BRADDOCK MULTI-STRATEGY INCOME FUND

THIRD QUARTER 2022 COMMENTARY

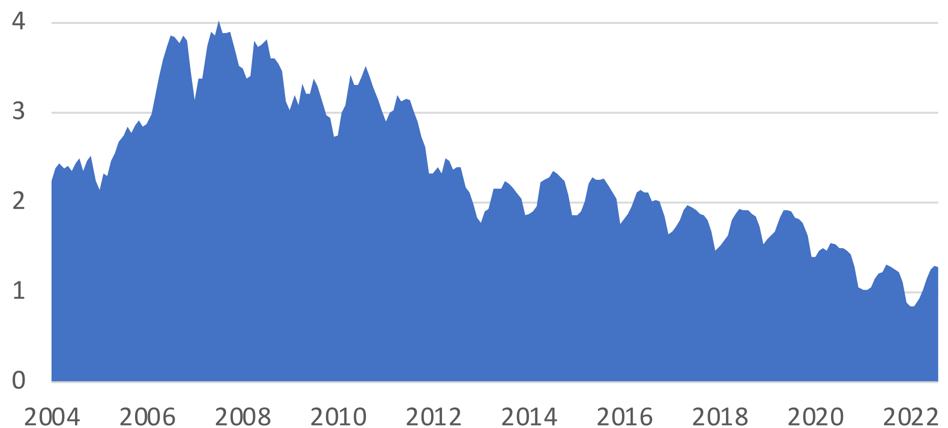
The Braddock Multi-Strategy Income Fund's (the "Fund") Institutional share class returned a positive 1.11% during the quarter outperforming the ICE BofAML U.S. Cash Pay High Yield Index return of -0.66% by 177 basis points (bps) and the Bloomberg US Aggregate Bond Index's return of -4.75% by 586bps.

The Fund was well positioned for the quarter's volatility and increasing interest rates with its low interest rate duration of 0.9 years and 80% floating rate bond allocation. Rising short term interest rates led to more interest income. The Fund's monthly distribution has increased by 30% since the end of the second quarter to $0.03162 per share, increasing the Fund's distribution yield to 5.88% from 4.48%. Higher income levels buffer the negative effect of credit spread widening. The Federal Reserve's (the "Fed") battle with inflation led to 150 bps of Fed Funds Rate hikes in the third quarter and near 150 bps of additional hikes are forecasted in the Fed's dot projections[1]. Increasing short term interest rates should continue to be a positive for the Fund's distribution yield.

The Fund maintained healthy liquidity with an average allocation to cash and short duration bonds of approximately 20% during the quarter. Another positive contributor was a hedge against broader market weakness which added 0.19% to the Fund's return in September.

STATE OF HOUSING: DIFFERENT THAN THE HOUSING CRISIS

Higher mortgage rates, and their significant impact on housing affordability, have dramatically cooled housing market transactions. Existing home sales are down 20% year over year as many prospective home buyers found they could no longer financially qualify for the houses they were dreaming about in the fall of 2021[2]. While troubling for current buyers, the underlying fundamentals of US housing market should remain a buffer to mortgage default risk. The shortage of single-family houses remains a long-term issue in our country and the demographics of the millennial generation entering the first-time homeowner age should continue to support housing demand for another four to five years.



Source: National Association of Realtors

In five of the last six recessions, home prices have been up or flat (sticky). This is because homeowners set the selling price of their home. If they don't like the current price, they simply won't list or sell the property. Home prices fell dramatically in the housing crisis because too many homeowners could not afford their homes and a foreclosure auction set the home sales price, not the homeowner. Today, the opposite is true. 97% of current homeowners with a mortgage are enjoying a historically low mortgage rate, combined with historically low unemployment and record high homeowner equity. This equity enables a distressed homeowner to simply sell their home, extract equity to pay debt and avoid the costly foreclosure process. As existing home inventory for sale is leveling off at a historically low 1.28 million units versus the over 3.5 million from 2006-2009, today's supply profile does not support a crisis-like correction in housing prices[3].

