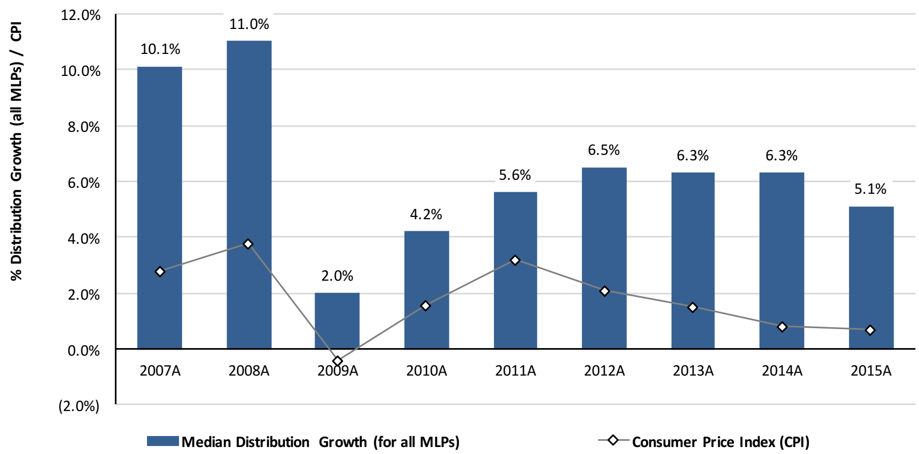
MLPs AND RISING INTEREST RATES

Master Limited Partnerships (MLPs) attempt to provide investors with attractive rates of total return that are combinations of high levels of current cash flows, future growth of those cash flows, and capital appreciation. The tax advantaged nature of cash flows[1] have also made MLPs a compelling asset class for investors seeking a potentially stable stream of cash distributions, which have historically grown in excess of inflation, and or rising interest rates, from their portfolio. While interest rates may remain "lower for longer" – eventually rates will go up and how will MLPs fare when they do?

As of September 30th, 2016 the 10-year Treasury stood at 1.60%, slightly above its historic low of 1.4% which was seen in July 2012.[2] By comparison, as of September 30th 2016, the average distribution rate on the Alerian MLP Index ("AMZ") stood at 7.10%. After the initial rate hike in December 2015, it's been a bumpy 2016 with macroeconomic events – leaving the timeframe for future rate increases uncertain. While we will not attempt to make a forecast for the future level of interest rates, it is our opinion that they will remain at low levels and rise slowly over time. In addition, rising rates are usually indicative of an improving economy, which should lead to an increased demand for the commodities for which MLPs provide transportation, treatment, and storage services. While a rise in the risk free rate may conceptually lessen the demand or attractiveness of MLPs' distribution rates, we would like to remind investors that the coupon on a Treasury and many other income producing vehicles is fixed. It will not increase over time and a continued rise in rates has historically lowered not only the current price of those securities but also the purchasing power of those cash flows. From the inception[3] of the AMZ to September 30th 2016, MLPs have actually grown, or increased their distributions at an average rate of 6.8%.[4] MLP distributions, whose growth has historically outpaced the Consumer Price Index (CPI), (Exhibit 1) are one of the primary reasons investors have long viewed MLPs and their cash flows as an attractive hedge against inflation and/ or rising interest rates.

Exhibit 1: MLP Distribution Growth vs. CPI Increases



Source: Bureau of Economic Analysis and Bureau of Labor Statistics, Alerian MLP Index
Past performance is not a guarantee of future results.

We understand the concern surrounding a potential rate increase. One doesn't need to go back too far to see a market reaction. In 2013, we do see the market reaction to a hint of potential rise in interest rates. When Ben Bernanke uttered the word "taper" on June 19th 2013, the markets jittered. Even the traditionally defensive sectors such as utilities took a hit. MLPs were not immune to the potential implications of the Federal Reserve easing up on its bond purchase program, which many believe stimulated a still-recovering U.S. economy. The market panicked, and MLPs, as represented by the AMZ, dropped during this time. The decline was less steep than those in either the broad market as measured by the S&P 500, or the utilities sector as measured by the S&P Utilities Selector Sector Index ("IXU"). The AMZ was down -0.6% at the end of the trading day versus the S&P 500 -1.4% and IXU -2.3%. Additionally, MLPs rebounded in just over one week, while it took nearly four weeks for both the S&P 500 and IXU to return to their June 18th levels. The period between June 24th and July 1st best captures the rebound as the AMZ was up +7.0% versus the S&P 500 +2.7% and IXU +1.7%. Perhaps investors shrugged off the potential rise in rates, or perhaps they re-evaluated the potential impact such a rise would have on the MLP value proposition.

