The Evanston Alternative Opportunities Fund ("EAOF" or the "Fund") returned an estimated +5.3% (Class I) and +5.1% (Class A) net of all fees and expenses in the first quarter. Net assets in the Fund are approximately $45 million and total strategy assets are approximately $3.2 billion.¹

### RETURNS AND STATISTICS FOR PERIODS ENDED MARCH 31, 2019

<table>
<thead>
<tr>
<th>Fund (Net) - Class I/QTD</th>
<th>Trailing 1-Year Return</th>
<th>Trailing 3-Year Annualized Return</th>
<th>ITD¹</th>
<th>Volatility¹</th>
<th>Sharpe Ratio¹</th>
<th>Beta²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evanston Alternative Opportunities Fund (Net) - Class I</td>
<td>5.3%</td>
<td>-0.6%</td>
<td>3.6%</td>
<td>1.2%</td>
<td>4.9%</td>
<td>0.1</td>
</tr>
<tr>
<td>Evanston Alternative Opportunities Fund (Net) - Class A</td>
<td>5.1%</td>
<td>-1.4%</td>
<td>2.8%</td>
<td>0.4%</td>
<td>4.9%</td>
<td>-0.1</td>
</tr>
<tr>
<td>HFRI FOF Index</td>
<td>4.6%</td>
<td>0.1%</td>
<td>3.9%</td>
<td>2.0%</td>
<td>3.7%</td>
<td>0.3</td>
</tr>
<tr>
<td>90-Day T-Bill</td>
<td>0.6%</td>
<td>2.1%</td>
<td>1.2%</td>
<td>0.8%</td>
<td>0.2%</td>
<td>--</td>
</tr>
<tr>
<td>Barclays Aggregate Bond Index</td>
<td>2.9%</td>
<td>4.5%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>2.9%</td>
<td>0.6</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>13.6%</td>
<td>9.5%</td>
<td>13.5%</td>
<td>10.3%</td>
<td>11.4%</td>
<td>0.9</td>
</tr>
<tr>
<td>MSCI World Index</td>
<td>12.5%</td>
<td>4.0%</td>
<td>10.7%</td>
<td>6.1%</td>
<td>11.2%</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Sources: Bloomberg; HFR Database

### INTRODUCTION

Evanston Capital Management, LLC ("ECM") is pleased to provide you with the EAOF quarterly letter. The following pages include:

- Portfolio Holdings & Statistics
- 1st Quarter Strategy Discussion
- Portfolio Discussion and Risk Management
- 1st Quarter Op/Ed

### PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

Evanston Alternative Opportunities Fund’s (the “Fund”) performance data quoted represents past performance (as described below) and is presented net of the Fund’s fees and expenses. All performance data that includes the current month shown above is estimated. An investment’s return and principal value will fluctuate so that a Fund shareholder’s shares, if and when repurchased in a tender offer, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Where applicable, all returns shown reflect the reinvestment of all distributions of income and capital gains.

**Class I:** Performance for the period from July 1, 2014 through June 30, 2015 is based on a reduced management fee of 0.90% per annum per the management fee waiver. Class I’s performance would be lower without the management fee waiver during such period. From July 1, 2015 through December 31, 2018, Class I’s management fee was 1.20% per annum; effective January 1, 2019, the management fee is 1.0% per annum. Class I is not subject to a sales load.

**Class A:** Performance shown prior to Class A’s inception date (06/01/2015) is based on the performance of Class I Shares, adjusted to reflect Class A’s fees and expenses. Performance shown through December 31, 2018 for Class A reflects a management fee of 1.20% per annum. Effective January 1, 2019, Class A’s management fee is 1.00% per annum with a distribution and service fee of 0.75% per annum.

The Fund’s Class I and Class A net performance reflects expense reimbursements that are in effect until July 31, 2019. Performance would have been lower without the expense reimbursements that are currently in effect. Neither Class I nor Class A’s performance was reduced by the early withdrawal fee of 3% that is payable to the Fund for shares the Fund repurchased within 12 months of issuance. If the early withdrawal fee were reflected, performance would be reduced.