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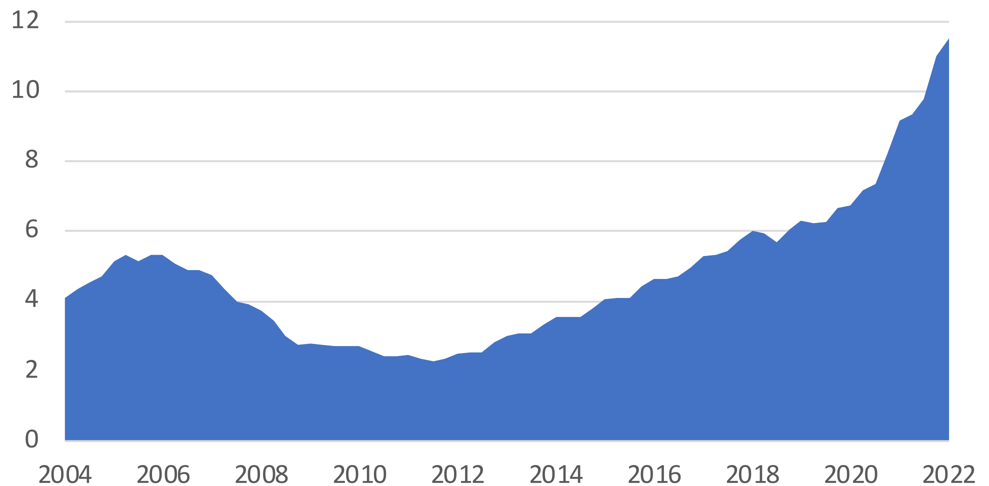
[1] Federal Reserve. As of 9/21/2022
[2] National Association of Realtors. As of 9/21/2022
[3] National Association of Realtors. As of 9/21/2022

Housing affordability is likely to remain an issue for the foreseeable future, but is likely to improve given a combination of three factors. First, lower mortgage rates. Lower rates, while unlikely in the near term, are feasible in the next 12-24 months as inflation wanes and interest rate volatility falls. The 30 year mortgage rate is typically around 180 bps above the 10 year US Treasury rate. However, heightened interest rate volatility, conservative mortgage originator behavior and Fed Funds guidance has resulted in a very wide mortgage rate spread of more than 280 bps. In more typical conditions, Braddock would expect the mortgage rate to be in the mid-5% range, given the 10 year rate and historically normal spread (3.8% + 1.8%)[4].



Source: Black Knight. Tappable equity is defined as the amount that can be withdrawn while maintaining 80% TLV

Second, lower but not depressed home prices. After being up over 40% since the start of the pandemic, national home prices are beginning to correct for affordability[5]. Braddock expects 2022 home price appreciation to end in our forecasted range of +6-9%. Last month Corelogic reported home prices were down 0.7% month to month (up 13.5% in the last year)[6]. By next summer, we expect national home prices will have fallen approximately 10% from their peak, putting home prices at fourth quarter 2021 levels[7]. We expect homeowner equity to remain strong after the adjustment of home prices.

And finally, increasing income. The labor market remains healthy with many industries short required labor (i.e. healthcare, construction, etc.). Braddock expects wage growth to prove less transitory than other aspects of today's inflation problem.

FUND ATTRIBUTION AND COMPOSITION

The Fund's Institution Share Class was up +1.11% for the third quarter. The Fund also continued to outperform traditional fixed income strategies year to date, returning -7.54% versus the Bloomberg US Aggregate Bond Index's -14.61% and the ICE BofA U.S. Cash Pay High Yield index's -14.56%.

For the quarter, Residential Mortgage Back Securities (RMBS) contributed +1.01%, Asset-Backed Securities (ABS) +0.02%, Multifamily (Commercial Mortgage-Backed Securities (CMBS) posted 0.03%, and the hedge added 0.05%. The Fund continued to benefit from its low interest rate duration of 0.9 years, which is driven by the floating rate coupon exposure and an increased allocation to the combination of Cash and short duration Investment Grade assets: 32%.

The RMBS allocation increased slightly from 76% to 78%. During the first half of the quarter, the Credit Risk Transfer (CRT) and other Modern RMBS markets rebounded with increased investor activity amid a better technical backdrop. Issuance volumes fell from a record pace in the first half of 2022 and are now running 28% lower versus last year[8]. However, during the last five weeks, secondary spreads began to retrace and give up earlier gains as central bank policies renewed macro market volatility resulting in further downward pressure on risk asset valuations.

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4 Freddie Mac, Bloomberg. As of 10/5/2022
5 S&P Case-Shiller. As of 9/27/2022
6 CoreLogic. As of 10/4/2022
7 S&P Case-Shiller. As of 9/27/2022
8 Bank of America. As of 9/30/2022

Despite the recent widening in RMBS credit spreads, desirable credit fundamentals persist, driven by record levels of homeowner equity and tight underwriting. Black Knight reported that the total housing loan-to-value for mortgaged properties now sits at a historically low 42% and the nationwide 60+ day delinquencies have decline to 2.79%[9]. These metrics have translated to continued strong credit performance for the Fund, and consequently, the RMBS portfolio has benefited from a number of credit rating upgrades over the past quarter.

