# RiverNorth Core Opportunity Fund Class R: RNCOX Class I:RNCIX

FUND UPDATE

RIVERNORTH®

As of 12.31.2019

## Investment Objective

**The Fund seeks to provide investors with long-term capital appreciation and income.**

RiverNorth allocates the Fund's assets primarily among closed-end funds (CEF) and exchange-traded funds.

| RISK / RETURN MEASURES[1,2] | RNCOX | S&P 500[3] | BARCLAYS AGG.[3] | CATEGORY[3] |
|---|---|---|---|---|
| Standard Deviation | 12.6% | 14.6% | 3.2% | 9.9% |
| Sharpe Ratio | 0.6 | 0.5 | 1.0 | 0.4 |
| Sortino Ratio | 0.9 | 0.9 | 1.9 | 0.7 |
| R-Squared | --- | 75.7 | 1.5 | 85.7 |
| Alpha | --- | 1.0 | 5.8 | 2.0 |
| Beta | --- | 0.8 | 0.5 | 1.2 |
| Upside Capture | --- | 78.7% | 138.1% | 123.0% |
| Downside Capture | --- | 73.9% | 63.8% | 109.8% |

*Source: RiverNorth, Morningstar, Inc.*
*Risk/Return Measures based on first day of the month following the Fund's inception date.*

| PORTFOLIO STATISTICS | RNCIX | RNCOX |
|---|---|---|
| 30 Day SEC Yield* | 4.65% | 4.41% |
| Average CEF Discount** | -9.6% | |

| INVESTMENT VEHICLE ALLOCATION | |
|---|---|
| Closed-End Funds | 68% |
| Exchange-Traded Funds (ETF) | 18% |
| Cash & Cash Equivalents | 7% |
| Special Purpose Acquisition Companies (SPAC) | 5% |
| Investment Company Bonds | 2% |
| Business Development Companies (BDC) | 2% |

*This allocation does not add up to 100% as it reflects the estimated leverage utilized by the underlying funds. Portfolio detail statistics are estimates made by the adviser and subject to change.*

| TOP TEN HOLDINGS^ (% OF NET ASSETS) | |
|---|---|
| SPDR® S&P 500® ETF Trust | 8.65% |
| Aberdeen Total Dynamic Dividend Fund | 6.55% |
| AllianzGI NFJ Dividend Interest & Premium Strategy Fund | 6.47% |
| Invesco FTSE RAFI US 1000 Portfolio | 6.44% |
| State Street Institutional Treasury Money Market Fund | 5.02% |
| Nuveen Mortgage Opportunity Term Fund | 3.89% |
| Sprott Focus Trust, Inc. | 3.58% |
| Templeton Global Income Fund | 3.42% |
| Western Asset High Income Opportunity Fund, Inc | 3.41% |
| Invesco FTSE RAFI Emerging Markets Portfolio | 3.35% |

*^Data as of September 30, 2019 Schedule of Investments (Unaudited) filed with the SEC. Holdings are subject to change.*

** 30-Day SEC Yield: The yield figure reflects the dividends and interest earned during the period, after the deduction of the Fund's expenses.*

*The Fund pays periodic distributions consisting of dividend income, return of capital, and capital gains. However, the tax characteristics of these distributions cannot be fully determined until after the end of year when the Fund's underlying investments designate or reclassify the composition of their payments. In the interim, the Fund estimates return of capital rates based on the previous year's distribution. As a result, a portion of the quoted SEC Yield may consist of an estimated amount of return of capital.*

*** The price at which a closed-end fund trades often varies from its net asset value (NAV). Some funds have market prices below their NAVs - referred to as a discount. Conversely, Some funds have market prices above their NAVs - referred to as a premium.*

## Closed-End Fund Review

- The average CEF discount was 3.75% at year-end. Although most CEFs are trading well, many non-US equity and high yield credit funds are trading near double digit discounts.
- Nine new closed-end funds went public in 2019. The average raise per deal was $528 million, the highest since 2013. Investment managers have been absorbing most, if not all, of the upfront fees and expenses associated with CEF initial public offerings (IPOs). The elimination of the fee burden to IPO investors has strengthened the primary market.
- Tax-loss selling was not impactful to the overall CEF market in 2019. However, there were fireworks in the master limited partnership (MLP) fund sector. Volume, price and discount volatility for MLP funds were extremely high. We believe there was also selling pressure in the bank loan fund sector, but the impact was far less pronounced. Worth noting, both MLP and bank loan CEFs rallied in December, after weakness in October and November.
- Some of the best trading opportunities in the quarter stemmed from the annual rebalance of an influential CEF index. There was high volume and significant discount movement on about 30 closed-end funds.
- Looking forward, we believe discounts can narrow further because investors are hungry for yield. The average distribution yield*** in the CEF market is now 6.70%.