1. As of April 1, 2019  
2. From inception, July 1, 2014  

Foreside Fund Services, LLC, Distributor

Copyright 2019. Evanston Capital Management, LLC. All rights reserved.
3. As of April 1, 2019. Holdings and allocation percentages are subject to change, and may be significantly different than those set forth above at the time of your investment. This list excludes the managers of any Portfolio Funds where (i) the Portfolio Fund is in the process of winding up its operations, (ii) the Fund has submitted a full redemption request but retains an investment in such Portfolio Fund with respect to side pockets at the Portfolio Fund level, and/or (iii) the Fund has requested a full or partial redemption and such Portfolio Fund has paid part or all of the redemption proceeds to the Fund in-kind in the form of shares or interests in a special purpose vehicle (collectively, “Excluded Funds”). The Fund’s estimated net return includes investments in Excluded Funds. Excluded Funds are estimated to represent approximately 0.6% of the Fund’s net asset value as of April 1, 2019. “Cash” includes cash, cash equivalents and redemption proceeds payable to the Fund from Portfolio Funds but not yet received (excluding side pocket and other illiquid investments at the Portfolio Fund level). Total amounts may not sum to 100% due to rounding.

4. As of March 31, 2019. Contribution to performance for Class A for 1Q19 was as follows: Long/Short Equity, 4.1%, Event Driven, 0.5%, Relative Value, -0.2%, and Global Asset Allocation/Macro, 2.5%. Class A’s ITD net return was 0.4%. Please see the performance disclosures on Page 1. Total may not sum due to rounding.

5. All exposures shown herein represent ECM’s subjective assessment of the exposures of Portfolio Funds contained in the Fund. All exposures exclude investments in Excluded Funds (defined on page 2, footnote 3) as well as cash and cash equivalents held at the Fund level. However, please note that in calculating the Fund’s gross and net exposures as a percentage of net asset value, the Fund’s allocations to Excluded Funds and cash and cash equivalents are included in the net asset value. Strategy, style, and geographic allocations are subject to change. Japan/Developed Asia exposure includes exposures to Japan, Hong Kong, Singapore, Australia, and New Zealand. Total amounts may not sum to 100% due to rounding.
1ST QUARTER RETURN DISCUSSION

The start of 2019 was largely a mirror image of the end of 2018 for most risk assets. Global equities soared, recouping most of their fourth quarter loss, and credit spreads tightened across the board. One asset class that did not follow this pattern of mean reversion, however, was government bonds. In a clear sign that the first quarter rally was driven by perceptions of a more dovish Fed, U.S. 10-year interest rates declined significantly for a second straight quarter, from 2.69% to 2.41%. In addition, the yield curve continued to flatten, with the 10-year/2-year spread tightening from 19 to 14 basis points. Outside of the U.S., 10-year rates hovered around zero in Europe and Japan. Despite the rebound in risk assets and the Fed hitting the pause button on both rate hikes and quantitative tightening, underlying investor concerns about slowing global growth persist amid late-cycle dynamics and numerous unresolved geopolitical risks.

EAOF had a good start to the year, returning an estimated +5.3% net (Class I) and +5.1% net (Class A) for the quarter. Long/short equity, which was the biggest detractor in the fourth quarter, recovered nicely and was by far the largest contributor to performance. The event driven and global asset allocation buckets also contributed positively, while a dramatic fall in volatility drove losses in the relative value bucket.

At the manager-level, all but three of the Fund's managers were profitable last quarter, with the top five contributors adding 2.3% to gross performance and the three detractors subtracting 0.7%. Below we discuss the results of each strategy bucket and individual managers in more detail.

