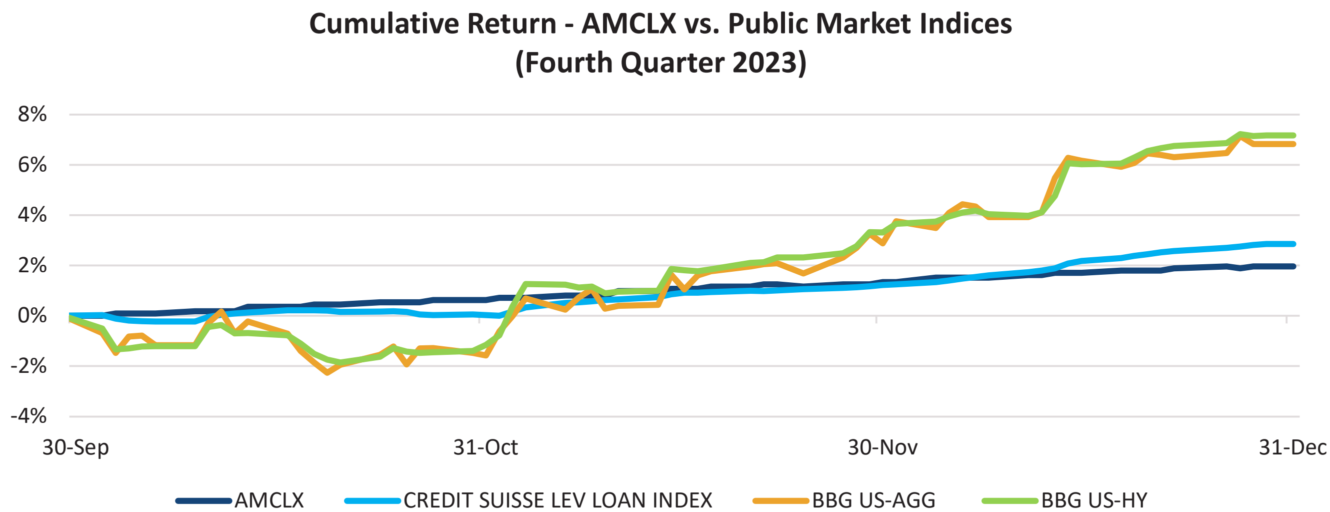
ALTERNATIVE FUND ADVISORS

Portfolio Review
Fourth Quarter 2023

AFA Private Credit Fund

Returns

The institutional share class of the AFA Private Credit Fund ("Fund") returned 1.99% for the fourth quarter — trailing the Bloomberg High Yield Corporate Index (7.16%), the Bloomberg U.S. Aggregate Index (6.82%), and to a lesser extent the Credit Suisse Leveraged Loan Index (2.85%). The quarter was marked by a broad rally in fixed income as both Treasury yields and bond spreads declined, causing public bond and loan prices to increase significantly.



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. Performance since inception is available below. 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 expense. The Fund's gross expense ratio including Acquired Fund Fees and Expenses and borrowing costs is 6.86% for the Institutional Share Class.

Performance Attribution by Sector

Diversified Asset-Based Lending Sector

The Diversified Asset-Based Lending sector provided strong and steady returns, adding 1.28% to the Fund's quarterly performance. All eleven strategies in the sector contributed positively during the quarter.

We added three new strategies and a new co-investment during the quarter to further diversify our sector, collateral, and borrower exposure. The new platforms focus on litigation finance, asset-based lending to specialty finance companies, and small balance asset-based lending to businesses and real estate companies. We also fully redeemed a legacy position to eliminate our last public credit exposure. We are excited about our pipeline of new opportunities for 2024 as we continue diligence on a variety of strategies that focus on diverse collateral such as government contracts, business inventory, and trade receivables.

Real Estate Asset-Based Lending Sector

The Real Estate Asset-Based Lending sector contributed 0.30%. All three strategies in this sector were positive during the quarter.

