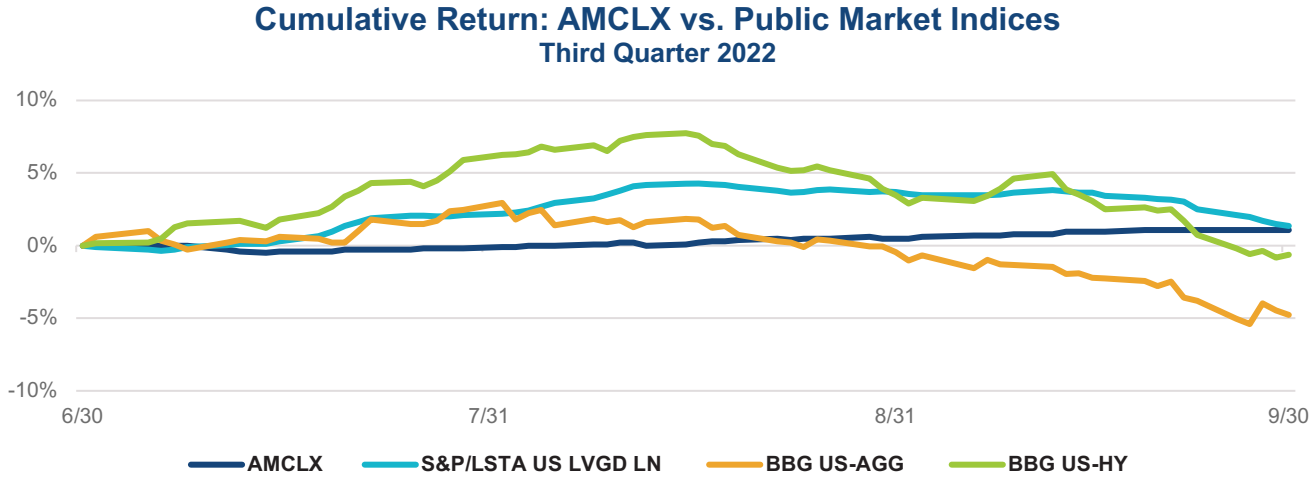
ALTERNATIVE FUND ADVISORS

Portfolio Review
Third Quarter 2022

AFA Multi-Manager Credit Fund (AMCLX)

Returns

The institutional share class of the AFA Multi-Manager Credit Fund ("Fund") returned 1.10% for the third quarter. This compares to a quarterly return of 1.37% for the S&P LSTA Leveraged Loan Index and -0.65% for the Bloomberg High Yield Corporate Index. Fund performance was achieved with significantly lower volatility than these public indices.[1]



The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. This chart does not imply future performance. Current performance may be lower or higher than the performance data quoted.

Performance for the most recent month end can be obtained by calling 800-452-6804. Total returns include reinvestment of distributions (dividends and capital gains) and are net of the Fund's net expenses. The Fund's gross expense ratio is 3.66%.

Performance Attribution by Sector

Diversified Asset-Based Lending Sector

The Diversified Asset-Based Lending sector provided strong and steady returns, contributing 0.6% to the Fund's performance for the quarter. All four strategies in the sector contributed positively during the quarter.

[1] Index performance is discussed for illustrative purposes only as a benchmark for the Fund's performance and does not predict or depict performance of the Fund. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that investments are not limited to the investments comprising the indices. Each of the Fund benchmark indices are unmanaged and cannot be purchased directly by investors.

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Yield was strong during the quarter, and we expect it to increase further into Q4 as floating-rate loans reset higher. We observed no other significant credit events or valuation changes in our sector holdings, as credit performance remains robust despite the slowing economy.

During the quarter the Fund made two new investments in the Diversified Asset-Based Lending sector. We highlight one of these new investments below. Our investment pipeline for this sector continues to grow, and we anticipate adding new strategies over the coming quarters with portfolio inflows.

Real Estate Asset-Based Lending Sector

The Real Estate Asset-Based Lending sector contributed 0.9%. Two of the three strategies in this sector were positive, while one strategy was approximately flat.

These positive returns were driven by the strong yields of the underlying holdings. Our residential real estate bridge lending strategy experienced a small markdown due to broader headwinds in the rates and housing markets. However, the credit performance in that sector remains quite strong, so we do not anticipate material realized losses.

During the quarter the Fund made one new investment in the Real Estate Asset-Based Lending sector, focused on stressed and distressed commercial real estate loans. We do not anticipate further investments in this sector over the coming quarter as we position the portfolio to diversify the type of collateral backing the loans.

