2Q17 **Commentary**

# Long/Short Commodities Strategy Fund

LoCORR FUNDS
SEEKING A **BETTER** WAY TO DIVERSIFY

**June 30, 2017**

## Second Quarter Commentary

### Market Commentary

Commodity prices generally declined during the quarter as evidenced by the -5.46% return for the S&P GSCI. Energy markets were weak as prices for oil and natural gas declined. West Texas Intermediate ("WTI") crude, a proxy for oil, declined from a high of approximately $54 per barrel to an intra-quarter low near $42 per barrel as concerns regarding U.S. shale production and Organization of the Petroleum Exporting Countries (OPEC) adherence to its production cuts that were extended to Q1 2018 persisted. Despite the negative sentiment for much of the quarter, oil staged a sharp reversal during the final week in June, rallying sharply as over-supply concerns eased following a drop in U.S. oil production.

Base and Precious Metals commodity prices fell during the quarter. In Base Metals, copper experienced a small gain, but nickel, aluminum, lead, and zinc declined as uncertainty regarding Chinese economic growth and a lack of progress on President Trump's pro-infrastructure political agenda contributed to a pullback following last year's strong gains. In Precious Metals, gold prices fell slightly while silver declined more precipitously following a strong first quarter.

Agricultural Commodities were mixed during the quarter. Grain prices were generally higher as drought conditions in parts of the nations mid-west and a bullish crop progress report caused a sizable rally in grain markets in late June led by a 20%+ surge in wheat prices. Livestock prices were particularly strong as lean hog prices and, to a lesser extent, cattle prices rallied due to strong demand. Soft Commodities, led by a nearly -20% fall in sugar prices, experienced sharp declines during the quarter. Other Softs including coffee, cotton, and cocoa were also weak.

*Continued on reverse side ...*

## Average Annual Total Returns

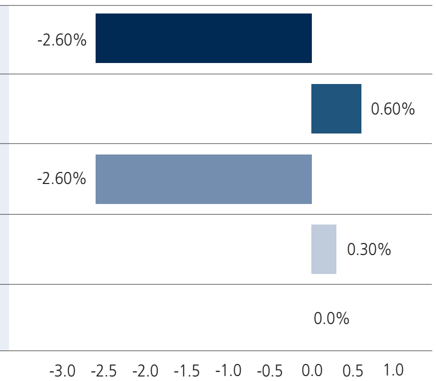
As of June 30, 2017

| | 2Q17 | YTD | 1 Year | 3 Year | 5 Year | Since Inc* |
|---|---|---|---|---|---|---|
| Class A - LCSAX without Load | -4.31% | -3.05% | -9.93% | 8.31% | 2.66% | 1.36% |
| Class A - LCSAX with Load | -9.84% | -8.63% | -15.11% | 6.18% | 1.44% | 0.28% |
| Class C - LCSCX without Load | -4.53% | -3.46% | -10.52% | 7.44% | 1.88% | 0.55% |
| Class C - LCSCX with Load | -5.48% | -4.43% | -10.52% | 7.44% | 1.88% | 0.55% |
| Class I - LCSIX | -4.27% | -2.92% | -9.58% | 8.56% | 2.90% | 1.60% |
| S&P 500 Index | 3.09% | 9.34% | 17.90% | 9.61% | 14.63% | 15.09% |
| Morningstar L/S Comm Index | 0.21% | -7.51% | -11.16% | -5.54% | -4.65% | -4.65% |

## Exposure and Attribution by Sector

As of 6/30/17 (subject to change)

| Sector | Position | Performance Attribution (Second Quarter 2017) |
|---|---|---|
| Energy | Short | -2.60% |
| Metals | Long | 0.60% |
| Grains | Short | -2.60% |
| Livestock | Long | 0.30% |
| Softs | Short | 0.0% |




**As of January 1, 2012 (the Fund commenced operations on January 3, 2012). The Fund's gross expense ratio is 2.73% for Class A; 3.48% for Class C; and 2.48% for Class I. The Fund's total annual fund operation expenses after fee waiver is 2.71% for Class A; 3.46% for Class C; and 2.46% for Class I. The Fund's expense ratio (exclusive of any Rule 12b-1 distribution and/or servicing fees, taxes, interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, indirect expenses, expenses of other investment companies in which the Fund may invest, or extraordinary expenses such as litigation and inclusive of organizational cost incurred prior to the commencement of operations) is 2.20% for Class A; 2.95% for Class C; and 1.95% for Class I, net of contractual fee waiver through April 30, 2018. Net expense ratios are as of a Fund's most recent prospectus and were applicable to investors.*

