OPPORTUNISTIC INVESTMENT STRATEGIES

RIVERNORTH®

6.30.2020

Annual Report

RIVERNORTH SPECIALTY FINANCE CORPORATION

RSF

Investment Adviser:
RiverNorth Capital Management, LLC
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Chicago, IL 60654
www.rivernorth.com

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website at https://www.rivernorth.com/closed-end-funds/opp/rsf, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank).

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account.

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Dear Fellow Shareholders,

The economy remains on fragile ground as a result of the damage inflected due to the coronavirus pandemic. The U.S. unemployment rate, which was near the lowest level since the 1960s in February 2020, soared to 14.7% just two months later, the highest level since the Great Depression. While a portion of the net job losses in April have reversed in the prior two months, the U.S. consumer remains stressed in the current environment.

While the economic outlook remains uncertain, we believe there are attractive opportunities to deploy capital across certain assets which may offer a compelling risk-adjusted return profile in the current environment. We recently announced a change to the Fund's investment strategy, and have been reducing the portfolio's allocation to unsecured consumer whole loans, which has continued post fiscal year-end. As a result, the Fund now has flexibility to invest in a broader range of credit-oriented assets, and we have been repositioning the strategy into a higher mix of tradeable securities which we believe offer a more favorable risk/reward profile. Notes issued by registered investment companies, for example, now comprise the largest allocation within the portfolio and have significant equity subordination for bondholders as required under the Investment Company Act of 1940, as amended (the "1940 Act").

While we have been deploying capital in a measured fashion, when evaluating opportunities we are being selective and cautious given the continued level of uncertainty and weak economic backdrop. According to Bloomberg's Contributor Composite, U.S. real gross domestic product (GDP) is expected to decline by 5.6% year over year during 2020, which would be the largest contraction since an 11.6% decline in 1946 (for reference, GDP declined 2.8% in 2009). Thus, we are largely focusing on downside mitigation and capital preservation while sourcing unique opportunities that we believe offer an attractive return profile.

In addition to notes issued by registered investment companies, we are also deploying capital across credit-oriented closed-end funds, including business development companies, which we believe offer compelling value at current levels. We are focusing on funds managed by what we view to be top-tier managers trading at a meaningful discount to book value and/or funds which we believe offer a potential near-term catalyst to drive the discount narrower, such as a corporate action event. We view the shift in the Fund's investment strategy as a meaningful positive for shareholders, and look forward to providing further updates as we continue to deploy capital and rotate the portfolio.

We are pleased to provide you with the 2020 Annual Report for RiverNorth Specialty Finance Corporation.

Please visit www.rivernorth.com for additional information.

We thank you for your investment and trust in managing your assets.

Respectfully,

RiverNorth Capital Management, LLC

Definitions

Business Development Company – A business development company (BDC) is an organization that invests in small- and medium-sized companies as well as distressed companies. Set up similarly to closed-end investment funds, many BDCs are typically public companies whose shares trade on major stock exchanges, such as the American Stock Exchange (AMEX), Nasdaq, and others.

Closed-End Fund – 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.

Corporate Action – A corporate action is any activity that brings material change to an organization and impacts its stakeholders, including shareholders, both common and preferred, as well as bondholders.

Great Depression – The Great Depression was a severe worldwide economic depression that took place mostly during the 1930s, beginning in the United States.

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

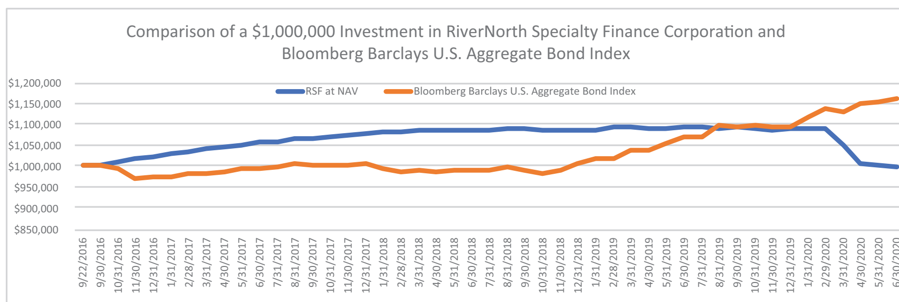
Risk-Adjusted Return – A risk-adjusted return is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it.

What is the Fund's investment strategy?

The investment objective of the RiverNorth Specialty Finance Corporation ("the Fund") is to seek a high level of current income. The Fund seeks to achieve its investment objective by investing in credit instruments, including a portfolio of securities of specialty finance and other financial companies that the Fund's adviser, RiverNorth Capital Management, LLC, believes offer attractive opportunities for income. The Fund may invest in income-producing securities of any maturity and credit quality, including below investment grade, and equity securities, including exchange traded funds and registered closed-end funds.

How did RiverNorth Specialty Finance Corporation perform relative to its benchmark during the reporting period?

From July 1, 2019 through June 30, 2020, the Fund delivered a net of fees return (based on net asset value) to investors of -8.43%. The Bloomberg Barclays Capital U.S. Aggregate Bond Index (Agg) posted a return of 8.74%.



Performance for the Period Ended June 30, 2020

	Calendar Year-to-Date	1 Year	Since Inception*
RiverNorth Specialty Finance Corporation - NAV	-8.32%	-8.43%	-0.02%
RiverNorth Specialty Finance Corporation - Market Price	-12.91%	-16.84%	-3.81%^
Bloomberg Barclays Capital U.S. Aggregate Bond Index	6.14%	8.74%	4.04%

* *Annualized. RSF inception date: September 22, 2016.*

^ *The Fund began trading on the New York Stock Exchange on June 12, 2019 under the ticker symbol RSF. Formerly the Fund was known as RMPLX and was purchased directly. Market price returns are a blend of the NAV return until June 11th, 2019 combined with the market price return thereafter.*

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. 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. Other fees and expenses are applicable to an investment in this fund.

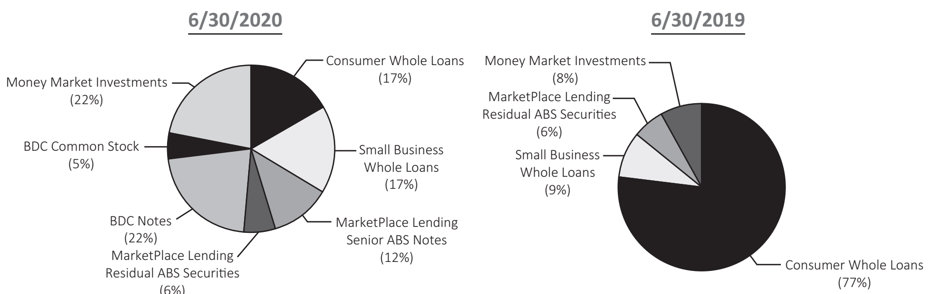
What contributing factors were responsible for the Fund's relative performance during that period?

Over the previous year, investment grade bond prices have generally rallied while credit-oriented assets have experienced spread widening given the economic fallout and uncertainty as a result of the coronavirus pandemic and related lockdowns. Given that the Agg consists solely of domestic investment grade fixed income securities, which have benefited from both Treasury yields falling (i.e. 10 year Treasury note yield was 0.66% as of June 30, 2020 compared to 2.01% a year ago) and Federal Reserve (the "Fed") support in the secondary market, the Agg generated a significantly more favorable return profile over the past year versus the Fund, which predominately holds higher yielding assets with higher credit risk. While we meaningfully reduced the Fund's exposure to unsecured consumer loans during the year (which we believe present the highest level of risk in our portfolio), a combination of spread widening and higher expected losses across certain segments within the portfolio resulted in a negative return for the Fund's investors during the year.

How was RiverNorth Specialty Finance Corporation positioned at the end of June 2020?

In March, we announced a change to the Fund's investment strategy, effective as of May 22, 2020, to provide more flexibility to invest in a broad range of credit-oriented products outside of marketplace lending assets. Over the previous year, we had also elected to reduce the Fund's exposure to unsecured consumer loans. As a result, the Fund's portfolio mix at June 30, 2020 is significantly different compared to a year ago. As of June 30, 2020, the Fund was comprised of 21% business development company notes (notes issued by business development companies, 0% a year ago), 17% small business whole loans (9% a year ago), 17% consumer whole loans (77% a year ago), 12% marketplace lending senior asset-backed securities (ABS) notes (0% a year ago), 6% marketplace lending residual ABS securities (6% a year ago), 5% publicly-traded business development company common stock (0% a year ago), and 22% money market investments (8% a year ago).

RSF Portfolio Allocation (%)



Allocations are subject to change.
Source: RiverNorth

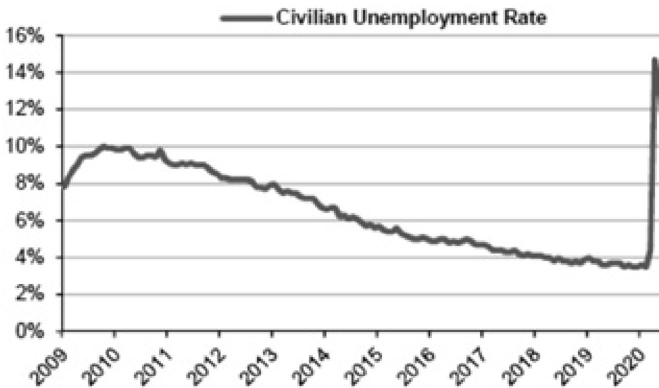
As highlighted above, our largest allocation is currently BDC notes. We find the risk-adjusted return profile of these securities to be compelling given the significant amount of required subordination (equity beneath the bonds) mandated by the Investment Company Act of 1940. For these

securities, the underlying issuers must maintain an asset coverage ratio of at least 150%, or at least $1 of equity for every $2 of debt, providing a significant amount of cushion for bondholders. As noted above, the Fund's unsecured consumer whole loan portfolio shrank meaningfully during the year as a result of both asset sales and natural amortization (all loans are fully amortizing). The credit profile of this portfolio has also increased meaningfully – the weighted average FICO score of the Fund's underlying consumer borrower was 742 as of June 30, 2020 compared to 716 a year ago. The year over year increase regarding the Fund's cash position is largely the result of the decision to shrink the consumer portfolio and have capital to redeploy into other assets following the announced change to the Fund's investment strategy.

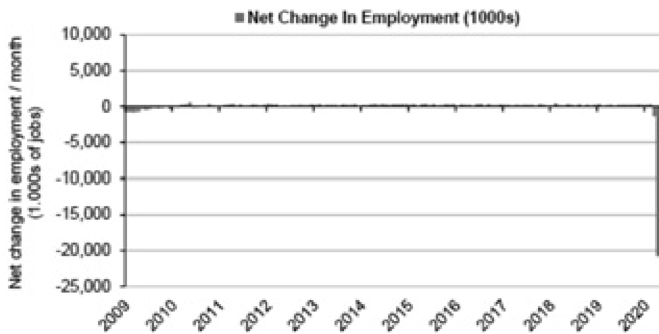
Looking back, from our perspective we were fortunate to have entered the March/April timeframe with a meaningfully lower exposure to unsecured consumer loans with a higher than average cash balance. In the latter part of the year, we re-deployed some cash into assets we believe offer a more favorable risk/return profile with more downside mitigation, such as investment company notes as described above, and that has continued post fiscal year-end.

Fund Overview and Outlook:
The economy remains on fragile ground as a result of the disruption inflicted as a result of the coronavirus pandemic. The U.S. unemployment rate, which was near the lowest level since the 1960s in February 2020, soared to 14.7% just two months later, the highest level since the Great Depression. While a portion of the net job losses in April have reversed in the following two months, the U.S. consumer remains stressed in the current environment.

Civilian Unemployment Rate: 1/2009 – 6/2020



Change in Employment: 1/2009 – 6/2020

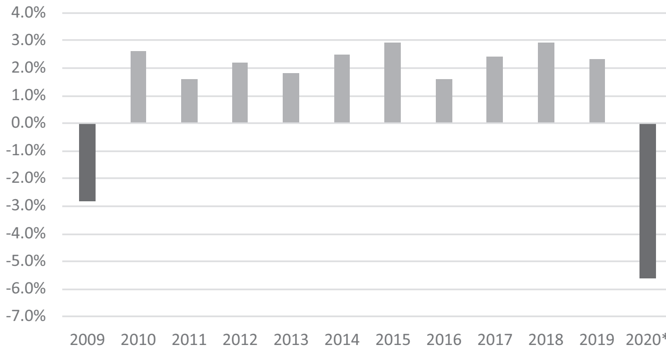


Source: Bloomberg, Bureau of Economic Analysis, Federal Reserve Bank of Atlanta

Despite uncertainty regarding the economic outlook going forward, we believe there are attractive opportunities across certain assets which we believe offer an attractive risk/return profile. For example, we have continued to increase the Fund's allocation to bonds issued by registered investment companies. As of June 30, 2020, the weighted average yield across these securities held within the Fund was 7.3% with a weighted average duration of 3 years across 20 securities.

We are also evaluating credit-oriented closed-end funds, including business development companies, which we believe offer compelling value at current levels. We are focusing on funds managed by what we view to be top-tier managers trading at a meaningful discount to book value and/or funds which we believe offer a potential near-term catalyst to drive the discount narrower, such as a corporate action event.

When evaluating potential near-term opportunities to deploy capital, we are being very selective given the continued level of uncertainly and weak economic environment, as noted above. According to Bloomberg's Contributor Composite, U.S. real Gross Domestic Product (GDP) is expected to decline by 5.6% year over year during 2020, which would be the largest contraction since an 11.6% decline in 1946 (for reference, GDP declined 2.8% in 2009). Thus, we are largely focusing on downside mitigation and capital preservation while sourcing unique opportunities that we believe offer an attractive return profile.



** 2020 GDP Estimate from Bloomberg*

Source: Bloomberg, Bureau of Economic Analysis, Federal Reserve Bank of Atlanta

Definitions

Asset-Backed Securities (ABS) – are investment securities—a bond or note—which is collateralized by a pool of assets, such as loans, leases, credit card debt, royalties, or receivables.

Bloomberg Barclays U.S. Aggregate Bond Index – an unmanaged index of investment-grade fixed rate debt issues with maturities of at least one year. The index cannot be invested in directly and does not reflect fees and expenses.

Business Development Company – A business development company (BDC) is an organization that invests in small- and medium-sized companies as well as distressed companies. Set up similarly to closed-end investment funds, many BDCs are typically public companies whose shares trade on major stock exchanges, such as the American Stock Exchange (AMEX), NASDAQ, and others.

Duration – a measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Duration is expressed as a number of years.

FICO – a type of credit score created by the Fair Isaac Corporation. Lenders use borrowers' FICO scores along with other details on borrowers' credit reports to assess and determine whether to extend credit. Small business loans do not have FICO scores. Weighted average FICO is calculated by weighting the FICO score of each loan by its outstanding balance. The measure gives investors an idea of how creditworthy the Fund's underlying loans are overall. The lower the weighted average FICO score, the less creditworthy, and riskier the portfolio.

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

Marketplace Lending Asset-Backed Debt Securities – A debt tranche within an asset-backed security offering with marketplace lending assets as the underlying collateral in the loan pool.

Marketplace Lending Asset-Backed Residual Securities – The most junior (equity) tranche within an asset-backed security offering with marketplace lending assets as the underlying collateral in the pool.

Risk-Adjusted Return – A risk-adjusted return is 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.

Weighted Average Duration – Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price.

Weighted Average Yield – The total yield on a bond portfolio divided by the number of bonds contained in it, weighted for the size of each bond so that the yield of large holdings does not drown out the calculation of yields on small holdings.

Yield – the income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

See the prospectus for a more detailed description of Fund risks. Investing involves risk. Principal loss is possible. 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. If a borrower 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. The Alternative Credit Instruments in which the Fund may invest will not typically be guaranteed or insured by any third-party and will not typically 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 may be comparable in quality to securities falling into any of the ratings categories used by such NRSROs. Accordingly, certain of the Fund's unrated investments could constitute a highly risky and speculative investment, similar to an investment in "junk" bonds. The Alternative Credit Instruments in which the Fund may invest may have varying degrees of credit risk and the Fund will not be restricted by any borrower credit criteria or credit risk limitation. There can be no assurance that payments due on underlying loans, including Alternative Credit, will be made. At any given time, the Fund's portfolio may be substantially illiquid and subject to increased credit and default risk. The Shares therefore should be purchased only by investors who could afford the loss of the entire amount of their investment. The Fund's fees and expenses may be considered high and, as a result, such fees and expenses may offset the Fund's profits. A portion of the investments executed for the Fund may take place in foreign markets. As a result of the foregoing and other risks described in the Prospectus, an investment in the Fund is considered to be highly speculative. The default history for certain Alternative Credit Instruments is limited and future defaults may be higher than historical defaults.

This material is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. These materials are not advice, a recommendation or an offer to enter into any transaction with the Fund or any of its affiliates. There is no guarantee that any of the goals, targets or objectives described in these materials will be achieved.

