

December 31, 2023 (Unaudited)

February 29, 2024

Fellow FRBBX Shareholders:

The Flat Rock Enhanced Income Fund (the “Fund”) launched on January 3, 2023, with strong initial interest from investors. By December 31, 2023, the Fund managed \$187 million in total assets, invested across 32 CLO BB notes. The Fund provides exposure to over 1,800 middle market loans through its CLO investments. Because of Federal Reserve interest rate increases, middle market loans currently offer yields in the low-double-digit area, but also have the benefit of being senior and secured obligations of the borrower. The CLO’s equity investors absorb the initial losses on the loans within the CLO’s portfolio – we believe this provides a valuable benefit for our Fund’s shareholders.

The Fund returned 14.40% in 2023. We raised the distribution rate twice during the year and finished the year with a distribution rate of 11.77%. During the year the Fund saw appreciation in its CLO notes, as the market began to discount the possibility of a hard landing for the economy.

Fund Performance (Net)

	Inception Through 12/31/2023	Annualized Return From Inception on 1/3/2023	Standard Deviation From Inception on 1/3/2023
Flat Rock Enhanced Income Fund	14.40%	14.53%	1.62%
Bloomberg US Corporate High Yield Index	12.87%	12.98%	5.02%
S&P BDC Total Return Index	26.30%	26.54%	14.89%

The performance data quoted represents past performance. Current performance may be lower or higher than the performance data mentioned above. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor’s shares, when repurchased, may be worth more or less than their original cost. For performance information current to the most recent month-end, please call 307-500-5200.

We believe the Fund has benefited from favorable market conditions since inception, including increased middle market CLO issuance in a year where overall CLO issuance was down. In our opinion, increased middle market CLO issuance was driven by middle market lenders taking market share from the broadly syndicated loan market, as well as favorable projected returns for middle market CLO securities.

The managers of our largest middle-market CLO holdings at year-end included Monroe Capital, Alliance Bernstein, Barings, Ivy Hill and Brightwood. These managers have met the requirements of our rigorous due diligence process. We view our Fund structure as a favorable way to get exposure to a diversified portfolio of middle market loans, with significant protection against principal loss, which is provided by the CLO’s third-party equity investor. The historical annual default rate for CLO BB notes is 22bps over the last twenty-five years.¹

¹. Per S&P Global, for the period from 1997 – 2022

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Our Fund offers investors a published daily NAV, SEC regulation and reporting, minimum 5% quarterly liquidity, and the ability to invest directly into the fund using our ticker, FRBBX.

As always, if you have any questions, feel free to reach out.

Sincerely,



Robert Grunewald
Chief Executive Officer and Founder

Glossary: Standard Deviation is a measure that provides the dispersion around a mean. The S&P BDC Total Return Index is designed to track leading business development companies that trade on major U.S. exchanges. The Bloomberg US Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index excludes bonds from emerging markets. The Fund previously compared its performance to the Palmer Square CLO BB Total Return Index; however, the index data is no longer publicly available, and as such, the Fund no longer includes this index in its performance table.

Consider the investment risks, charges, and expenses of the Fund carefully before investing. Other information about the Fund may be obtained at <https://flatrockglobal.com/flat-rock-enhanced-income-fund-frbbx/>. Please read it carefully.

The Fund is suitable for investors who can bear the risks associated with the Fund's limited liquidity and should be viewed as a long-term investment. Our shares have no history of public trading, nor is it intended that our shares will be listed on a national securities exchange at this time, if ever. No secondary market is expected to develop for our shares; liquidity for our shares will be provided only through quarterly repurchase offers for no less than 5% of our shares at net asset value, and there is no guarantee that an investor will be able to sell all the shares that the investor desires to sell in the repurchase offer. Due to these restrictions, an investor should consider an investment in the Fund to be of limited liquidity. Investing in our shares may be speculative and involves a high degree of risk, including the risks associated with leverage. Investing in the Fund involves risks, including the risk that shareholders may lose part or all of their investment. We intend to invest primarily in the junior debt tranches of CLOs. Our investments in the junior debt tranches of CLOs are exposed to leveraged credit risk. Investments in the lowest tranches bear the highest level of risk. We may pay distributions in significant part from sources that may not be available in the future and that are unrelated to our performance, such as a returns of capital or borrowing. The amount of distributions that we may pay, if any, is uncertain.

The Fund is distributed by Ultimus Fund Distributors, Inc.