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 952.513.8195. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Performance data shown with load for Class A shares reflects a 5.75% sales load and for Class C shares reflects a 1.00% CDSC. Performance data shown without the load does not reflect the current maximum sales charges for Class A shares (up to 5.75% front-end) and Class C shares (1.00% CDSC). Had the sales charge been included, the Fund's returns would be lower.*

*Commentary continued.*

**Performance Overview**

LoCorr Long/Short Commodities Strategy Fund Class I share (the "Fund") declined -4.27% in the second quarter, trailing the +3.09% gain for the S&P 500 Index, but ahead of the long-only broader commodity complex as represented by the S&P GSCI Index which fell -5.46%. During the quarter, the portfolios for both underlying managers, J E Moody and Millburn Ridgefield Corporation, had negative returns due primarily to softness during April and May. Overall, directional trading in commodities drove the negative returns while relative value trading in calendar spreads was neutral.

Trading in Metals and Livestock contributed positively to the Fund's results during the quarter. In Metals, directional trading was profitable as short positions benefitted from declining prices, particularly in the silver market during April. In Livestock, gains from calendar spread trading more than offset small losses from directional trading.

Positions in the Energy and Grain markets were the largest detractors during the quarter. In Energy, losses from directional trading in Energy more than offset gains from calendar spread trading. While Energy prices fell during the quarter, there were several sizable reversals that caused directional positioning to shift between long and short at inopportune times. The rally in oil prices at the end of June, due to a shift in sentiment as over-supply concerns eased, was particularly difficult for the Fund as it was positioned short. In the Grain markets, directional and, to a lesser extent, calendar spread trading, had losses for the quarter. The largest losses in the Grain market came from short positions in wheat, which spiked at the end of June on weather-related concerns with the crop while smaller losses were also seen in corn and soybean trading.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Opinions expressed are subject to change at any time, are not guaranteed, and should not be considered investment advise.

**S&P 500 Total Return Index** is a capitalization-weighted unmanaged benchmark index that includes the stocks of 500 large capitalization companies in major industries. This total return index includes net dividends and is calculated by adding an indexed dividend return to the index price change for a given period. **Morningstar Long/Short Commodity Index** is a fully collateralized commodity futures index that uses the momentum rule to determine if each commodity is held long, short, or flat. One cannot invest directly in an index. **S&P GSCI Commodity Index** is a composite index of commodity sector returns which represents a broadly diversified, unleveraged, long-only position in commodity futures. Index returns as of 6/30/17 were -9.01% 1-Year, -13.70% 5-Year, -9.67% 10-Year, -13.72% since Fund inception (1/1/2012). **Calendar Spread** the simultaneous purchase and sale of separate futures contracts for the same commodity for delivery in different months. **Spread Trading** is the simultaneous purchase of one security and sale of a related security, called legs, as a unit.

[1]LoCorr also holds cash, cash equivalents and fixed income securities, which are excluded from the Managed Futures Strategy allocation shown above.

Performance data for the Class A Shares does not reflect the 1.00% CDSC, which only applies to no-load transactions of $1 million or greater.

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund and may be obtained by calling 952.513.8195 or by visiting www.LoCorrFunds.com. Read carefully before investing.*

**Mutual fund investing involves risk. Principal loss is possible. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to an individual investment's volatility than a diversified fund. The Fund invests in foreign investments which involve greater volatility and political, economic and currency risks and differences in accounting methods. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investing in commodities may subject the Fund to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The Fund will incur a loss as a result of a short position if the price of the short position instrument increases in value between the date of the short position sale and the date on which an offsetting position is purchased. The Fund may invest in derivative securities, which derive their performance from the performance of an underlying asset or index. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Derivative contracts ordinarily have leverage inherent in their terms which can magnify the Fund's potential for gains or losses through increased long and short position exposure. The Fund may access derivatives via a swap agreement. A risk of a swap agreement is the risk that the counterparty to the agreement will default on its obligation to pay the Fund. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset Backed, Mortgage Backed, and Collateralized Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may use leverage which may exaggerate the effect of any increase or decrease in the value of portfolio securities or the Net Asset Value of the fund, and money borrowed will be subject to interest costs.**



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