	Original Acquisition Date	Principal/ Shares Amount	Cost	Market Value
WHOLE LOANS - 47.13%[(a)]				
Consumer Loans - 23.50%				
SoFi - 23.50%				
36-Month, 8.82%, 2/1/2019 - 6/5/2021[(b)]		$ 452,942	$ 452,424	$ 386,064
48-Month, 9.23%, 2/9/2022 - 10/1/2022[(b)]		616,375	614,776	620,979
60-Month, 9.71%, 12/1/2020 - 7/15/2024[(b)]		8,558,941	8,553,567	8,341,414
72-Month, 10.34%, 2/8/2024 - 7/20/2024[(b)]		589,059	587,529	588,983
84-Month				
625973, 11.62%, 07/17/2025	6/28/2018	79,263	79,057	80,905
560557, 9.99%, 05/18/2025	6/28/2018	77,009	76,809	78,504
590790, 9.99%, 04/05/2025	6/28/2018	76,091	75,893	77,388
589847, 7.7%, 04/05/2025	6/28/2018	74,526	74,332	75,568
578506, 8.2%, 03/13/2025	6/28/2018	73,695	73,503	74,855
607560, 8.07%, 04/24/2025	6/28/2018	72,671	72,482	74,137
410452, 9.99%, 11/01/2024	9/15/2017	70,772	70,772	72,158
Remaining 84-Month, 10.99%, 11/1/2022 - 9/21/2025[(b)]		13,404,745	13,398,821	13,205,617
Total 84-Month			13,921,669	13,739,132
Total Consumer Loans			24,129,965	23,676,572
Small Business Loans - 23.63%				
Square - 23.63%[(c)]				
18-Month, 6.99%, 4/4/2018 - 9/25/2021[(b)(c)]		30,746,557	30,144,543	23,809,861
Total Small Business Loans			30,144,543	23,809,861
TOTAL WHOLE LOANS			54,274,508	47,486,433
ASSET-BACKED SECURITIES - 26.31%[(a)]				
MarketPlace Lending Residual Securities - 8.95%[(d)]				
PMIT 2017-2A CERT 09/15/2023, 0.00%		5,500,098	3,609,826	1,211,287
PMIT 2017-3A CERT 11/15/2023, 0.00%		5,500,000	2,864,419	1,260,820
PMIT 2018-2A CERT 10/15/2024, 5.00%		7,700,000	3,439,710	1,630,552
PMIT 2019-1A CERT 04/15/2025, 13.00%		22,190	1,773,200	1,744,924
PMIT 2019-4A CERT 04/15/2025, 12.00%		25,220	3,548,853	3,166,603
Total MarketPlace Lending Residual Securities			15,236,008	9,014,186

	Principal/ Shares Amount	Cost	Market Value
MarketPlace Lending Senior Notes - 17.36%			
FREEDOM FINANCIAL SERIES 2020-FP1, 2.52%, 03/18/2027	$ 1,934,309	$ 1,934,198	$ 1,931,603
LENDINGPOINT ASSET SECURITIZATION 2019-1, 3.154%, 08/15/2025	598,287	599,823	597,122
MARLETTE FUNDING TRUST 2018-3A, 3.20%, 09/15/2028	6,992	7,005	6,988
MARLETTE FUNDING TRUST 2018-4A, 3.71%, 12/15/2028	2,132,975	2,150,247	2,153,848
MARLETTE FUNDING TRUST 2020-1A, 2.24%, 03/15/2030	1,113,243	1,113,189	1,117,954
MARLETTE FUNDING TRUST 2019-3A, 2.69%, 09/17/2029	108,843	109,183	109,552
MARLETTE FUNDING TRUST 2019-1A, 3.44%, 04/16/2029	111,784	112,599	112,869
MARLETTE FUNDING TRUST 2019-4A, 2.39%, 12/15/2029	68,018	68,055	68,319
PROSPER MARKETPLACE ISSUANCE TRUST 2019-3A, 3.19%, 09/15/2025	1,839,173	1,852,872	1,846,744
PROSPER MARKETPLACE ISSUANCE TRUST 2019-4A, 2.48%, 02/16/2026	95,624	95,891	95,723
SOFI CONSUMER LOAN PROGRAM 2016-1 A, 3.26%, 08/25/2025	459,905	462,807	463,190
SOFI CONSUMER LOAN PROGRAM 2018-2 A2, 3.35%, 04/26/2027	326,363	328,026	329,049
SOFI CONSUMER LOAN PROGRAM 2019-4 A, 2.45%, 08/25/2028	1,627,522	1,640,068	1,646,141
SOFI CONSUMER LOAN PROGRAM 2018-4 A, 3.54%, 11/26/2027	122,461	123,409	123,853
SOFI CONSUMER LOAN PROGRAM 2020-1 A, 2.02%, 01/25/2029	1,187,492	1,187,456	1,200,620
UPSTART SECURITIZATION TRUST 2020-1 A, 2.32%, 04/22/2030	5,680,623	5,680,617	5,691,980
Total MarketPlace Lending Senior Notes		17,465,445	17,495,555
TOTAL ASSET-BACKED SECURITIES		32,701,453	26,509,741
BUSINESS DEVELOPMENT COMPANIES NOTES - 29.66%			
APOLLO INVT CORP, 5.25%, 03/03/2025	4,311,929	4,273,748	3,995,690
BAIN CAPITAL SPECIALTY FIN INC, 8.50%, 06/10/2023	2,000,000	1,980,952	1,991,000
BLACKROCK CAP INVT CORP, 5.00%, 06/15/2022	1,498,000	1,361,860	1,321,461
BLACKROCK TCP CAPITAL CORP, 4.625%, 03/01/2022	2,954,000	2,870,501	2,894,989
BUSINESS DEVELOPMENT CORP, 4.85%, 12/15/2024	2,200,000	2,215,199	1,950,069
FS KKR CAPITAL CORP, 4.750%, 05/15/2022	2,500,000	2,398,503	2,480,581

	Principal/ Shares Amount	Cost	Market Value
FS KKR CAPITAL CORP, 4.125%, 02/01/2025	$ 2,800,000	$ 2,777,964	$ 2,705,868
FS KKR CAPITAL CORP II SR GLBL, 4.250%, 02/14/2025	1,406,000	1,251,485	1,257,280
HERCULES CAPITAL INC, 4.375%, 02/01/2022	1,000,000	977,193	976,759
HERCULES CAPITAL INC, 5.25%, 04/30/2025	18,313	473,432	456,909
KCAP FINL INC, 6.125%, 09/30/2022	112,451	2,660,571	2,710,069
MONROE CAP CORP, 5.75%, 10/31/2023	9,936	253,677	226,143
NEW MTN FIN CORP, 5.750%, 08/15/2023	4,370,661	4,120,225	4,113,885
NEW MTN FIN CORP, 5.750%, 10/01/2023	5,598	131,005	134,352
OXFORD SQUARE CAP CORP, 6.5%, 03/30/2024	69,961	1,593,568	1,659,475
OXFORD SQUARE CAP CORP, 6.25%, 04/30/2026	601	15,536	13,910
PENNANTPARK INVT CORP, 5.50%, 10/15/2024	4,599	117,905	103,478
THL CREDIT INC, 6.750%, 12/30/2022	24,272	581,517	593,208
THL CREDIT INC, 6.125%, 10/30/2023	6,394	161,324	151,282
WHITEHORSE FIN INC, 6.50%, 11/30/2025	5,802	151,852	140,118
TOTAL BUSINESS DEVELOPMENT COMPANIES NOTES		30,368,017	29,876,526
BUSINESS DEVELOPMENT COMPANIES COMMON STOCK - 6.71%			
GOLUB CAPITAL BDC, INC.	108,640	1,252,631	1,265,656
BAIN CAPITAL SPECIALTY FINANCE, INC.	124,146	1,359,051	1,375,538
OAKTREE SPECIALTY LENDING CORPORATION	922,324	4,183,625	4,122,788
TOTAL BUSINESS DEVELOPMENT COMPANIES		6,795,307	6,763,982
SHORT-TERM INVESTMENTS - 31.52%			
Money Market Fund			
Fidelity Institutional Government Portfolio (7 Day Yield 0.06%)	31,751,238	31,751,238	31,751,238
TOTAL SHORT-TERM INVESTMENTS		31,751,238	31,751,238
TOTAL INVESTMENTS - 141.33%		155,890,523	142,387,920
LIABILITIES IN EXCESS OF OTHER ASSETS - (41.33%)			41,638,835
TOTAL NET ASSETS - 100.00%			$100,749,085

The Summary Schedule of Investments provides information regarding the 50 largest investments and summarized information regarding other investments at June 30, 2020. For individual investments disclosed, the description includes the unique loan identification number.

[(a)] *Fair valued by a third party pricing service using unobservable inputs and subject to review by the Adviser pursuant to policies approved by the Board of Directors.*

(b) *Contains past-due loan. A loan is deemed past-due at June 30, 2020, if the loan borrower has not made its required payment as of the most recent due date. Refer to the Past-Due Loans Table for a summary of past-due loans as of June 30, 2020.*

(c) *Loans are issued at discounts and do not have a stated interest rate. Rate indicated based on projected future cash flows and an implied 18-month final maturity. Actual yield and maturity is dependent on timing of future payments.*

(d) *Security is the unrated subordinated (residual) class of asset-backed securities with an estimated yield based on projected future cash flows.*

Past-Due Loans Table

	Fair Value
Whole Loans - 6.01%(*)	
Consumer Loans - 0.26%(*)	
SoFi - 0.26%(*)	
36-Month	$ 8,497
60-Month	58,160
72-Month	26,199
84-Month	171,853
Total SoFi	264,709
Total Consumer Loans	264,709
Small Business Loans - 5.75%(*)	
Square - 5.75%(*)	
18-Month	5,796,314
Total Square	5,796,314
Total Small Business Loans	5,796,314
Total Whole Loans	**$ 6,061,023**

(*) *Calculated as a percentage of net assets.*

Statement of Assets and Liabilities

June 30, 2020

ASSETS:	
Investments:	
At cost	$ 155,890,523
At value	$ 142,387,920
Interest income receivable	653,985
Dividend receivable	44,221
Receivable for principal repayments	277,417
Prepaid expenses and other assets	42,113
Total Assets	143,405,656
LIABILITIES:	
Payable for fund investments purchased	1,300,354
Series A Term Preferred Stock, net of unamortized deferred offering costs (Liquidation Preference $41,400,000)	40,448,072
Dividend payable - redeemable preferred stock	308,210
Payable for professional fees	268,227
Accrued loan service fees	90,005
Payable to Investment Adviser, net of waiver	100,626
Payable for custodian fees	17,281
Payable for administration and fund accounting fees	52,571
Other accrued expenses	71,225
Total Liabilities	42,656,571
Net Assets	$ 100,749,085
NET ASSETS CONSIST OF:	
Paid-in capital	133,484,901
Distributable earnings (loss)	(32,735,816)
Net Assets	$ 100,749,085
PRICING OF SHARES:	
Shares of beneficial interest outstanding (40,000,000 shares authorized, $0.0001 par value)	5,774,642
Net Asset Value Per Share	$ 17.45

See Notes to Financial Statements.

Statement of Operations

For the year ended June 30, 2020

INVESTMENT INCOME:		
Interest income	$	18,101,713
Dividend income		192,195
Total Investment Income		18,293,908
OPERATING EXPENSES:		
Investment Adviser fee		2,125,688
Loan service fees		2,003,668
Valuation expenses		391,679
Professional fees		360,083
Accounting and administration fee		227,590
Printing expenses		127,772
Registration expenses		111,103
Transfer agency expenses		115,987
Director expenses		115,143
Custodian expenses		92,242
Compliance expenses		33,067
Other expenses		65,377
Total operating expenses		5,769,399
LEVERAGE EXPENSES:		
Dividends to redeemable preferred stock		2,438,998
Interest expense on credit facility		107,044
Amortization of preferred stock and credit facility issuance costs		339,642
Total leverage expenses		2,885,684
Total expenses before expense reimbursement waiver		8,655,083
Expenses reimbursed by Investment Adviser		(466,167)
Net Expenses		8,188,916
Net Investment Income		10,104,992
REALIZED AND UNREALIZED GAIN/(LOSS):		
Net realized loss on investments		(28,260,807)
Net change in unrealized appreciation (depreciation) on investments		7,411,487
Net realized and unrealized loss on investments	$	(20,849,320)
Net Decrease in Net Assets Resulting from Operations	$	(10,744,328)

See Notes to Financial Statements.

Statements of Changes in Net Assets

	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS:		
Net investment income	$ 10,104,992	$ 25,801,499
Net realized loss on investments	(28,260,807)	(21,983,911)
Net change in unrealized appreciation (depreciation) on investments	7,411,487	(2,594,540)
Net increase (decrease) in net assets resulting from operations	(10,744,328)	1,223,048
DISTRIBUTIONS TO SHAREHOLDERS:		
Dividends from distributable earnings	—	(11,701,341)
From tax return of capital	(15,579,982)	(7,396,057)
Net decrease in net assets from distributions to shareholders	(15,579,982)	(19,097,398)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from issuance of common shares	—	45,902,427
Reinvestment of distributions	—	5,899,471
Shares redeemed	(51,212,572)	(115,961,875)
Net decrease in net assets from capital stock transactions	(51,212,572)	(64,159,977)
Net Decrease in Net Assets	(77,536,882)	(82,034,327)
NET ASSETS:		
Beginning of year	178,285,967	260,320,294
End of year	$ 100,749,085	$ 178,285,967

See Notes to Financial Statements.

Statement of Cash Flows

For the year ended June 30, 2020

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Net decrease in net assets resulting from operations	$ (10,744,328)
Adjustments to reconcile the change in net assets from operations to net cash provided by operating activities:	
Purchases of long term investments	(137,651,678)
Sales of long term investments	85,767,653
Proceeds from principal paydowns and return of capital	119,268,146
Net purchases of short-term investments	(13,561,216)
Amortization of preferred share deferred costs	220,186
Net amortization of premiums/discounts	271
Net realized loss on investments	28,260,807
Net change in unrealized appreciation on investments	(7,411,487)
(Increase) decrease in:	
Interest and other income receivable	1,079,579
Dividend receivable	(44,221)
Prepaid expenses and other assets	119,449
Receivable for principal paydowns	537,875
Increase (decrease) in:	
Payable for Fund investments purchased	1,300,354
Payable to Investment Adviser	(120,343)
Dividend payable for preferred stock	6,666
Accrued loan services fees	(159,950)
Other accrued expenses	385
Administration, fund accounting and custodian fees payable	(60,624)
Payable for professional fees	(14,970)
Net cash provided by operating activities	66,792,554
CASH FLOWS USED IN FINANCING ACTIVITIES:	
Advances from credit facility	8,500,000
Repayments on credit facility	(8,500,000)
Shares redeemed	(51,212,572)
Cash dividends paid to common stockholders	(15,579,982)
Net cash used in financing activities	(66,792,554)
NET CHANGE IN CASH:	—
Cash at beginning of year	—
Cash at end of year	$ —
SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NON-CASH INFORMATION	
Cash paid for leverage expense	$ 2,552,502

See Notes to Financial Statements.

Financial Highlights

	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018	Period from September 22, 2016[(a)] through June 30, 2017
Net asset value - beginning of period	$ 21.45	$ 23.29	$ 25.15	$ 25.00
Income from investment operations:				
Net investment income[(b)]	1.56	2.69	3.12	2.32
Net unrealized loss on investments	(3.22)	(2.54)	(2.46)	(0.93)
Total income (loss) from investment operations	(1.66)	0.15	0.66	1.39
Less distributions:				
From net investment income	—	(1.22)	(2.52)	(1.24)
From tax return of capital	(2.34)	(0.77)	—	—
Total distributions	(2.34)	(1.99)	(2.52)	(1.24)
Net increase (decrease) in net asset value	(4.00)	(1.84)	(1.86)	0.15
Net asset value - end of period	$ 17.45	$ 21.45	$ 23.29	$ 25.15
Per common share market value - end of period	$ 14.85	$ 20.40	$ —	$ —
Total Return based on net asset value[(c)]	(8.43)%	0.66%	2.72%	5.67%[(d)]
Total Return based on market value[(c)]	(16.84)%	(4.26)%	2.72%[(i)]	5.67%[(i)]
Ratios/Supplemental Data:				
Net assets, end of period (in thousands)	$ 100,749	$ 178,286	$ 260,320	$ 98,111
Ratio of expenses to average net assets excluding fee waivers, reimbursements and recoupments	6.74%	5.60%	5.06%	6.98%[(e)]
Ratio of expenses to average net assets including fee waivers, reimbursements, and recoupments[(f)]	6.37%	5.65%	4.96%	2.97%[(e)]
Ratio of net investment income to average net assets excluding fee waivers and reimbursements	7.50%	11.93%	12.34%	7.86%[(e)]
Ratio of net investment income to average net assets including fee waivers and reimbursements	7.86%	11.99%	12.85%	11.87%[(e)]
Portfolio turnover rate	65.8%	46.8%	61.5%	62.8%[(d)]
Preferred stock, end of period (in thousands)	$ 41,400	$ 41,400	$ 41,400	$ —
Average daily market price of outstanding preferred stock	$ 25.16	$ 25.21	$ 25.23	$ —
Facility loan payable (in thousands)	$ —	$ —	$ 35,000	$ —
Asset coverage per $1,000 of preferred stock[(g)]	$ 3,411	$ 5,306	$ 4,407	$ —
Asset coverage per $1,000 of facility loan[(h)]	$ —	$ —	$ 9,621	$ —

See Notes to Financial Statements.

Financial Highlights

[(a)] *Commencement of operations.*

[(b)] *Based on average shares outstanding during the period.*

[(c)] *Total return in the above table represents the rate that the investor would have earned or lost on an investment in the Fund, assuming reinvestment of dividends. Total return is calculated assuming a purchase of shares at the beginning of the period and a sale of shares on the last day of the period at the closing price, excluding brokerage commissions, (market value based total return), or net asset value (net asset value total return). The calculation also assumes reinvestment of distributions at actual prices pursuant to the Fund's dividend reinvestment plan (market value based total return), or net asset value (net asset value total return). The Fund began trading on the New York Stock Exchange on June 12, 2019 under the ticker symbol RSF. Formerly the Fund was known as RMPLX and was purchased directly. Market price returns are a blend of the NAV return until the June 11th, 2019 combined with the market price return thereafter. The net asset value and market price returns will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.*

[(d)] *Not annualized.*

[(e)] *Annualized.*

[(f)] *Ratio includes leverage expenses and loan service fees of 3.80%, 3.26%, 2.65% and 1.02%, respectively, that are outside the expense limit.*

[(g)] *Represents value of total assets less all liabilities and indebtedness not represented by credit facility borrowings and preferred stock at the end of the period divided by credit facility borrowings and preferred stock outstanding at the end of the period.*

[(h)] *Represents value of total assets less all liabilities and indebtedness not represented by credit facility borrowings and preferred stock at the end of the period divided by credit facility borrowings outstanding at the end of the period.*

[(i)] *For periods prior to the Fund's listing on the New York Stock Exchange, NAV returns are disclosed.*

See Notes to Financial Statements.

1. ORGANIZATION

RiverNorth Specialty Finance Corporation (the "Fund") (formerly known as RiverNorth Marketplace Lending Corporation) was organized as a Maryland corporation on June 9, 2015, and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified closed-end management investment company. The investment adviser to the Fund is RiverNorth Capital Management, LLC (the "Adviser").

The Fund is operated as an interval fund under Rule 23c-3 of the 1940 Act. As an interval fund, the Fund has adopted a fundamental policy to conduct quarterly repurchase offers for at least 5% and up to 25% of the outstanding shares at NAV, subject to certain conditions. The Fund will not otherwise be required to repurchase or redeem shares at the option of a shareholder. It is possible that a repurchase offer may be oversubscribed, in which case shareholders may only have a portion of their shares repurchased.

Effective as of June 12, 2019, the Fund listed its common shares on the New York Stock Exchange (the "NYSE") under the ticker symbol "RSF" and has ceased continuously offering shares of its common stock through Quasar Distributors, LLC or the Fund.

The investment objective of the Fund is to seek a high level of current income. Under normal market conditions, the Fund seeks to achieve its investment objective by investing in credit instruments, including a portfolio of securities of specialty finance and other financial companies that the Adviser believes offer attractive opportunities for income.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Fund is an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standards Codification Topic 946.

Use of Estimates: The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. The Fund believes that these estimates utilized in preparing the financial statements are reasonable and prudent; however, actual results could differ from these estimates. In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

Federal Income Taxes: The Fund intends to elect to be treated as, and to qualify each year for special tax treatment afforded to, a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended ("IRC"). In order to qualify as a RIC, the Fund must, among other things, satisfy income, asset diversification and distribution requirements. As long as it

so qualifies, the Fund will not be subject to U.S. federal income tax to the extent that it distributes annually its investment company taxable income (which includes ordinary income and the excess of net short-term capital gain over net long-term capital loss) and its “net capital gain” (i.e., the excess of net long-term capital gain over net short-term capital loss). The Fund intends to distribute at least annually substantially all of such income and gain. If the Fund retains any investment company taxable income or net capital gain, it will be subject to U.S. federal income tax on the retained amount at regular corporate tax rates. In addition, if the Fund fails to qualify as a RIC for any taxable year, it will be subject to U.S. federal income tax on all of its income and gains at regular corporate tax rates.

Security Valuation: The Fund’s investments are valued at fair value as further described in Note 3.

Distributions to Shareholders: Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized capital gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing or character of recognition of certain components of income, expense or realized capital gain for federal income tax purposes. Where such differences are permanent in nature, they are reclassified in the components of the net assets based on their ultimate characterization for federal income tax purposes. Any such reclassification has no effect on net assets, results of operations or net asset values per share of the Fund.

Investment Income: Interest income is recognized on an accrual basis to the extent that such amounts are expected to be collected and include amortization/ accretion of premiums or discounts. Interest income from investments in residual asset-backed securities is recognized on the basis of the estimated effective yield to expected redemptions utilizing assumed cash flows in accordance with ASC Sub-Topic 325-40, Beneficial Interests in Securitized Financial Assets. The Adviser monitors the expected cash flows from its residual asset-backed securities and the effective yield is determined and updated periodically.

Investment Transactions: Investment transactions are recorded on the trade date.

3. SECURITIES VALUATION AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that a Fund might reasonably expect to receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. U.S. GAAP establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including using such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting

entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below.

