

Performance

The Morningstar All CEFs Peer Group Index returned -4.79% and -6.99% for the quarter on net asset value (NAV) and market price, respectively. RSF (the “Fund”) returned -0.45% and 3.70% on NAV and market price, respectively, compared to the Bloomberg US Aggregate Bond Index total return of -5.93%.

	1 Month	1Q22	1 YR [^]	3YR [^]	5YR [^]	Since Inception ^{*,^}
RiverNorth Specialty Finance Corporation (NAV)	0.20%	-0.45%	11.89%	6.33%	4.77%	5.04%
RiverNorth Specialty Finance Corporation (Price)	1.70%	3.70%	19.33%	7.35%	5.37%	5.59%
Bloomberg US Aggregate Bond Index ¹	-2.78%	-5.93%	-4.15%	1.69%	2.14%	1.56%
Bloomberg US High Yield Corporate Index ¹	-1.15%	-4.84%	-0.66%	4.58%	4.69%	5.16%
S&P/LSTA Leveraged Loan Index ¹	0.22%	-0.18%	2.30%	3.82%	3.68%	4.34%

[^] 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.

Quarterly Review

In conjunction with the Fund’s broadened investment mandate announced in April 2020, the Fund opportunistically allocates its assets to the following specialty finance asset classes: investment company debt (ICD), closed-end funds (CEFs), business development companies (BDCs), special purpose acquisition companies (SPACs), and small business whole loans.

The small business loan portfolio (39.0% of the Fund assets), which consists of loans originated by Square Loans, continued 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 remain strong post-lockdowns, the fund has thoughtfully increased this allocation, which has been a positive contributor to the portfolio’s performance.

While ICD spreads have generally narrowed since the start of the pandemic, we view the portfolio (~31.5% of Fund assets) as a diversifier to the other core assets. Further, in our view, the ICD portfolio represents an attractive alternative to investment grade corporate debt. The volatility we witnessed throughout the quarter could provide an attractive opportunity to build exposure at wider spreads.

The SPAC allocation (13.5% of Fund assets) was relatively flat quarter over quarter. We continued to like the attractive risk/reward profile of SPACs. They provided an opportunity to generate capital gains on top of a short-term government yield. Although the market has soured on new initial public offerings (IPOs), including de-SPAC names, this negative sentiment has caused SPAC sponsors to improve the terms on new deals. It’s also provided an opportunity to buy common shares at a discount to the cash value in the trust.

The Fund slightly increased its CEF exposure over the quarter (to about 3.9% of Fund assets). The CEF volatility we started to see at the end of 2021 picked up significantly in Q1 2022. While CEF volatility rarely feels good as an investor when experiencing it, RiverNorth has historically used this volatility as an opportunity to realign the portfolio to a state which sets up nicely for the reversion/recovery stage of the market cycle. In our view, investor fear over inflation and rising rates continues to dominate the CEF market, and we will likely need to see some sort of stability in interest rate expectations/sentiment before we see a drop in CEF volatility.

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. Special Purpose Acquisition Companies (SPACs) have no operating history or ongoing business other than to seek a potential acquisition. Certain SPACs may seek acquisitions only in limited industries or regions, which may increase the volatility of their prices. Investments in SPACs may be illiquid and/or be subject to restrictions on resale. To the extent the SPAC is invested in cash or similar securities, this may impact a Fund’s ability to meet its investment objective.

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.

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

Spread refers to the difference between two prices, rates or yields.

Mean reversion trading tries to capitalize on extreme changes in the pricing of a particular security, assuming that it will revert to its previous state.

The risk/reward marks the prospective reward an investor can earn for every dollar they risk on an investment.

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.

¹ The Morningstar All Municipal CEFs Peer Group Index is an equally-weighted index of all Closed-End Funds that invest substantially all of their assets in closed-end funds categorized by Morningstar as utilizing a municipal bond investment strategy. Municipal bond closed-end funds are defined as funds that invest in a diversified portfolio of investment grade municipal bonds in a variety of sectors and States. The Bloomberg US Aggregate Bond Index is an unmanaged index of investment-grade fixed-rate debt issues with maturities of at least one year. The Bloomberg US 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.

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RVN001586 EXP. 7.31.22

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