

Closed-end fund (CEF) performance was relatively flat in Q3. The Morningstar All CEFs Peer Group Index returned -0.55% and -1.15% for the quarter on net asset value (NAV) and market price, respectively. RSF (the “Fund”) returned 2.45% and -1.25% on NAV and market price, respectively, compared to the Bloomberg Barclays US Aggregate Bond Index total return of 0.05%.

	1 Month	3Q21	YTD	1 YR [^]	3YR [^]	5YR [^]	Since Inception ^{**}
RiverNorth Specialty Finance Corporation (NAV)	0.66%	2.45%	17.91%	27.55%	6.07%	5.31%	5.33%
RiverNorth Specialty Finance Corporation (Price)	-1.22%	-1.25%	24.53%	43.22%	5.35%	4.88%	4.91%
Bloomberg Barclays US Aggregate Bond Index ¹	-0.87%	0.05%	-1.55%	-0.90%	5.36%	2.94%	2.96%
Bloomberg Barclays US High Yield Corporate Index ¹	-0.01%	0.89%	4.53%	11.28%	6.91%	6.52%	6.59%
S&P/LSTA Leveraged Loan Index ¹	0.63%	0.98%	3.17%	6.66%	3.93%	4.26%	4.29%

[^] Periods greater than one year are annualized.

^{*} 9.22.2016.

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 (844) 569-4750 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 Fund continues to opportunistically allocate its assets to four primary asset classes: investment company debt (ICD), CEFs (including business development companies, BDCs), special purpose acquisition corporations (SPACs), and marketplace lending-related assets. This latter group consists mainly of small business whole loans. The Fund also took advantage of the significant drawdown in Bitcoin earlier in the year to take a small position in a bitcoin trust, as it traded down to a discount to its NAV.

The Fund’s ICD exposure (debt securities issued by BDCs and CEFs that are used to lever their portfolios) is the Fund’s largest holding, at 34%. Even though ICD yields have come in considerably since March 2020, in our view this paper offers attractive yields relative to investment-grade corporate debt with the potential for a lower probability of loss from default.

The small business loan portfolio (29% of the Fund’s holdings), which consists of merchant cash advance loans originated by Square Capital, continues to perform well. As a reminder, these assets are repaid based on a percentage of each merchant’s daily revenue with an expected maturity of roughly nine months, on average, at inception. As business activity has continued to increase post-lockdowns, this has been reflected in an uptick in merchant revenue and has been a positive contributor to the portfolio’s performance.

The SPAC allocation inched up from 13% to 14% of Fund assets. We continue to view the SPAC portfolio as contributing an attractive, asymmetric return profile to the overall Fund.

The CEF/BDC portion of the Fund (16% of Fund assets) is essentially a value play on a diversified credit portfolio. The average discount of the CEF/BDC portfolio widened ~ 2.29% from 3.05% to 5.34% over the quarter. While CEFs continue their exceptionally strong performance from the March 2020 lows, we believe that discounts at current levels, combined with strong positive sentiment, create an attractive relative value environment (i.e., relative to owning similar underlying assets in a different “wrapper,” such as an open-end mutual fund or exchange-traded fund (ETF)).

Risk Information: See the prospectus for a more detailed description of Fund risks. Investing involves risk.

As The profitability of specialty finance and other financial companies is largely dependent upon the availability and cost of capital funds, and may fluctuate significantly in response to changes in interest rates, as well as changes in general economic conditions If the borrower of Alternative Credit (as defined below) in which the Fund invests is unable to make its payments on a loan, the Fund may be greatly limited in its ability to recover any outstanding principal and interest under such loan, as (among other reasons) the Fund may not have direct recourse against the borrower or may otherwise be limited in its ability to directly enforce its rights under the loan, whether through the borrower or the platform through which such loan was originated, the loan may be unsecured or under collateralized, and/or it may be impracticable to commence a legal proceeding against the defaulting borrower. Substantially all of the Alternative Credit in which the Fund invests will not be guaranteed or insured by a third party. In addition, the Alternative Credit Instruments in which the Fund may invest will not be backed by any governmental authority. Prospective borrowers supply a variety of information regarding the purpose of the loan, income, occupation and employment status (as applicable) to the lending platforms. As a general matter, platforms do not verify the majority of this information, which may be incomplete, inaccurate, false or misleading. Prospective borrowers may misrepresent any of the information they provide to the platforms, including their intentions for the use of the loan proceeds.

Alternative Credit Instruments are generally not rated by the nationally recognized statistical rating organizations (“NRSROs”). Such unrated instruments, however, are considered to be comparable in quality to securities falling into any of the ratings categories used by such NRSROs to classify “junk” bonds (i.e., below investment grade securities). Accordingly, the Fund’s unrated Alternative Credit Instrument investments constitute highly risky and speculative investments similar to investments in “junk” bonds, notwithstanding that the Fund is not permitted to invest in loans that are of subprime quality at the time of investment. Although the Fund is not permitted to invest in loans that are of subprime quality at the time of investment, an investment in the Fund’s Shares should be considered speculative and involving a high degree of risk, including the risk of loss of investment. There can be no assurance that payments due on underlying loans, including Alternative Credit, will be made.

The Fund is a closed-end fund and closed-end funds do not continuously issue shares for sale as open-end mutual funds do. The Fund now trades in the secondary market. Investors wishing to buy shares need to place orders through an intermediary or broker. The share price of a closed-end fund is based on the market’s value.

The Fund is classified as non-diversified, which means the Fund may invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. Investment in securities of a limited number of issuers exposes the Fund to greater market risk and potential losses than if its assets were diversified among the securities of a greater number of issuers.

Definitions:

A Closed-End Fund is a portfolio of pooled assets that raises a fixed amount of capital through an initial public offering (IPO) and then lists shares for trade on a stock exchange.

Investment Company (ICD) are non-equity securities. Notes typically obligate issuers to repay creditor the principal loan, in addition to any interest payments, at a predetermined date.

A Business Development Company (BDC) is an organization that invests in small- and medium-sized companies as well as distressed companies. A BDC helps the small- and medium-sized firms grow in the initial stages of their development.

A Special Purpose Acquisition Company (SPAC) is a publicly traded company that raises a blind pool capital through an initial public offering (IPO) for the purpose of acquiring an existing company.

Bitcoin Trusts hold digital currency, allowing investors to trade shares through brokerage or retirement accounts, rather than cryptocurrency exchanges.

Risk-Adjusted Return – a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it.

Asymmetric Risk-Adjusted Return is a situation where the potential gains and losses from an investment are uneven. An asymmetrical risk reward situation can be both positive and negative. A positive one is where you can only lose an amount that is smaller than the potential reward. A negative risk reward situation is one where you can lose more than the potential positive reward.

An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance.

Cash-like return refers to an asset that is so easily and quickly convertible to cash that holding it is essentially equivalent to holding cash.

¹ 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 Bloomberg Barclays U.S. Corporate High Yield Index is an unmanaged, U.S. dollar–denominated, nonconvertible, non-investment-grade debt index. The S&P/LSTA Leveraged Loan Index is an unmanaged index of the institutional leveraged loan market. 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 844.569.4750 or visit rivernorth.com. Please read the Prospectus carefully before you invest.