- Level 1 – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Fund has the ability to access at the measurement date;

- Level 2 – Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

- Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Marketplace loans, as an asset class, are not presently traded on a developed secondary market. Therefore, market quotations are not available. Accordingly, all marketplace loans are fair valued as determined in good faith by the Adviser pursuant to policies and procedures approved by the Board of Directors (the "Board") and subject to the Board's oversight. The Fund utilizes a third party valuation specialist to provide marketplace loan valuations. The third party valuation specialist provides daily valuations on all marketplace loans. A discounted cash flow model is used by the third party valuation specialist to arrive at a value for each marketplace loan held in the Fund's portfolio. Discounted cash flow is a valuation technique that provides an estimation of the fair value of an asset based on expectations about cash flows that a marketplace loan would generate over time. In general, the primary inputs of fair value in the marketplace loan valuation model are expected future default rates, prepayment rates, and the discount rate applied. An increase (decrease) to the default rate or discount rate would result in a decrease (increase) of fair values and an increase to prepayment rates would result in an increase of fair values. A discounted cash flow model begins with an estimation of periodic cash flows expected to be generated over a discrete period of time (generally the time remaining until maturity of the loan). The estimated cash flows for each interval period (generally monthly) are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving projected cash flows. Although not exhaustive, discounted cash flow models factor in borrower level data. Loans made to small businesses may incorporate different factors.

The Board will initially and periodically review the methodology used in determining the values of marketplace loans. The Board will further consider how changes in the markets may affect the factors utilized in the models and the frequency of reevaluation.

The value of asset-backed securities is determined by the forecasted performance of the underlying loans in the pool; this forecasted performance takes into account the realized historical loss and prepayment performance of the pool to date. The priority of the securitization class and the claim on cash flow in the transaction is also taken into account. The classes of asset-backed securities the Fund holds are residual classes, which would be adversely effected by deterioration in credit performance of the loan pool.

Equity securities, including business development companies and business development company notes, are generally valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Adviser believes such prices more accurately reflect the fair market value of such securities. Securities that are traded on any stock exchange are generally valued by the pricing service at the last quoted sale price. Lacking a last sale price, an exchange traded security is generally valued by the pricing service at its mean price. Securities traded in the NASDAQ over-the-counter market are generally valued by the pricing service at the NASDAQ Official Closing Price.

The following is a summary of the inputs used at June 30, 2020 to value the Fund's assets and liabilities:

	Valuation Inputs			
Investments in Securities at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Whole Loans				
Consumer Loans	$ —	$ —	$ 23,676,572	$ 23,676,572
Small Business Loans	—	—	23,809,861	23,809,861
Asset-Backed Securities				
MarketPlace Lending Residual Securities	—	—	9,014,186	9,014,186
MarketPlace Lending Senior Notes	—	17,495,555	—	17,495,555
Business Development Companies Notes	—	29,876,526	—	29,876,526
Business Development Companies Common Stock	6,763,982	—	—	6,763,982
Short-Term Investments				
Money Market Fund	31,751,238	—	—	31,751,238
Total	$ 38,515,220	$ 47,372,081	$ 56,500,619	$ 142,387,920

The changes of the fair value of investments for which the Fund has used Level 3 inputs to determine the fair value are as follows:

	Balance as of June 30, 2019	Purchases	Sales	Principal Paydowns and Return of Capital	Net Realized Gain (Loss)	Change in Unrealized Appreciation/ (Depreciation)	Transfer in/out of Level 3	Balance as of June 30, 2020	Change in Unrealized Depreciation Attributable to Level 3 Investments Held at June 30, 2020
Whole Loans									
Consumer Loans	$166,395,299	$ —	$(84,726,464)	$ (50,491,181)	$(22,641,443)	$15,140,361	$—	$23,676,572	$ 202,642
Small Business Loans	18,718,880	71,528,809	(564,819)	(58,675,481)	(5,644,179)	(1,553,349)	—	$23,809,861	(6,160,080)
Total Whole Loans	185,114,179	71,528,809	(85,291,283)	(109,166,662)	(28,285,622)	13,587,012		47,486,433	(5,957,438)
Asset-Backed Securities									
MarketPlace Lending Residual Securities	$ 13,756,215	$ 3,895,797	$ —	$ (2,955,007)	$ —	$ (5,682,819)		$ 9,014,186	$ (5,682,819)
Total	$198,870,394	$75,424,606	$(85,291,283)	$(112,121,669)	$(28,285,622)	$ 7,904,193	$—	$56,500,619	$(11,640,257)

The table below provides additional information about the Level 3 Fair Value Measurements as of June 30, 2020.

Quantitative Information about Level 3 Fair Value Measurements

Type of Security	Industry	Fair Value at June 30, 2020	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
Whole Loans						
Consumer Loans	Financial Services	$ 23,676,572	Discounted Cash Flow	Loss-Adjusted Discount Rate;	0%-5.13%	2.92%;
				Projected Loss Rate	0.00%-95.09%	6.34%
Small Business Loans	Financial Services	$ 23,809,861	Discounted Cash Flow	Loss-Adjusted Discount Rate;	3.00%-21.51%	10.67%;
				Projected Loss Rate	0.00%-94.44%	11.92%
Asset-Backed Securities						
MarketPlace Lending Residual Securities	Financial Services	$ 9,014,186	Discounted Cash Flow	Net Loss/Balance	9.31%-13.15%	10.72%
				Prepay/Balance	23.33%-27.28%	24.94%
				Default/Balance	10.70%-15.11%	12.32%
Total		$ 56,500,619				

It is the Fund's policy to recognize transfers into and out of all levels at the end of the reporting period.

There were no transfers into and out of Levels 1, 2, and 3 during the current period presented.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-13 “Changes to the Disclosure Requirements for Fair Value Measurement” which modifies disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Management is currently evaluating the impact of this guidance to the Fund.

5. INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

For its services under the Investment Advisory Agreement, the Fund pays the Adviser a monthly management fee computed at the annual rate of 1.25% of the average monthly Managed Assets “Managed Assets” means the total assets of the Fund, including assets attributable to leverage, minus liabilities (other than debt representing leverage and any preferred stock that may be outstanding). In addition to the monthly advisory fee, the Fund pays all other costs and expenses of its operations, including, but not limited to, compensation of its directors (other than those affiliated with the Adviser), custodial expenses, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of any leverage, expenses of preparing, printing and distributing prospectuses, shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any. In addition, the Adviser has agreed to waive or reimburse expenses of the Fund (other than brokerage fees and commissions; loan servicing fees; borrowing costs such as (i) interest and (ii) dividends on securities sold short; taxes; indirect expenses incurred by the underlying funds in which the Fund may invest; the cost of leverage; and extraordinary expenses) to the extent necessary to limit the Fund’s total annual operating expenses at 1.95% of the average daily Managed Assets for that period through October 28, 2020. The Adviser may recover from the Fund expenses reimbursed for three years after the date of the payment or waiver if the Fund’s operating expenses, including the recovered expenses, falls below the expense cap. For the year ended June 30, 2020, the Adviser did not recoup of any reimbursed expenses, these amounts represent expenses waived due to the expense cap, and is not inclusive of the advisory fee waiver. In future periods, the Adviser may recoup fees as follows:

Remaining Amount to be Recouped[(1)] (Expiring by Fiscal Year Ending June 30, 2021)	Remaining Amount to be Recouped[(1)] (Expiring by Fiscal Year Ending June 30, 2022)	Remaining Amount to be Recouped[(1)] (Expiring by Fiscal Year Ending June 30, 2023)	Total
$1,020,075	$201,416	$466,167	$1,687,658

[(1)] *Amounts to be recouped are in accordance with the expense limitation agreement, and will not cause the Fund’s total operating expense ratio (excluding loan service fees and leverage costs set forth in the agreement) to exceed 1.95% during the year.*

U.S. Bancorp Fund Services, LLC (“USBFS”) provides the Fund with fund administration and fund accounting services.

DST Systems, Inc. serves as transfer, dividend paying and shareholder servicing agent for the Fund (“Transfer Agent”).

Officers of the Fund and Directors who are "interested persons" of the Fund or the Adviser received no salary or fees from the Fund, except for the Chief Compliance Officer. Each Director who is not an "interested person" received a fee of $16,500 per year plus $1,500 per meeting attended. In addition, the lead Independent Director receives $250 annually, the Chair of the Audit Committee receives $500 annually, and the Chair of the Nominating and Corporate Governance Committee receives $250 annually. The Fund reimburses each Director and Officer for his or her travel and other expenses relating to the attendance at such meetings.

The Chief Compliance Officer of the Fund is an affiliate of the Fund. For the fiscal year ended June 30, 2020, the total related amounts paid by the Fund for CCO fees are included in Compliance expenses on the Fund's Statement of Operations. In addition, the Fund owed the Adviser $2,114 for such expenses as of June 30, 2020.

6. FEDERAL INCOME TAXES

It is the Fund's policy to meet the requirements of the IRC applicable to regulated investment companies, and to distribute all of their taxable net income to their shareholders. In addition, the Fund intends to pay distributions as required to avoid imposition of excise tax. Therefore, no federal income tax provision is required.

Tax Basis of Distributions to Shareholders
The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain were recorded by a Fund.

The tax character of distributions paid by the Fund during the fiscal year ended June 30, 2020, was as follows:

Year Ended	Ordinary Income	Net Long Term Capital Gains	Return of Capital	Total
June 30, 2019	$11,701,341	$—	$$7,396,057	$19,097,398
June 30, 2020	$—	$—	$15,579,982	$15,579,982

Components of Distributable Earnings on a Tax Basis: The tax components of distributable earnings are determined in accordance with income tax regulations which may differ from the composition of net assets reported under GAAP. For the year ended June 30, 2020, the primary book to tax permanent difference was the treatment of capital losses on defaulted loans as ordinary income for tax purposes which resulted in reclassifications among the Fund's components of net assets as of June 30, 2020.

At June 30, 2020, there were no undistributed earnings for tax purposes.

Under current tax law, capital and currency losses realized after October 31 of the Fund's fiscal year may be deferred and treated as occurring on the first business day of the following fiscal year for tax purposes. The Fund has deferred post-October losses of $2,863,611.

Unrealized Appreciation and Depreciation on Investments:

As of June 30, 2020, net unrealized appreciation (depreciation) of investments based on federal tax costs was as follows:

Gross Appreciation (excess of value over tax)	Gross Depreciation (excess of tax cost over value)	Net Unrealized Appreciation/ (Depreciation)	Cost of Investments for Income Tax Purposes
$2,499,493	$(16,002,096)	$(13,502,603)	$155,890,523

As of June 30, 2020, for federal income tax purposes, capital loss carryforwards of $16,369,602 ($1,364,754 short-term and $15,004,848 long-term) were available to offset future realized capital gains, to the extent provided by the Internal Revenue Code, with no expiration date.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Fund’s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on U.S. tax returns and state tax returns filed since inception of the Fund. No income tax returns are currently under examination. All tax years since commencement of operations remain subject to examination by the tax authorities in the United States. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

7. INVESTMENT TRANSACTIONS

Investment transactions for the year ended June 30, 2020, excluding U.S. Government Obligations and short-term investments, were as follows:

Purchases	Proceeds from Sales, Principal Paydowns and Return of Capital
$137,651,678	$205,035,799

8. REDEEMABLE PREFERRED STOCK

At June 30, 2020, the Fund had issued and outstanding 1,656,000 shares of Series A Preferred Stock, listed under trading symbol RMPL on the NYSE, with a par value of $0.0001 per share and a liquidation preference of $25.00 per share plus accrued and unpaid dividends (whether or not declared). The Fund issued 1,440,000 and 216,000 shares of Series A Preferred Stock on October 25, 2017 and October 30, 2017, respectively. The Series A Preferred Stock is entitled to a dividend at a rate of 5.875% per year based on the $25.00 liquidation preference before the common stock is entitled to receive any dividends. The Series A Preferred Stock is redeemable at $25.00 per share plus accrued and unpaid dividends (whether or not declared) exclusively at the Fund’s option commencing on October 31, 2020. Issuance costs related to Series A Preferred Stock

of $1,558,000 are deferred and amortized over the period the Series A Preferred Stock is outstanding.

Series	Mandatory Redemption Date	Fixed Rate	Shares Outstanding	Aggregate Liquidation Preference	Estimated Fair Value
Series A	October 31, 2024	5.875%	1,656,000	$41,400,000	$41,250,960

The Series A Preferred Stock ranks senior to the common stock of the Fund.

9. REVOLVING CREDIT FACILITY

On September 5, 2017, the Fund entered into a $20,000,000 revolving credit facility with Huntington National Bank. The credit facility had an initial two-year term. On April 4, 2018, the Fund amended its prior credit agreement and entered into a $70,000,000 revolving credit facility. On September 30, 2019, the Fund amended its existing credit agreement and entered into a $30,000,000 revolving credit facility. On December 6, 2019 the Fund terminated its existing credit agreement with Huntington National Bank.

The average principal balance and interest rate for the period during which the credit facility was utilized for the period covering July 1, 2019 through December 6, 2019 was approximately $360,000 and 4.09 percent, respectively.

10. INDEMNIFICATIONS

Under the Fund’s organizational documents, its officers and Directors are indemnified against certain liability arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that may contain general indemnification clauses. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred.

11. REPURCHASE OFFERS

Shares repurchased through quarterly tender offer during the period from July 1, 2018 through June 30, 2020 were as follows:

Repurchase Offer Date	Cash Payment Date	NAV on Repurchase Pricing Date	Percentage of Outstanding Shares the Fund Repurchased
Fiscal Year Ended 2019			
September 10, 2018	October 10, 2018	$ 22.70	25%[(b)]
December 10, 2018	January 9, 2019	$ 22.17	25%[(b)]
March 11, 2019	April 10, 2019	$ 21.87	5%[(a)]
June 13, 2019	July 11, 2019	$ 21.09	15.00%[(a)]
Fiscal Year Ended 2020			
September 10, 2019	October 10, 2019	$ 20.72	5.00%[(a)]
December 9, 2019	January 9, 2020	$ 20.17	5.00%[(a)]
March 9, 2020	April 9, 2020	$ 18.18	5.00%[(a)]

Repurchase Offer Date	Amount of Shares the Fund Repurchased	Percentage of Shares Tendered to Outstanding Shares	Number of Shares Tendered
Fiscal Year Ended 2019			
September 10, 2018	2,827,442	14.57%	1,647,491
December 10, 2018	2,643,308	19.59%	2,099,313
March 11, 2019	439,421	7.00%	615,168
June 13, 2019	1,246,661	66.40%	5,518,130
Fiscal Year Ended 2020			
September 10, 2019	349,075	62.36%	4,353,899
December 9, 2019	330,914	66.36%	4,392,405
March 9, 2020	306,639	79.41%	4,875,396

(a) *If shareholders tender for repurchase more than five percent (5%) of the outstanding shares of the Fund, the Fund may, but is not required to, repurchase up to an additional two percent (2%).*

(b) *If shareholders tender for repurchase more than twenty-five percent (25%) of the outstanding shares of the Fund, the Fund may, but is not required to, repurchase up to an additional two percent (2%).*

For information regarding the repurchase offer with a repurchase offer date of June 8, 2020, see Note 14.

12. STOCK BUY BACK PROGRAM

In accordance with Section 23(c) of the 1940 Act, the Fund may from time to time repurchase shares of the Fund in the open market at the option of the Board of Directors and upon such terms as the Directors shall determine.

For the year ended June 30, 2020, the Fund repurchased 303,046 (5.25% of the shares outstanding at June 30, 2020) of its shares for a total cost of $5,438,425 at an average discount of 10.20% of net asset value.

13. CAPITAL SHARE TRANSACTIONS

	Year Ended June 30, 2020	Year Ended June 30, 2019
Shares sold	—	2,025,260
Shares issued to holders in reinvestment of dividends	—	267,050
Shares repurchased from Stock Buy Back	(303,046)	—
Shares repurchased from Repurchase Offer	(2,233,289)	(5,160,030)
Net increase (decrease) in shares	(2,536,335)	(2,867,720)
Shares outstanding:		
Beginning of year	8,310,977	11,178,697
End of year	5,774,642	8,310,977

14. SUBSEQUENT EVENTS

On June 8, 2020, the Fund issued a repurchase tender offer. On July 9, 2020, 288,741 shares were repurchased based on a NAV per share of $17.42 at July 8, 2020.

Through August 28, 2020 (the date the financial statements were issued), the Fund repurchased 19,636 of its common shares (0.34% of its common shares outstanding at June 30, 2020) for a total cost of $291,271 at a weighted average discount of 14.34% of net asset value.

On July 24, 2020, the Board declared a Series A Preferred Stock cash dividend in the amount of $0.3672 per share, payable on August 17, 2020 to preferred shareholders of record on August 3, 2020 with an ex date of July 31, 2020.

The Fund has performed an evaluation of subsequent events through the date the financial statements were issued and has determined that no additional items require recognition or disclosure.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
RiverNorth Specialty Finance Corporation:

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of RiverNorth Specialty Finance Corporation (the Fund), including the summary schedule of investments, as of June 30, 2020, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the related notes (collectively, the financial statements) and the financial highlights for each of the years in the three-year period then ended and the period from September 22, 2016 (commencement of operations) through June 30, 2017. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of June 30, 2020, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the three-year period then ended and the period from September 22, 2016 through June 30, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of June 30, 2020, by correspondence with custodians and brokers and other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the auditor of the Fund since 2015.

Chicago, Illinois
August 28, 2020

PROXY VOTING POLICY

A description of the Fund's proxy voting policies and procedures is available (1) without charge, upon request, by calling 1-855-830-1222, (2) on the Fund's website located at http://www.rivernorth.com/interval-closed-end-funds/rmplx/rsf, or (3) on the SEC's website at http://www.sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the year ended June 30th is available on the SEC's website at http://www.sec.gov.

PORTFOLIO HOLDINGS DISCLOSURE POLICY

The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Part F of Form N-PORT. The Fund's first and third quarters end on March 31 and September 30. Part F of Form N-PORT must be filed within 60 days of the end of the quarter. The Fund's Forms N-PORT (and its Predecessor Form, Form N-Q) are available on the SEC's website at www.sec.gov. You may also obtain copies by calling the Fund at 1-888-848-7569.

PRIVACY POLICY

The Fund is committed to ensuring your financial privacy. This notice is being sent to comply with privacy regulations of the Securities and Exchange Commission. The Fund has in effect the following policy with respect to nonpublic personal information about its customers:

- Only such information received from you, through application forms or otherwise, and information about your Fund transactions will be collected.

- None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account).

- Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.

- The Fund does not currently obtain consumer information. If the Fund were to obtain consumer information at any time in the future, it would employ appropriate procedural safeguards that comply with federal standards to protect against unauthorized access to and properly dispose of consumer information. For more information about the Fund's privacy policies call (855) 830 1222 (toll free).

DIVIDEND REINVESTMENT PLAN

The Fund has a dividend reinvestment plan (the "Plan") commonly referred to as an "opt out" plan. Each Common Shareholder who participates in the Plan will have all distributions of dividends and capital gains automatically reinvested in additional Common Shares. The automatic reinvestment of dividends and distributions in Common Shares will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends and

distributions, even though such participants have not received any cash with which to pay the resulting tax. Common Shareholders who elect not to participate in the Plan will receive all distributions in cash. All correspondence or questions concerning the Plan, including how a Common Shareholder may opt out of the Plan, should be directed to DST Systems, Inc., 330 W 9th Street, Kansas City, MO 64105 (the "Plan Administrator"). Beneficial owners of Common Shares who hold their Common Shares in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in, or opt out of, the Plan.