LONG/SHORT EQUITY

The first quarter equity rally was broad-based. U.S. large-cap (S&P 500) and small-cap (Russell 2000) stocks rallied 14% and 15%, respectively, led primarily by the growthier sectors of the market: S&P 500 Info Tech (+20%) and Russell 2000 Biotech (+24%). International markets showed similar results with Europe (EuroSTOXX 50 +12%), Asia (MSCI Asia Pacific +10%), and emerging markets (MSCI EM +10%) all recording strong returns. However, despite these gaudy numbers, most indices did not regain the entirety of their fourth quarter declines: since 9/30/18, S&P 500 -2%, Russell 2000 -9%, Nasdaq -3%, EuroSTOXX -1%, and MSCI Asia Pacific -2%. Notably, MSCI EM recorded a +2% return over this same period, and was the only positive broad market index we could find. Real estate was a bright spot with a 13% return over the six-month period, and equity volatility (VIX), despite ending 46% below year-end levels, is still 13% higher than it was six months ago. Interestingly, we saw a similar dynamic among the stocks held by EAF's managers. Based on our analysis of the Fund's long/short equity managers' top long holdings (as tracked by 13F filings and manager transparency reports), the top 25 underlying stocks held by the Fund returned approximately 23% on average in the first quarter, but less than 3% on average for the period between 9/30/18 and 3/31/19. That said, the modest outperformance of our managers' top long names versus most equity indices during this period does demonstrate some alpha generation from holding onto high-conviction positions.

The equity rally began during the last week of December when it simply seemed that there were no sellers left. Most of the Fund's equity long/short managers identified the December sell-off as predominantly a sentiment and technical-driven deleveraging event that was unrelated to underlying fundamentals. In response, these fundamental stock-pickers largely stayed the course and did not dramatically change portfolio exposures. They used the weakness in the markets as an opportunity to add to positions they believed were unduly sold, sell positions where conviction waned, and add new positions at suddenly attractive entry points. The result was that many managers posted strong returns in the first quarter – per Morgan Stanley, equity long/short funds on average returned 6.4%, while the Fund's managers averaged a return of 10.8% on a gross basis.

Sector and Region Focused Long/Short Equity Managers

Not surprisingly, the Fund's more growth-oriented managers in technology and healthcare rebounded the strongest, though not all were able to recapture the entirety of the fourth quarter downdraft. Both of the Fund's technology, media, and telecom ("TMT") specialists managed their portfolios with lower gross exposures than they have run with in recent quarters. One TMT manager, which has exposure to both the technology and healthcare sectors, decreased gross exposure as the quarter progressed, primarily by taking profits in a long-term holding in a software business that had nearly doubled, but also by reducing portfolio concentration. The other TMT manager similarly monetized gains at the top of the portfolio, leaving them less concentrated than they've been in some time. The long book drove returns, significantly outperforming the broader tech index, while shorts were a drag. Strong contributions from positions in the payment processing (particularly a European-based company), internet commerce, and emerging software spaces continue to demonstrate the breadth of expertise and exposure across geography, theme, and market cap that we've come to appreciate from them. The Fund's dedicated biotech specialist rebounded well from a disappointing 2018 thanks to a strong rally across the sector and an active takeover environment. We expect that technology and innovation will continue to drive exciting developments (and stock returns) in biotech over time, though it may be a bumpy ride along the way.

The Fund's international managers posted mixed results, not necessarily because of differences in geography, but more so because of either differing approaches to portfolio construction, as was the case with the Fund's Europe-focused manager, or differing views on the macro backdrop, as was the case in Asia. Within Europe, the Fund's specialist expected a blow-off market top early in 2019 as sidelined investors
bought into an oversold market with relatively benign economic indicators (though with an eye toward a more bearish medium-term outlook on the region). While largely proven right in this view, the meaningful yield curve flattening seen in March adversely impacted their core long European bank positions, and they gave back some gains in the last couple of weeks of the quarter. Asia was a mixed bag with the Fund’s Asia-focused managers going in opposite directions, as they did for much of last year. One manager has been conservatively positioned since the middle of last year, principally with respect to China, which allowed them to protect capital and post a positive return in 2018. Unfortunately, the somewhat indiscriminate rally in Asia to start 2019 proved a meaningful drag on their short portfolio, reversing some of last year’s gains. Meanwhile, their more defensive long book underperformed the market and was unable to pick up the slack. The other Asia specialist, on the other hand, maintained much of the exposure that was the cause of their troubles late last year, and they were able to recoup all of their fourth quarter losses. Their longs performed well across geographies, with notable contributors from Indian real estate, Japanese tech companies, and a diverse group of Chinese stocks, including liquor and travel businesses.