## Manager Commentary

The RiverNorth Core Opportunity Fund (the "Fund") underperformed its benchmark, the S&P 500 Index, during the fourth quarter of 2019, although all sectors ultimately exhibited positive performance for the quarter.

As of December 31, 2019, 68% of Fund assets were invested in closed-end funds with an average discount of -9.6%. This compares to 65% closed-end fund exposure with an average discount of -9.1% at the end of the third quarter. Total fund vehicle allocation was as follows: 68% CEFs, 18% ETFs, 7% Cash & Cash Equivalents, 5% SPACs, 2% Investment Company Bonds, and 2% BDCs.

At quarter-end, Fund asset class allocation was 41% Domestic Equity, 35% Fixed Income, 21% International Equity, 9% Cash & Cash Equivalents, 5% SPACs, 3% BDCs, and 2% Investment Co. Bonds.

****Total distribution yield is calculated by taking the last declared distribution (including all elements: income, capital gains and return of capital), then annualizing the amount (i.e. multiplying by 4 for a quarterly paying fund; by 12 for a monthly paying fund). The total distribution amount is then divided by the current share price and multiplied by 100 to arrive at a percentage figure. Year-end "special" distributions are excluded i.e., the yields are based on recurring distributions only.*

## Portfolio Management

Patrick Galley, CFA

Industry start date: 1997
Start date with Fund: Inception[2]

Steve O'Neill, CFA

Industry start date: 2002
Start date with Fund: May 2007

| PERFORMANCE^ *(Net of fees)* | QTR | YTD | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR | SINCE INCEPTION RNCIX (8/11/14) | SINCE INCEPTION RNCOX (12/27/06) |
|---|---|---|---|---|---|---|---|---|
| RNCIX | 6.53% | 22.47% | 22.47% | 9.95% | 7.10% | --- | 6.70% | --- |
| RNCOX | 6.45% | 22.13% | 22.13% | 9.68% | 6.85% | 8.44% | --- | 7.81% |
| S&P 500[3] | 9.07% | 31.49% | 31.49% | 15.27% | 11.70% | 13.56% | 12.24% | 8.75% |
| BARCLAYS AGG.[3] | 0.18% | 8.72% | 8.72% | 4.03% | 3.05% | 3.75% | 3.15% | 4.26% |
| CATEGORY[3] | 5.06% | 18.89% | 18.89% | 8.21% | 5.93% | 7.39% | 5.84% | 5.13% |

| ANNUAL RETURNS *(Net of fees)* | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| RNCOX | 9.67% | -27.55% | 48.91% | 17.50% | -2.18% | 14.57% | 15.39% | 6.28% | -5.89% | 12.17% | 17.76% | -8.27% | 22.13% |
| S&P 500[3] | 5.49% | -37.00% | 26.46% | 15.06% | 2.11% | 16.00% | 32.39% | 13.69% | 1.38% | 11.96% | 21.83% | -4.38% | 31.49% |
| BARCLAYS AGG.[3] | 6.97% | 5.24% | 5.93% | 6.54% | 7.84% | 4.21% | -2.02% | 5.97% | 0.55% | 2.65% | 3.54% | 0.01% | 8.72% |
| CATEGORY[3] | 5.99% | -28.00% | 24.13% | 11.83% | -0.11% | 11.72% | 16.48% | 6.21% | -1.93% | 7.34% | 13.21% | -5.86% | 18.89% |

*^Periods greater than one year are annualized.*
*Performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. You can obtain performance data current to the most recent month end by calling (888) 848-7569 or by visiting rivernorth.com. Total return measures net investment income and capital gain or loss from portfolio investments. All performance shown assumes reinvestment of dividends and capital gains distributions.*

The expense ratio as disclosed in the Fund's annual report dated 9.30.2019 is 1.22% (RNCIX) and 1.48% (RNCOX), which only includes the direct expenses paid by shareholders from their investment. As disclosed in the prospectus dated 1.28.2019 the management fee is 1.00%, the total expense ratio is 2.30% (RNCIX) and 2.54% (RNCOX), which is required to include the indirect expenses of investing in underlying funds.