Opportunistic Sector

The Opportunistic sector added 4 basis points during the quarter. The Fund's only holding in this sector (Lynx) was up slightly.

We continued to closely monitor the credit markets looking for any attractive dislocations that provide entry points. While we have seen some distress develop, particularly in longer-duration interest-rate-sensitive sectors of the market, this is not our preferred area of investment. We anticipate additional volatility over the coming quarters to provide potentially attractive opportunities in this sector.

Tradeable Sector

The Tradeable sector added 0.1% to performance during the quarter. Valuations in the Tradeable sector were down over the quarter, which was countered by strong yield on the underlying holdings.

The Fund will continue to de-emphasize Tradeable strategies over the coming quarters and re-allocate that capital towards private strategies. Tradeable exposure ended the quarter at 12% of the portfolio compared to a weight of 29% at the start of the year.

Investment Highlight – Callodine Asset-Based Loan Fund II

Each quarter we highlight one investment within the portfolio to provide existing and prospective investors in the Fund with an inside look into the ways our managers seek to generate attractive returns.

During the quarter the Fund initiated a new investment in Callodine Asset-Based Loan Fund II, a strategy focused on asset-based loans to small and middle-market companies. Borrowers are usually businesses that have significant assets, but may have experienced recent negative income, preventing them from accessing the cash flow loan market. All loans are highly structured and formulaic in nature, with the loan amount determined by the value of specific borrower assets multiplied by an agreed-upon loan-to-value ratio.

An example would be a loan to a retailer that Callodine disburses based upon the liquidation value of the retailer's inventory minus a haircut. Should the retailer default, Callodine will seize the inventory and sell it to one or multiple third parties. Callodine typically utilizes specialty third-party valuation firms to determine asset values on a regular basis to ensure the collateral values continue to cover the loan. In the event of default, the team has decades of experience liquidating assets to ensure loan repayment, a fact underscored by their very low historical loss ratio.

Concluding Thoughts

Markets began the quarter brimming with hope that the Fed would look through near-term inflation and execute a dovish pivot in the face of a weakening economy. However, throughout the quarter we observed a decidedly more pessimistic market outlook. In his speech following the September Fed meeting, Jerome Powell made it clear that the Fed will prioritize curbing inflation, even as that leads to economic pain and a recession. We believe public credit markets in particular are especially vulnerable to recession, since credit spreads, despite recent widening, are trading near their 20-year average.

We continue to position the portfolio in preparation for a weakened economy, which means we will continue to emphasize asset-based lending strategies where our partner managers can closely control the credit outcomes and minimize losses should defaults materialize.

Disclosures

Investors should carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. This information is included in the Fund Prospectus and can be accessed by calling 800-452-6804 or by email at info@alternativefundadvisors.com. Read the prospectus carefully before you invest.

An investment in the Fund involves a high degree of risk. An investment in the Fund should be viewed only as part of an overall investment program and you should invest only if you can sustain a complete loss of your principal. Please read the prospectus carefully. An investment in the Fund is subject to, among others, the following risks:

- The Fund is not intended as a complete investment program, but rather the Fund is designed to help investors diversify into private credit investments.
- The Fund is a "non-diversified" management investment company registered under the Investment Company Act of 1940.
- An investment in the Fund involves risk. The Fund is new with no significant operating history by which to evaluate its potential performance. There can be no assurance that the Fund's strategy will be successful.
- Shares of the Fund are not listed on any securities exchange and it is not anticipated that a secondary market for shares will develop.
- Shares are appropriate only for those investors who can tolerate a high degree of risk and do not require a liquid investment.
- There is no assurance that you will be able to tender your shares when or in the amount that you desire. Although the Fund will offer quarterly liquidity through a quarterly repurchase process, an investor may not be able to sell or otherwise liquidate all their shares tendered during a quarterly repurchase offer.
- The Fund's investment in private credit companies is speculative and involves a high degree of risk, including the risk associated with leverage.

The Fund has an interval fund structure pursuant to which the Fund, subject to applicable law, conducts quarterly repurchase offers for no less than 5% of the Fund's Shares outstanding at NAV. While the quarterly repurchase offer is expected to be 5%, the amount of each quarterly repurchase offer may be 5% to 25% subject to approval of the Board of Trustees (the "Board" and each of the trustees on the Board, a "Trustee"). It is also possible that a repurchase offer may be oversubscribed, with the result that shareholders may only be able to have a portion of their Shares repurchased. There is no assurance that you will be able to tender your Shares when or in the amount that you desire.

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