

FORM ADV, PART 2A

(commonly referred to as the “Brochure”)

Item 1 – Cover Page

Angel Oak Commercial Real Estate Strategies, LLC

3344 Peachtree Rd.
Suite 1725
Atlanta, GA 30326
(888) 685-2915

January 8, 2021

This Brochure provides information about the qualifications and business practices of Angel Oak Commercial Real Estate Strategies, LLC. If you have any questions about the contents of this Brochure, please contact us by phone at (888) 685-2915. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Angel Oak Commercial Real Estate Strategies, LLC is a registered investment adviser. However, registration as an Investment Adviser with the SEC does not imply that the Adviser or its employees possess a certain level of skill or training.

Additional information about Angel Oak Commercial Real Estate Strategies, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure dated January 8, 2021 is our initial Brochure used for registration with the SEC. In the future, this section will include a description of material changes to our advisory business since our previous Brochure.

Brochure Available Upon Request

Our current Brochure may be requested at any time free of charge by contacting us by telephone toll free at (888) 685-2915 or via email at info@angeloakcapital.com.

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Item 4 – Advisory Business

Firm Description and Principal Owners

Angel Oak Commercial Real Estate Strategies, LLC (referred to throughout this Brochure as “AOCRES” or the “Adviser”), a Delaware limited liability company, was formed in October 2020 and is an investment advisor registered with the SEC. AOCRES is directly owned by Angel Oak Commercial Lending, LLC which is owned by Angel Oak Lending, LLC which is owned by Angel Oak Companies, LP. The ultimate control persons of the Adviser are Sreeni Prabhu and Michael Fierman through their ownership of Angel Oak Companies, LP.

Advisory Services

AOCRES does not yet provide continuous and regular supervisory or management services to securities portfolios but intends to provide investment advisory services to pooled investment vehicles and separately managed accounts for institutional investors.

It is important to note that the term “Client” as defined by federal securities regulations refers to the separately managed accounts and Funds which AOCRES provides investment advisory services, not to the investors holding interests in those separately managed accounts and Funds. To avoid confusion, the term “investors” is used to refer to investors in those Funds. AOCRES does not intend to manage any assets for retail investors as defined for the purposes of Form CRS and therefore is not required to complete, maintain, or deliver a Form CRS to any Client or investor.

AOCRES does not intend to limit its investment advisory services to any specific asset class. AOCRES intends to generally provide investment advice focused on originating, acquiring, and managing a diversified portfolio of U.S. real estate-related debt investments primarily, and without limitation, focused on senior mortgage loans on commercial real estate properties, other commercial real estate mortgage loans, commercial real estate mezzanine loans, commercial mortgage-back securities, unsecured debt of listed and non-listed real estate investment trusts (“REITs”), collateralized debt obligations (“CDOs”)/collateralized loan obligations (“CLOs”), residential mortgage-backed securities, and equity or equity-linked securities.

AOCRES generally plans to not tailor advisory services for each Client, however Clients may impose restrictions and investment guidelines on investing in certain types of assets or assets with specific characteristics.

AOCRES entered into a Shared Services Agreement with Angel Oak Capital Advisors, LLC (“AOCA”), an affiliate that is under common control, whereby AOCA will provide certain services to AOCRES, including the provision of personnel and resources, to enable AOCRES to offer its services and perform its duties required for Registered Investment Advisers.

Wrap Fee Programs

Wrap fee programs are arrangements between broker-dealers, investment advisers, banks, and other financial institutions (typically acting as sponsors of the programs) and affiliated and unaffiliated investment advisers (or portfolio managers) through which the customers of such firms receive discretionary investment advisory, execution, clearing, and custodial services in a “bundled” form. In exchange for these “bundled” services, customers pay an all-inclusive – or “wrap” – fee determined as a percentage of assets held in the wrap fee account.

AOCRES does not intend to participate in a wrap fee program.

Assets Under Management

As of December 31, 2020, AOCRES managed \$0 in regulatory assets under management on a discretionary basis and \$0 in regulatory assets under management on a non-discretionary basis, for a total of \$0. Regulatory assets under management includes total assets without any deductions for outstanding indebtedness or other accrued but unpaid liabilities.

Item 5 – Fees and Compensation

Management Fees

It is intended that future Clients will pay AOCRES a quarterly management fee, the terms of which will be negotiated with each Client and outlined in the Client’s relevant prospectus, investment management agreement, private placement memorandum, or other controlling document. AOCRES intends for the management fees to be payable quarterly in advance. In the event of removal of AOCRES as investment manager to any future Clients, fees will be prorated based on the effective date of the termination and the total number of days in the billing period. Any fees paid but unearned will be promptly refunded to the Client. It is anticipated that this management fee will be based upon the level of assets under management for a Client at the beginning of the billing period. In some situations, Clients may request to pay a fixed management fee regardless of the levels of assets invested. For this purpose, AOCRES acknowledged in Item 5E of Form ADV Part 1 that Fixed Fees may be charged.

Performance Fees

It is intended that future eligible Clients will also pay AOCRES carried interest, the terms of which will be negotiated with each Client and outlined in the Client’s relevant prospectus, investment management agreement, private placement memorandum, or other controlling document.

Other Fees and Expenses

In addition to a management fee and potential carried interest, future Clients will be responsible for brokerage commissions, custodial fees, and administration fees paid to third parties. See

additional information below under *Brokerage Practices*. AOCRES does not receive any portion of these costs.

Origination Fees

Clients may directly fund commercial loans. These loans may have origination fees. The controlling document between the Client, AOCRES, and Angel Oak Commercial Lending, LLC (“AOCL”), the origination agent and an affiliate of AOCRES, if applicable, will dictate whether these fees are retained by the Client or AOCL. This presents a conflict of interest because it will mean that AOCL may be compensated when Clients fund commercial loans as part of their investment strategy, whether or not the loans are successful investments. AOCRES mitigates this conflict by agreeing to underwriting guidelines with each Client. Loans must meet these underwriting guidelines to be funded by the Client.

Other Business Activities

AOCRES intends to implement programs whereby AOCRES or AOCL will receive fees based on a program agreement whereby AOCRES or AOCL provides underwriting services to a third-party. The anticipated third-party is not currently an investment advisory Client of AOCRES.

Deducting Fees

Each Client intends to deduct the applicable fees from each investor’s account under the terms of the relevant Client’s offering documents. Investment Management Agreements between AOCRES and its Clients will allow AOCRES to deduct its fees directly from the Client’s assets in compliance with regulatory requirements regarding custody of client assets.

Item 6 – Performance-Based Fees and Side-by-Side Management

The carried interest which may be paid to AOCRES described above represents a performance-based fee. Such fee will be set forth in the Client’s offering documents or investment management agreement. In measuring a Client’s net profits for the calculation of performance fees, AOCRES will include both realized and unrealized capital gains and losses.