The Fund’s real estate expert also posted solid results largely on the back of the same stocks that had driven prior losses. A Las Vegas-based gaming company gained nearly 30% as the market started to recognize the value of its hotel assets, an activist built a significant stake, and more substantive rumors around a possible merger swirled. Homebuilders also rallied throughout the quarter as the dovish Fed rhetoric drove interest rates lower, which turned what had been a headwind into a tailwind for home buyers. Within global financials, the Fund’s specialist withstood the quarter-end sell-off in bank stocks because of a bigger emphasis in their current portfolio on emerging markets financials and payment processors. Specifically, holdings in a couple of Brazilian payment processors soared as investors sought exposure to both the emerging market secular growth story and the disruptive financial technology theme.

EVENT DRIVEN

Credit Managers

The credit markets roared back to life in the first quarter as renewed risk appetite drove meaningful spread tightening and a rebound in the new issue market. These dynamics were further aided by the grind lower in interest rates. The Barclays U.S. Aggregate Bond Index finished the quarter up +3%, while the Merrill Lynch U.S. High Yield Master II Index (+7%) delivered its strongest quarterly result in several years. Despite the rally, it proved a subdued quarter for the Fund’s credit managers, which were collectively a modest contributor to overall performance.

One distressed manager’s process-oriented approach in the middle market means their results tend to be driven by idiosyncratic news and events within their portfolio. While they’re gearing up for several anticipated catalysts during 2019, it was quiet on this front in the first quarter, and the small positive return came largely from the attractive running yield from a core holding in a unique collection of regional transportation assets. Another distressed manager saw nice contribution in the quarter from their long performing credit book, which benefitted from a combination of supportive technicals and positive fundamental developments. Their biggest winner was a pet supply retail chain that continues to exceed the market’s growth expectations on the back of its well-timed acquisition of an online pet food seller. Unfortunately, these gains were offset by pain on the short side as there were few places to hide amidst the rally. While they rotated out of some short themes and into others in response, most notably increasing exposure to the murkier growth outlook in Europe, they continue to have conviction in their well-hedged approach this late in the credit cycle. The Fund’s third distressed manager was actively adding to their favorite performing credit and distressed names during the peak of the downturn last December and this opportunism served them well given the early-year snapback. Having quickly monetized many of those gains, they have since reverted to a more defensive posture, but anticipate maintaining a flexible, trading-oriented approach as the year progresses.

The Fund’s generalist credit manager made gains that came from a combination of core legacy holdings and a new top position. On the legacy side, their diversified exposure in Puerto Rico continued to do well as the local economy recovered further post-hurricane and significant progress was made on the restructuring front. In addition, their positions in the gaming space rebounded nicely after the late year sell-off on the back of increased risk appetite and solid earnings across the industry. Meanwhile, they also meaningfully up-sized their holding of a distressed California utility company, which filed for bankruptcy protection after the state’s historic wildfires last year. They see the company as a critical infrastructure asset with an attractive underlying growth profile that can be realized once the state comes up with a legislative solution to these natural disaster liabilities. While a nice contributor in the quarter, this manager expects the restructuring to follow a winding and potentially messy road, and they will be active throughout the process in exercising their creditor rights.

Equity-Oriented Event Managers

The Fund’s activist manager had a strong bounce back quarter, more than recouping last year’s losses. Gains were broad-based and represented a combination of new and established positions. Two of their longer-tenured activist positions continued to contribute nicely. One is a global pharmaceutical company whose proposed acquisition by a peer officially closed during the quarter, allowing this manager to capture an attractive deal spread. The other is a UK conglomerate that announced it would be using the proceeds of its sale of a major business unit to do a large share buyback. A handful of new international positions that have become core holdings in recent months were also strong contributors. These include a Chinese tower company that is a play on the rollout of 5G in the country and a Japanese medical device manufacturer that is poised to benefit from both operational improvements and a new product cycle.
GLOBAL ASSET ALLOCATION ("GAA") AKA MACRO

