LoCORR FUNDS

SEEKING A BETTER WAY TO DIVERSIFY

Spectrum Income Fund

March 31, 2018

First Quarter Commentary

Market Commentary

Market conditions and sector-specific developments affected the portfolio both positively and negatively. The portfolio extended its year-end vitality through January, moving in line with equity markets after the Q4 passage of the U.S. Tax Reform Bill and continuing signs of general economic strength. Signs of inflation and growth expectations drove yields sharply higher, leading to the equity market momentum ending abruptly and violently as volatility returned and the equity market experienced its first 10% drawdown in two years. The Federal Reserve, led by new chair Jerome Powell, reinforced this dynamic through its maintained commitment to sustained monetary tightening. The sudden return of volatility caught a certain segment of the market unaware, as the popular "short volatility" trade was turned on its head seemingly overnight. The forced unwind of this trade exacerbated the sell-off, which was undoubtedly painful but, hopefully, cleansing. As the quarter wore on, additional fears were stoked as rhetoric surrounding a trade war with China heated up and the sanctity of user data privacy from previously bulletproof social media stocks was questioned. Although the mid cap character of the Fund's holdings led them to be somewhat sensitive to general market volatility, their fundamentals were essentially unaffected. Moreover, should trade conflicts develop, the Fund's holdings operate predominantly domestically, potentially insulating them.

One of the most challenging sectors this quarter in the pass-through space was the midstream master limited partnerships. Despite rising global oil prices and demand, increased U. S. production and exports, and signs that most members of the industry are exhibiting capital discipline, the group as measured by the Alerian MLP Index, fell -11.12% in Q1. After rallying over +10% early in January, master limited partnerships (MLPs) tumbled the rest of the quarter as volatility returned to the market. As investors combed through the fine print of the Tax Cuts and Job Act, it became unclear whether or not it was advantageous for

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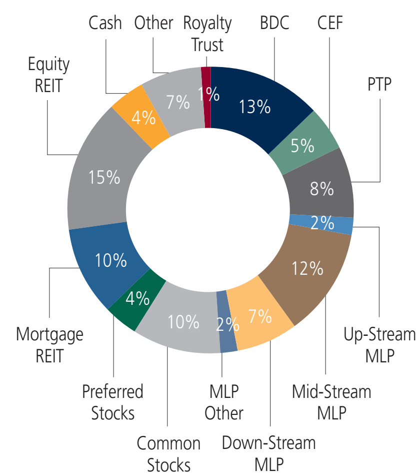
Average Annual Total Returns

As of March 31, 2018

	1Q18	YTD	1 Year	3 Year	Since Inception*
Class A - LSPAX without Load	-5.69%	-5.69%	-4.90%	-3.30%	-2.15%
Class A - LSPAX with Load	-11.11%	-11.11%	-10.33%	-5.17%	-3.51%
Class C - LSPCX without Load	-5.78%	-5.78%	-5.56%	-4.04%	-2.88%
Class C - LSPCX with Load	-6.71%	-6.71%	-5.56%	-4.04%	-2.88%
Class I - LSPIX	-5.48%	-5.48%	-4.45%	-3.02%	-1.86%
S&P 500 Index	-0.76%	-0.76%	13.99%	10.78%	11.04%
BBgBarc U.S. Agg Bond Index	-1.46%	-1.46%	1.20%	1.20%	2.61%

Spectrum Income Fund Sector Allocation

As of March 31, 2018 (Subject To Change)



January 1, 2014. The Fund's total annual fund operation expenses are 3.06% for Class A; 3.81% for Class C; and 2.81% for Class I.

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. Short term performance, in particular, is not a good indication of the funds future performance, and an investment should not be made based solely on returns. Performance data current to the most recent month end may be obtained by calling 952.513.8195. The Fund imposes a 2.00% redemption fee on shares sold within 60 days. 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. 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.

Commentary continued.

MLPs to retain their status, or whether it was better to convert into C-Corp structure. From the sub-adviser's perspective, an individual MLP unit holder's tax burden became significantly less onerous with the passage of tax reform. On March 15, the FERC announced changes to how it calculates allowable rates on certain pipeline assets, so that pipelines using the cost-of-service pricing methodology will no longer be allowed to include an allowance for income taxes when calculating rates. Despite the fact that the Fund's portfolio holdings will incur minimal to zero negative impacts from this policy shift, the group sold off as anxious investors reacted reflexively. It is the TFIP team's opinion that the impact of this ruling will be minimal and will have to be adjudicated on an individual company basis, taking years to complete. They are optimistic that this announcement serves to put in a bottom for this beleaguered sector, as the fundamental backdrop appears to be significantly improving.