AOCRES may waive or reduce the management or performance-based fees in respect of any investor at its discretion. Investors are cautioned to review the conflicts of interest disclosure in the relevant offering document, along with the relevant risk factors.

Performance-based fees are generally payable on an annual basis or upon liquidation of a Client.

Performance-based fee arrangements may act as an incentive for AOCRES to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. This risk is mitigated by the fact that AOCRES seeks to maximize the performance of the applicable Client over time. In addition, accounts subject to performance-based fees are also subject to: (i) a loss carry forward provision (often referred to as a “high water mark”), whereby

prior losses are recovered before a performance fee is paid; and/or (ii) a “hurdle” provision, which allows for the payment of a performance fee only after the account has achieved an agreed-upon level of performance.

“Side-by-Side Management” refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees may additionally be assessed on a performance fee basis. Currently the Adviser has no Clients; therefore, there is no side-by-side management of Client accounts at AOCRES. However, it is anticipated that AOCRES will have side-by-side management of Client accounts in the future. AOCRES has implemented allocation procedures designed to ensure that all Clients are treated fairly and equitably and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

Item 7 – Types of Clients

AOCRES intends to provide investment advisory services to pooled investment vehicles classified as Private Funds and separately managed accounts for institutional investors and to select other investment advisers as sub-advisers, as outlined in Form ADV Part 1 Item 5G.

Advised Private Funds will be exempt from registration under federal securities regulations. Depending on the Private Fund, the investors in the Private Fund may be knowledgeable employees, accredited investors, and/or qualified purchasers (as those terms are defined in the federal securities laws) which include high net worth individuals, institutional investors, or other pooled investment vehicles. The minimum investment size for the Private Funds is intended to be \$1,000,000. The Adviser in its sole discretion may accept a lesser amount.

AOCRES may from time to time enter into side letter agreements or other similar agreements (collectively, “Side Letters”) with one or more investors in the Private Funds which may provide such investor(s) with additional and/or different rights (including, without limitation, with respect to management fees, performance fees, access to information, and minimum investment amounts) than such investors have pursuant to the general terms of the applicable Private Fund. AOCRES will not be required to notify, or provide copies to, all of the other investors of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will AOCRES be required to offer such additional and/or different rights and/or terms to all of the other investors. Certain investors may be provided, through such Side Letters, with “most favored nation” status and will be notified of Side Letters with other investors and may elect to receive terms which are the same or better than other investors.

AOCRES intends to provide investment advisory services to institutional investors through separately managed accounts. While Angel Oak may make exceptions, the minimum initial investment for these services is generally \$10,000,000.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

AOCRES intends to implement investment strategies focused on originating, acquiring, and managing a diversified portfolio of U.S. real estate-related debt investments primarily, and without limitation, focused on senior mortgage loans on commercial real estate properties, other commercial real estate mortgage loans, commercial real estate mezzanine loans, commercial mortgage-back securities (“CMBS”), unsecured debt of listed and non-listed real estate investment trusts (“REITs”), collateralized debt obligations (“CDOs”)/collateralized loan obligations (“CLOs”), residential mortgage-backed securities (“RMBS”), and equity or equity-linked securities.

AOCRES’ focus on debt investments will emphasize the payment of current returns to investors and the preservation of invested capital, as well as capital appreciation. AOCRES intends to directly structure, underwrite, and originate certain investments in connection with acquisitions, refinances, and recapitalizations. AOCRES will target investments that are secured by institutional quality real estate and that offer attractive risk-adjusted returns based on the underwriting criteria established by AOCRES. AOCRES will focus on in-place and future cash flows, debt yields, debt service coverage ratios, loan-to-value ratios, property quality, and market and sub-market dynamics.

The investment strategy may, in the Adviser’s discretion, engage in hedging transactions designed to reduce exposure to interest rate and currency fluctuations, declines in market price, credit deterioration, or other risks related to the pricing or value of investments.

Risk of Loss

This investment strategy is speculative and involves substantial risks, including the risk of loss of an investor’s entire investment, which an investor should be willing to accept. No assurance can be given that profits will be achieved or that losses will not be incurred.

Other Material Risks

Current Macroeconomic Risks. Client losses may be incurred due to declines in one or more markets in which a Client invests. These declines may be the result of, among other things, political, regulatory, market, economic or social developments affecting the relevant market(s). In addition, turbulence and reduced liquidity in financial markets may negatively affect many issuers, which could have an adverse effect on a Client’s investment. Global economies and financial markets are increasingly interconnected, and conditions and events in one country, region, or financial market may adversely impact issuers in a different country, region, or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies worldwide. As a result, local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant negative

impact on global economic and market conditions. The current novel coronavirus (COVID-19) global pandemic and the aggressive responses taken by many governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged quarantines or similar restrictions, as well as the forced or voluntary closure of, or operational changes to, many retail and other businesses, has had negative impacts, and in many cases severe negative impacts, on markets worldwide. It is not known how long such impacts, or any future impacts of other significant events described above, will or would last, but there could be a prolonged period of global economic slowdown, which may impact Client investments.

Risks of Investments in Commercial Real Estate Loans. Investment in commercial real estate loans, which are secured (directly or indirectly) by commercial property, are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property and not on the existence of independent income or assets of the borrower. If the operating income of the property decreases due to a variety of factors affecting the property's commercial operations, the borrower's ability to repay the loan may be impaired. Special risks associated with commercial mortgage loan investments include changes in the general economic climate or local conditions (such as an oversupply of space or a reduction in demand for space), competition based on rental rates, attractiveness and location of the properties, changes in the financial condition of tenants and changes in operating costs. Real estate values are also affected by such factors as governmental regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing and potential liability under changing environmental and other laws. Of particular concern may be those mortgaged properties which are, or have been the site of manufacturing, industrial or disposal activities. Such environmental risks may give rise to a diminution in the value of property (including real property securing any investment) or liability for cleanup costs or other remedial actions, which liability could exceed the value of such property or the principal balance of the related investment. In certain circumstances, a lender may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions. In the event of any default under a commercial real estate loan held by the Client, the Client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the real estate loan, which could result in losses to the Client.