The Fund’s GAA managers all delivered solid results during the first quarter. Despite the late year equity sell-off, one of the Fund’s macro managers carried their core bullish U.S. equity view into 2019 and was rewarded for maintaining this conviction as the S&P 500 recorded its strongest quarter in a decade. While first quarter economic data may prove to be somewhat soft, they expect this to be transitory and remain quite positive on the outlook for growth in the U.S. this year. In addition to the gains from equities, this manager also had success with relative value bets in non-U.S. rates and a handful of idiosyncratic currency trades. Another Fund macro manager entered the year with a low risk profile but began adding back to some of their core medium-term macro views as they built P&L momentum. With the dovish pivot by the Fed, this manager now believes the most likely outcome is for no change in rates this year with an increasing probability of rate cuts in 2020. The Fund’s third macro manager also entered the year with a muted risk profile. They put exposure back on more quickly than the second macro manager in the Fund, predominantly through select themes in equities, most notably bullish bets on emerging markets and secularly growing industries like tech. Some of these tech positions as well as a handful of idiosyncratic energy names proved to be the biggest winners in the quarter.

RELATIVE VALUE

It was a painful start to the year for the Fund’s volatility specialist as the volatility expansion of late last year quickly reversed amidst the return of animal spirits. While implied volatilities compressed across asset classes, the surprise dovish pivot by the Fed proved to be the most impactful event to their portfolio during the quarter, effectively taking any near-term rate hikes off the table and serving to crush U.S. rate volatility across the curve. While certainly a difficult backdrop for a long volatility strategy, this manager compounded the pain with some ill-timed tactical moves and a handful of suboptimal trade-structuring decisions. With implied volatilities back near historic lows for most asset classes outside of equities, the asymmetry from here should be attractive, but we are evaluating this manager closely given some of the execution missteps in recent quarters.

PORTFOLIO DISCUSSION AND RISK MANAGEMENT

Besides small shifts in manager weights due to rebalancing, the Fund made one addition to the portfolio, as described below, and its aggregate gross and net exposures (267% and 37% as of April 1, respectively) did not change significantly. The Fund remains concentrated with 21 core managers with approximately 31% of the portfolio in the top five positions and 55% in the top ten. Looking forward, we are in late stage due diligence with several managers and are likely to initiate an investment in a new launch on May 1. We look forward to sharing more information on this manager in next quarter’s letter.

GREAT POINT PARTNERS, LLC

EAOF initiated an investment in Great Point Partners, LLC (“GPP”) on March 1. GPP was launched in 2003 by two partners from JH Whitney’s healthcare business, Jeffrey Jay and David Kroin. GPP’s hedge fund has steadily grown to approximately $750 million despite limited openings to new capital. They maintain a modest asset level to enable them to continue to invest long and short in the small- and mid-cap biotech space, where they believe there will continue to be a fast pace of change and innovation. GPP also manages two private funds and is in the process of raising a third fund. These funds invest growth capital in small and middle market healthcare businesses.

OP/ED

This section of the letter typically addresses a key component of our investment process, a general hedge fund topic, and/or events in the markets that may impact performance.

We attended several hedge fund industry conferences last quarter. Although we can’t deny the appeal of getting out of Chicago to go someplace warm for several days in January and February, the primary purpose is to help us get a pulse on the industry and get introduced to smaller and/or emerging hedge fund managers. Below are highlights of some of the key takeaways from those conferences:

GENERAL MARKET OUTLOOK AND TRENDS

Positive Investor Sentiment: Despite the market turmoil in the fourth quarter, investors generally seemed less negative than one might have expected, possibly in part fueled by the strong first quarter recovery that was already well underway at the time of these conferences. Much of this bullishness seemed to be driven by expectations that the Fed will not raise rates for the foreseeable future unless inflation surprises to the upside.

China Bullishness: The prevailing view on China was also bullish. Several experienced investors noted that the general sentiment on China turned negative in 2018 amid concerns about growth and the trade war with the U.S. As the country takes corrective actions and these concerns abate, these investors believe the hesitant money on the sidelines will rush to reinvest, leading to a strong recovery in asset prices.
5G: The most commonly echoed “micro” theme was 5G. A global 5G cellular network has the potential to transform the way consumers digest content and data, and the infrastructure required for this build out is significant. Investors are actively assessing companies across multiple industries, including communications, satellite, networking, and semiconductors, to try to determine who will be the winners and losers from this rollout.