The Consumer ABS allocation was reduced further from 8% to 6%. At the end of August, the Fund experienced a call redemption of a Solar bond, which represented the largest holding in the portfolio outside of its cash position. The call redemption within this market is testimony to the high-quality loans and robust credit performance present within the Solar ABS market. A portion of these proceeds were reinvested into a short duration, AAA rated Auto ABS bond yielding over 5%, and which displays more resiliency to broader market moves. ABS credit spreads moved tighter in both July and August as the market responded positively to the goldilocks market sentiment before widening into quarter-end volatility. At today's current spread levels, combined with credit performance and structural protection features, the ABS market provides compelling opportunity.

The Fund's Multifamily CMBS allocation remained fairly steady at 4% with exposure tied to investment grade bonds from 2021-vintage multifamily backed Commercial Real Estate (CRE) Collateralized Loan Obligations (CLOs). Although monthly rent growth is deaccelerating, the fundamental outlook remains positive given the longstanding issue of underbuilding in this country driving continued low vacancy rates and constructive rent growth levels. As rate volatility increased and conduit CMBS credit spreads widened and steepened, CRE CLO spreads followed suit and the supply of CRE CLOs bonds ran notably thin with only three new issue deal priced over the quarter. CRE CLOs remain attractive in this environment as the asset class allows CRE investors to avoid the price risk associated with long duration, fixed-rate conduit securities and, instead, focus exposure on floating-rate coupons with property types that have a greater ability to withstand a downturn.

OUTLOOK: BOND PRICES OUT OF SYNC WITH FUNDAMENTALS

The Fund's portfolio demonstrates low credit risk in its delinquencies and bond structures. For example, the average borrower backing the Fund's seasoned RMBS positions has a 44% equity stake in their home (56% Loan-to-Value), a FICO score of 751, and enjoys an average mortgage rate of 3.52%. These bonds have also seen falling delinquencies in 2022. Consequently, credit rating upgrades and bond redemptions (via called or by tender offers) remain a positive market feature. At the end of the quarter, the Fund's average bond price is $87.42 with a yield to maturity of 9.98%. As credit sensitive bonds mature or are called at par ($100), we believe the risk reward profile of the Fund is attractive, especially when the Fed ends its hiking cycle and financial market volatility subsides.

The Fund's strategy has shown strong relative value performance in an extremely challenging environment for Fixed Income investors. Braddock sees long term value in the Modern RMBS and Consumer Asset Backed Securities sectors. The significant regulatory changes stemming from the Great Recession to mortgage and consumer lending have greatly improved loan origination quality and the Trust structures in which the bonds are originated. This has been proven out by the fundamental performance of these assets across a variety of economic conditions over the last 10 years. These qualities, and the Fund's investment strategy, combine to create a less correlated and less interest rate sensitive fixed income fund versus traditional fixed income products. Braddock thanks our investors for their recognition of the value of this strategy and for your partnership as an investor in the Fund.

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[9] Black Knight. As of 10/3/2022

PERFORMANCE AS OF 9/30/22

	Q3 2022	YTD	1 Year	3 Year	5 Year	10 Year	Ann ITD*
BDKNX	1.11%	-7.54%	-7.33%	-10.66%	-4.66%	1.51%	4.54%
BDKAX	1.03%	-7.74%	-7.59%	-10.86%	-4.88%	1.26%	4.28%
BDKAX w/Load	-3.26%	-11.61%	-11.56%	-12.15%	-5.70%	0.66%	3.81%
BDKCX	0.85%	-8.27%	-8.30%	-11.54%	-5.60%	0.50%	3.50%
Bloomberg US Aggregate Bond Index	-4.75%	-14.61%	-14.60%	-3.26%	-0.27%	0.89%	2.22%
ICE BOFA ML US High Yield Index	-0.66%	-14.56%	-13.96%	-0.67%	1.41%	3.85%	6.34%

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 and net operating expense ratio for the Class A, C, and Institutional Shares are 1.76%, 2.51%, and 1.51%, respectively. The contractual agreement between the Fund and the Advisor for fee waiver and/or paying for operating expenses is in effect until April 30, 2023. Without the contractual agreement, performance would have been lower. Performance results with load reflect the deduction for 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. **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 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.

STANDARDIZED 30-DAY SEC YIELD – AS OF 9/30/22

	SEC Yield	Unsubsidized Yield
BDKNX	5.21%	5.12%
BDKAX	4.68%	4.63%
BDKCX	4.19%	4.10%

Subsidized 30-Day SEC Yield is based on a 30-day period ending on the last day of the previous month and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period. The subsidized yield is based on the net expenses of the Fund. The yield would be lower without the waivers in effect. Unsubsidized 30 Day SEC Yield is based on total expenses of the Fund.