Risks of Investments in Commercial Bridge Loans. The Client may invest in commercial bridge loans, which are transitional loans that generally involve greater risk of loss than stabilized commercial real estate loans. Commercial bridge loans provide interim financing to borrowers seeking short-term capital for the acquisition or transition (for example, lease up and/or rehabilitation) of commercial real estate and generally have a maturity of five years or less. Such a borrower under a transitional loan has usually identified an asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to recover according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the transitional loan, and the Client will bear the risk that it may not recover some or all of its investment. In addition, borrowers usually use the proceeds of a conventional mortgage loan to repay a transitional loan. The Client may therefore be dependent on a borrower's ability to

obtain permanent financing to repay a transitional loan, which could depend on market conditions and other factors. In the event of any failure to repay under a transitional loan held by the Client, that Client will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the commercial bridge loan.

Risks of Investments in B-Notes. Investments in B-notes may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to the Client. If a borrower defaults, there may not be sufficient funds remaining for B-note holders after payment to the A-note holders. Since each transaction is privately negotiated, B-notes can vary in their structural characteristics and risks. For example, the rights of holders of B-notes to control the process following a borrower default may be limited in certain investments. The Client cannot predict the terms of each B-note investment. B-notes are not as liquid as some forms of debt instruments and, as a result, the Client may be unable to dispose of performing, underperforming, or non-performing B-note investments. The higher risks associated with the Client's subordinate position in such investments could subject it to increased risk of losses.

Risks of Investments in Mezzanine Loans. In each instance where an investment is a mezzanine loan secured by interests in a property-owning entity, the investment will be subject, directly or indirectly, to the mortgage or other security interest of a senior lender. The rights and remedies afforded a senior lender may limit or preclude the exercise of rights and remedies by the Client, with resultant loss to the Client. Further, the equity owners of properties or entities in which the Client invests may raise defenses (including protection under bankruptcy laws) to enforcement of rights or imposition of remedies by the Client. In the event such defenses were successful, or resulted in delay, loss to the Client could result.

Risks of Investments in Small Balance Commercial Real Estate Loans. Non-performing small balance commercial real estate loans are subject to increased risks of credit loss for a variety of reasons, which may include that the underlying property is too highly leveraged, or the borrower has experienced financial distress. Whatever the reason, the borrower may be unable to meet its contractual debt service obligation to the Client. Non-performing small balance commercial real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may divert the Adviser's attention from other activities and entail, among other things, a substantial reduction in the interest rate or capitalization of past due interest. However, even if restructurings are successfully accomplished, risks still exist that borrowers will not be able or willing to maintain the restructured payments or refinance the restructured mortgage upon maturity. Additional risks inherent in the acquisition of non-performing small balance commercial real estate loans include undisclosed claims, undisclosed tax liens that may have priority, higher legal costs and greater difficulties in determining the value of the underlying property.

Risks of Investments in CMBS. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by interests in real property having a multi-family or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes, and senior living centers. CMBS are issued in public and private transactions by a variety of public and private issuers using a variety

of structures, including senior and subordinated classes. CMBS generally lack standardized terms, tend to have shorter maturities than RMBS and may provide for the repayment of all or substantially all the principal only at maturity. All these factors increase the risk involved with commercial real estate lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one-to-four family lending since it typically involves larger loans to a single borrower than residential one-to-four family lending. Commercial mortgage lenders typically look to the debt service coverage ratio of a mortgage secured by an income-producing property as an important measure of the risk of default on a mortgage. Commercial property values and net operating income are subject to volatility, and net operating income may be sufficient or insufficient to cover debt service on the related mortgage at any given time. The repayment of mortgages secured by income-producing properties is typically dependent upon the successful operation of the related real estate project as well as upon the liquidation value of the underlying real estate. The value of commercial real estate is also subject to a number of laws and regulations, such as regulations and laws regarding environmental clean-up and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Most CMBS are effectively non-recourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgages, payments on the subordinated classes of the related CMBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed-in-lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes, or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

A CMBS may pay fixed or floating rates of interest. A fixed-rate CMBS, like all fixed-income securities, generally declines in value as rates rise. Moreover, although generally the value of fixed-income securities increases during periods of falling interest rates, the inverse relationship may not be as marked in the case of CMBS due to the increased likelihood of prepayments during periods of falling interest rates. This effect is mitigated to some degree for CMBS providing for a period during which no prepayments may be made. Certain CMBS lack regular amortization of principal, resulting in a single "balloon" payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default.

Risks of Investments in Residential Mortgage Loans. Investments in residential mortgage loans will subject the Client to risks which include, among others: (i) declines in the value of residential real estate; (ii) risks related to general and local economic conditions; (iii) lack of available mortgage funding for borrowers to refinance or sell their homes; (iv) overbuilding; (v) the general deterioration of the borrower's ability to keep a rehabilitated non-performing mortgage loan current; (vi) increases in property taxes; (vii) changes in zoning laws; (viii) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems, such as indoor mold; (ix) casualty or condemnation losses; (x) uninsured damages from floods, earthquakes or other natural disasters; (xi) limitations on and variations in rents; (xii) fluctuations in interest rates; (xiii) fraud by borrowers, originators and/or sellers of mortgage loans; (xiv) undetected deficiencies and/or inaccuracies in underlying mortgage loan documentation and calculations; and (xv) failure of the borrower to adequately maintain the property, particularly during times of financial difficulty. To the extent that assets underlying these investments are concentrated geographically, by property type or in certain other respects, the Client may be subject to certain of the foregoing risks to a greater extent. Additionally, the Client may be required to foreclose on a mortgage loan and such actions would subject the Client to greater concentration of the risks of the residential real estate markets and risks related to the ownership and management of real property. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Risks of Investments in CDOs/CLOs. A Client may invest in CDOs and CLOs. For both CDOs and CLOs, the cash flows are split into two or more portions, called "tranches," varying in risk and yield. The riskiest portion is the "equity" tranche, which bears the bulk of defaults from the debt instruments and serves to protect the other, more senior tranches from default in all but the most severe circumstances. Since it is partially protected from defaults a senior tranche from a CDO or CLO typically has a higher rating and lower yield than its underlying securities and can be rated investment grade. Despite the protection from the equity tranche, tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, market anticipation of defaults, as well as aversion to CDO or CLO securities as a class.

The market value of CDOs/CLOs generally fluctuates with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry, and changes in prevailing interest rates.

CDOs/CLOs are subject to credit, liquidity and interest rate risks. In particular, investment-grade CDOs/CLOs have greater liquidity risk than investment grade sovereign or corporate bonds. There is no established, liquid secondary market for many of the CDOs/CLOs securities the Fund may purchase. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such CDOs/CLOs securities and a Client's ability to sell them. Further,

CDOs/CLOs are subject to certain transfer restrictions that may further restrict liquidity. Therefore, no assurance can be given that if a Client were to dispose of a particular CDOs/CLOs held by a Client, it could dispose of such investment at the previously prevailing market price.