Summary of Updated Information Regarding the Fund

The following information in this annual report is a summary of certain information about the Fund and changes since the Fund's most recent annual report dated June 30, 2019 (the "prior disclosure date"). This information may not reflect all of the changes that have occurred since you purchased the Fund.

Fund Name Change - Since the prior disclosure date, the Fund's name changed to RiverNorth Specialty Finance Corporation from RiverNorth Marketplace Lending Corporation. This change related to a corresponding change to the Fund's investment strategy, as discussed below. Further details can be found in the Fund's Prospectus and Statement of Additional Information, each dated October 29, 2018, as revised or supplemented on March 23, 2020, which can be found on the Fund's website at www.rivernorth.com/rsf.

Investment Objective

There have been no changes in the Fund's investment objectives since the prior disclosure date that have not been approved by shareholders.

The investment objective of the Fund is to seek a high level of current income.

Principal Investment Strategies and Policies

Since the prior disclosure date, in connection with the Fund's name change, the Fund's investment strategy changed as follows:

Prior Investment Strategy	New Investment Strategy (Effective May 22, 2020)
Under normal market conditions, invest, directly or indirectly at least 80% of its Managed Assets in marketplace lending investments.	Under normal market conditions, invest, directly or indirectly in credit instruments, including a portfolio of securities of specialty finance and other financial companies that the Fund's Advisor believes offer attractive opportunities for income.

Details of the new investments strategy and policies are provided below.

Under normal market conditions, the Fund seeks to achieve its investment objectives by investing, directly or indirectly, in credit instruments, including a portfolio of securities of specialty finance

and other financial companies that the Fund's Advisor (RiverNorth Capital Management, LLC) believes offer attractive opportunities for income. These companies may include, but are not limited to, banks, thrifts, finance companies, lending platforms, business development companies ("BDCs"), real estate investment trusts ("REITs"), special purpose acquisition companies ("SPACs"), private investment funds (private funds that are exempt from registration under Sections 3(c)(1) and 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act")), brokerage and advisory firms, insurance companies and financial holding companies. Together, these types of companies are referred to as "financial institutions." The Fund's investments in hedge funds and private equity funds that are exempt from registration under Sections 3(c)(1) and 3(c)(7) of the 1940 Act will be limited to no more than 15% of the Fund's assets. The Fund may also invest in common equity, preferred equity, convertible securities and warrants of these institutions. "Managed Assets" means the total assets of the Fund, including assets attributable to leverage, minus liabilities (other than debt representing leverage and any preferred stock that may be outstanding).

The Fund may invest in income-producing securities of any maturity and credit quality, including below investment grade, and equity securities, including exchange-traded funds and registered closed-end funds. Below investment grade securities are commonly referred to as "junk" or "high yield" securities and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. Such income-producing securities in which the Fund may invest may include, without limitation, corporate debt securities, U.S. government debt securities, short-term debt securities, asset backed securities, exchange-traded notes, loans, including secured and unsecured senior loans, Alternative Credit (as defined below), collaterilzed loan obligations ("CLOs") and other structured finance securities, and cash and cash equivalents.

The Fund's alternative credit investments may be made through a combination of: (i) investing in loans to small- and mid-sized companies ("SMEs"); (ii) investing in notes or other pass-through obligations issued by an alternative credit platform (or an affiliate) representing the right to receive the principal and interest payments on an Alternative Credit investment (or fractional portions thereof) originated through the platform ("Pass-Through Notes"); (iii) purchasing asset-backed securities representing ownership in a pool of Alternative Credit; (iv) investing in private investment funds that purchase Alternative Credit, (v) acquiring an equity interest in an alternative credit platform (or an affiliate); and (vi) providing loans, credit lines or other extensions of credit to an alternative credit platform (or an affiliate) (the foregoing listed investments are collectively referred to herein as the "Alternative Credit Instruments"). The Fund may invest without limit in any of the foregoing types of Alternative Credit Instruments, except that the Fund will not invest greater than 45% of its Managed Assets in the securities of, or loans originated by, any single platform (or a group of related platforms) and the Fund's investments in private investment funds will be limited to no more than 10% of the Fund's Managed Assets. The Alternative Credit in which the Fund typically invests are newly issued and/or current as to interest and principal payments at the time of investment. As a fundamental policy (which cannot be changed without the approval of the holders of a majority of the outstanding voting securities of the Fund), the Fund does not invest in Alternative Credit that are of subprime quality at the time of investment. The Fund considers an SME loan to be of "subprime quality" if the likelihood of repayment on such loan is determined by the Adviser based on its due diligence and the credit underwriting policies of the originating platform to be similar to that of consumer loans that are of subprime quality. The Fund does not currently have any intention invest in Alternative Credit originated from lending platforms based

outside the United States or made to non-U.S. borrowers. However, the Fund may in the future invest in such Alternative Credit and will provide updated disclosures prior to making such investments. Unless the context suggests otherwise, all references to loans generally in this disclosure refer to Alternative Credit.

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. 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. The Alternative Credit Instruments in which the Fund may invest may have varying degrees of credit risk. There can be no assurance that payments due on underlying Alternative Credit investments will be made. At any given time, the Fund's portfolio may be substantially illiquid and subject to increased credit and default risk. If a borrower 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. The Shares therefore should be purchased only by investors who could afford the loss of the entire amount of their investment.

Percentage limitations described within this report regarding the Fund's investment strategies and policies are as of the time of investment by the Fund and may be exceeded on a going-forward basis as a result of market value fluctuations of the Fund's portfolio investments.

Specialty Finance Companies.

Specialty finance companies and other financial companies invest in a wide range of securities and financial instruments, including but not limited to private debt and equity, secured and unsecured debt, trust preferred securities, subordinated debt, and preferred and common equity as well as other equity-linked securities. These various securities offer distinct risk/reward features which may be more or less attractive during different points in the market cycle. Under normal market conditions, the Adviser will invest the Fund's Managed Assets in specialty finance companies with exposure to some or all of these kinds of securities.

Specialty finance companies provide capital or financing to businesses within specified market segments. These companies are often distinguished by their market specializations which allow them to focus on the specific financial needs of their clients. Specialty finance companies often engage in asset-based and other forms of non-traditional financing activities. While they generally compete against traditional financial institutions with broad product lines and, often, greater financial resources, specialty finance companies seek competitive advantage by focusing their attention on market niches, which may provide them with deeper knowledge of their target market and its needs. Specialty finance companies include mortgage specialists to certain consumers, equipment leasing specialists to certain industries and equity or debt-capital providers to certain small businesses. Specialty finance companies often utilize tax-efficient or other non-traditional structures, such as BDCs and REITs.

Alternative Credit.

General. Alternative credit is often referred to as "peer-to-peer" lending, which term originally reflected the initial focus of the industry on individual investors and consumer loan borrowers. In

addition, the alternative credit platforms may retain on their balance sheets a portion of the loan portfolios they originate. In alternative credit, loans are originated through online platforms that provide a marketplace that matches small- and mid-sized companies and other borrowers seeking loans with investors willing to provide the funding for such loans. Since its inception, the industry has grown to include substantial involvement of institutional investors. These borrowers may seek such loans for a variety of different purposes, ranging, for example, from loans to fund elective medical procedures to loans for franchise financing. The procedures through which borrowers obtain loans can vary between platforms, and between the types of loans (e.g., consumer versus SME). The Fund intends to hold its Alternative Credit investments until maturity.

The Alternative Credit in which the Fund typically invests are newly issued and/or current as to interest and principal payments at the time of investment. A small number of alternative credit platforms originate a substantial portion of their Alternative Credit investments in the United States. The Adviser intends to continue to build relationships and enter into agreements with additional platforms. However, if there are not sufficient qualified loan requests through any platform, the Fund may be unable to deploy its capital in a timely or efficient manner. In such event, the Fund may be forced to invest in cash, cash equivalents, or other assets that fall within its investment policies that are generally expected to offer lower returns than the Fund's target returns from investments in Alternative Credit. The Fund enters into purchase agreements with platforms, which outline, among other things, the terms of the loan purchase, loan servicing, the rights of the Fund to assign the loans and the remedies available to the parties. Although the form of these agreements is similar to those typically available to all investors, institutional investors such as the Fund (unlike individual retail investors) have an opportunity to negotiate some of the terms of the agreement. In particular, the Fund has greater negotiating power related to termination provisions and custody of the Fund's account(s) relative to other investors due to the restrictions placed on the Fund by the 1940 Act, of which the platforms are aware. Pursuant to such agreements, the platform or a third-party servicer will typically service the loans, collecting payments and distributing them to the Fund, less any servicing fees, and the servicing entity, unless directed by the Fund, typically will make all decisions regarding acceleration or enforcement of the loans following any default by a borrower. The Fund seeks to have a backup servicer in case any platform or third-party servicer ceases or fails to perform the servicing functions, which the Fund expects will mitigate some of the risks associated with a reliance on platforms or third-party servicers for servicing of the Alternative Credit.

In the United States, a platform may be subject to extensive regulation, oversight and examination at both the federal and state level, and across multiple jurisdictions if it operates its business nationwide. Accordingly, platforms are generally subject to various securities, lending, licensing and consumer protection laws. In addition, courts have recently considered the regulatory environment applicable to alternative credit platforms and purchasers of Alternative Credit. In light of recent decisions, if upheld and widely applied, certain alternative credit platforms could be required to restructure their operations and certain loans previously made by them through funding banks may not be enforceable, whether in whole or in part, by investors holding such loans or such loans would be subject to diminished returns and/or the platform subject to fines and penalties. As a result, large amounts of Alternative Credit purchased by the Fund (directly or indirectly) could become unenforceable or subject to diminished returns, thereby causing losses for Shareholders.

Alternative Credit and Pass-Through Notes. As noted above, the underlying Alternative Credit origination processes employed by each platform may vary significantly. The principal amount of

each loan is advanced to the borrower by a bank (the "funding bank"). The operator of the platform may purchase the loan from the funding bank at par using the funds of multiple lenders and then issues to each such lender at par a Pass-Through Note of the operator (or an affiliate of the operator) representing the right to receive the lender's proportionate share of all principal and interest payments received by the operator from the borrower on the loan funded by such lender (net of the platform servicing fees). As an alternative, certain operators (including most SME lenders) do not engage funding banks but instead extend their loans directly to the borrowers.

The platform operator typically will service the loans it originates and will maintain a separate segregated deposit account into which it will deposit all payments received from the obligors on the loans. Upon identification of the proceeds received with respect to a loan and deduction of applicable fees, the platform operator forwards the amounts owed to the lenders or the holders of any related Pass-Through Notes, as applicable.

A platform operator is not obligated to make any payments due on Alternative Credit or Pass-Through Notes (except to the extent that the operator actually receives payments from the borrower on the related loan). Accordingly, lenders and investors assume all of the credit risk on the loans they fund through a Pass-Through Note purchased from a platform operator and are not entitled to recover any deficiency of principal or interest from the platform operator if the underlying borrower defaults on its payments due with respect to a loan. In addition, a platform operator is generally not required to repurchase Alternative Credit from a lender or purchaser except under very narrow circumstances, such as in cases of verifiable identity fraud by the borrower. As loan servicer, the platform operator or an affiliated entity typically has the ability to refer any delinquent Alternative Credit to a collection agency (which may impose additional fees and costs that are often as high, or higher in some cases, as 35% of any recovered amounts). The Fund itself will not directly enter into any arrangements or contracts with the collection agencies (and, accordingly, the Fund does not currently anticipate it would have, under current law and existing interpretations, substantial risk of liability for the actions of such collection agencies). At the same time, the relatively low principal amounts of Alternative Credit often make it impracticable for the platform operator to commence legal proceedings against defaulting borrowers. Alternative Credit may be secured (generally in the case of SME loans and real estate-related loans) or unsecured. For example, real estate Alternative Credit may be secured by a deed of trust, mortgage, security agreement or legal title to real estate. There can be no assurance that any collateral pledged to secure Alternative Credit can be liquidated quickly or at all or will generate proceeds sufficient to offset any defaults on such loan.

Generally, the Alternative Credit in which the Fund invests will fully amortize and will not be interest-only. However, in some sectors (e.g., real estate-related loans), the loans may be interest-only with the principal to be paid at the end of the term. An active secondary market for the Alternative Credit does not currently exist and an active market for the Alternative Credit may not develop in the future. Borrowers of Alternative Credit electronically execute each of the loan documents prepared in connection with the applicable loan, binding the borrower to the terms of the loan, which include the provision that the loan may be transferred to another party.

Asset-Backed Securities. The Fund also may invest in Alternative Credit, through special purpose vehicles ("SPVs") established solely for the purpose of holding assets (e.g., commercial loans) and issuing securities ("asset-backed securities") secured only by such underlying assets (which practice

is known as securitization). The Fund may invest, for example, in an SPV that holds a pool of loans originated by a particular platform. The SPV may enter into a service agreement with the operator or a related entity to ensure continued collection of payments, pursuit of delinquent borrowers and general interaction with borrowers in much the same manner as if the securitization had not occurred.

The SPV may issue multiple classes of asset-backed securities with different levels of seniority. The more senior classes will be entitled to receive payment before the subordinate classes if the cash flow generated by the underlying assets is not sufficient to allow the SPV to make payments on all of the classes of the asset-backed securities. Accordingly, the senior classes of asset-backed securities receive higher credit ratings (if rated) whereas the subordinated classes have higher interest rates. In general, the Fund may invest in both rated senior classes of asset-backed securities as well as unrated subordinated (residual) classes of asset-backed securities. The subordinated classes of asset-backed securities in which the Fund may invest are typically considered to be an illiquid and highly speculative investment, as losses on the underlying assets are first absorbed by the subordinated classes.

The value of asset-backed securities, like that of traditional fixed-income securities, typically increases when interest rates fall and decreases when interest rates rise. However, asset-backed securities differ from traditional fixed-income securities because they generally will be subject to prepayment based upon prepayments received by the SPV on the loan pool. The price paid by the Fund for such securities, the yield the Fund expects to receive from such securities and the weighted average life of such securities are based on a number of factors, including the anticipated rate of prepayment of the underlying assets.

Private Investment Funds. The Fund may invest up to 10% of its Managed Assets in private investment funds that invest in Alternative Credit. Under one such fund structure, the platform operator may form (i) an investment fund that offers partnership interests or similar securities to investors on a private placement basis, and (ii) a subsidiary that acts as the investment fund's general partner and investment manager. The investment fund then applies its investors' funds to purchase Alternative Credit originated on the platform (or portions thereof) from the operator. As an investor in an investment fund, the Fund would hold an indirect interest in a pool of Alternative Credit and would receive distributions on its interest in accordance with the fund's governing documents. This structure is intended to create diversification and to reduce operator credit risk for the investors in the investment fund by enabling them to invest indirectly in Alternative Credit through the private investment fund rather than directly from the operator of the platform.

Other Investments in Alternative Credit Instruments. The Fund may invest in the equity securities and/or debt obligations of platform operators (or their affiliates), which may provide these platforms and their related entities with the financing needed to support their lending business. An equity interest in a platform or related entity represents ownership in such company, providing voting rights and entitling the Fund, as a shareholder, to a share in the company's success through dividends and/or capital appreciation. A debt investment made by the Fund could take the form of a loan, convertible note, credit line or other extension of credit made by the Fund to a platform operator. The Fund would be entitled to receive interest payments on its investment and repayment of the principal at a set maturity date or otherwise in accordance with the governing documents.

The Fund also may wholly-own or otherwise control certain pooled investment vehicles which hold Alternative Credit and/or other Alternative Credit Instruments, which pooled investment vehicle may be formed and managed by the Adviser (a "Subsidiary"). Each Subsidiary may invest in Alternative Credit and other instruments that the Fund may hold directly. As of the date of this report, the Fund did not own any Subsidiaries.

Business Development Companies.

BDCs are a type of closed-end fund regulated under the 1940 Act, whose shares are typically listed for trading on a U.S. securities exchange. BDCs typically invest in and lend to small and medium-sized private and certain public companies that may not have access to public equity markets for capital raising. Oftentimes, financing a BDC includes an equity-like investment such as warrants or conversion rights, creating an opportunity for the BDC to participate in capital appreciation in addition to the interest income earned from its debt investments. The interest earned by a BDC flows through to investors in the form of a dividend, normally without being taxed at the BDC entity level. BDCs invest in such diverse industries as healthcare, chemical and manufacturing, technology and service companies. BDCs are unique in that at least 70% of their investments must be made in private and certain public U.S. businesses, and BDCs are required to make available significant managerial assistance to their portfolio companies. Unlike corporations, BDCs are not taxed on income distributed to their shareholders provided they comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The securities of BDCs, which are required to distribute substantially all of their income on an annual basis to investors in order to not be subject to entity level taxation, often offer a yield advantage over securities of other issuers, such as corporations, that are taxed on income at the entity level and are able to retain all or a portion of their income rather than distributing it to investors. The Fund invests primarily in BDC shares which are trading in the secondary market on a U.S. securities exchange but may, in certain circumstances, invest in an initial public offering of BDC shares or invest in certain debt instruments issued by BDCs. The Fund is not limited with respect to the specific types of BDCs in which it invests. The Fund will indirectly bear its proportionate share of any management and other expenses, and of any performance based or incentive fees, charged by the BDCs in which it invests, in addition to the expenses paid by the Fund.

Closed-End Funds.

Closed-end funds are investment companies that typically issue a fixed number of shares that trade on a securities exchange or over-the-counter. The risks of investment in closed-end funds typically reflect the risk of the types of securities in which the funds invest. Investments in closed-end funds are subject to the additional risk that shares of the fund may trade at a premium or discount to their NAV per share. Closed-end funds come in many varieties and can have different investment objectives, strategies and investment portfolios. They also can be subject to different risks, volatility and fees and expenses. Although closed-end funds are generally listed and traded on an exchange, the degree of liquidity, or ability to be bought and sold, will vary significantly from one closed-end fund to another based on various factors including, but not limited to, demand in the marketplace. The Fund may also invest in shares of closed-end funds that are not listed on an exchange. Such non-listed closed-end funds are subject to certain restrictions on redemptions and no secondary market exists. As a result, such investments should be considered illiquid. When the Fund invests in shares of a closed-end fund, shareholders of the Fund bear their proportionate share of the closed-end fund's fees and expenses, as well as their share of the Fund's fees and expenses.

REITs and Other Mortgage-Related Securities.

REITs are financial vehicles that pool investors' capital to invest primarily in income-producing real estate or real estate-related loans or interests. REIT shares are typically listed for trading in the secondary market on a U.S. securities exchange. REITs can generally be classified as "Mortgage REITs," "Equity REITs" and "Hybrid REITs." Mortgage REITs, which invest the majority of their assets in real estate mortgages, derive their income primarily from interest payments. The Fund focuses its Mortgage REIT investments in companies that invest primarily in U.S. Agency, prime-rated and commercial mortgage securities. U.S. Agency securities include securities issued by the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents, royalties and lease payments. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Some REITs which are classified as Equity REITs provide specialized financing solutions to their clients in the form of sale-lease back transactions and triple net lease financing. Hybrid REITs combine the characteristics of both Equity REITs and Mortgage REITs.

Debt securities issued by REITs are, for the most part, general and unsecured obligations and are subject generally to risks associated with REITs. Distributions received by the Fund from REITs may consist of dividends, capital gains and/or return of capital. REITs are not taxed on income distributed to their shareholders provided they comply with the applicable requirements of the Internal Revenue Code. Similar to BDCs, the securities of REITs, which are required to distribute substantially all of their income to investors in order to not be subject to entity level taxation, often offer a yield advantage over securities of other issuers, such as corporations, that are taxed on income at the entity level and are able to retain all or a portion of their income rather than distributing it to investors. Many of these distributions, however, will not generally qualify for favorable treatment as qualified dividend income. The Fund invests primarily in REIT shares which are trading in the secondary market on a U.S. securities exchange but may, in certain circumstances, invest in an initial public offering of REIT shares or invest in certain debt instruments issued by REITs. The Fund is not limited with respect to the specific types of REITs in which it invests. The Fund will indirectly bear its proportionate share of any management and other operating expenses charged by the REITs in which it invests, in addition to the expenses paid by the Fund.