## Fund Risks

*More detailed information regarding these risks can be found in the Fund's prospectus.*

**Borrowing Risk** – borrowings increase fund expenses and are subject to repayment, possibly at inopportune times. **Closed-End Fund Risk** – closed-end funds are exchange traded, may trade at a discount to their net asset values and may deploy leverage. **Derivatives Risk** – derivatives are subject to counterparty risk. **Equity Risk** – equity securities may experience volatility and the value of equity securities may move in opposite directions from each other and from other equity markets generally. **Convertible Security Risk** – the market value of convertible securities adjusts with interest rates and the value of the underlying stock. **Exchange Traded Note Risk** – exchange traded notes represent unsecured debt of the issuer and may be influenced by interest rates, credit ratings of the issuer or changes in value of the reference index. **Fixed Income Risk** – the market value of fixed income securities adjusts with interest rates and the securities are subject to issuer default. **Foreign/Emerging Market Risk** – foreign securities may be subject to inefficient or volatile markets, different regulatory regimes or different tax policies. These risks may be enhanced in emerging markets. **Investment Style Risk** – investment strategies may come in and out of favor with investors and may underperform or outperform at times. **Management Risk** – there is no guarantee that the adviser's investment decisions will produce the desired results. **Large Shareholder Purchase and Redemption Risk** – The Fund may experience adverse effects when certain large shareholders purchase or redeem large amounts of shares of the Fund. **Market Risk** – economic conditions, interest rates and political events may affect the securities markets. **Preferred Stock Risk** – preferred stocks generally pay dividends, but may be less liquid than common stocks, have less priority than debt instruments and may be subject to redemption by the issuer. **REIT Risk** – the value of REITs changes with the value of the underlying properties and changes in interest rates and are subject to additional fees. **Security Risk** – The value of the Fund may decrease in response to the activities and financial prospects of individual securities in the Fund's portfolio. **Short Sale Risk** – short positions are speculative, are subject to transaction costs and are riskier than long positions in securities. **Small-Cap Risk** – small-cap companies are more susceptible to failure, are often thinly traded and have more volatile stock prices. **Structured Notes Risk** – because of the imbedded derivative feature, structured notes are subject to more risk than investing in a simple note or bond. **Swap Risk** – swap agreements are subject to counterparty default risk and may not perform as intended. **Tax Risk** – new federal or state governmental action could adversely affect the tax-exempt status of securities held by the Fund, resulting in higher tax liability for shareholders and potentially hurting Fund performance as well. **Underlying Fund Risk** – underlying funds have additional fees, may utilize leverage, may not correlate to an intended index and may trade at a discount to their net asset values.

*Past performance is no guarantee of future results. Diversification does not ensure a profit or a guarantee against loss.*

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[1] *Alpha, Beta, R-Squared, Standard Deviation and Sharpe Ratio are since inception statistics benchmarked against the S&P 500 Index based on monthly total returns. Alpha is a measure of performance on a risk-adjusted basis. The excess return of a fund relative to the return of the benchmark index is a fund's alpha. Beta reflects the sensitivity of a fund's return to fluctuations in the market index. A beta of 0.5 reflects half of the market's volatility as represented by the Fund's primary benchmark, while a beta of 2.0 reflects twice the volatility. R-squared is a statistical measure that represents the percentage of a fund's or security's movements that can be explained by movements in a benchmark index. Standard deviation is a measure of the dispersion of a set of data from its mean. For a fund, it is a measure of the volatility of a fund's returns, and it is used by investors as a gauge for the amount of expected volatility. The Sharpe Ratio is calculated by subtracting the current 90 day T-Bill rate from the rate of return of the portfolio and dividing the result by the standard deviation of the portfolio returns. It is a measure of risk-adjusted performance. The Sortino Ratio is the excess return over the risk-free rate divided by the downside semi-variance, and so it measures the return to "bad" volatility. An important benefit of this measure is that it offers an indication of both the likelihood of failing to achieve the target return and also the consequences of the shortfall. Upside Capture measures a manager's performance in up markets relative to the named index itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return. Downside Capture measures a manager's performance in down markets as defined by the named index. A down-market is defined as those periods (months or quarters) in which the named index return is less than 0. In essence, it tells you what percentage of the down market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the down-market and therefore underperformed the market on the downside.*

[2] *Since Inception date of the Fund: 12.27.2006 (RNCOX); 8.11.2014 (RNCIX).*

[3] *S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy based on the changing aggregate market value of these 500 stocks. The Bloomberg Barclays Capital U.S. Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. The Morningstar U.S. Fund Allocation Category - 50% to 70% Equity Funds in allocation categories seek to provide both income and capital appreciation by investing in multiple asset classes, including stocks, bonds, and cash. These portfolios are dominated by domestic holdings and have equity exposures between 50% and 70%. Indexes cannot be invested in directly and do not reflect fees and expenses.*

***Investors should consider the investment objective, management fees, risks, charges and expenses of the Fund carefully before investing. The Prospectus contains this and other information about the Fund. For a current Prospectus, call toll-free 888.848.7569 or visit rivernorth.com. Please read the Prospectus carefully before you invest.***

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