We did not add any dedicated real estate ABL strategies during 2023 as we monitor the market for signs of capitulation. Our greatest frustration with real estate has not been the performance of our portfolio – which has been quite strong – but rather the lack of activity and opportunity. The credit market remains relatively frozen with a wide chasm between the expectations of borrowers and the rates and terms demanded by lenders. As maturities approach, and lenders clean up their balance sheets, we believe activity is bound to increase in 2024.

Specialty Finance

The Specialty Finance sector added 0.47% during the quarter. Both strategies in this sector were positive.

This sector continues to benefit from a banking system retrenchment, particularly shedding smaller and less profitable borrowers without broader deposit relationships. We do not expect to add any new positions in this sector over the next quarter as we further increase our allocation to asset-based lending. However, we continue to explore opportunities to build attractive exposure in parts of the market that the banks have ceded.

Opportunistic Sector

The Fund's allocation to the Opportunistic sector is less than 1%, and its contribution to Fund return was flat during the quarter.

The recent advance in the market has rendered this sector even less attractive as investors price in a rosy path forward for distressed borrowers. We continue to monitor the sector. However, we do not expect allocating to it in the coming quarter.

Investment Highlight—Bastion Funding V LP

Each quarter, we highlight one investment within the portfolio to provide an inside look into the ways the lending platforms in which we invest seek to generate attractive returns.

In the fourth quarter of 2023, the Fund initiated an investment in Bastion Funding V LP ("Bastion").[1] Bastion was founded in 2013 by two former Bear Stearns executives. The firm was early to identify the opportunity for private lenders as banks stepped back from the specialty finance market due to regulatory constraints.

Bastion provides loans backed by pools of specialty finance loans. These loans typically range from $10mn to $50mn. They lend to companies in the consumer finance, point of sale finance, and small business finance sectors. The focus is primarily to lend against granular, small-balance cash flowing assets that require a high degree of specialized underwriting skills. They have built proprietary loan monitoring systems that give them unique insight into loan collateral performance, trends and composition.

Operating for over a decade, Bastion has become a well-known lender to the specialty finance market. They have built a robust network of potential borrowers, with many new borrowers having relationships with Bastion at their prior firms. They provide additional value through their high-touch lending practices, which benefits both parties. Bastion provides advice and guidance on best practices, while the borrower provides deep insight into their business and performance, which strengthens Bastion's monitoring.

Concluding Thoughts

The fourth quarter could be best described as an "all-everything rally" in public markets. Bonds and stocks moved in one direction: Up. We have always told investors that private credit will trail the public fixed income market in these rallies and the fourth quarter relative performance was expected.

The improved inflation picture is undeniable, but we believe the Federal Reserve's reaction function is misunderstood by the market. Given the tightening in credit spreads, financial conditions are loose relative to historical times when the unemployment rate is below 4% and the economy is booming. Our view is that the Fed will struggle to justify meaningful rate cuts absent a large-scale slowdown in the economy.

[1] As of January 2, 2024, the Bastion Funding V LP represented 7.5% of Fund holdings. Holdings are subject to change and not representative of a recommendation to buy or sell a security.

We cannot discount a scenario where the "immaculate disinflation" continues apace, the Fed decreases rates further, and we see another return like Q4 2023 in public markets. However, we remain concerned about two less optimistic scenarios: 1) elevated rates in 2024 may lead to increased defaults and restructurings in the highly levered private equity sponsored companies, or 2) there may be a meaningful slowdown in the economy despite any reactive rate cuts.

We believe that our investment approach can be effective in either of these scenarios. We invest in loans with attractive return profiles that also have the downside protection of covenant-heavy asset-based loans.

Investors with a strong view about the future of rates and the economy may want to adjust their public fixed income allocations accordingly, but we continue to believe that steady income from prudent lending may provide a sound long-term allocation in most portfolios.

We thank you for your continued investment and interest.

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Performance: AFA Private Credit Fund (AMCLX) as of 12/31/2023

	Q4 2023	1 Year	Annualized Since Inception*	Cumulative Since Inception*
AMCLX	1.99%	8.44%	5.39%	14.02%

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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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