Other mortgage-related securities in which the Fund may invest include debt instruments which provide periodic payments consisting of interest and/or principal that are derived from or related to payments of interest and/or principal on underlying mortgages. Additional payments on mortgage-related securities may be made out of unscheduled prepayments of principal resulting from the sale of the underlying property or from refinancing or foreclosure, net of fees or costs that may be incurred.

The Fund may invest in commercial mortgage-related securities issued by corporations. These are securities that represent an interest in, or are secured by, mortgage loans secured by commercial property, such as industrial and warehouse properties, office buildings, retail space and shopping malls, multifamily properties and cooperative apartments, hotels and motels, nursing homes, hospitals and senior living centers. They may pay fixed or adjustable rates of interest. The commercial mortgage loans that underlie commercial mortgage-related securities have certain

distinct risk characteristics. Commercial mortgage loans generally lack standardized terms, which may complicate their structure. Commercial properties themselves tend to be unique and difficult to value. Commercial mortgage loans tend to have shorter maturities than residential mortgage loans and may not be fully amortizing, meaning that they may have a significant principal balance, or "balloon" payment, due on maturity. In addition, commercial properties, particularly industrial and warehouse properties, are subject to environmental risks and the burdens and costs of compliance with environmental laws and regulations.

The Fund also may invest in mortgage pass-through securities, collateralized mortgage obligations ("CMOs"), mortgage dollar rolls, CMO residuals (other than residual interests in real estate mortgage investment conduits), stripped mortgage-backed securities and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property.

In addition, the Fund may invest in other types of asset-backed securities that are offered in the marketplace. Other asset-backed securities may be collateralized by the fees earned by service providers. The value of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools and are therefore subject to risks associated with the negligence of, or defalcation by, their servicers. In certain circumstances, the mishandling of related documentation may also affect the rights of the security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the underlying assets may result in added costs and delays in addition to losses associated with a decline in the value of the underlying assets.

Special Purpose Acquisition Companies.

SPACs are collective investment structures that pool funds in order to seek potential acquisition opportunities. Unless and until an acquisition is completed, a SPAC generally invests its assets (less an amount to cover expenses) in U.S. government securities, money market fund securities and cash. SPACs and similar entities may be blank check companies with no operating history or ongoing business other than to seek a potential acquisition. Accordingly, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. Certain SPACs may seek acquisitions only in limited industries or regions, which may increase the volatility of their prices. If an acquisition that meets the requirements for the SPAC is not completed within a predetermined period of time, the invested funds are returned to the entity's shareholders. 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.

Private Investment Funds.

Private Investment Funds may require large minimum investments and impose stringent investor qualification criteria that are intended to limit their direct investors mainly to institutions such as endowments and pension funds. By investing in private investment funds, the Fund can offer shareholders access to certain asset managers that may not be otherwise available to them. The Fund seeks to leverage the relationships of the Adviser to gain access to private investment funds on terms consistent with those offered to similarly-sized institutional investors. Furthermore, the Fund believes that investments in private investment funds offer opportunities for moderate income and growth as well as lower correlation to equity markets but will also be less liquid.

Collateralized Loan Obligations.

CLOs are securitization vehicles that pool a diverse portfolio of primarily below investment grade U.S. senior secured loans. Such pools of underlying assets are often referred to as a CLO's "collateral." While the vast majority of the portfolio of most CLOs consists of senior secured loans, many CLOs enable the CLO collateral manager to invest up to 10% of the portfolio in assets that are not first lien senior secured loans, including second lien loans, unsecured loans, senior secured bonds and senior unsecured bonds.

CLOs are generally required to hold a portfolio of assets that is highly diversified by underlying borrower and industry, and is subject to a variety of asset concentration limitations. Most CLOs are revolving structures that generally allow for reinvestment over a specific period of time (typically 3 to 5 years). In cash flow CLOs, the terms and covenants of the structure are, with certain exceptions, based primarily on the cash flow generated by, and the par value (as opposed to the market price) of, the collateral. These covenants include collateral coverage tests, interest coverage tests and collateral quality tests.

CLOs fund the purchase of a portfolio of primarily senior secured loans via the issuance of CLO equity and debt in the form of multiple, primarily floating-rate debt, tranches. The CLO debt tranches typically are rated "AAA" (or its equivalent) at the most senior level down to "BB" or "B" (or its equivalent), which is below investment grade, at the most junior level by Moody's Investor Service, Inc., or "Moody's," Standard & Poor's Rating Group, or "S&P," and/or Fitch, Inc., or "Fitch." The CLO equity tranche is unrated and typically represents approximately 8% to 11% of a CLO's capital structure. A CLO's equity tranche represents the first loss position in the CLO.

Since a CLO's indenture requires that the maturity dates of a CLO's assets (typically 5 to 8 years from the date of issuance of a senior secured loan) be shorter than the maturity date of the CLO's liabilities (typically 11 to 12 years from the date of issuance), CLOs generally do not face refinancing risk on the CLO debt.

Other Financial Companies.

The principal industry groups of financial companies include banks, savings institutions, brokerage firms, investment management companies, insurance companies, holding companies of the foregoing and companies that provide related services to such companies. Banks and savings institutions provide services to customers such as demand, savings and time deposit accounts and a variety of lending and related services. Brokerage firms provide services to customers in connection with the purchase and sale of securities. Investment management companies provide investment advisory and related services to retail customers, high net-worth individuals and institutions. Insurance companies provide a wide range of commercial, life, health, disability, personal property and casualty insurance products and services to businesses, governmental units, associations and individuals.

Equity Securities.

Equity securities may include common stocks that either are required to and/or customarily distribute a large percentage of their current earnings as dividends. Common stock represents an

equity ownership interest in a company, providing voting rights and entitling the holder to a share of the company's success through dividends and/or capital appreciation. In the event of liquidation, common stockholders have rights to a company's remaining assets after bond holders, other debt holders and preferred stockholders have been paid in full. Typically, common stockholders are entitled to one vote per share to elect the company's board of directors (although the number of votes is not always directly proportional to the number of shares owned). Common stockholders also receive voting rights regarding other company matters such as mergers and certain important company policies such as issuing securities to management. Common stocks fluctuate in price in response to many factors, including historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Investment Grade Debt Securities.

Investment grade bonds of varying maturities issued by governments, corporations and other business entities are fixed or variable rate debt obligations, including bills, notes, debentures, money market instruments and similar instruments and securities. Bonds generally are used by corporations as well as by governments and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain bonds are "perpetual" in that they have no maturity date.

Non-Investment Grade Debt Securities.

Fixed income securities of below-investment grade quality are commonly referred to as "high-yield" or "junk" bonds. Generally, such lower quality debt securities offer a higher current yield than is offered by higher quality debt securities, but also (i) will likely have some quality and protective characteristics that, in the judgment of the rating agencies, are outweighed by large uncertainties or major risk exposures to adverse conditions and (ii) are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. Below-investment grade debt securities are rated below "Baa" by Moody's Investors Services, Inc., below "BBB" by Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., comparably rated by another nationally recognized statistical rating organization or, if unrated, determined to be of comparable quality by the Advisor.

Mortgage-Back Securities.

Mortgage-backed securities represent direct or indirect participations in, or are secured by and payable from, mortgage loans secured by real property and include single- and multi-class pass-through securities and collateralized mortgage obligations. U.S. government mortgage-backed securities include mortgage-backed securities issued or guaranteed as to the payment of principal and interest (but not as to market value) by the Government National Mortgage Association (also known as Ginnie Mae), the Federal National Mortgage Association (also known as Fannie Mae), the Federal Home Loan Mortgage Corporation (also known as Freddie Mac) or other government-sponsored enterprises. Other mortgage-backed securities are issued by private issuers. Private issuers are generally originators of and investors in mortgage loans, including savings associations, mortgage bankers, commercial banks, investment bankers and special purpose entities. Payments of principal and interest (but not the market value) of such private mortgage-backed securities may be supported by pools of mortgage loans or other mortgage-backed securities that are guaranteed,

directly or indirectly, by the U.S. government or one of its agencies or instrumentalities, or they may be issued without any government guarantee of the underlying mortgage assets but with some form of non-government credit enhancement. Non-governmental mortgage-backed securities may offer higher yields than those issued by government entities, but may also be subject to greater price changes than governmental issues.

Some mortgage-backed securities, such as collateralized mortgage obligations, make payments of both principal and interest at a variety of intervals; others make semi-annual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Stripped mortgage-backed securities are created when the interest and principal components of a mortgage-backed security are separated and sold as individual securities. In the case of a stripped mortgage-backed security, the holder of the principal-only, or "PO," security receives the principal payments made by the underlying mortgage, while the holder of the interest-only, or "IO," security receives interest payments from the same underlying mortgage.

Mortgage-backed securities are based on different types of mortgages including those on commercial real estate or residential properties. These securities often have stated maturities of up to thirty years when they are issued, depending upon the length of the mortgages underlying the securities. In practice, however, unscheduled or early payments of principal and interest on the underlying mortgages may make the securities' effective maturity shorter than this, and the prevailing interest rates may be higher or lower than the current yield of the Fund's portfolio at the time the Fund receives the prepayments for reinvestment.

Residential mortgage-backed securities represent direct or indirect participations in, or are secured by and payable from, pools of assets which include all types of residential mortgage products.

Asset-Backed Securities.

Asset-backed securities represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements or a combination of the foregoing. These assets are securitized through the use of trusts and special purpose corporations. Credit enhancements, such as various forms of cash collateral accounts or letters of credit, may support payments of principal and interest on asset-backed securities. Although these securities may be supported by letters of credit or other credit enhancements, payment of interest and principal ultimately depends upon individuals paying the underlying loans or accounts, which payment may be adversely affected by general downturns in the economy. Asset-backed securities are subject to the same risk of prepayment described above with respect to mortgage-backed securities. The risk that recovery on repossessed collateral might be unavailable or inadequate to support payments, however, is greater for asset-backed securities than for mortgage-backed securities.

Other Securities.

New financial products continue to be developed and the Fund may invest in any products that may be developed to the extent consistent with its investment objectives and the regulatory and federal tax requirements applicable to investment companies.

Use of Leverage

As of the date of this prospectus, the Fund utilized, and intends to continue to utilize, leverage for investment and other purposes, such as for financing the repurchase of its Shares or to otherwise provide the Fund with liquidity. Under the 1940 Act, the Fund may utilize leverage through the issuance of preferred stock in an amount up to 50% of its total assets and/or through borrowings and/or the issuance of notes or debt securities (collectively, "Borrowings") in an aggregate amount of up to 33-1/3% of its total assets. The Fund anticipates that its leverage will vary from time to time, based upon changes in market conditions and variations in the value of the portfolio's holdings; however, the Fund's leverage will not exceed the limitations set forth under the 1940 Act.

On September 5, 2017, the Fund entered into a credit agreement with The Huntington National Bank as lender (the "Credit Agreement"), which provided the Fund with a maximum Borrowing capacity of $20 million. On December 6, 2019, the Credit Agreement was terminated.

As of June 30, 2020, the Fund had outstanding 1,656,000 shares of Series A Preferred Stock. For the fiscal year ended June 30, 2020, the average liquidation preference since the issuance of such Series A Preferred Stock was approximately $25.00. The Series A Preferred Stock ranks senior in right of payment to the Shares. As of June 30, 2020, the Fund's leverage from Borrowings and its issuance of Series A Preferred Stock was approximately 28.6% of its Managed Assets.

There is no assurance that the Fund will increase the amount of its leverage or that, if additional leverage is utilized, it will be successful in enhancing the level of the Fund's current distributions. It is also possible that the Fund will be unable to obtain additional leverage. If the Fund is unable to increase its leverage after the issuance of additional Shares pursuant to this prospectus, there could be an adverse impact on the return to Shareholders.

Under the 1940 Act, the Fund generally is not permitted to incur Borrowings unless immediately after the Borrowing the value of the Fund's total assets less liabilities other than the principal amount represented by Borrowings is at least 300% of such principal amount. Also, under the 1940 Act and as noted above, the Fund is not permitted to issue preferred stock unless immediately after such issuance the value of the Fund's asset coverage is at least 200% of the liquidation value of the outstanding preferred stock (i.e., such liquidation value may not exceed 50% of the Fund's asset coverage). Furthermore, the Fund is not permitted to declare any cash dividend or other distribution on its Shares, or repurchase its Shares, unless, at the time of such declaration or repurchase, the Borrowings have an asset coverage of at least 300% and the preferred stock has an asset coverage of at least 200% after deducting the amount of such dividend, distribution or purchase price (as the case may be). Any prohibitions on dividends and other distributions on the Shares could impair the Fund's ability to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"). The Fund intends, to the extent possible, to prepay all or a portion of the principal amount of any outstanding Borrowing or purchase or redeem any outstanding shares of preferred stock to the extent necessary in order to maintain the required asset coverage. Holders of shares of preferred stock, including Series A Preferred Stock ("preferred shareholders"), voting separately, are entitled to elect two of the Fund's directors. The remaining directors of the Fund are elected by Shareholders and preferred shareholders voting together as a single class. In the event the Fund would fail to pay dividends on its preferred stock for two years, the preferred shareholders would be entitled to elect a majority of the directors of the Fund.

In addition to the requirements under the 1940 Act, the Fund is subject to various requirements and restrictions under its Series A Preferred Stock. The requirements and restrictions with respect to the Fund's preferred stock, including the Series A Preferred Stock, may be more stringent than those imposed by the 1940 Act, which may include certain restrictions imposed by guidelines of one or more rating agencies which issue ratings for the Fund's preferred stock; however, it is not anticipated that they will impede the Adviser from managing the Fund's portfolio and repurchase policy in accordance with the Fund's investment objective and policies. Nonetheless, in order to adhere to such requirements and restrictions, the Fund may be required to take certain actions, such as reducing its Borrowings and/or redeeming shares of its preferred stock, including Series A Preferred Stock, with the proceeds from portfolio transactions at what might be an in opportune time in the market. Such actions could incur transaction costs as well as reduce the net earnings or returns to Shareholders over time. In addition to other considerations, to the extent that the Fund believes that these requirements and restrictions would impede its ability to meet its investment objective or its ability to qualify as a regulated investment company, the Fund will not incur additional Borrowings or issue additional preferred stock.

In general, Borrowings may be at a fixed or floating rate and are typically based upon short-term rates. The Borrowings in which the Fund may incur from time to time may be secured by mortgaging, pledging or otherwise subjecting as security the assets of the Fund. Certain types of Borrowings may result in the Fund being subject to covenants in credit agreements relating to asset coverage and portfolio composition requirements. Generally, covenants to which the Fund may be subject include affirmative covenants, negative covenants, financial covenants, and investment covenants. An example of an affirmative covenant would be one that requires the Fund to send its annual audited financial report to the lender. An example of a negative covenant would be one that prohibits the Fund from making any amendments to its fundamental policies. An example of a financial covenant is one that would require the Fund to maintain a 3:1 asset coverage ratio. An example of an investment covenant is one that would require the Fund to limit its investment in a particular asset class. As noted above, the Fund may need to liquidate its investments when it may not be advantageous to do so in order to satisfy such obligations or to meet any asset coverage and segregation requirements (pursuant to the 1940 Act or otherwise). As the Fund's portfolio will be substantially illiquid, any such disposition or liquidation could result in substantial losses to the Fund.

The terms of the Fund's Borrowings may also contain provisions which limit certain activities of the Fund, including the payment of dividends to Shareholders in certain circumstances, and the Fund may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of Borrowing over the stated interest rate. In addition, certain types of Borrowings may involve the rehypothecation of the Fund's securities. Furthermore, the Fund may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the short-term corporate debt securities issued by the Fund. Any Borrowing will likely be ranked senior or equal to all other Borrowings of the Fund and the rights of lenders to the Fund to receive interest on and repayment of principal of any Borrowings will likely be senior to those of the Shareholders. Further, the 1940 Act grants, in certain circumstances, to the lenders to the Fund certain voting rights in the event of default in the payment of interest on or repayment of principal. In the event that such provisions would impair the Fund's status as a regulated investment company under the Code, the Fund, subject to its ability to liquidate its portfolio, intends to repay the Borrowings.

The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

Due to the Fund’s issuance of Series A Term Preferred Stock, for tax purposes, the Fund is required to allocate net capital gain and other taxable income, if any, between the Shares and shares of the Series A Term Preferred Stock in proportion to total dividends paid to each class for the year in which the net capital gain or other taxable income was realized.

So long as the rate of return, net of applicable Fund expenses, on the Fund’s portfolio investments purchased with Borrowings or the proceeds from the issuance of preferred stock, including Series A Term Preferred Stock, exceeds the then-current interest or payment rate and other costs on such Borrowings or preferred stock, the Fund will generate more return or income than will be needed to pay such interest or dividend payments and other costs. In this event, the excess will be available to pay higher dividends to Shareholders. If the net rate of return on the Fund’s investments purchased with Borrowings or the proceeds from the issuance of preferred stock, including Series A Term Preferred Stock, does not exceed the costs of such Borrowings or preferred stock, the return to Shareholders will be less than if leverage had not been used. In such case, the Adviser, in its best judgment, nevertheless may determine to maintain the Fund’s leveraged position if it expects that the benefits to the Shareholders of maintaining the leveraged position will outweigh the current reduced return. Under normal market conditions, the Fund anticipates that it will be able to invest the proceeds from leverage at a higher rate of return than the costs of leverage, which would enhance returns to Shareholders. In addition, the cost associated with any issuance and use of leverage is borne by the Shareholders and results in a reduction of the NAV of the Shares. Such costs may include legal fees, audit fees, structuring fees, commitment fees and a usage (borrowing) fee.

The use of leverage is a speculative technique and investors should note that there are special risks and costs associated with the leveraging of the Shares. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed. When leverage is employed, the NAV and the yield to Shareholders will be more volatile. Leverage creates a greater risk of loss, as well as potential for more gain, for the Shares that if leverage is not used. In addition, the Adviser is paid more if the Fund uses leverage, which creates a conflict of interest for the Adviser.

Effects of Leverage

Assuming the utilization of leverage through a combination of borrowings and the issuance of preferred stock by the Fund in the aggregate amount of approximately 29.1% of the Fund’s Managed Assets, at a combined interest or payment rate of 5.875% payable on such leverage, the return generated by the Fund’s portfolio (net of estimated non-leverage expenses) must exceed 1.71% in order to cover such interest or payment rates and other expenses specifically related to leverage. These numbers are merely estimates used for illustration. Actual interest or payment rates on the leverage utilized by the Fund will vary frequently and may be significantly higher or lower than the rate estimated above.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in the Fund’s portfolio net of expenses) of -10%, -5%, 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures

and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by the Fund.

Assumed Portfolio Return	-10.00%	-5.00%	0.00%	5.00%	10.00%
Common Share Total Return	-16.52%	-9.47%	-2.41%	4.64%	11.70%

Share total return is composed of two elements: the dividends on Shares paid by the Fund (the amount of which is largely determined by the Fund's net investment income after paying interest or other payments on its leverage) and gains or losses on the value of the securities the Fund owns. As required by SEC rules, the table above assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0%, the Fund must assume that the interest it receives on its investments is entirely offset by losses in the value of those investments. Figures appearing in the table are hypothetical. Actual returns may be greater or less than those appearing in the table.

Risk Factors

Investing in the Fund involves certain risks relating to its structure and investment objective. You should carefully consider these risk factors, together with all of the other information included in this report, before deciding whether to make an investment in the Fund. An investment in the Fund may not be appropriate for all investors, and an investment in the Common Shares of the Fund should not be considered a complete investment program.