The performance of CDOs/CLOs are adversely affected by macroeconomic factors, including (i) general economic conditions affecting capital markets and participants therein, (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide, (iii) concern about financial performance, accounting and other issues relating to various publicly traded companies and (iv) changes (or even proposed changes) in accounting and reporting standards and bankruptcy legislation.

Risks of Investments in RMBS. RMBS are subject to particular risks because they have loss, yield, prepayment, and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain RMBS include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment, as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying assets. As a result of these unscheduled payments of principal, or prepayments on the underlying assets, the price and yield of RMBS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Client would be required to reinvest proceeds at the lower interest rates then available. Prepayments of mortgages that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of RMBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment feature.

The performance of any RMBS, and the results of hedging arrangements entered into with respect a RMBS, will be affected by: (i) the rate and timing of principal payments on the underlying assets; and (ii) the extent to which such principal payments are applied to reduce, or otherwise result in the reduction of, the principal or notional amount of such RMBS. The rate of principal payments on a pool of RMBS will in turn be affected by the amortization schedules of the assets (which, in the case of assets with an adjustable-rate feature, may change periodically to accommodate adjustments to the mortgage rates thereon) and the rate of principal prepayments thereon (including for this purpose, voluntary prepayments by borrowers and prepayments resulting from liquidations of RMBS due to defaults, casualties or condemnations affecting the related properties).

The extent of prepayments of principal of the assets underlying RMBS may be affected by a number of factors, including the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the underlying assets, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic, and legal factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing such property, enhance a borrower's ability to sell or refinance or increase the likelihood of default under a mortgage-related security would be expected to cause the rate of prepayment in respect of a pool of mortgage-related

securities to accelerate. In contrast, any factors having an opposite effect would be expected to cause the rate of prepayment of a pool of mortgage-related securities to slow. At any one time, a portfolio of RMBS may be backed by assets with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, RMBS may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage-related securities having more diverse property locations.

The rate of prepayment on a pool of mortgage-related securities is likely to be affected by prevailing market interest rates for mortgages of a comparable type, term and risk level. When the prevailing market interest rate is below a mortgage coupon, a borrower generally has an increased incentive to refinance. Even in the case of assets with an adjustable-rate component, as prevailing market interest rates decline, and without regard to whether the mortgage rates on such assets decline in a manner consistent therewith, the related borrowers may have an increased incentive to refinance for purposes of either: (i) converting to a fixed rate security and thereby “locking in” such rate; or (ii) taking advantage of a different index, margin or rate cap or floor on another adjustable rate note. Therefore, as prevailing market interest rates decline, prepayment speeds would be expected to accelerate.

Increases in monthly payments on adjustable rate mortgages due to higher interest rates may result in greater future delinquency rates. Borrowers with adjustable payments may be exposed to increased monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate, as applicable, to the rate computed in accordance with the applicable index and margin. This increase in borrowers’ monthly payments, together with any increase in prevailing market interest rates, may result in significantly increased monthly payments for borrowers subject to adjustable rates.

Borrowers seeking to avoid these increased monthly payments by refinancing may no longer be able to find alternatives at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods may find that they cannot sell their properties for an amount equal to or greater than their unpaid principal balances. These events, alone or in combination, may contribute to higher delinquency rates and therefore potentially higher losses on RMBS.

Loan modification and refinance programs may adversely affect the performance of RMBS. Especially with non-Agency RMBS, a significant number of loan modifications with respect to a given security, including those related to principal forgiveness and coupon reduction, could negatively impact the realized yields and cash flows on such security. Litigation and other enforcement actions related to legacy RMBS could have a significant, adverse effect on the ability to receive payments on, or otherwise recoup on its investments, in those RMBS. Servicers of mortgage loans, as well as trustees, impacted by such actions have opted to either reimburse themselves from general collections on the mortgage loans or at the highest priority in a related “waterfall,” thereby reducing funds available for distribution to security holders. Moreover, in

connection with trust collapses (typically by operation of an optional “clean-up call”), where holders of RMBS would be paid in full, the related trustee and one or more other transaction parties have recently held back a significant portion of the purchase proceeds to cover their unreimbursed and anticipated costs and expenses related to its defense of litigation concerning the related trusts. Such holdbacks resulted in the allocation of realized losses to the RMBS transaction and could cause significant delays to an RMBS’s holders’ receipt of the full amounts of principal and interest payable at the time of termination. Certain bondholders have filed complaints against the applicable trustees asking for a declaratory judgement that the trustee is not permitted to use RMBS trust money to fund its defense against the pending litigation. The results of this litigation and complaints could cause disruptions in the RMBS market.

Risks of Investments in Non-Agency RMBS. Non-Agency RMBS are not guaranteed by the U.S. government in any manner whatsoever and are secured only by cash flows of the underlying mortgages; in contrast, Agency RMBS carry the implicit, and in some cases the explicit, guarantee of the U.S. government. Investing in RMBS involves a high degree of risk.

RMBS performance may be affected by an increase of delinquencies, defaults and foreclosures on underlying mortgages. Non-Agency RMBS are generally made to borrowers with lower credit scores, incomplete application documentation, higher security balances and higher loan-to-value ratios. Also, fraudulent mortgage applications, below normal equity contributions, equity contributions with “piggy-back” mortgages and mortgages supported by properties acquired for investment may increase the likelihood of defaults, delinquencies and losses on mortgage portfolios. In addition, adjustable rate mortgages and hybrid mortgages that have or will enter their adjustable period where the borrower is likely to experience an increase in their monthly payments could increase the likelihood of default. Moreover, higher loan-to-value ratios may result in lower recoveries upon foreclosure and an increase in net losses. A decline in property values is likely to impact recoveries on any second lien position included in the mortgage pools underlying certain RMBS.

In the event of a default on a mortgage underlying a non-agency RMBS in the Client’s portfolio, it will bear the risk of loss as a result of the potential deficiency between the value of the collateral and the debt owed on the mortgage, as well as the costs and delays of foreclosure or other remedies, including the costs of maintaining and ultimately selling a property after foreclosure.

Risks of Hedging Transactions. The Client may enter into interest rate swap agreements or pursue other interest rate hedging strategies. Such hedging activity will vary in scope based on the level of interest rates, the type of portfolio investments held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect the Client because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability or asset;

- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the Client's ability to sell or assign its side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay; and
- the Client may purchase a hedge that turns out not to be necessary (i.e., a hedge that is out of the money).

Any hedging activity the Client engages in may adversely affect its earnings, which could adversely affect cash available for distribution to the investors. Therefore, while the Client may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if the Client had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged or liabilities being hedged may vary materially. Moreover, for a variety of reasons, the Client may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent the intended hedge from being achieved and create the risk of loss.