This material must be preceded by or accompanied with a copy of the Fund's current prospectus.

RISKS: **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: Market Risk:** the market price of a security may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular issuer, company, or asset class. **Fixed income/interest rate:** Generally, fixed income securities decrease in value if interest rates rise, and increase in value if interest rates fall. **High Yield ("Junk") bond:** involve greater risk of default, downgrade, or price declines, can be more volatile and less liquid than investment-grade securities. **Mortgage-backed and Asset-Backed securities: s**ubject to prepayment risk, "extension risk" (repaid more slowly), credit risk, liquidity, and default risks. **Liquidity:** 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 it may only be able to sell those investments at a loss. Liquid investments may become illiquid or less liquid after purchase by the Fund, Illiquid investments may be harder to value, especially in changing markets. **Sector Focus:** focus may present more risks than if broadly diversified. **Valuation:** From time to time, the Fund will need to fair-value portfolio securities at prices that differ from third party pricing inputs. This may affect purchase price or redemption proceeds for investors who purchase or redeem Fund shares on days when the Fund is pricing or holding fair-valued securities. Such pricing differences can be significant and can occur quickly during times of market volatility**. Credit Risk:** If an issuer or guarantor of a debt security held by the Fund or a counterparty to a financial contract with the Fund defaults or is downgraded or is perceived to be less creditworthy, the value of the Fund's portfolio will typically decline. The Fund's securities are generally not guaranteed by any governmental agency. **Real estate market:** property values may fall due to various economic factors. **Management and Strategy.** the evaluation and selection of the Fund's investments depend on the judgment of the Fund's Sub-Advisor about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, which may prove to be incorrect. **Collateralized Loan Obligations:** subject to interest rate, credit, asset manager, legal, regulatory, limited recourse, liquidity, redemption, and reinvestment risks.

COVID-19 Related Market Events: The COVID-19 pandemic has resulted in extreme volatility in the financial markets, and domestic and global economic downturns. It may exacerbate other risks that apply to the Fund. **Non-diversification:** focus 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. **Repurchase agreement**: may be subject to market and credit risk. **Reverse repurchase agreement:** risks of leverage and counterparty risk. **Leverage:** The use of leverage may magnify the Fund's gains and losses and make the Fund more volatile. **Derivatives**: derivative instruments (e.g. short sells, options, futures) involve risks different from direct investment in the underlying assets, including possible losses in excess of amount invested or any gain in portfolio positions**. ETF Risk:** Investing in an ETF will provide the Fund with exposure to the securities comprising the index on which the ETF is based and will expose the Fund to risks similar to those of investing directly in those securities. **LIBOR:** Many financial instruments use a floating rate based on the London Interbank Offered Rate ("LIBOR"), which is being phased out. Any effects of the transition away from LIBOR could result in losses.

Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate 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.

Basis points: one hundredth of one percent, used chiefly in expressing differences of interest rates. **Credit Risk Transfer Bonds (CRTs):** are a vehicle to transfer some of the residential mortgage credit risk from the government-sponsored entities (GSEs: Fannie Mae & Freddie Mac) to institutional investors. **Credit spreads** are the difference between the quoted rates of return on two different investments, usually of different credit qualities but similar maturities. **Dot Plot:** The Federal Reserve's projections for interest rates that are published each quarter. **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. **FICO Score:** A measure of consumer credit quality that typically ranges from 300-850. Higher scores indicate more creditworthy borrowers. **Investment grade** is a rating that signifies a bond that presents a relatively low risk of default. **Prime Jumbo-A** refers to prime mortgages that typically exceed the maximum Federal Housing Finance Agency (FHFA) conforming loan limit. **Loan-to-Value (LTV)** ratio is an assessment of lending risk assessment that financial institutions and other lenders examine before approving a mortgage. Typically, assessments with high LTV ratios are higher risk. **Modern RMBS:** credit sensitive RMBS issued after 2008. **Yield to Maturity:** Rate of return anticipated on an instrument if it is held until the maturity date, expressed as an annual rate. The calculation takes into account market price, time to maturity, and coupon interest rate. It assumes that all coupons are reinvested at the same rate. This is not reflective of Fund yield. **Distribution yield** is the measurement of cash flow paid by an exchange-traded fund (ETF), real estate investment trust, or another type of income-paying vehicle.

Bloomberg US 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. **ICE 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. **One cannot invest directly in an index.**

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.

The views expressed in this material reflect those of the Fund's Sub-Advisor as of the date this is written and may not reflect its views on the date this material is first published or anytime thereafter.

Liberty Street Advisors, Inc. is the advisor to the Fund. The Fund is part of the Liberty Street family of funds within the series of Investment Managers Series Trust.

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