The risks set forth below are not the only risks of the Fund, and the Fund may face other risks that have not yet been identified, which are not currently deemed material or which are not yet predictable. If any of the following risks occur, the Fund's financial condition and results of operations could be materially adversely affected. In such case, the Fund's NAV and the trading price of its securities could decline, and you may lose all or part of your investment.

Various risk factors included below have been updated since the prior disclosure date to reflect the Fund's new investment strategy to, under normal market conditions, invest directly or indirectly in credit instruments, including a portfolio of securities of specialty finance and other financial companies that the Adviser believes offer attractive opportunities for income.

Investment Strategy Risks:

Asset-Backed Securities Risks. Asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. For instance, asset-backed securities may be particularly sensitive to changes in prevailing interest rates. In addition, the underlying assets are subject to prepayments that shorten the securities' weighted average maturity and may lower their return. Asset-backed securities are also subject to risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. Payment of interest and repayment of principal on asset-backed securities is largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. The values of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools, and are therefore subject to risks associated with the negligence by, or defalcation of, their

servicers. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to the assets underlying these securities, which may give the debtor the right to avoid or reduce payment. In addition, due to their often complicated structures, various asset-backed securities may be difficult to value and may constitute illiquid investments. If many borrowers on the underlying Alternative Credit default, losses could exceed the credit enhancement level and result in losses to investors in asset-backed securities.

An investment in subordinated (residual) classes of asset-backed securities is typically considered to be an illiquid and highly speculative investment, as losses on the underlying assets are first absorbed by the subordinated classes. The risks associated with an investment in such subordinated classes of asset-backed securities include credit risk, regulatory risk pertaining to the Fund's ability to collect on such securities, platform performance risk and liquidity risk.

CLO Risk. The Fund's investments in CLOs may be riskier than a direct investment in the debt or other securities of the underlying companies. When investing in CLOs, the Fund may invest in any level of a CLO's subordination chain, including subordinated (lower-rated) tranches and residual interests (the lowest tranche). CLOs are typically highly levered and therefore, the junior debt and equity tranches that the Fund may invest in are subject to a higher risk of total loss and deferral or nonpayment of interest than the more senior tranches to which they are subordinated. In addition, the Fund will generally have the right to receive payments only from the CLOs, and will generally not have direct rights against the underlying borrowers or entities that sponsored the CLOs. Furthermore, the investments the Fund makes in CLOs are at times thinly traded or have only a limited trading market. As a result, investments in such CLOs may be characterized as illiquid securities.

Closed-End Investment Companies Risk. The Fund invests in closed-end investment companies, including shares of closed-end funds that are trading at a discount to NAV or at a premium to NAV. There can be no assurance that the market discount on shares of any closed-end fund purchased by the Fund will ever decrease.

In fact, it is possible that this market discount may increase and the Fund may suffer realized or unrealized capital losses due to further decline in the market price of the securities of such closed-end funds, thereby adversely affecting the NAV of the Fund's Common Shares. Similarly, there can be no assurance that any shares of a closed-end fund purchased by the Fund at a premium will continue to trade at a premium or that the premium will not decrease subsequent to a purchase of such shares by the Fund.

BDCs are a type of closed-end investment company that generally invest in less mature U.S. private companies or thinly traded U.S. public companies which involve greater risk than well-established publicly-traded companies. While BDCs are expected to generate income in the form of dividends, certain BDCs during certain periods of time may not generate such income. The Fund will indirectly bear its proportionate share of any management fees and other operating expenses incurred by closed-end funds and BDCs in which it invests, and of any performance-based or incentive fees payable by the BDCs in which it invests, in addition to the expenses paid by the Fund.

Corporate Debt Risks. Corporate debt securities are long and short-term debt obligations issued by companies (such as publicly issued and privately placed bonds, notes and commercial paper). The

Adviser considers corporate debt securities to be of investment grade quality if they are rated BBB or higher by S&P Global Ratings Services ("S&P") or Baa or higher by Moody's Investor Services, Inc. ("Moody's"), or if unrated, determined by the Adviser to be of comparable quality. Investment grade debt securities generally have adequate to strong protection of principal and interest payments. In the lower end of this category, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than in higher rated categories. The Fund may invest in both secured and unsecured corporate bonds. An unsecured bond may have a lower recovery value than a secured bond in the event of a default by its issuer.

Credit and Interest Rate Analysis Risk. The Adviser is reliant in part on the borrower credit information provided to it or assigned by the platforms when selecting instruments for investment. To the extent a credit rating is assigned to each borrower by a platform, such rating may not accurately reflect the borrower's actual creditworthiness. A platform may be unable, or may not seek, to verify all of the borrower information obtained by it, which it may use to determine such borrower's credit rating. Borrower information on which platforms and lenders may rely may be outdated. In addition, certain information that the Adviser would otherwise seek may not be available, such as financial statements and other financial information. Furthermore, the Adviser may be unable to perform any independent follow-up verification with respect to a borrower to the extent the borrower's name, address and other contact information is required to remain confidential. There is risk that a borrower may have supplied false or inaccurate information.

Although the Adviser conducts diligence on the credit scoring methodologies used by platforms from which the Fund purchases instruments, the Fund typically will not have access to all of the data that platforms utilize to assign credit scores to particular loans purchased directly or indirectly by the Fund, and will not confirm the truthfulness of such information or otherwise evaluate the basis for the platform's credit score of those loans. In addition, the platforms' credit decisions and scoring models are based on algorithms that could potentially contain programming or other errors or prove to be ineffective or otherwise flawed. This could adversely affect loan pricing data and approval processes and could cause loans to be mispriced or misclassified, which could ultimately have a negative impact on the Fund's performance.

The interest rates on loans established by the platforms may have not been appropriately set. A failure to set appropriate rates on the loans may adversely impact the ability of the Fund to receive returns on its instruments that are commensurate with the risks associated with directly or indirectly owning such instruments. In addition, certain other information used by the platforms and the Adviser in making loan and investment decisions may be deficient and/or incorrect, which increases the risk of loss on the loan.

Default Risk. The ability of the Fund to generate income through its investment in loans is dependent upon payments being made by the borrower underlying such instruments. If a borrower 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.

Fixed Income Securities Risk. The Fund may invest in fixed income securities. Fixed income securities generally represent the obligation of an issuer to repay to the investor (or lender) the amount borrowed plus interest over a specified time period. Fixed income securities increase or

decrease in value based on changes in interest rates. If rates increase, the value of the fund's fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases. The issuer of a fixed income security may not be able to make interest and principal payments when due. This risk is increased in the case of issuers of high yield securities, also known as "junk bonds." Securities of certain U.S. Government sponsored entities are neither issued nor guaranteed by the U.S. Government. Fixed income risks include components of the following additional risks:

Credit Risk. The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation, which could result in a loss to the Fund. The Fund may invest in securities that are rated in the lowest investment grade category. Issuers of these securities are more vulnerable to changes in economic conditions than issuers of higher grade securities. As a result of the credit profile of the borrowers and the interest rates on the Fund's investment in loans, the delinquency and default experience on the these instruments may be significantly higher than those experienced by financial products arising from traditional sources of lending. Shareholders are urged to consider the highly risky nature of the credit quality of the Fund's investment in loans when analyzing an investment in the Shares.

High Yield Securities/Junk Bond Risk. The Fund may invest in high yield securities, also known as "junk bonds." High yield securities are not considered to be investment grade. High yield securities may provide greater income and opportunity for gain, but entail greater risk of loss of principal. High yield securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. The market for high yield securities is generally less active than the market for higher quality securities. This may limit the ability of the Fund to sell high yield securities at the price at which it is being valued for purposes of calculating net asset value.

Government Risk. The U.S. Government's guarantee of ultimate payment of principal and timely payment of interest on certain U. S. Government securities owned by the Fund does not imply that the Fund's shares are guaranteed or that the price of the Fund's shares will not fluctuate. In addition, securities issued by Freddie Mac, Fannie Mae and Federal Home Loan Banks are not obligations of, or insured by, the U.S. Government. If a U.S. Government agency or instrumentality in which the Fund invests defaults and the U.S. Government does not stand behind the obligation, the Fund's share price could fall. All U.S. Government obligations are subject to interest rate risk.

Interest Rate Risk. The Fund's share price and total return will vary in response to changes in interest rates. If rates increase, the value of the Fund's investments generally will decline, as will the value of a shareholder's investment in the Fund. Securities with longer maturities tend to produce higher yields, but are more sensitive to changes in interest rates and are subject to greater fluctuations in value. The risks associated with increasing interest rates are heightened given that interest rates are near historic lows, but are expected to increase in the future with unpredictable effects on the markets and the Fund's investments. In addition, this rise in interest rates may negatively impact the

Fund's future income relating to leverage, as the Fund will be required to earn more income on its investments to recoup any increased costs of leverage.

The Fund's investments, interest payment obligations and financing terms may be based on floating rates, such as the London Interbank Offered Rate ("LIBOR"). On July 27, 2017, the head of the UK Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Regulators and industry working groups have suggested alternative reference rates, but global consensus is lacking and the process for amending existing contracts or instruments to transition away from LIBOR remains unclear. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. As such, the transition away from LIBOR may lead to increased volatility and illiquidity in markets that are tied to LIBOR, reduced values of LIBOR-related investments, and reduced effectiveness of hedging strategies.

Sovereign Obligation Risk. Investment in sovereign debt obligations involves special risks not present in corporate debt obligations. The issuer of the sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Fund may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt may be more volatile than prices of U.S. debt obligations. In the past, certain emerging markets have encountered difficulties in servicing their debt obligations, withheld payments of principal and interest, and declared moratoria on the payment of principal and interest on their sovereign debts.

Fraud Risk. The Fund is subject to the risk of fraudulent activity associated with the various parties involved in the Fund's lending, including the platforms, banks, borrowers and third parties handling borrower and investor information. A platform's resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. High profile fraudulent activity or significant increases in fraudulent activity could lead to regulatory intervention, negatively impact operating results, brand and reputation and lead the defrauded platform to take steps to reduce fraud risk, which could increase costs.

Funding Bank Risk. Multiple banks may originate loans for lending platforms. If such a bank were to suspend, limit or cease its operations or a platform's relationship with a bank were to otherwise terminate, such platform would need to implement a substantially similar arrangement with another funding bank, obtain additional state licenses or curtail its operations. The Fund is dependent on the continued success of the platforms that originate the Fund's investment in loans. If such platforms were unable or impaired in their ability to operate their lending business, the Adviser may be required to seek alternative sources of investments (e.g., loans originated by other platforms), which could adversely affect the Fund's performance and/or prevent the Fund from pursuing its investment objective and strategies.

Geographic Concentration Risk. The Fund is not subject to any geographic restrictions when investing in loans and therefore could be concentrated in a particular state or region. A geographic concentration of the Fund's investment in loans may expose the Fund to an increased risk of loss due to risks associated with certain regions. In the event that a significant portion of the pool of the

Fund's investment in loans is comprised of loans owed by borrowers resident or operating in certain states, economic conditions, localized weather events, environmental disasters, natural disasters or other factors affecting these states in particular could adversely impact the delinquency and default experience of the loans and could impact Fund performance. Further, the concentration of the loans in one or more states would have a disproportionate effect on the Fund if governmental authorities in any of those states took action against the platforms lending in such states.

Information Technology Risk. Because the Fund relies on electronic systems maintained by the custodian and the platforms to maintain records and evidence ownership of such loans and to service and administer loans (as applicable) it is susceptible to risks associated with such electronic systems. These risks include, among others: power loss, computer systems failures and Internet, telecommunications or data network failures; operator negligence or improper operation by, or supervision of, employees; physical and electronic loss of data or security breaches, misappropriation and similar events; computer viruses; cyber attacks, intentional acts of vandalism and similar events; and hurricanes, fires, floods and other natural disasters. The Adviser is also reliant on information technology to facilitate the loan acquisition process. Any failure of such technology could have a material adverse effect on the ability of the Adviser to acquire loans and therefore may impact the performance of the Fund. Any delays in receiving the data provided by such technology could also impact, among other things, the valuation of the portfolio of loans.

Investments in Platforms Risk. The platforms in which the Fund may invest may have a higher risk profile and be more volatile than companies engaged in lines of business with a longer, established history and such investments should be viewed as longer term investments. The Fund may invest in listed or unlisted equity securities of platforms or make loans directly to the platforms. Investments in unlisted equity securities, by their nature, generally involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed equity securities. The success of a platform is dependent upon payments being made by the borrowers of loans originated by the platform. Any increase in default rates on a platform's loans could adversely affect the platform's profitability and, therefore, the Fund's investments in the platform.

Illiquidity Risk. Alternative Credit investments generally have a maturity between six months to five years. Investors acquiring Alternative Credit investments and other Alternative Credit Instruments directly through platforms and hoping to recoup their entire principal must generally hold their loans through maturity. Alternative Credit investments and other Alternative Credit Instruments may not be registered under the Securities Act, and are not listed on any securities exchange. Accordingly, those Alternative Credit Instruments may not be transferred unless they are first registered under the Securities Act and all applicable state or foreign securities laws or the transfer qualifies for exemption from such registration. A reliable secondary market has yet to develop, nor may one ever develop, for Alternative Credit investments and such other Alternative Credit Instruments and, as such, these investments should be considered illiquid. Until an active secondary market develops, the Fund intends to primarily hold its Alternative Credit investments until maturity. The Fund may not be able to sell any of its Alternative Credit Instruments even under circumstances when the Adviser believes it would be in the best interests of the Fund to sell such investments. In such circumstances, the overall returns to the Fund from its Alternative Credit Instruments may be adversely affected. Moreover, certain Alternative Credit Instruments are subject to certain additional significant restrictions on transferability. Although the Fund may

attempt to increase its liquidity by borrowing from a bank or other institution, its assets may not readily be accepted as collateral for such borrowing.

The Fund may also invest without limitation in securities that, at the time of investment, are illiquid, as determined by using the SEC's standard applicable to registered investment companies (i.e., securities that cannot be disposed of by the Fund within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities). The Fund may also invest in restricted securities. Investments in restricted securities could have the effect of increasing the amount of the Fund's assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase these securities.

Illiquid and restricted securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The market price of illiquid and restricted securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of such securities. Illiquid and restricted securities may also be more difficult to value, especially in challenging markets.

Limited Operating History of Platforms Risk. Many of the platforms, and alternative credit in general, are in the early stages of development and have a limited operating history. As a result, there is a lack of significant historical data regarding the performance of Alternative Credit and the long term outlook of the industry is uncertain. In addition, because Alternative Credit investments are originated using a lending method on a platform that has a limited operating history, borrowers may not view or treat their obligations on such loans as having the same significance as loans from traditional lending sources, such as bank loans.

Market Discount. Common stock of closed-end funds frequently trades at a discount from its net asset value. This risk may be greater for investors selling their shares in a relatively short period of time after completion of the initial offering. The Fund's Common Shares may trade at a price that is less than the initial offering price. This risk would also apply to the Fund's investments in closed-end funds.

Alternative Credit and Pass-Through Notes Risk. Alternative Credit Instruments are generally not rated and constitute a highly risky and speculative investment, similar to an investment in "junk" bonds. There can be no assurance that payments due on underlying Alternative Credit investments will be made. The Shares therefore should be purchased only by investors who could afford the loss of the entire amount of their investment.

A substantial portion of the Alternative Credit in which the Fund may invest will not be secured by any collateral, will not be guaranteed or insured by a third party and will not be backed by any governmental authority. Accordingly, the platforms and any third-party collection agencies will be limited in their ability to collect on defaulted Alternative Credit. With respect to Alternative Credit secured by collateral, there can be no assurance that the liquidation of any such collateral would satisfy a borrower's obligation in the event of a default under its Alternative Credit.

Furthermore, Alternative Credit may not contain any cross-default or similar provisions. To the extent an Alternative Credit investment does not contain a cross-default provision, the loan will not be placed automatically in default upon that borrower's default on any of the borrower's other debt obligations, unless there are relevant independent grounds for a default on the loan. In

addition, the Alternative Credit investment will not be referred to a third-party collection agency for collection because of a borrower's default on debt obligations other than the Alternative Credit investment. If a borrower first defaults on debt obligations other than the Alternative Credit investment, the creditors to such other debt obligations may seize the borrower's assets or pursue other legal action against the borrower, which may adversely impact the ability to recoup any principal and interest payments on the Alternative Credit investment if the borrower subsequently defaults on the loan. In addition, an operator of a platform is generally not required to repurchase Alternative Credit investments from a lender except under very narrow circumstances, such as in cases of verifiable identity fraud by the borrower.

Borrowers may seek protection under federal bankruptcy law or similar laws. If a borrower files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent bankruptcy court approval. Whether any payment will ultimately be made or received on an Alternative Credit investment after bankruptcy status is declared depends on the borrower's particular financial situation and the determination of the court.

As Pass-Through Notes generally are pass-through obligations of the operators of the lending platforms, and are not direct obligations of the borrowers under the underlying Alternative Credit investment originated by such platforms, holders of certain Pass-Through Notes are exposed to the credit risk of the operator. An operator that becomes subject to bankruptcy proceedings may be unable to make full and timely payments on its Pass-Through Notes even if the borrowers of the underlying Alternative Credit investment timely make all payments due from them. There may be a delay between the time the Fund commits to purchase a Pass-Through Note and the issuance of such note and, during such delay, the funds committed to such an investment will not be available for investment in other Alternative Credit Instruments. Because the funds committed to an investment in Pass-Through Notes do not earn interest until the issuance of the note, the delay in issuance will have the effect of reducing the effective rate of return on the investment.

Mortgage-Backed Securities Risks. Mortgage-backed securities represent participation interests in pools of residential mortgage loans purchased from individual lenders by a federal agency or originated and issued by private lenders. The Fund invests in mortgage-backed securities and is subject to the following risks.

> **Credit and Market Risks of Mortgage-Backed Securities.** The mortgage loans or the guarantees underlying mortgage-backed securities may default or otherwise fail leading to non-payment of interest and principal.
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> **Collateralized Mortgage Obligations.** There are certain risks associated specifically with collateralized mortgage obligations ("CMOs"). CMOs are debt obligations collateralized by mortgage loans or mortgage pass-through securities, which utilize estimates of future economic conditions. These estimates may vary from actual future results, particularly during periods of extreme market volatility. CMOs issued by private entities are not guaranteed by any government agency; if the collateral securing the CMO, as well as any third party credit support or guarantees, is insufficient to make payment, the holder could sustain a loss.

Pandemic Risk. Beginning in the first quarter of 2020, financial markets in the United States and around the world experienced extreme and in many cases unprecedented volatility and severe

losses due to the global pandemic caused by COVID-19, a novel coronavirus. The pandemic has resulted in a wide range of social and economic disruptions, including closed borders, voluntary or compelled quarantines of large populations, stressed healthcare systems, reduced or prohibited domestic or international travel, supply chain disruptions, and so-called "stay-at-home" orders throughout much of the United States and many other countries. The fall-out from these disruptions has included the rapid closure of businesses deemed "non-essential" by federal, state, or local governments and rapidly increasing unemployment, as well as greatly reduced liquidity for certain instruments at times. Some sectors of the economy and individual issuers have experienced particularly large losses. Such disruptions may continue for an extended period of time or reoccur in the future to a similar or greater extent. In response, the U.S. government and the Federal Reserve have taken extraordinary actions to support the domestic economy and financial markets, resulting in very low interest rates and in some cases negative yields. It is unknown how long circumstances related to the pandemic will persist, whether they will reoccur in the future, whether efforts to support the economy and financial markets will be successful, and what additional implications may follow from the pandemic. The impact of these events and other epidemics or pandemics in the future could adversely affect Fund performance. The inclusion of Pandemic Risk under the Risk Factors section is a material change since the prior disclosure date.