Risks Related to Sourcing Investments. There can be no assurance that the Adviser will be able to identify assets that meet the Client's investment criteria or successfully consummate any investment opportunities identified. The Adviser's inability to do any of the foregoing would materially and adversely affect the Client's results of operations and cash flows and ability to make distributions to investors.

Risks Related to Illiquidity of Investments. The lack of liquidity in some of the investments the Adviser intends to make, may make it difficult for the Client to sell such investments if the need or desire arises. Many of the securities the Adviser may purchase are not registered under relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or their disposition except in transactions that are exempt from the registration requirements of, or otherwise in accordance with, those laws. In addition, certain investments such as B Notes, subordinated loans, and transitional and other loans are also particularly illiquid investments due to their short life, their potential unsuitability for securitization, and the greater difficulty of recovery in the event of a borrower's default. As a result, many of a Client's investments will be illiquid and if the Client is required to liquidate all or a portion of its portfolio quickly, the Client may realize significantly less than the value at which the Client previously recorded its investments. As a result, the Adviser's ability to vary the Client's portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect the Client's results of operations and financial condition.

Risks Related to Concentration of Investments. While the Adviser will seek to diversify the Client's portfolio of investments, the Adviser will not be required to comply with specific diversification criteria. Therefore, the Client's investments may at times be secured by properties concentrated in a limited number of geographic locations. To the extent that the Client's portfolio is concentrated in any one region or type of asset, downturns relating generally to such region or type of asset may result in defaults on a number of the Client's investments within a short time

period, which may reduce the Client's net income and accordingly reduce the Client's ability to make distributions to its investors.

Risks Related to Leverage. The Client may use borrowings to finance investments. Leverage is generally considered a speculative investment technique. The Adviser's ability to execute its investment strategy using leverage will depend on various conditions in the financing markets that are beyond the Adviser's control, including liquidity and credit spreads. The use of leverage increases the volatility of investments by magnifying the potential for gain or loss on invested equity capital. If the value of the Client's assets decreases, leverage would cause the Client's NAV to decline more sharply than it otherwise would have had the Client not incurred leverage. Similarly, any decrease in the Client's income would cause net income to decline more sharply than it would have had the Client not incurred leverage.

Risk Related to Real Estate Valuation. The valuation of real estate, and therefore the valuation of any underlying security relating to loans originated or acquired by the Client, is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property, and the valuation methodology adopted. In addition, where the Client invests in construction loans, initial valuations will assume completion of the project. As a result, the valuations of the real estate assets against which the Client will make loans are subject to a degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow, or restricted debt availability in the commercial or residential real estate markets.

Risk Related to Interest Rate Fluctuations. Changes in interest rates will affect the Client's net interest income, which is the difference between the interest income the Client earns on its interest-earning investments and the interest expense the Client incurs in financing these investments. Changes in the level of interest rates also may affect the Client's ability to originate and acquire assets, the value of the Client's assets and the Client's ability to realize gains from the disposition of assets. Changes in interest rates may also affect borrower default rates. In a period of rising interest rates, the Client's interest expense could increase, while the interest the Client earns on its fixed-rate debt investments would not change, adversely affecting the Client's profitability. The Client's operating results will depend in large part on differences between the income from the Client's assets, net of credit losses, and the Client's financing costs. The Adviser anticipates that for any period during which the Client's assets are not match-funded, the income from such assets will respond more slowly to interest rate fluctuations than the cost of the Client's borrowings. Consequently, changes in interest rates may significantly influence the Client's net income. Interest rate fluctuations resulting in the Client's interest expense exceeding interest income would result in operating losses.

Risks Related to the Availability of Financing. If the Adviser cannot obtain sufficient financing on acceptable terms, the Client's ability to operate could be severely impacted. The Client may be adversely affected by disruptions in the debt capital markets and institutional lending markets, including the lack of access to capital or prohibitively high costs of obtaining or replacing capital. A primary source of liquidity for companies in the real estate industry is the debt capital markets.

Access to the capital markets and other sources of liquidity was severely disrupted during the COVID-19 pandemic and the relatively recent global credit crisis and, despite some recent improvements, the markets could suffer another severe downturn and another liquidity crisis could emerge. The Adviser cannot guarantee that any sources of capital will be available on terms that are acceptable to the Adviser.

Risks Associated with the Inability to Profitably Execute Securitization Transactions. Several factors may determine whether a securitization transaction that the Client executes or participates in is profitable. One such factor is the price at which the Client acquires the loans that it intends to securitize, which may be impacted by, among other things, the level of competition in the marketplace or the relative desirability to originators of retaining loans as investments versus selling them to third parties such as the Client. Another factor that impacts the profitability of a securitization transaction is the cost of the short-term debt used to finance the Client's holdings of loans after acquisition and prior to securitization. This cost may vary depending on the availability of short-term financing, interest rates, the duration of the financing, and the extent to which third parties are willing to provide such financing. Additionally, the value of loans held by the Client prior to securitization may vary over the course of the holding period due to changes in interest rates or the credit quality of the loans. To the extent the Client seeks to hedge against interest rate fluctuations that affect loan value, the cost of any hedging transaction will decrease returns on the respective securitization transaction. The price that investors pay for securities issued in the Client's securitization transactions will also significantly affect the profitability margin to the Client. Additionally, in effecting the securitization transactions, the Client may incur transaction costs or may incur or be required to make reserves for any liability in connection with executing a transaction, and such costs can also reduce the profitability of a transaction. To the extent that the Client is not able to profitably execute securitizations of loans, the Client's investments could be materially and adversely impacted.

Rating agencies have historically played a central role in the securitization markets. Many purchasers of asset-backed securities require that a security be rated by the agencies at or above a specific grade before they will consider purchasing it. The rating agencies could adversely affect the Client's ability to execute securitization transactions by deciding not to publish ratings for the securitization transactions of the Client, deciding not to consent to the inclusion of those ratings in the prospectuses the Client may file with the SEC relating to securitization transactions, or assigning ratings that are below the thresholds investors require. Further, rating agencies could alter their ratings processes or criteria after the Client has accumulated loans for securitization in a manner that reduces the value of previously acquired loans or that requires the Client to incur additional costs to comply with those processes and criteria.

Risks Related to Non-Recourse Securitizations. The Adviser may utilize non-recourse securitizations of certain of the Client's investments to generate cash for funding new investments and for other purposes. Such financing will generally involve creating a special purpose vehicle, contributing a pool of the Client's investments to the entity, and selling interests in the entity on a non-recourse basis to purchasers (which would be expected to be willing to accept a lower interest rate to invest in investment-grade loan pools). The Client would expect to retain all or a portion of the equity and potentially other tranches in the securitized pool of portfolio investments. Prior to

any such financings, the Client may use other financing facilities to finance the acquisition of investments until a sufficient quantity of investments has been accumulated, at which time the Client would refinance these facilities through a securitization. The inability to consummate securitizations to finance investments could require the Client to seek other forms of less attractive financing.

