March 1, 2023

Fellow FROPX Shareholders:

The Flat Rock Opportunity Fund ("the Fund") finished the year down 2.11%, significantly outperforming the S&P 500 Index and the Bloomberg US High Yield Index. FROPX generated 15.62%[1] returns from the net earnings of the Fund in 2022, with unrealized depreciation on investments of 17.70%[1] offsetting the earnings yield. Since our Fund's inception over 4.5 years ago, our returns of 10.27% outpaced the S&P 500 Index with less than a third of the volatility. Additionally, we believe CLO equity can be a good diversifier, with only a 0.38[2] correlation to the S&P 500 Index and 0.50[2] correlation to the Bloomberg US High Yield Index.

The Fund's performance in 2022 was positively affected by the floating-rate nature of CLO equity and the value of exposure to first lien loans that typically begin their lives with a loan-to-value of approximately 50%. The negative return was primarily driven by unrealized depreciation on our CLO investments as the market's required rate of return for CLO securities increased during the year. While loan default rates rose during the year, the fundamental performance of the portfolio continues to be within our modeled ranges. At the end of the year, the default rate on the loans in our CLOs was 1.61%, which is below our base-case modeling assumption of 2.0%. At year-end, FROPX had $3.09[3] per share of unrealized depreciation on investments. In addition to the income generated by the Fund's CLO investments, a reversal of the unrealized depreciation could provide further return upside should the loan market continue to recover.

Fund Performance (Net)

Fund Performance (Net)[a]	2022 Full Year	2021 Full Year	Annualized Return From Inception on 7/2/2018	Standard Deviation From Inception on 7/2/2018
Flat Rock Opportunity Fund	**-2.11%**	**24.14%**	**10.27%**	**6.99%**
S&P 500 Index	-18.11%	28.71%	9.81%	22.40%
Bloomberg US High Yield Index	-11.19%	5.28%	2.59%	6.38%
Morningstar Leveraged Loan Index	-0.60%	5.20%	3.19%	4.05%

(a) Performance data is per Bloomberg as of 12/31/22, and includes the reinvestment of distributions

The performance data quoted here represents past performance. Current performance may be lower or higher than the performance quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Past performance is no guarantee of future results. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions.

We believe that today's economic environment creates three opportunities for CLO equity and FROPX:

