

# Spectrum Income Fund

June 30, 2017

## Second Quarter Commentary

### Market Commentary

Securities markets in the second quarter were for the most part liquidity driven, as major central banks continued their broadly accommodative policies, though signs began to emerge that their largesse would not be unending. In the U.S., the Federal Reserve raised rates one more time and gave clear guidance that it would begin to unwind its balance sheet of bonds and mortgages within this year. Stocks moved gradually higher, with growth leading value and overseas markets leading domestic issues as the dollar weakened. Investment grade bonds rallied as well, as low inflation, moderate growth, and extremely low interest rates abroad served to anchor U.S. yields.

The manager continues to see fundamental strength in the deflation theme, understood as increasing economic output both at home and abroad—but without meaningful inflation in consumer price indexes, wages, or commodities. The most significant market condition affecting the portfolio was the decline in oil prices which, despite OPEC assurances of extended

production control, continued to decline through June. This weighed on the portfolio's holdings in U.S. midstream pipelines, despite the fact that they are benefiting from increasing volumes of U.S. oil and gas production, and exports as well, particularly from the Permian Basin. As this is written, the oil price and pipelines have rallied from June lows and the sub-adviser believes that stable, moderate oil prices will be sufficient to rekindle investor interest in this sector.

### Portfolio Commentary

LoCorr Spectrum Income Class I share (the "Fund") gained +0.13% during the second quarter, trailing the +1.45% return for the Bloomberg Barclay's US Aggregate Bond Index and the +3.09% return for the S&P 500. With a primary objective of generating current income, the Fund's Class I shares continued to distribute a \$.05 per month distribution during the quarter.

*Continued on reverse side ...*

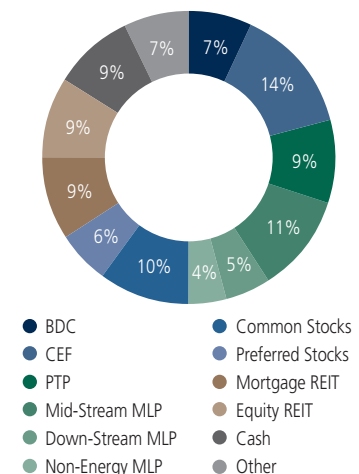
## Average Annual Total Returns

As of June 30, 2017

	2Q17	YTD	1 Year	3 Year	Since Inception*
Class A - LSPAX without Load	0.05%	2.69%	5.19%	-3.70%	-1.19%
Class A - LSPAX with Load	-5.67%	-3.22%	-0.91%	-5.58%	-2.85%
Class C - LSPCX without Load	-0.19%	2.19%	4.31%	-4.44%	-1.95%
Class C - LSPCX with Load	-1.18%	1.20%	4.31%	-4.44%	-1.95%
Class I - LSPIX	0.13%	2.85%	5.40%	-3.45%	-0.94%
S&P 500 Index	3.09%	9.34%	17.90%	9.61%	10.35%
BBgBarc U.S. Agg Bond Index	1.45%	2.27%	-0.31%	2.48%	3.26%

## Spectrum Income Fund Sector Allocation

As of June 30, 2017 (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 fund's 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.

*Commentary continued.*

With continued noninflationary growth and central banks signaling only gradual withdrawal of monetary accommodation, alternative asset managers continued to benefit from robust public markets which allow them to sell private equity investments at attractive prices. Various fixed income-related holdings such as closed end funds, business development companies, and mortgage REIT's fluctuated modestly with interest rates. Mortgage REIT's continued their first quarter strength although they corrected sharply in the quarter before resuming their upward trend, apparently in anticipation of the Fed rate hike in June. Credit sensitive holdings such as bank loan funds and BDC's, which benefit from higher rates, were quiescent during the quarter as market sentiment seemed to expect that absent inflation, previously anticipated rate hikes later in the year might be deferred. As previously noted, the weakest major group of holdings in the portfolio were midstream oil and gas pipelines, which gradually eroded into an apparent bottom in June. Holdings of renewable energy operators were strong, however.

Portfolio turnover was modest. Sales consisted of securities which had reached price targets or had disappointed on fundamentals. Profits were taken on an amusement park MLP, a nursing home operator involved in a takeover, and various mortgage REITs whose valuations reached elevated levels. Disappointments included two shippers, a BDC, a fertilizer MLP, a restaurant company, and an offshore driller. New holdings included adding to midstream pipelines on weakness; specialized MLP's outside the midstream space, an asset manager, a telco, a renewable energy operator, and a digital theater advertiser. The sub-advisers also added to mortgage REIT's on weakness.

The investment team remains optimistic about what the balance of 2017 may bring for the portfolio. The portfolio is positioned for further economic growth (but not price inflation), but remains diversified across many sectors. The manager believes valuations (and the spread between the Fund's income and that offered by traditional income-oriented strategies) remains extremely attractive.

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. **Spread** in the manager's view, the value proposition of the portfolio is extremely attractive right now because the average holding is trading far below its highs of the past three years, and the difference between the portfolio's current yield and that of traditional bond indexes is close to its highest historical levels.

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 investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting [www.LoCorrFunds.com](http://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.**

One cannot invest directly in an index.

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