Moreover, conditions in the capital markets, including volatility and disruption in the capital and credit markets, may not permit a securitization at any particular time or may make the issuance of any such securitization less attractive even when the Client has enough eligible assets. The Client may also suffer losses if the value of the mortgage loans it acquires decline prior to securitization. In addition, the Client may suffer a loss due to the incurrence of transaction costs related to executing these transactions. To the extent that the Client incurs a loss executing or participating in future securitizations for the reasons described above or for other reasons, it could materially and adversely impact the Client's financial condition.

Shared Services Risks. AOCRES has entered into a Shared Services Agreement with AOCA to provide certain services. Potential risks exist in this relationship such as the risk that either party terminates the Shared Services Agreement at which point AOCRES would need to consider next steps, including the potential to build its employee base and internal infrastructure.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has had no disciplinary events.

Affiliate Disciplinary Information

On February 16, 2017, the SEC accepted an offer of settlement from Angel Oak Capital Partners, LLC ("AOCP"), an affiliate of AOCRES, and entered an administrative order against it.

The order, while recognizing that AOCP did not admit or deny any findings, concluded that AOCP operated as a broker-dealer from March 2010 until October 2014 without registering with the Commission. The SEC found that AOCP entered into an agreement with Peraza Capital & Investment, LLC ("Peraza") in late 2009 for the purpose of conducting a securities business, without registering as a broker-dealer. Traders employed by AOCP in its securities business were registered with the Financial Industry Regulatory Authority ("FINRA") as registered representatives of Peraza, and AOCP and Peraza split the commission revenue generated as a result of AOCP trading activities.

The SEC determined that AOCP and its owners or employees – who were not registered as broker-dealers or associated with a registered broker-dealer – were involved in the operations of the securities business and made key decisions regarding the business. As reflected in the order, the Commission accepted AOCP's offer to disgorge profits received from the operation of \$3,054,288 plus interest, to pay a penalty of \$375,000 and to cease and desist from that activity.

The SEC further accepted an offer of settlement from Sreeniwas Prabhu, Managing Director and co-founder of AOCA, and an employee of AOCA, based on the allegations of the SEC that they caused AOCP to operate as an unregistered broker dealer. They both agreed to a cease and desist order and an administrative penalty of \$40,000 each.

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser has several affiliated businesses that are involved in a variety of activities. A description of each affiliate is provided below along with conflicts of interest that are not discussed elsewhere.

- *Angel Oak Capital Advisers, LLC* (“AOCA”) is under common control with AOCRES and provides services to AOCRES through a Shared Services Agreement. AOCA is an SEC-registered investment adviser. AOCA provides investment advisory services to registered investment companies, other pooled investment vehicles such as hedge funds, and to institutional investors.

Because AOCA is under common control with the Adviser, the Adviser has an incentive to recommend AOCA over other potential shared service providers which creates a conflict of interest.

- *Angel Oak Mortgage Solutions, LLC* is an affiliate of the Adviser by common control and is a wholesale mortgage company. *Angel Oak Home Loans, LLC* is an affiliate of the Adviser by common control and is a residential mortgage company. *Angel Oak Commercial Lending, LLC* is an affiliate of the Adviser by common control and originates commercial loans.

Conflicts of interest involving these entities have been disclosed in response to Item 8 above.

- *Angel Oak Capital Partners II, LLC*, *Buckhead One Financial Opportunities, LLC*, *Falcons I, LLC*, and *Hawks I, LLC* are registered investment advisers under common control with AOCRES, however there is no business relationship between AOCRES and these entities.
- *Angel Oak Capital Partners, LLC* is an affiliate of the Adviser by way of common control and is a general partner to a limited partnership for which AOCA provides investment advisory services. There is no business relationship between AOCRES and this entity.
- *Angel Oak Mortgage Trust I LLC*, *BFNS 2017-1, Ltd*, and *BFNS 2019-1 LLC* are securitization trusts which are affiliated with the Adviser by common control.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

AOCRES has adopted a Code of Ethics (the “Code”) for all supervised persons of the firm describing its high standards of business conduct and fiduciary duty to its Clients. The Code includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment provided and received, limits and procedures regarding personal securities trading, among other things. A copy of the Code will be provided to any Client or prospective Client upon request. AOCRES also maintains additional policies and procedures related to making political contributions and engaging in outside business activities.

Under the Code, supervised persons are required to place the interests of a Client first, ahead of their own personal interests, and generally seek to treat all Clients fairly. In addition, supervised persons are prohibited from engaging in any practice that defrauds or misleads any Client or investor or engaging in any manipulative or deceitful practice with respect to a Client, investors, or securities. All supervised persons at the Adviser must acknowledge the terms of the Code at least annually.

The Adviser anticipates that, in appropriate circumstances, consistent with a Client’s investment objectives, it will cause accounts over which it has management authority to purchase or sell securities in which the Adviser, its affiliates and/or Clients, directly or indirectly, may have a position of interest. The Adviser anticipates that in such circumstances it may also recommend such purchases or sales of securities to the Client. Subject to satisfying such practice and applicable laws, officers, directors, and employees of the Adviser and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for a Client. The Code is designed to ensure that the personal securities transactions, activities, and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of a Client, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code requires pre-clearance of certain securities transactions and restricts trading in proximity to Client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as a Client, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is continuously monitored under the Code to reasonably prevent conflicts of interest between the Adviser and Clients.

ComplianceScience, Inc. provides software which is utilized by the Adviser to monitor employees’ personal trading, personal securities holdings, and other aspects of the compliance program such as political contributions and the provision of gifts and entertainment. On a quarterly basis, employees are required to confirm their automatically imported personal holdings in ComplianceScience are accurate. If certain holdings are not shown in ComplianceScience, the employees are required to submit quarterly and annual holdings reports.

Item 12 – Brokerage Practices

AOCRES will have full and complete discretion and authority to manage and direct the investment and reinvestment of Client's assets subject to any limitations included in the relevant investment management agreement. AOCRES intends to execute investment management agreements with Clients which provide for broad discretion in this regard.

In selecting brokers to effect portfolio transactions, AOCRES will seek best execution after considering such factors as the ability of the brokers to execute and settle the transactions, the brokers' facilities, reliability and financial stability, and the provision for payment of the cost of services. AOCRES need not, however, solicit company bids and does not have an obligation to seek the lowest available execution costs.