Many investors seek exposure to MLPs because of their potential for steady cash distributions. Mechanically, MLPs are required to distribute a large percentage of their earnings to the limited partners in order to maintain their exclusion from taxation at the corporate level. Small levels of cash can be retained for capital expenditures and maintenance, but any material expenditure for either organic growth projects or acquisition typically must be funded by the capital markets. The need for midstream (Midstream MLPs are generally engaged in the treatment, gathering, processing, transportation, among other activities of natural gas, NGLs, crude oil, refined products or coal) infrastructure remains high, with an April 2016 report by the INGAA Foundation estimating that over $500 billion in crude, natural gas and infrastructure will be needed through 2035. Much of this investment will likely take place at the MLP level, which may in turn drive new asset development, revenue, and ultimately distribution growth to its limited partner investors. Most of these projects will require external financing in the form of both new equity and debt offerings. Down the line should interest rates rise to a more meaningful level, this external financing could concern some investors as MLPs could realize slightly less favorable financing terms, thus lessening projected profitability. This concern is fundamentally sound as the cost of debt should generally slightly increase with a rise in interest rates. Further, and we can't stress enough, not all MLPs are created equal. Some are extremely well financed and historically stable with over 90% of their debt under fixed rates and long-term maturities. Conversely, other MLPs rely solely on their floating rate revolving credit facilities, leaving them more susceptible to interest rate fluctuations. The attributes of the former are key and continue to be one of the criteria we focus on when constructing our portfolios.

The underlying contract structures and businesses of an MLP could result in further bifurcation in a rising interest rate environment. Midstream MLPs in particular, have historically produced durable, transparent and growing cash flows due to the predominantly fee based business models they employ. Such MLPs generally seek long-term contacts to transport, store, and/or treat natural resources. These contracts are mainly fee based and have little to no exposure to the underlying price of the commodity. In addition, many of these contracts have been negotiated and/or are regulated to include year-over-year price escalators. These price escalators are typically tied to CPI allowing the cash flow from existing business lines to increase each year, at a rate typically in excess of inflation. It is these escalators that have contributed to midstream MLPs' ability to sustain their distribution growth through challenging economic environments such as the financial crisis of 2008/2009. We believe these same escalators will again likely support midstream MLPs should interest rates increase in the future.

In summary, it is never certain how the markets will react to various economic inputs, especially at the end of a quantitative easing of such unprecedented scale. What we can attempt to understand is the underlying fundamentals and cash flows that ultimately drive MLP distributions. We continue to believe that MLPs with prudent balance sheets, transparent and durable cash flows, and clear avenues for distribution growth deserve favoritism. While a rise in interest rates may negatively impact the clearing price for MLPs in the short term, we remain confident that the strong backdrop of the energy infrastructure build out and continued demand for MLP services has the potential to sustain the high level of distribution growth experienced over the past several years. We believe this growth may have the ability to provide investors with a growing level of cash flows well in excess of any rise in rates.

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1. As most MLPs derive over 90% of gross income from specified natural resource activities, MLPs are not subject to tax as a corporation. Each item of an MLP's income and expense is allocated among or "passed through" to all of its individual investors or limited partners. Historically, substantially all of the distributions to individual investors have been characterized as return of capital (ROC). The ROC portion of the distribution is tax-deferred and reduces the investor's cost basis. When the investment is sold, if the result is a gain, it would then be taxable to the investor at capital gains rates
2. Bloomberg
3. Inception date of June 1st, 2006
4. Alerian MLP Index. "Guide to MLP Investing."

Before investing you should carefully consider the Center Coast MLP Focus Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus and summary prospectus, a copy of which may be obtained by calling 800-207-7108 or by visiting the Fund's website at www.libertystreetfunds.com. Please read the prospectus or summary prospectus carefully before investing.

RISK AND OTHER DISCLOSURES:

An investment in the Center Coast MLP Focus Fund is subject to risk, including the possible loss of principal amount invested and including, but not limited to, the following risks, which are more fully described in the prospectus:

- The Fund concentrates its investments in master limited partnerships (MLPs), which involve additional risks compared to those from investments in common stock, including, but not limited to, cash flow risk, tax risk, and risks associated with limited voting rights.
- Unlike most other open-end mutual funds, the Fund will be taxable as a regular corporation, or "C" corporation. Consequently, the Fund will accrue and pay federal, state and local income taxes on its taxable income, if any, at the Fund level, which will ultimately reduce the returns that the shareholder would have otherwise received. Additionally, on a daily basis the Fund's net asset value per share ("NAV") will include a deferred tax expense (which reduces the Fund's NAV) or asset (which increases the Fund's NAV, unless offset by a valuation allowance). To the extent the Fund has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The Fund's deferred tax expense or asset is based on estimates that could vary dramatically from the Fund's actual tax liability/benefit and, therefore, could have a material impact on the Fund's NAV.
- The Fund, unlike the MLPs in which it invests which are treated as partnerships for U.S. federal income tax purposes, is not a pass-through entity. Consequently, the tax characterization of the distributions paid by the Fund, such as dividend income or return of capital, may differ greatly from those of its MLP investments. An investment in the Fund does not provide the same tax benefits as a direct investment in an MLP.