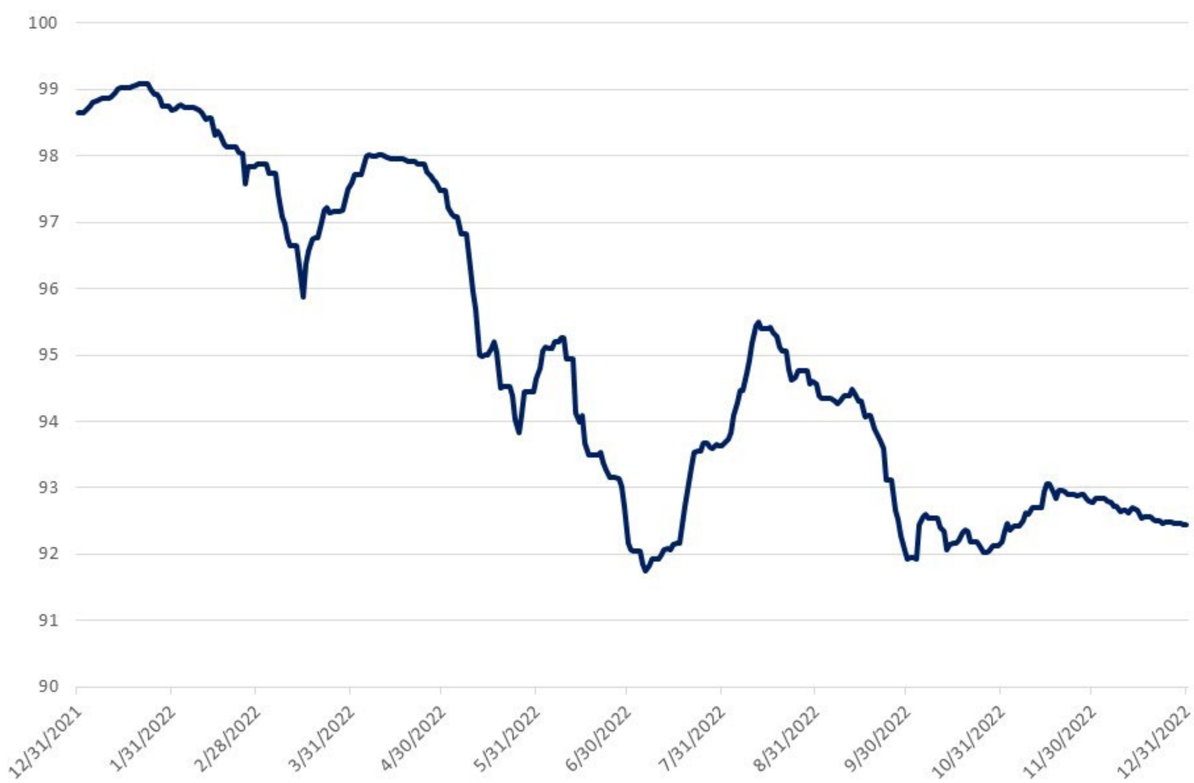
I. The Benefit of Rising Interest Rates

While the potential for higher rates typically negatively impacts equities and fixed income securities, we expect CLO equity to benefit from higher interest rates due to the floating rate nature of the underlying loans in our CLOs.

II. The Self-Healing Mechanism

At year end, 91% of our CLOs were in their reinvestment periods. A CLO loan prepays at par when the loan is refinanced, the company is acquired, or the company does a large acquisition. During the reinvestment period the CLO's collateral manager takes the proceeds from loan repayments and uses them to buy new loans. Investor concern over the war in Ukraine and the potential for an economic hard landing resulted in the Morningstar LSTA Leveraged Loan Index trading at discounted levels last year.

<u>Morningstar LSTA Leveraged Loan Index Price</u>



Discounted loan levels gave our CLO managers the ability to reinvest into new loans at prices well below our original expectations, potentially benefitting CLO equity returns over time. This is what we refer to as the CLO's self-healing mechanism. In our typical CLO modeling, we assume new loans will be purchased at a price of 99. However, during 2022, the Morningstar Loan Index had an average price of approximately 95.

III. Debt Refinancing Opportunities

As the loan market slowly rebounds, we are seeing early signs of CLO debt costs falling. Early in 2023, the cost of AAA-rated CLO Notes, as measured by the JP Morgan CLOIE AAA Index, declined from LIBOR + 1.87 % to LIBOR + 1.62%. If CLO Note rates continue to decline, we expect to extend the reinvestment periods for a number of our CLO's and / or refinance certain CLO note tranches at lower rates. Both transactions are potentially accretive to equity returns as they decrease the CLO's cost of financing and/or keep the CLO fully invested for a longer period. Transactions of this nature are not included in our typical CLO modeling assumptions and represent potential NAV upside.

The Fund had over $293 million of assets at fair market value on December 31, 2022. We think Fund growth has primarily been driven by investors seeking exposure to first lien, secured loans in the CLO structure, where they can potentially achieve equity-like returns, but with lower volatility. However, we believe our investors also see merit in the interval fund structure. Our Fund offers investors a published daily Net Asset Value, SEC reporting, a minimum of 5% quarterly liquidity, and the ability to invest into the Fund using our ticker, FROPX.

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

Sincerely,

Robert Grunewald
Chief Executive Officer and Founder

(1) Figures calculated based on average of net assets at beginning and end of year
(2) For period from inception on 7/2/18 through 12/31/22
(3) Based on share count as of 12/31/22

Glossary: Standard Deviation is measure that provides the dispersion around a mean. Correlation is a measurement of the interdependence between two variable quantities. The S&P 500 Index or the Standard & Poor's 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The Morningstar LSTA Leveraged Loan Index is a market value weighted index designed to capture the performance of the U.S. leveraged loan market. The Bloomberg US Corporate High Yield Bond 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.

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-opportunity-fund/. 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 and no more than 25% 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 limited 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 shareholder may lose part or all of their investment. We intend to invest primarily in the equity and, to a lesser extent, in the junior debt tranches of CLOs that own a pool of senior secured loans. Our investments in the equity and 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. Alps Distributors Inc. serves as our principal underwriter, within the meaning of the 1940 Act, and will act as the distributor of our shares on a best efforts' basis, subject to various conditions.*