"Soft dollars" are benefits provided to an investment adviser by a broker-dealer as a result of commissions generated from financial transactions executed by the broker-dealer for accounts of funds managed by the investment adviser. AOCRES does not have any soft dollar arrangements and does not pay for research or other services using soft dollars.

AOCRES chooses broker-dealers to execute transactions on terms that are, overall, most advantageous when compared with other providers and their services. AOCRES considers a wide range of factors when choosing a broker-dealer, including:

- Capability to execute, clear, and settle trades itself or to facilitate such services.
- Capability to facilitate timely transfers and payments to and from accounts.
- Quality of services.
- Competitiveness of the price of those services and willingness to negotiate the prices.
- Reputation, financial strength, and stability.
- Prior service to AOCRES and its Clients.

In selecting brokers to effect portfolio transactions, AOCRES will generally seek best execution across a variety of factors, including those factors listed above. AOCRES need not, however, solicit competitive bids and does not have an obligation to seek the lowest available direct commission cost. Rather, we measure best execution holistically across the varying factors listed above, some of which may be subjective.

Directed Brokerage

Directing or limiting brokerage may result in a Client paying higher brokerage commissions because AOCRES may not be able to aggregate orders to reduce transaction costs or a Client may receive less favorable prices than AOCRES might receive on behalf of the Client elsewhere. AOCRES does not have any Clients who have required directed brokerage.

Aggregation of Trades

In some circumstances, AOCRES, may find that placing orders in the same security to be allocated for more than one account at the same time can improve the price, transaction costs, and other aspects of execution for the trade. In the event an aggregated order is filled at different prices it will generally be allocated pro rata in proportion to the total assets for each account. AOCRES maintains policies and procedures which outline situations where it may be appropriate to deviate from a pro rata allocated. Such deviations are recorded and reviewed by the Advisers' Compliance team as required by the policies and procedures. Transaction costs are promptly allocated to each applicable account on a pro rata basis based upon the ratio of the amount of particular issue of securities purchased or sold in relation to the overall amount of that issue purchased or sold for all accounts in the aggregated order. AOCRES maintains policies and procedures to ensure that aggregated trades are allocated to Client accounts in a fair and equitable manner.

Item 13 – Review of Accounts

Management personnel of the Adviser will review Client portfolios no less than quarterly, and in most cases monthly. Portfolio managers review portfolios on an ongoing basis.

Prior to each trade being executed and at the end of each day, Client portfolios are continuously monitored to ensure compliance with the guidelines of the investment strategy and any trading limitations imposed by a Client. Trade monitoring is conducted primarily through the Adviser's trade order management systems and other tools.

Financial statements and reports of portfolio performance will generally be provided monthly to a Client by the Client's administrator or by the Adviser. In addition, Clients will receive account statements from their custodians. Upon request, the Adviser will provide additional analyses and written reports to Clients.

Annual audits of future Client accounts will be performed by an auditor as outlined in the relevant offering documents.

Item 14 – Client Referrals and Other Compensation

AOCRES may engage solicitors who refer investors or Clients to the Adviser consistent with the requirements under federal securities regulations. Clients whose accounts involve third-party solicitor arrangements are advised of the arrangement in writing and do not pay higher fees as a result of the arrangement.

Item 15 – Custody

AOCRES will not maintain custody of Client assets. Clients will establish a custody account with a "qualified custodian" as that term is defined under Rule 206(4)-2 of the Advisers Act of 1940. AOCRES will request that the Client receives statements from the custodian at least quarterly.

Clients should review these statements carefully and promptly notify the Adviser if they do not receive a quarterly statement from their custodian.

The Client will also receive statements from the administrator or Adviser for its account and should carefully compare the administrator's or Adviser's statement with the custody statement. Clients should contact the Adviser regarding any discrepancies between the statement they receive from the administrator and the statement from the custodian.

Item 16 – Investment Discretion

AOCRES plans to have discretionary authority over Client portfolios that it manages pursuant to the terms of the Client's investment management agreement and offering documents, as applicable. AOCRES' discretionary authority may be subject to conditions imposed by each Client (e.g., investment restrictions regarding specific securities or industries, gross or net exposure guidelines, maximum position sizes, etc.).

Prior to assuming discretionary authority over a Client's assets, AOCRES will enter into an investment management agreement with the Client which describes the terms and conditions upon which the Adviser is appointed investment adviser and granted discretionary authority.

Item 17 – Voting Client Securities

Due to the nature of AOCRES' anticipated investment strategies, routine proxy votes (such as those typically required with equity holdings) will be extremely rare. However, AOCRES will vote all proxies in the best interests of advisory clients and has established procedures to identify and resolve any conflicts of interest of the Adviser and Client. Unless instructed differently by a Client, the Adviser will generally vote in favor of routine corporate proposals such as election of directors or selection of auditors. The Adviser will generally vote against proposals such as those that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, the Adviser will consider the opinion of management and the effect on shareholder value and the issuer's business practices.

For Client accounts for which the Adviser has proxy voting authority, the Adviser will vote proxies in a manner that it believes serves the best interests of the Client. A Client may contact AOCRES with questions regarding a particular vote. In voting securities held in a Client account, AOCRES will attempt to resolve any conflict of interest between the Client and AOCRES' business interests in the way that will most benefit the Client. AOCRES maintains a detailed Proxy Voting Policy and a record of how the Adviser has voted proxies, each of which are available to Clients upon request.

Item 18 – Financial Information

Registered investment advisers are required to provide Clients with certain financial information or disclosures about the adviser's financial condition under certain circumstances. AOCRES does not require or solicit prepayment of fees six months or more in advance and is, therefore, not

required to include a balance sheet. In addition, AOCRES does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

Additional Information

Anti-Money Laundering Program

AOCRES has implemented an anti-money laundering program to prevent the funding of terrorism and money laundering activities. AOCRES will use unaffiliated third-party service providers to confirm that existing and prospective investors are checked against lists, including the Department of the Treasury's Office of Foreign Assets Control ("OFAC") list, to determine whether they appear on such lists. A Client's administrator or the Adviser will request certain information and documentation from prospective investors in order to confirm their identity. Depending on the circumstances, applicable law, rules or regulations may require or allow AOCRES to provide certain information (e.g., currency transaction reports or suspicious activity reports) to governmental agencies and may prevent AOCRES from disclosing its actions to its Clients and prospective investors.

Privacy Notification

AOCRES firmly believes that our clients are entitled to the very best service we can offer – and that includes the right to feel comfortable about the personal non-public information you share with us. We respect every individual's right to privacy. We understand the importance you place on the privacy and security of information that personally identifies you or your account information.