Platform Concentration Risk. The Fund may invest 25% or more of its Managed Assets in Alternative Credit originated from one or a limited number of platform(s). A concentration in select platforms may subject the Fund to increased dependency and risks associated with those platforms than it would otherwise be subject to if it were more broadly diversified across a greater number of platforms. The Fund's concentration in certain platforms may expose it to increased risk of default and loss on the Alternative Credit in which it invests through such platforms if such platforms have, among other characteristics, lower borrower credit criteria or other minimum eligibility requirements, or have deficient procedures for conducting credit and interest rate analyses as part of their loan origination processes, relative to other platforms. In addition, the fewer platforms through which the Fund invests, the greater the risks associated with those platforms changing their arrangements will become.

Preferred Stock Risk. Preferred stock is subject to many of the risks associated with debt securities, including interest rate risk. In addition, preferred stocks may not pay dividends, an issuer may suspend payment of dividends on U.S. preferred stock at any time, and in certain situations an issuer may call or redeem its preferred stock or convert it to common stock. Declining common stock values may also cause the value of the Fund's investments in preferred stock to decline.

Prepayment Risk. Borrowers may decide to prepay all or a portion of the remaining principal amount due under a borrower loan at any time without penalty (unless the underlying loan agreements provide for prepayment penalties as may be the case in certain non-consumer Alternative Credit). In the event of a prepayment of the entire remaining unpaid principal amount of a loan, the Fund will receive such prepayment amount, but further interest will not accrue on the loan after the principal has been paid in full. If the borrower prepays a portion of the remaining unpaid principal balance, interest will cease to accrue on such prepaid portion, and the Fund will not receive all of the interest payments that the Adviser may have originally expected to receive on the loan.

Private Investment Funds Risk. The Fund, as a direct and indirect holder of securities issued by private investment funds, will bear a pro rata share of the vehicles' expenses, including

management and performance fees. The performance fees charged by certain private investment funds may create an incentive for its manager to make investments that are riskier and/or more speculative than those it might have made in the absence of a performance fee. Furthermore, private investment fund are subject to specific risks, depending on the nature of the vehicle, and also may employ leverage such that their returns are more than one times that of their benchmark which could amplify losses suffered by the Fund when compared to unleveraged investments. Shareholders of the private investment fund are not entitled to the protections of the 1940 Act.

Real Estate Investment Risk. The Fund invests in Real Estate Companies, such as REITs, which expose investors to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which Real Estate Companies are organized and operated. Real estate is highly sensitive to general and local economic conditions and developments and is characterized by intense competition and periodic overbuilding. Many Real Estate Companies, including REITs, utilize leverage (and some may be highly leveraged), which increases investment risk and the risk normally associated with debt financing, and could potentially increase the Fund's losses. Rising interest rates could result in higher costs of capital for Real Estate Companies, which could negatively affect a Real Estate Company's ability to meet its payment obligations or its financing activity and could decrease the market prices for REITs and for properties held by such REITs. In addition, to the extent a Real Estate Company has its own expenses, the Fund (and indirectly, its shareholders) will bear its proportionate share of such expenses. Real Estate Companies may be subject to concentration risk, interest rate risk, leverage risk, illiquidity risk and regulatory risks associated with applicable domestic and foreign laws.

Regulatory and Other Risks Associated with Platforms and Alternative Credit. The platforms through which Alternative Credit are originated are subject to various statutes, rules and regulations issued by federal, state and local government authorities. A failure to comply with the applicable laws, rules and regulations may, among other things, subject the platform or its related entities to certain registration requirements with government authorities and result in the payment of any penalties and fines; result in the revocation of their licenses; cause the loan contracts originated by the platform to be voided or otherwise impair the enforcement of such loans; and subject them to potential civil and criminal liability, class action lawsuits and/or administrative or regulatory enforcement actions. Any of the foregoing could have a material adverse effect on a platform's financial condition, results of operations or ability to perform its obligations with respect to its lending business or could otherwise result in modifications in the platform's methods of doing business which could impair the platform's ability to originate or service Alternative Credit or collect on Alternative Credit.

Alternative Credit industry participants, including platforms, may be subject in certain cases to increased risk of litigation alleging violations of federal and state laws and regulations and consumer law torts, including unfair or deceptive practices. Moreover, Alternative Credit generally are written using standardized documentation. Thus, many borrowers may be similarly situated in so far as the provisions of their respective contractual obligations are concerned. Accordingly, allegations of violations of the provisions of applicable federal or state consumer protection laws could potentially result in a large class of claimants asserting claims against the platforms and other related entities. However, some borrower agreements contain arbitration provisions that would possibly limit or preclude class action litigation with respect to claims of borrowers.As noted above, each of the platforms through which the Fund may invest may adhere to a novel or different

business model, resulting in uncertainty as to the regulatory environment applicable to a particular platform and the Fund.

If the platforms' ability to be the assignee and beneficiary of a funding bank's ability to export the interest rates, and related terms and conditions, permitted under the laws of the state where the bank is located to borrowers in other states was determined to violate applicable lending laws, this could subject the platforms to the interest rate restrictions, and related terms and conditions, of the lending or usury laws of each of the states in which it operates. The result would be a complex patchwork of regulatory restrictions that could materially and negatively impact the platforms' operations and ability to operate, in which case they may be forced to terminate or significantly alter their business and activities, resulting in a reduction in the volume of loans available for investment for lenders such as the Fund.

In addition, numerous statutory provisions, including federal bankruptcy laws and related state laws, may interfere with or affect the ability of a creditor to enforce an Alternative Credit investment. It is possible that a period of adverse economic conditions resulting in high defaults and delinquencies on Alternative Credit will increase the potential bankruptcy risk to platforms and its related entities.

The regulatory environment applicable to platforms and their related entities may be subject to periodic changes. Any such changes could have an adverse effect on the platforms' and related entities' costs and ability to operate. The platforms would likely seek to pass through any increase in costs to lenders such as the Fund. Further, changes in the regulatory application or judicial interpretation of the laws and regulations applicable to financial institutions generally and alternative credit in particular also could impact the manner in which the alternative credit industry conducts its business. The regulatory environment in which financial institutions operate has become increasingly complex and robust, and supervisory efforts to apply relevant laws, regulations and policies have become more intense.

Risk of Adverse Market and Economic Conditions. Alternative Credit default rates, and Alternative Credit generally, may be significantly affected by economic downturns or general economic conditions beyond the control of any borrowers. In particular, default rates on Alternative Credit may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, residential real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. A significant downturn in the economy could cause default rates on Alternative Credit to increase. A substantial increase in default rates, whether due to market and economic conditions or otherwise, could adversely impact the viability of the overall alternative credit industry.

Risks of Concentration in the Financials Sector. A fund concentrated in a single industry or group of industries is likely to present more risks than a fund that is broadly diversified over several industries or groups of industries. Compared to the broad market, an individual sector may be more strongly affected by changes in the economic climate, broad market shifts, moves in a particular dominant stock or regulatory changes. Thus, the Fund's concentration in securities of companies within industries in the financial sector may make it more susceptible to adverse economic or regulatory occurrences affecting this sector, such as changes in interest rates, loan concentration and competition.

Risk of Inadequate Guarantees and/or Collateral of Alternative Credit. To the extent that the obligations under an Alternative Credit investment are guaranteed by a third-party, there can be no assurance that the guarantor will perform its payment obligations should the underlying borrower to the loan default on its payments. Similarly, to the extent an Alternative Credit investment is secured, there can be no assurance as to the amount of any funds that may be realized from recovering and liquidating any collateral or the timing of such recovery and liquidation and hence there is no assurance that sufficient funds (or, possibly, any funds) will be available to offset any payment defaults that occur under the Alternative Credit investment. In addition, if it becomes necessary to recover and liquidate any collateral with respect to a secured Alternative Credit investment, it may be difficult to sell such collateral and there will likely be associated costs that would reduce the amount of funds otherwise available to offset the payments due under the loan.

If a borrower of a secured Alternative Credit investment enters bankruptcy, an automatic stay of all proceedings against such borrower's property will be granted. This stay will prevent any recovery and liquidation of the collateral securing such loan, unless relief from the stay can be obtained from the bankruptcy court. There is no guarantee that any such relief will be obtained. Significant legal fees and costs may be incurred in attempting to obtain relief from a bankruptcy stay from the bankruptcy court and, even if such relief is ultimately granted, it may take several months or more to obtain.

Risk of Regulation as an Investment Company or an Investment Adviser. If platforms or any related entities are required to register as investment companies under the 1940 Act or as investment advisers under the Investment Advisers Act of 1940, their ability to conduct business may be materially adversely affected, which may result in such entities being unable to perform their obligations with respect to their Alternative Credit investments, including applicable indemnity, guaranty, repurchasing and servicing obligations, and any contracts entered into by a platform or related entity while in violation of the registration requirements may be voidable.

Risks Associated with Recent Events in the Alternative Credit Industry. The alternative credit industry is heavily dependent on investors for liquidity and at times during the recent past, there has been some decreasing interest from institutional investors in purchasing Alternative Credit (due both to yield and performance considerations as well as reactions to platform and industry events described below), causing some platforms to increase rates. In addition, there is concern that a weakening credit cycle could stress servicing of Alternative Credit and result in significant losses.

In early 2016, concerns were raised pertaining to certain loan identification practices and other compliance related issues of LendingClub. Those resulted in top management changes at LendingClub and class action lawsuits being filed against LendingClub after its stock precipitously dropped, and as a result, increased volatility in the industry and caused some institutional investors to retrench from purchasing Alternative Credit Instruments, either from LendingClub specifically or in general with respect to any Alternative Credit Instruments. LendingClub entered into a settlement with the SEC in September 2018 related to these events. While the industry has stabilized after these events, the occurrence of any additional negative business practices involving an alternative credit platform, or the inability for alternative credit platforms to assure investors and other market participants of its ability to conduct business practices acceptable to borrowers and investors, may significantly and adversely impact the platforms and/or the alternative credit industry as a whole and, therefore, the Fund's investments in Alternative Credit Instruments.

There has been increased regulatory scrutiny of the Alternative Credit industry, including in white papers issued by the U.S. Department of the Treasury and the OCC and in state investigations into Alternative Credit platforms. In addition, an increasing number of lawsuits have been filed in various states alleging that Alternative Credit platforms are the true lenders and not the funding banks. It is possible that litigation or regulatory actions may challenge funding banks' status as a loan's true lender, and if successful, platform operators or loan purchasers may become subject to state licensing and other consumer protection laws and requirements. If the platform operators or subsequent assignees of the loans were found to be the true lender of the loans, the loans could be void or voidable or subject to rescission or reduction of principal or interest paid or to be paid in whole or in part or subject to damages or penalties.

Servicer Risk. The Fund expects that all of its direct and indirect investments in loans originated by alternative credit platforms will be serviced by a platform or a third-party servicer. However, the Fund's investments could be adversely impacted if a platform that services the Fund's investments becomes unable or unwilling to fulfill its obligations to do so. In the event that the servicer is unable to service the loans, there can be no guarantee that a backup servicer will be able to assume responsibility for servicing the loans in a timely or cost-effective manner; any resulting disruption or delay could jeopardize payments due to the Fund in respect of its investments or increase the costs associated with the Fund's investments. If the servicer becomes subject to a bankruptcy or similar proceeding, there is some risk that the Fund's investments could be re-characterized as secured loans from the Fund to the platform, which could result in uncertainty, costs and delays from having the Fund's investment deemed part of the bankruptcy estate of the platform, rather than an asset owned outright by the Fund. To the extent the servicer becomes subject to a bankruptcy or similar proceeding, there is a risk that substantial losses will be incurred by the Fund.

Small and Mid-Capitalization Investing Risk. The Fund may gain exposure to the securities of small capitalization companies, mid-capitalization companies and recently organized companies. For example, the Fund may invest in securities of alternative credit platforms or may gain exposure to other small capitalization, mid-capitalization and recently organized companies through investments in the borrowings of such companies facilitated through an alternative credit platform. Historically, such investments, and particularly investments in smaller capitalization companies, have been more volatile in price than those of larger capitalized, more established companies.

SME Loans Risk. The businesses of SME loan borrowers may not have steady earnings growth, may be operated by less experienced individuals, may have limited resources and may be more vulnerable to adverse general market or economic developments, among other concerns, which may adversely affect the ability of such borrowers to make principal and interest payments on the SME loans. Certain SMEs may be unable to effectively access public equity or debt markets. The average interest rate charged to, or required of, such obligors generally is higher than that charged by commercial banks and other institutions providing traditional sources of credit or that set by the debt market. These traditional sources of credit typically impose more stringent credit requirements than the loans provided by certain platforms through which the Fund may make its investments.

Specialty Finance and Other Financial Companies Risk. 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. Any impediments to a specialty finance or other financial company's access to capital markets, such as those caused by general economic conditions or a negative perception in the capital markets of the company's financial condition or prospects, could adversely affect such company's business. From time to time, severe competition may also affect the profitability of specialty finance and other financial companies.

Specialty finance and other financial companies are subject to rapid business changes, significant competition, value fluctuations due to the concentration of loans in particular industries significantly affected by economic conditions (such as real estate or energy) and volatile performance based upon the availability and cost of capital and prevailing interest rates. In addition, credit and other losses resulting from the financial difficulties of borrowers or other third parties potentially may have an adverse effect on companies in these industries. Credit losses or mergers, acquisitions, or bankruptcies of financial firms could make it difficult for specialty finance and other financial companies to obtain financing on favorable terms or at all, which would seriously affect the profitability of such firms. Furthermore, accounting rule changes, including with respect to the standards regarding the valuation of assets, consolidation in the financial industry and additional volatility in the stock market have the potential to significantly impact specialty finance companies as well.

Specialty finance and other financial companies in general are subject to extensive governmental regulation, which may change frequently. Regulatory changes could cause business disruptions or result in significant loss of revenue to companies in which the Fund invests, and there can be no assurance as to the actual impact that these laws and their regulations will have on the financial markets and the Fund's investments in specialty finance and other financial companies. Specialty finance and other financial companies in a given country may be subject to greater governmental regulation than many other industries, and changes in governmental policies and the need for regulatory approval may have a material effect on the services offered by companies in the financial services industry. Governmental regulation may limit both the financial commitments banks can make, including the amounts and types of loans, and the interest rates and fees they can charge. In addition, governmental regulation in certain foreign countries may impose interest rate controls, credit controls and price controls.

Under current regulations of the SEC, the Fund may not invest more than 5% of its total assets in the securities of any company that derives more than 15% of its gross revenues from securities brokerage, underwriting or investment management activities. In addition, the Fund may not acquire more than 5% of the outstanding equity securities, or more than 10% of the outstanding principal amount of debt securities, of any such company. This may limit the Fund's ability to invest in certain specialty finance and other financial companies.

Banks may invest and operate in an especially highly regulated environment and are subject to extensive supervision by numerous federal and state regulatory agencies including, but not limited to, the Federal Reserve Board, the Federal Deposit Insurance Corporation and state banking authorities. Changes in regulations and governmental policies and accounting principles could adversely affect the business and operations of banks in which the Fund invests.

Savings institutions frequently have a large proportion of their assets in the form of loans and securities secured by residential real estate. As a result, the financial condition and results of operations of such savings institutions would likely be affected by the conditions in the residential real estate markets in the areas in which these savings institutions do business.

Leasing companies can be negatively impacted by changes in tax laws which affect the types of transactions in which such companies engage.

The performance of the Fund's investments in insurance companies will be subject to risk from several additional factors. The earnings of insurance companies will be affected by, in addition to general economic conditions, pricing (including severe pricing competition from time to time), claims activity and marketing competition. Insurance companies are subject to extensive governmental regulation, including the imposition of maximum rate levels, which may not be adequate for some lines of business. Proposed or potential anti-trust or tax law changes also may affect adversely insurance companies' policy sales, tax obligations and profitability.

SPAC Risks. SPACs are collective investment structures that pool funds in order to seek potential acquisition opportunities. Unless and until an acquisition is completed, a SPAC generally invests its assets (less an amount to cover expenses) in U.S. government securities, money market fund securities and cash. SPACs and similar entities may be blank check companies with no operating history or ongoing business other than to seek a potential acquisition. Accordingly, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. Certain SPACs may seek acquisitions only in limited industries or regions, which may increase the volatility of their prices. If an acquisition that meets the requirements for the SPAC is not completed within a predetermined period of time, the invested funds are returned to the entity's shareholders. 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 inclusion of SPAC Risks under the Risk Factors section is a material change since the prior disclosure date.

Student Loans Risk. In general, the repayment ability of borrowers of student loans, as well as the rate of prepayments on student loans, may be influenced by a variety of economic, social, competitive and other factors, including changes in interest rates, the availability of alternative financings, regulatory changes affecting the student loan market and the general economy. For instance, certain student loans may be made to individuals who generally have higher debt burdens than other individual borrowers (such as students of post-secondary programs). The effect of the foregoing factors is impossible to predict.

Valuation Risk. Many of the Fund's investments may be difficult to value. Where market quotations are not readily available or deemed unreliable, the Fund will value such investments in accordance with fair value procedures adopted by the Board of Directors. Valuation of illiquid investments may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases than for investments with a more active secondary market because there is less reliable objective data available. An instrument that is fair valued may be valued at a price higher or lower than the value determined by other funds using their own fair valuation procedures. Prices obtained by the Fund upon the sale of such investments may not equal the value at which the Fund carried the investment on its books, which would adversely affect the NAV of the Fund.

Tax Risk. The treatment of Alternative Credit and other Alternative Credit Instruments for tax purposes is uncertain. In addition, changes in tax laws or regulations, or interpretations thereof, in the future could adversely affect the Fund, including its ability to qualify as a regulated investment company, or the participants in the alternative credit industry. Investors should consult their tax advisors as to the potential tax treatment of Shareholders.

The Fund intends to elect to be treated as a regulated investment company for federal income tax purposes. In order to qualify for such treatment, the Fund will need to meet certain organization, income, diversification and distribution tests. The Fund has adopted policies and guidelines that are designed to enable the Fund to meet these tests, which will be tested for compliance on a regular basis for the purposes of being treated as a regulated investment company for federal income tax purposes. However, some issues related to qualification as a regulated investment company are open to interpretation. For example, the Fund intends to primarily invest in whole loans originated by alternative credit platforms. Chapman and Cutler LLP has given the Fund its opinion that the issuer of such loans will be the identified borrowers in the loan documentation. However, if the IRS were to disagree and successfully assert that the alternative credit platforms should be viewed as the issuer of the loans, the Fund would not satisfy the regulated investment company diversification tests. Chapman and Cutler LLP has given its opinion that, if the Fund follows its methods of operation as described in the Registration Statement and its compliance manual, the Fund will satisfy the regulated investment company diversification tests. If, for any taxable year, the Fund did not qualify as a regulated investment company for U.S. federal income tax purposes, it would be treated as a U.S. corporation subject to U.S. federal income tax at the Fund level, and possibly state and local income tax, and distributions to shareholders would not be deductible by the Fund in computing its taxable income.

Structural and Market-Related Risks:

Anti-Takeover Provisions. Maryland law and the Fund's Charter and Bylaws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or to convert the Fund to open-end status, including the adoption of a staggered Board of Directors and the supermajority voting requirements. These provisions could deprive the common shareholders of opportunities to sell their common shares at a premium over the then current market price of the common shares or at NAV.