Business Development Companies (BDCs), as measured by the Wells Fargo Business Development Company Index, fell -2.65% in Q1. Despite concern about the state of business credit quality, affecting sentiment for this group as lenders, default rates have not risen, the economy is strong, and the corporate sector has just received a tax cut which should bolster cash flow and credit quality. Moreover, language in the federal spending bill passed late in March allows for an increase in leverage from 1:1 total debt to equity to 2:1, with the intention of providing more growth capital for middle market businesses. TFIP believes that this is a significant net positive for the group, but the team will continue to monitor how individual BDCs plan to employ additional capital.

Equity Real Estate Investment Trusts (REITs), as measured by the MSCI US REIT Index, fell -9.08% in Q1. General REIT sector weakness can be partially attributable to concerns over the impact of rising rates. Despite initial weakness at the beginning of a rising rate cycle, REITs generally outperform during these periods as strengthening macroeconomic conditions usually lead to higher occupancy rates and rising property values. While the Fund has been generally underweight this sector in favor of more economically sensitive holdings, the portfolio continues to hold REITs which TFIP believes can perform well in the current environment.

Portfolio Commentary

LoCorr Spectrum Income Class I share (the Fund) fell-5.48% during the third quarter, trailing the -1.46% for the Bloomberg Barclay's US Aggregate Bond Index. There were several best performers in the quarter. DineEquity benefited from the execution of its turnaround strategy at its flagship IHOP and Applebee's concepts, as well as strength in the fast-casual dining sector. Icahn Enterprises posted a strong Q1 as underlying strength across the board in its portfolio companies drove a distribution increase. Macy's showed positive results, driven by continued execution in its turnaround plan, supported by strengthening consumer demand proving that brick-and-mortar retail is not dead. The worst performer was Macquarie Infrastructure, which cut its distribution in a move that took the street by surprise as management had very recently and publicly defended their distribution outlook. The problem stemmed from an abrupt loss of heavy fuel oil tank contracts; the TFIP team reduced the position accordingly. Summit Midstream reported a weaker-than-expected quarter, despite maintaining its healthy distribution. Golar LNG was negatively impacted by recontacting concerns, but TFIP remains bullish on the strong macro outlook for LNG shipping supply/demand fundamentals.

The most significant portfolio addition during the period was to a group of data center REITs which had been on TFIP's radar and sold off to valuation levels that the team found attractive, due to the twofold impact of negative rate-driven REIT sentiment and technology sector volatility driven by user data privacy concerns. Data center REITs own and manage facilities used to store data, and are a direct play on cloud computing. The other major addition to portfolio holdings was a group of asset managers which sold off in sympathy with the equity market decline. On the sell side, the sub-adviser reduced exposure to mortgage REITs and closed end fund (CEFs) partly to mitigate exposure to tightening credit spreads as well as taking profits in individual appreciated positions such as DineEquity.

Looking ahead to the balance of the year, the sub-adviser believes that we are dealing with higher interest rates and perhaps a whiff of inflation, while there does not appear to be meaningful risk of recession within a forecastable horizon. Consequently, TFIP is continuing to hold and seek investments which offer high and increasing cash flows potential and distributions in an environment of relatively strong growth. The team sees no reason why this will not be a rewarding strategy this year, perhaps significantly more so than approaches which were most successful last year.

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 advice. **Diversification is no guarantee of future returns.**

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. **Barclays Capital U.S. Aggregate Bond Index** is the most common index used to track the performance of investment grade bonds in the United States. One cannot invest directly in an index. **Alerian MLP Index** is a market-cap weighted, float-adjusted index created to provide a comprehensive benchmark for investors to track the performance of the energy MLP sector. **Wells Fargo Business Development Company Index** is a float adjusted, capitalization-weighted Index that is intended to measure the performance of all Business Development Companies that are listed on the New York Stock Exchange or NASDAQ and satisfy specified market capitalization and other eligibility requirements. **MSCI US REIT Index** is a free float market capitalization weighted index that is comprised of Equity REITs securities that belong to the MSCI US Investable Market 2500 Index. **Cash Flow** measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. A **credit spread** is the difference in yield between two bonds of similar maturity but different credit quality. For example, if the 10-year Treasury note is trading at a yield of 6% and a 10-year corporate bond is trading at a yield of 8%, the corporate bond is said to offer a 200-basis-point spread over the Treasury.

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 investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting www.LoCorrFunds.com. Read it 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 individual stock volatility than a diversified fund. The Fund invests in foreign investments and foreign currencies which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in small - and medium-capitalization companies involve additional risks such as limited liquidity and greater volatility. Investments in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund's portfolio will be significantly impacted by the performance of the real estate market generally, and the Fund may be exposed to greater risk and experience higher volatility than would a more economically diversified portfolio. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural, or technological developments. Investments in Limited Partnerships (including master limited partnerships) involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the Limited Partnership, risks related to potential conflicts of interest between the Limited Partnership and the Limited Partnership's general partner, cash flow risks, dilution risks and risks related to the general partner's limited call right. Underlying Funds are subject to management and other expenses, which will be indirectly paid by the Fund. Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments.

TFIP is the sub-adviser for the LoCorr Spectrum Income Fund.

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