The Securities and Exchange Commission has implemented Regulation S-P, which relates to the privacy of consumer financial information, and has established rules in response to Section 504 of the Gramm-Leach-Bliley Act. Regulation S-P and the Gramm-Leach-Bliley Act limit investment companies, broker-dealers, and registered investment advisers in their disclosure of consumers' and customers' nonpublic personal information. Regulation S-P also requires that financial institutions provide privacy notices in various instances and to adopt policies and procedures to protect the personal information of its customers. This statement describes our firm's privacy policy and how we handle your personal information. This policy applies to former, current, and prospective customers.

This notice is intended to tell you where we obtain information about you, how we use that information and who has access to the information. This notice applies to and includes all subsidiaries, parent or sister companies, limited liability companies, partnerships, or other entities controlling, controlled by, or under common control with AOCRES.

Why and How We Collect Personal Information. We are required by guidelines of our industry to obtain personal information about you while providing investment solutions to you. We use this information to manage your account, direct transactions, and provide you with valuable information. We may collect this information mainly from documents you provide to us through

forms, personal interaction, and contract negotiations. The information includes your name, address, telephone number, social security number, transactional and financial information, as well as other personal nonpublic information we may need to service your account. In addition, we may access or generate information to service your account, such as account statements and portfolio holdings. Finally, we may receive information from third parties with respect to your account, such as accounts you may have with other financial institutions.

How We Protect the Confidentiality of Your Personal Information. AOCRES does not provide, for sale or otherwise, personal information about you to outside firms, organizations, or individuals except as required by law or as requested by you. During regular business, AOCRES may share relevant information with regulators, financial institutions and other service providers that support our service of your account. These companies may use this information only for the services for which we hire them and are not permitted to use or share this information for any other purpose. There are times when we may distribute information about your account to regulators, financial institutions, and service providers electronically which may include transmitting information via email or by other means over unsecure networks.

We use your personal information in ways that are compatible with the purposes for which we originally requested it. For example, we will use the information you give us to process your requests for transactions, to meet regulatory requirements, to provide you with additional information about products and services, or to share information with you about your account. We may also be required to share information by law due to a subpoena, court order, or regulatory requirements. At all times, we will limit the collection and use of personal information to that which is necessary to administer our business and to deliver the best possible service to you.

AOCRES restricts access to nonpublic personal information about our customers to employees who need to know such information in order to provide products or services to you. We maintain strict safeguards – physical, electronic, and procedural – designed to protect your personal information and comply with federal standards. If you decide to close your account(s) or become an inactive customer, we will continue to adhere to the privacy policies and practices as described in this notice.

We are Committed to Protecting Your Privacy. AOCRES and its affiliates have built a reputation for integrity and professionalism among our clients. We value the confidence and trust you have placed in us and strive to protect that trust. We value your business and are committed to giving you the best possible service. If you have questions regarding our customer privacy policy, or any aspect of service we provide, please contact us at (404) 953-4900.

Business Continuity Plan Summary Statement

AOCRES has developed a Business Continuity Plan to be able to continue conducting business in the event of a significant business disruption or disaster. As the timing and frequency of disasters and disruptions are both unpredictable, we will exercise flexibility in responding to actual events as they occur. This Summary Disclosure Statement provides a summary detail of AOCRES' risk mitigation strategy in the event of an interruption to its daily conduct of business.

AOCRES' Business Continuity Plan is aimed at responding to a significant business disruption by protecting its employees and assets, assessing its financial and operational capability, and rapidly instituting recovery measures to resume operations – and therefore allowing our customers to conduct business as soon as possible – while protecting the firm's books and records. The plan is intended to comply with regulatory requirements and sound business practices.

Our Business Continuity Plan anticipates two kinds of potential disruptions, internal and external. Internal disruptions affect only our firm's ability to communicate and do business, such as a disastrous event that would occur within our business premises. External disruptions prevent the operation of the securities markets for many firms, such as a terrorist attack, or a wide-scale, regional disruption. Our response to an external disruption relies more heavily on other organizations and systems, and other entities with which we have agreements.

In the event of a business disruption, either external or internal, AOCRES will begin immediately communicating relevant information to our clients, investors, employees, critical business constituents, banks, counterparties, and regulators. The communication options we will employ may include telephone, fax, email, overnight courier, U.S. postal mail service, and our website.

All mission-critical systems are backed up daily and a copy is stored offsite. Mission-critical systems are defined by AOCRES accordingly in the Business Continuity Plan. In the event of a significant business disruption, these backups will be obtained and restored as quickly as possible.

Despite our efforts to create an ideal response plan, and therefore be able to address a significant business disruption with a greater degree of preparation, we acknowledge the unpredictable nature of disasters and the impossibility of anticipating every possible catastrophic scenario. We are confident that our measures will allow us to continue conducting business with minimum impact to our clients and business partners; however, the possibility of an adverse effect to our operations by a third-party's inability to cope with a disruption beyond our knowledge or control cannot be totally disregarded.

Our firm does not maintain custody of customers' funds or securities. In the event of an internal or external disruption, if telephone service is available, our staff will respond to customer inquiries via telephone; and if our Internet access is available, our firm will post on our website a notice that customers may access their account information or inquire about their account by contacting us at a provided phone number. We will take steps to ensure that customers always have access to their funds and securities as described in the investment funds' offering documents.

To obtain a full copy of the Business Continuity Plan, please contact AOCRES at (888) 685-2915.

Cybersecurity Risk

With the increased use of technologies such as the internet to conduct business, AOCRES is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events.

Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

Cyber incidents affecting AOCRES or its service providers have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with trading, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a portfolio invests, counterparties with which AOCRES engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for AOCRES’ Client and other parties). In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

AOCRES maintains a cybersecurity incident response plan designed to provide a quick, organized and effective response to computer-related and physical breach incidents. The incident response plan’s mission is to prevent a serious loss of information, information assets, property, and customer confidence by providing an immediate, effective and informed response to any event involving AOCRES’ information systems, networks or workplace.

While AOCRES and its critical service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, AOCRES cannot control the cybersecurity plans and systems put in place by its service providers or any other third parties whose operations may affect AOCRES or its Clients. AOCRES and its Clients could be negatively impacted as a result.

Class Action Lawsuits

From time to time, AOCRES may receive notification of class action lawsuits wherein a Client may have a claim of monetary relief. Although the Adviser does not actively seek out such notifications, the Adviser sometimes receives instructions for making claims in such lawsuits’ settlements. The Adviser will notify its existing clients regarding the existence of potential class

action claims when all of the following criteria have been met: (i) the Adviser receives notification of the class action lawsuit; (ii) the class has been certified; (iii) a monetary settlement has been reached in the lawsuit and approved by the Court; and (iv) the settlement involves an existing Client of the Adviser. In these cases, the Adviser will notify the appropriate party representing the Client. The Adviser does not make claims on behalf of its Clients.