Controlling Shareholder Risk. The Shares may be held by a Shareholder, such as a RiverNorth Fund, or a group of Shareholders that may own a significant percentage of the Fund for an indefinite period of time. As long as a RiverNorth Fund holds a substantial amount of the Fund's Shares, it may be able to exercise a controlling influence in matters submitted to a vote of Shareholders. The ability to exercise a controlling influence over the Fund may result in conflicts of interest because, among other things, the Adviser is the investment adviser of the Fund and each of the RiverNorth Funds.

Cybersecurity Risk. A cybersecurity breach may disrupt the business operations of the Fund or its service providers. A breach may allow an unauthorized party to gain access to Fund assets, customer data, or proprietary information, or cause the Fund and/or its service providers to suffer data corruption or lose operational functionality.

Distribution Policy Risks. The Fund makes distributions to Shareholders on a monthly basis in an amount equal to 10% annually of the Fund's NAV per Share. These fixed distributions are not

related to the amount of the Fund's net investment income or net realized capital gains. If, for any monthly distribution, net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from the Fund's assets. The Fund's distribution rate is not a prediction of what the Fund's actual total returns will be over any specific future period.

A portion or all of any distribution of the Fund may consist of a return of capital. A return of capital represents the return of a Shareholder's original investment in the Shares, and should not be confused with a dividend from profits and earnings. Such distributions are generally not treated as taxable income for the investor. Instead, Shareholders will experience a reduction in the basis of their Shares, which may increase the taxable capital gain, or reduce capital loss, realized upon the sale of such Shares. Upon a sale of their Shares, Shareholders generally will recognize capital gain or loss measured by the difference between the sale proceeds received by the Shareholder and the Shareholder's federal income tax basis in the Shares sold, as adjusted to reflect return of capital. It is possible that a return of capital could cause a Shareholder to pay a tax on capital gains with respect to Shares that are sold for an amount less than the price originally paid for them. Shareholders are advised to consult with their own tax advisers with respect to the tax consequences of their investment in the Fund. The Fund's distribution policy may result in the Fund making a significant distribution in December of each year in order to maintain the Fund's status as a regulated investment company. Depending upon the income of the Fund, such a year-end distribution may be taxed as ordinary income to investors.

Inflation/Deflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of Shares and distributions can decline. Deflation risk is the risk that prices throughout the economy decline over time – the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer defaults more likely, which may result in a decline in the value of the Fund's portfolio.

Leverage Risks. Leverage is a speculative technique that exposes the Fund to greater risk and increased costs than if it were not implemented. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage. As a result, leverage may cause greater changes in the Fund's net asset value. The leverage costs may be greater than the Fund's return on the underlying investments made from the proceeds of leverage. The Fund's leveraging strategy may not be successful.

Liquidity Risks. Although the Shares are listed on the NYSE, there might be no or limited trading volume in the Fund's Shares. Moreover, there can be no assurance that the Fund will continue to meet the listing eligibility requirements of a national securities exchange. Accordingly, investors may be unable to sell all or part of their Shares in a particular timeframe. Shares in the Fund are therefore suitable only for investors that can bear the risks associated with the limited liquidity of Shares and should be viewed as a long-term investment. In addition, although the Fund conducts quarterly repurchase offers of its Shares, there is no guarantee that all tendered Shares will be accepted for repurchase or that Shareholders will be able to sell all of the Shares they desire in a quarterly repurchase offer. In certain instances, repurchase offers may be suspended or postponed.

Unlike open-end funds (commonly known as mutual funds) which generally permit redemptions on a daily basis, Shares will not be redeemable at an investor's option (other than pursuant to the

Fund's repurchase policy, as defined below). The NAV of the Shares may be volatile. As the Shares are not traded, investors may not be able to dispose of their investment in the Fund no matter how poorly the Fund performs. The Fund is designed for long-term investors and not as a trading vehicle. Moreover, the Shares will not be eligible for "short sale" transactions or other directional hedging products.

Management Risk and Reliance on Key Personnel. The Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. The Adviser's judgments about the attractiveness, value and potential appreciation of an alternative credit platform or individual security in which the Fund invests may prove to be incorrect. In addition, the implementation of the Fund's investment strategies depends upon the continued contributions of certain key employees of the Adviser, some of whom have unique talents and experience and would be difficult to replace.

Non-Diversification Risk. 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.

Potential Conflicts of Interest. The Adviser manages and/or advises other investment funds or accounts with the same or similar investment objectives and strategies as the Fund, and as a result, may face conflicts of interest regarding the implementation of the Fund's strategy and allocation between funds and accounts. This may limit the Fund's ability to take full advantage of the investment opportunity or affect the market price of the investment. The Adviser may also have incentives to favor one account over another due to different fees paid to such accounts. While the Adviser has adopted policies and procedures that address these potential conflicts of interest, there is no guarantee that the policies will be successful in mitigating the conflicts of interest that arise. In addition, the Fund's use of leverage will increase the amount of fees paid to the Adviser, creating a financial incentive for the Adviser to leverage the Fund.

Regulation as Lender Risk. The loan industry is highly regulated and loans made through lending platforms are subject to extensive and complex rules and regulations issued by various federal, state and local government authorities. One or more regulatory authorities may assert that the Fund, when acting as a lender under the platforms, is required to comply with certain laws or regulations which govern the consumer or commercial (as applicable) loan industry. If the Fund were required to comply with additional laws or regulations, it would likely result in increased costs for the Fund and may have an adverse effect on its results or operations or its ability to invest in Alternative Credit and certain Alternative Credit Instruments. In addition, although in most cases the Fund is not currently required to hold a license in connection with the acquisition and ownership of Alternative Credit, certain states require (and other states could in the future take a similar position) that lenders under alternative credit platforms or holders of Alternative Credit investments be licensed. Such a licensing requirement could subject the Fund to a greater level of regulatory oversight by state governments as well as result in additional costs for the Fund. If required but unable to obtain such licenses, the Fund may be forced to cease investing in loans issued to borrowers in the states in which licensing may be required. To the extent required or determined to be necessary or advisable, the Fund intends to obtain such licenses in order to pursue its investment strategy.

Repurchase Policy Risks. Repurchases of Shares will reduce the amount of outstanding Shares and, thus, the Fund's net assets. To the extent that additional Shares are not sold, a reduction in the Fund's net assets may increase the Fund's expense ratio (subject to the Adviser's reimbursement of expenses) and limit the investment opportunities of the Fund.

If a repurchase offer is oversubscribed by Shareholders, the Fund will repurchase only a pro rata portion of the Shares tendered by each Shareholder. In addition, because of the potential for such proration, Shareholders may tender more Shares than they may wish to have repurchased in order to ensure the repurchase of a specific number of their Shares, increasing the likelihood that other Shareholders may be unable to liquidate all or a given percentage of their investment in the Fund. To the extent Shareholders have the ability to sell their Shares to the Fund pursuant to a repurchase offer, the price at which a Shareholder may sell Shares, which will be the NAV per Share most recently determined as of the last day of the offer, may be lower than the price that such Shareholder paid for its Shares.

The Fund may find it necessary to hold a portion of its net assets in cash or other liquid assets, sell a portion of its portfolio investments or borrow money in order to finance any repurchases of its Shares. The Fund may accumulate cash by holding back (i.e., not reinvesting or distributing to Shareholders) payments received in connection with the Fund's investments, which could potentially limit the ability of the Fund to generate income. The Fund also may be required to sell its more liquid, higher quality portfolio investments to purchase Shares that are tendered, which may increase risks for remaining Shareholders and increase Fund expenses. Although most, if not all, of the Fund's investments are expected to be illiquid and the secondary market for such investments is likely to be limited, the Fund believes it would be able to find willing purchasers of its investments if such sales were ever necessary to supplement such cash generated by payments received in connection with the Fund's investments. However, the Fund may be required to sell such investments during times and at prices when it otherwise would not, which may cause the Fund to lose money. The Fund may also borrow money in order to meet its repurchase obligations. There can be no assurance that the Fund will be able to obtain financing for its repurchase offers. If the Fund borrows to finance repurchases, interest on any such borrowings will negatively affect Shareholders who do not tender their Shares in a repurchase offer by increasing the Fund's expenses (subject to the Adviser's reimbursement of expenses) and reducing any net investment income. The purchase of Shares by the Fund in a repurchase offer may limit the Fund's ability to participate in new investment opportunities.

In the event a Shareholder chooses to participate in a repurchase offer, the Shareholder will be required to provide the Fund with notice of intent to participate prior to knowing what the repurchase price will be on the repurchase date. Although the Shareholder may have the ability to withdraw a repurchase request prior to the repurchase date, to the extent the Shareholder seeks to sell Shares to the Fund as part of a repurchase offer, the Shareholder will be required to do so without knowledge of what the repurchase price of the Shares will be on the repurchase date. It is possible that general economic and market conditions could cause a decline in the NAV per Share prior to the repurchase date.

Risks Associated with Additional Offerings. There are risks associated with offerings of additional common or preferred shares of the Fund. The voting power of current shareholders will be diluted to the extent that current shareholders do not purchase shares in any future offerings of shares or

do not purchase sufficient shares to maintain their percentage interest. In addition, the sale of shares in an offering may have an adverse effect on prices in the secondary market for the Fund's shares by increasing the number of shares available, which may put downward pressure on the market price of the Fund's Shares. These sales also might make it more difficult for the Fund to sell additional equity securities in the future at a time and price the Fund deems appropriate.

Secondary Market for the Common Shares. The issuance of shares of the Fund through the Fund's dividend reinvestment plan ("Plan") may have an adverse effect on the secondary market for the Fund's shares. The increase in the number of outstanding shares resulting from the issuances pursuant to the Plan and the discount to the market price at which such shares may be issued, may put downward pressure on the market price for the shares. When the shares are trading at a premium, the Fund may also issue shares that may be sold through private transactions effected on the NYSE or through broker-dealers. The increase in the number of outstanding shares resulting from these offerings may put downward pressure on the market price for such shares.

Other Investment-Related Risks:

Equity Securities Risks. Equity securities are subject to general movements in the stock market, and a significant drop in the stock market may depress the price of securities to which the Fund may have exposure. Equity securities typically have greater price volatility than fixed-income securities. The market price of equity securities owned by the Fund may go down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented by those markets, or factors directly related to a specific company, such as decisions made by its management.

Exchange-Traded Note Risks. The Fund may invest in ETNs, which are notes representing unsecured debt of the issuer. ETNs are typically linked to the performance of an index plus a specified rate of interest that could be earned on cash collateral. The value of an ETN may be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying markets, changes in the applicable interest rates, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the referenced index. ETNs typically mature 30 years from the date of issue. There may be restrictions on the Fund's right to liquidate its investment in an ETN prior to maturity (for example, the Fund may only be able to offer its ETN for repurchase by the issuer on a weekly basis), and there may be limited availability of a secondary market.

Investment Company Risks. The Fund will incur higher and additional expenses when it invests in other investment companies such as ETFs. There is also the risk that the Fund may suffer losses due to the investment practices or operations of such other investment companies. To the extent that the Fund invests in one or more investment companies that concentrate in a particular industry, the Fund would be vulnerable to factors affecting that industry and the performance of such investment companies, and that of the Fund, may be more volatile than investment companies that do not concentrate in a particular industry. The investment companies in which the Fund invests are not subject to the Fund's investment policies and restrictions.

The ETFs (and other index funds) in which the Fund may invest may not be able to replicate exactly the performance of the indices they track due to transactions costs and other expenses of the ETFs. ETFs may not be able to match or outperform their benchmarks. The Fund may be restricted by

provisions of the 1940 Act that generally limit the amount the Fund and its affiliates can invest in any one investment company to 3% of such company's outstanding voting stock. However, pursuant to exemptive orders issued by the SEC to various ETF fund sponsors, the Fund is permitted to invest in certain ETFs in excess of the limits set forth in the 1940 Act subject to the terms and conditions set forth in such exemptive orders.

Portfolio Manager Information

There have been no changes in the Fund's portfolio managers or background since the prior disclosure date.

Fund Organizational Structure

Since the prior disclosure date, there have been no changes in the Fund's charter or by-laws that would delay or prevent a change of control of the Fund that have not been approved by shareholders.

Independent Directors

The following table provides information regarding each Director who is not an "interested person" of the Company, as defined in the 1940 Act.

Name, Address[1] and Year of Birth	Position(s) Held with Fund	Term of Office/Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director[2]	Other Directorships Held by Director During Past 5 Years
John K. Carter (1961)	Director	Initial term expires in 2021. Has served since 2019.	Partner, Law Office of John K. Carter, P.A. dba Carter Reymann Law, P.A. (a general practice and corporate law firm)(2015 to present); Managing Partner, Global Recruiters of St. Petersburg (a financial services consulting and recruiting firm) (2012 to 2015).	8	Carillon Mutual Funds (12 funds) (2019 to present); (1 fund) (2016 to present); RiverNorth/ DoubleLine Strategic Opportunity Fund, Inc. (1 fund) (2016 to present); RiverNorth Funds (3 funds) (2013 to present); RiverNorth Opportunities Fund, Inc. (1 fund)(2013 to present); RiverNorth Opportunistic Municipal Income Fund, Inc. (1 fund) (2018 to present).
John S. Oakes (1943)	Director	Initial term expires in 2021. Has served since 2019.	Principal, Financial Search and Consulting (a recruiting and consulting firm) (2013 to present).	9	RiverNorth Opportunities Fund, Inc. (2013 to present); RiverNorth Managed Duration Municipal Income Fund Inc. (2019 to present); RiverNorth Opportunistic Municipal Income Fund, Inc., (2018 to present) RiverNorth/ DoubleLine Strategic Opportunity Fund, Inc. (2019 to present); RiverNorth Funds (3 funds) (2018 to present); RiverNorth Flexible Municipal Income Fund, Inc. (2020 to present).

Name, Address[1] and Year of Birth	Position(s) Held with Fund	Term of Office/Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director[2]	Other Directorships Held by Director During Past 5 Years
J. Wayne Hutchens (1944)	Director	Initial term expires in 2022. Has served since 2019.	Mr. Hutchens is currently retired. Mr. Hutchens is Trustee of the Denver Museum of Nature and Science (2000 to present), Director of AMG National Trust Bank (June 2012 to present)and Trustee of Children's Hospital Colorado (May 2012 to present). Prior to these positions, Mr. Hutchens spent 29 years in the banking industry, retiring as Chariman of Chase Bank Colorado.	6	RiverNorth Opportunities Fund, Inc. (2013 to present); RiverNorth Managed Duration Municipal Income Fund Inc. (2019 to present); ALPS Series Trust (9 funds) (2012 to present); RiverNorth/ DoubleLine Strategic Opportunity Fund, Inc. (2019 to present); RiverNorth Flexible Municipal Income Fund, Inc. (2020 to present); RiverNorth Opportunistic Municipal Income Fund, Inc (2018 to present).
David M. Swanson (1957)	Director	Initial term expires in 2022. Has served since 2019.	Founder & Managing Partner of SwanDog Strategic Marketing since 2006.	9	RiverNorth Opportunities Fund, Inc. (2013 to present); RiverNorth Managed Duration Municipal Income Fund Inc. (2019 to present); RiverNorth Opportunistic Municipal Income Fund, Inc. (2018 to present); RiverNorth/ DoubleLine Strategic Opportunity Fund, Inc. (2019 to present); RiverNorth Funds (3 funds) (2018 to present); Managed Portfolio Series (38 funds) (2011 to present); ALPS Variable Investment Trust (7 funds) (2006 to present); RiverNorth Flexible Municipal Income Fund, Inc. (2020 to present).

[1] *The mailing address of each Director is 325 N. LaSalle Street, Suite 645, Chicago, IL 60654.*

[2] *The "Fund Complex" consists of the RiverNorth Core Opportunity Fund, the RiverNorth/DoubleLine Strategic Income Fund, and the RiverNorth/Oaktree High Income Fund, each a series of the RiverNorth Funds, RiverNorth Opportunities Fund, Inc., RiverNorth DoubleLine Strategic Opportunity Fund, Inc., RiverNorth Opportunistic Municipal Income Fund, Inc., RiverNorth Flexible Municipal Income Fund, Inc., and RiverNorth Managed Duration Municipal Income Fund, Inc.*

The following table provides information regarding each Director who is an "interested person" of the Company, as defined in the 1940 Act, and each officer of the Company.

Name, Address[1] and Year of Birth	Position(s) Held with Fund	Term of Office/Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director[2]	Other Directorships Held by Director During Past 5 Years
Patrick W. Galley[(3)] (1975)	Director, Chairman and President	Initial term expires in 2020. Has served since 2019.	Chief Investment Officer, RiverNorth Capital Management, LLC. (2004 to present). CEO, RiverNorth Capital Management, LLC (since 2020).	9	(1 fund) (2016 to present); RiverNorth/ DoubleLine Strategic Opportunity Fund, Inc. (1 fund) (2016 to present); RiverNorth Funds (3 funds) (2006 to present); RiverNorth Opportunities Fund, Inc. (1 fund)(2013 to present); RiverNorth Opportunistic Municipal Income Fund, Inc. (1 fund) (2018 to present). RiverNorth Managed Duration Municipal Income Fund, Inc (2019 to present), RiverNorth Flexible Municipal Income Fund, Inc. (2020 to present).
Jerry Raio[(4)] (1964)	Director	Initial term expires in 2020. Has served since 2019.	Managing Director - Head of Retail Origination, Wells Fargo (2005 to 2018).	6	RiverNorth DoubleLine Strategic Opportunity Fund, Inc (2016 to present), RiverNorth Opportunities Fund, Inc. (2019 to present); RiverNorth Opportunistic Municipal Income Fund, Inc. (2018 to present); RiverNorth Managed Duration Municipal Income Fund, Inc (2019 to present), RiverNorth Flexible Municipal Income Fund, Inc. (2020 to present).

Name, Address[1] and Year of Birth	Position(s) Held with Fund	Term of Office/Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director[2]	Other Directorships Held by Director During Past 5 Years
Officers					
Jonathan M. Mohrhardt (1974)	Chief Financial Officer and Treasurer	Has served since 2019.	Chief Operating Officer, RiverNorth Capital Management LLC (2011 to present). President, RiverNorth Capital Management, LLC (since 2020)	N/A	Board of Managers RiverNorth Capital Management, LLC (2010 to present); Board of Directors RiverNorth Holdings, Co. (2010 to present).
Marcus L. Collins (1968)	Chief Compliance Officer and Secretary	Has served since 2019.	General Counsel, RiverNorth Capital Management, LLC (2012 to present), Chief Compliance Officer, RiverNorth Capital Management, LLC (2012 to present).	N/A	N/A

1 *The mailing address of each Director and officer, unless otherwise noted, is 325 N. LaSalle Street, Suite 645, Chicago, IL 60654.*

2 *The "Fund Complex" consists of the RiverNorth Core Opportunity Fund, the RiverNorth/DoubleLine Strategic Income Fund, and the RiverNorth/Oaktree High Income Fund, each a series of the RiverNorth Funds, RiverNorth Opportunities Fund, Inc., RiverNorth DoubleLine Strategic Opportunity Fund, Inc., RiverNorth Opportunistic Municipal Income Fund, Inc., RiverNorth Flexible Municipal Income Fund, Inc., and RiverNorth Managed Duration Municipal Income Fund, Inc.*

3 *Patrick W. Galley is considered an "Interested" Director as defined in the 1940 Act, because he is an officer of the Company and Chief Investment Officer of the Fund's investment adviser.*

Board of Directors
Patrick W. Galley, CFA, Chairman
John K. Carter
John S. Oakes
J. Wayne Hutchens
David M. Swanson
Jerry R. Raio

Investment Adviser
RiverNorth Capital Management, LLC

Fund Administrator
U.S. Bank Global Fund Services

Transfer Agent
DST Systems, Inc.

Independent Registered Public Accounting Firm
KPMG LLP

Custodians
Millennium Trust Company
U.S. Bank, National Association

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