- The Fund currently anticipates paying monthly cash distributions to shareholders at a rate that over time is similar to the distribution rate the Fund receives from the MLPs in which it invests, without offset for the expenses of the Fund. The Fund may maintain cash reserves, borrow or sell certain investments at less desirable prices in order to pay the expenses of the Fund. Because the Fund's distribution policy takes into consideration estimated future cash flows from its underlying holdings, and to permit the Fund to maintain a stable distribution rate, the Fund's distributions may not represent yield or investment return on the Fund's portfolio. To the extent that the distributions paid exceed the distributions the Fund has received, the distributions will reduce the Fund's net assets.
- The Fund is not required to make distributions and in the future could decide not to make such distributions or not to make distributions at a rate that over time is similar to the distribution rate it receives from the MLPs in which it invests.
- It is expected that a portion of the distributions will be considered tax deferred return of capital (ROC). ROC is tax deferred and reduces the shareholder's cost basis (until the cost basis reaches zero); and when the Fund shares are sold, if the result is a gain, it would then be taxable to the shareholder at the capital gains rate. Any portion of distributions that are not considered ROC are expected to be characterized as qualified dividends for tax purposes. Qualified dividends are taxable in the year received and do not serve to reduce the shareholder's cost basis. The portion of the Fund's distributions that may be classified as ROC is uncertain and can be materially impacted by events that are not subject to the control of the Fund's advisor or sub-advisor (e.g. mergers, acquisitions, reorganizations and other capital transactions occurring at the individual MLP level, changes in the tax characterization of distributions received from the MLP investments held by the Fund, or change in tax laws). The ROC portion may also be impacted by the Fund's strategy, which may recognize gains on its holdings. Because of these factors, the portion of the Fund's distributions that are considered ROC may vary materially from year to year. Accordingly, there is no guarantee that future distributions will maintain the same classification for tax purposes as past distributions.
- The MLPs owned by the Fund are subject to regulatory and tax risks, including but not limited to changes in current tax law which could result in MLPs being treated as corporations for U.S. federal income tax purposes or the elimination or reduction of MLPs tax deductions, which could result in a material decrease in the Fund's NAV and/or lower after-tax distributions to Fund shareholders.
- As a non-diversified fund, the Fund may focus its assets in the securities of fewer issuers, which exposes the Fund to greater market risk than if its assets were diversified among a greater number of issuers.
- Equity securities issued by MLPs may trade less frequently than larger companies due to their smaller capitalizations, which may result in erratic price movement or difficulty in buying or selling.
- A substantial portion of the MLPs within the Fund are primarily engaged in the energy sector. As a result, any negative development affecting that sector, such as regulatory, environmental, commodity pricing or extreme weather risk, will have a greater impact on the Fund than a fund that is not over-weighted in that sector.

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The Fund may not be suitable for all investors. We encourage you to read the Fund's prospectus carefully and consult with appropriate tax and financial professionals before considering an investment in the Fund.

The S&P500® Index is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks.
The Alerian MLP Index (AMZ) is a market-cap weighted, float-adjusted index which tracks the performance of the 50 most prominent energy MLPs. AMZ represents the price return.
The S&P Utilities Select Sector Index (IXU) includes companies from the following industries: electric utilities; multi-utilities; independent power producers & energy traders; and gas utilities. The companies included in each Select Sector Index are selected on the basis of general industry classification from a universe of companies defined by the Standard & Poor's 500 Composite Stock® Index ("S&P 500®"). One cannot invest directly in an index.

This material is not an offer or a solicitation of an offer to buy shares in any fund or security to any person in any jurisdiction in which such offer, solicitation, purchase, or sale would be unlawful under the securities laws of such jurisdiction. Furthermore, the Center Coast MLP Focus Fund is not available for sale outside of the United States. The views in this material are intended to assist readers in understanding certain investment methodology and do not constitute investment or tax advice. The views in this material were those of the Fund's sub-advisor as of the date of publication and may not reflect its view on the date this material is first disseminated or any time thereafter.

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

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