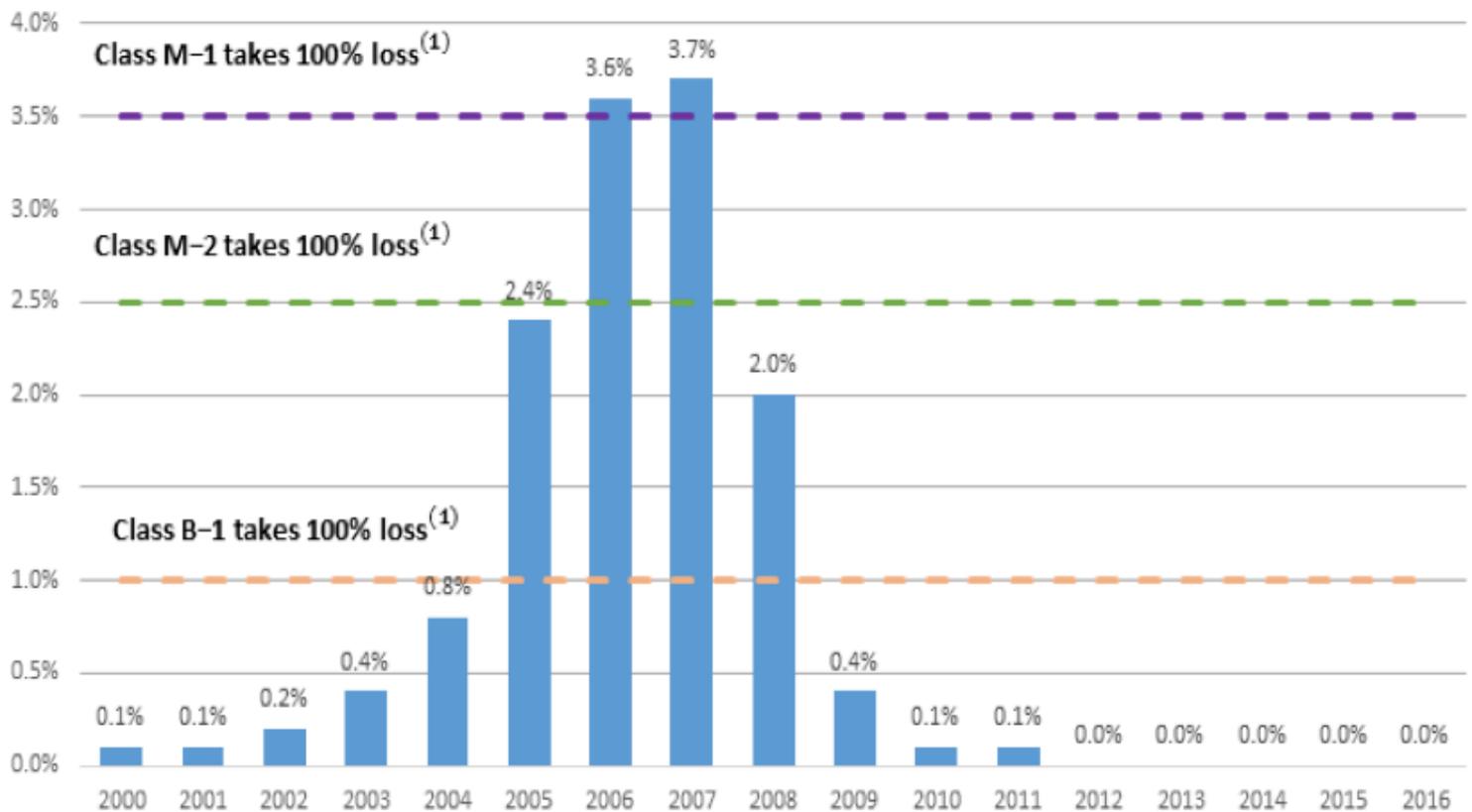
### STRUCTURED CREDIT MARKET STRESS TEST

**Stress tests across RMBS :** Using a 3 to 5 year economic forecast Standard and Poor’s RMBS rating methodology\* structures BB rated debt to handle “2 times” the rating agency’s base case expected losses of the pool of collateral. Similarly, BBB rated RMBS debt is structured to handle “3 times” the rating agency’s base case losses. Currently, Braddock believes the rating agencies are conservative due to the extremely poor performance of U.S. mortgages during the financial crisis.

**In a typical recession,** we expect RMBS products to hold up very well, especially in the new issue RMBS that we purchase. This is due to the high credit quality of the borrowers (700+ FICO scores), the level of equity in their home (75% LTV), and the full documentation used to qualify the borrowers. Braddock has researched deals/bonds from 2003-2004 with similar credit profiles, when underwriting standards were appropriate, and found these borrowers performed fairly well through the financial crisis. More importantly, we expect any serious stress in housing to be regional in nature (as it historically was, from 1964 to 2006). In these cases, RMBS bonds tend to be sheltered by their geographic diversity.

**In a replay of the crisis,** Freddie Mac has done analysis on Credit Risk Transfer (CRT) securities and shown senior debt should be principally secure, but B to BBB rated CRT paper would likely face losses. Please see graph below:

### CRT Reference Pool Proxy



**Source:** Freddie Mac, Braddock Financial - For Discussion Purposes Only

**Notes:** Data included in tables were derived from Freddie Mac’s Single Family Loan Level Dataset as of March 2018 refresh: Originations 1999 - March 3, 2017. Performance data: 1999 - September 30, 2017 losses reported for loan liquidated as of Q2 2017.

Data is weighted in proportion to 2018-DNA2 FICO and LTV cohorts  
(1) Assuming to principal payments

**Managing drawdown risk:** a benefit to the RMBS market is that housing delinquencies rise over time. This allows experienced Portfolio Manager's plenty of time to sell risk assets. So in the short term, Braddock believes that mark-to-market (MTM) risk would likely be caused by other credit markets (high yield / corporate markets). Given Braddock's belief that the credit curve is too flat, the Fund's spread duration is short compared to many credit focused funds. It is typically 3.5-4 years, meaning **if all credit spreads** happen to widen 100 bps **overnight** we could be down 3.5-4%.

**If interest rates were to jump 1% in the next quarter:** This depends on which rates we are discussing. I'll assume a **parallel** shift up across the entire yield curve. First, the Braddock Multi-Strategy Income Fund's (the "Fund") interest income typically increases strongly when its coupon increases. In this situation credit spreads would likely widen before they tighten due to the "shock" of such a large move in rates, and the anticipated slowing effect it would likely have on the economy. Near term Fund returns may be flat to down slightly. But overtime, rates rise (and stay up) if the economy is strong. So, after the repricing of credit and a slowing of housing activity (for 6-12 months perhaps due to mortgage rates nearing 5.5%), we would expect fundamental credit performance in the RMBS markets to return to a slow and positive trend. This is primarily related to the long term supply issues our country is facing. According to Metrostudy, supply & demand of single family homes in the U.S. will not be balanced until 2022. Our fund is positioned for rising rates and may benefit in this scenario.

**Potential Blindside** –Oil back to \$25 would qualify, but would likely lead to falling interest rates. We would lag, MTM wise, in this situation, but credit performance would be strong (higher refinance rates equal shorter bonds). **We expect the corporate cycle** to turn before the residential cycle, so we will manage to this risk. In fact, we are. The Fund's CLO allocation would likely fall to near zero in this situation.

**\*S&P Global Ratings: RMBS: Methodology And Assumptions For Rating U.S. RMBS Issued 2009 and Later**

**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.libertystreetfunds.com](http://www.libertystreetfunds.com). Please read the Fund's prospectus or summary prospectus carefully before investing.***

There is no guarantee the Fund will achieve its investment objective. 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: Management and Strategy Risk, Mortgage-Backed and Asset Backed Debt Securities Risk, Collateralized Loan Obligations Risk, Sector Focus Risk, Real Estate Market Risk, Credit Risk, Interest Rate Risk, Derivatives Risk, Future Risk, Options Risk, Swaps Risk, Fixed Income Securities Risk, High Yield ("Junk") Bond Risk, Repurchase and Reverse Repurchase Agreement Risks, Exchange Traded Funds Risk, Liquidity Risk, Valuation Risk, Leverage Risk and Non-Diversification Risk.

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