Passive Versus Active: There has been much discussion in recent years about the increase in passive investing and its impact on active management. While originally viewed as a clear negative, the prevailing view now seems to be shifting (and we agree) that the more money that goes into passive indexing, the greater the inefficiencies that should exist for skilled active managers to exploit given reduced competition. Unfortunately, the time frame for these inefficiencies to reverse may be longer given fewer active managers to step in and take advantage of mispriced securities. This appears especially true in “value” sectors such as consumer, industrials, and real estate, where shrinkage in the active manager roster has been particularly acute, while being less prevalent in higher-growth, faster-changing sectors such as technology and healthcare.

HEDGE FUND TRENDS AND OPPORTUNITIES

The “Haves” Can Still Raise Assets: The hedge fund new launch arena has become progressively more bifurcated in recent years between the “haves” and “have nots”. Investor demand remains high for the handful of well-pedigreed new launches coming to market, typically by portfolio managers with verifiable track records of success who are spinning out of well-regarded shops. These managers are viewed as “known quantities” with lower risk of failure, providing comfort to the larger, more risk-averse institutional investors who may not usually invest in start-ups. As such, these types of managers continue to be able to raise billions of day-one capital, often at premium fee levels.

More Difficult for the “Have Nots”: For the rest of the new launch universe, the fundraising environment has become much more challenging. While they may be talented investors, either they come from lesser known shops or do not have prior portfolio management experience, and most larger allocators are not willing to take on the risk of an unproven strategy. Ten years ago, these managers may still have been able to raise several hundred million of capital at launch given the money pouring into the hedge fund industry. Today, they are realistically hoping to scrape together $25-50 million. We continue to believe this latter group is where we can add real value, using our experience and expertise to identify and underwrite talent early in the hedge fund life cycle.

Fees and Terms: From a fees and terms perspective, most new launches are cognizant of the new normal in hedge fund land in 2019 as the supply/demand dynamics of the industry slowly push the pendulum more in favor of the investors. The “2 & 20” model is largely dead for new launches, and emerging managers have become much more amenable to working with potential investors to structure fee and liquidity terms that are suitable for the strategy and appropriately reward early-stage investors for taking on start-up risks. Examples prevalent throughout the conferences included: (1) fee discounts for being early, investing in large size, or agreeing to a longer lock-up; (2) management fees that ratchet down with asset growth to prevent the management fee from becoming too much of a profit center over time; and (3) incentive fees that are measured over a hurdle, whether it be fixed or a benchmark, so that the manager is only earning an incentive on the alpha they are generating.

Increasing Use of Co-Investments: Co-investments remain very much in vogue, typically from long/short equity managers, but also from credit managers and even macro managers that aim to raise capital to provide exposure to a specific theme. While the performance data on co-invests would suggest a low hit rate, managers continue to offer such opportunities amid sustained demand as many investors view these vehicles as a way to add “hedge fund exposure” at what is often a significantly lower fee than a manager’s commingled product. While this all sounds good on the surface, we have long been skeptical of these vehicles. There may certainly be opportunities that are appropriate for a co-invest format, such as a unique position that has reached its size limit within a commingled structure, but we generally view co-investments more as good “stories” to tell investors rather than something that is likely to add material value to hedge fund portfolios over time.

Influence of the Multi-Manager Platforms: Multi-manager long/short equity platforms have grown significantly in recent years, and combined with the highly leveraged nature of these strategies, it is now estimated that these platforms represent 30% of single stock short exposure. It is thus critical to understand how each of these platforms approaches risk management during drawdowns, as rapid decreases in gross exposure can lead to meaningful moves in individual stock prices. This in turn can domino across other platforms (and to a lesser extent, non-platform managers) and lead to exaggerated short-term performance. Experience at a platform and understanding how a large platform business operates might help a manager take advantage of deleveraging cycles.

Quantitative Strategies: Despite a generally challenging performance year in 2018, there seems to be continued investor interest in quantitative strategies, as evidenced by the high absolute and relative number of such managers at this year’s conferences. While many of these strategies are all variants of one another, and thus in our view are often uninteresting, we are starting to see some compelling blends of fundamental and quantitative approaches that go beyond a fundamental manager simply hiring one or two quant analysts. These approaches require significant investments in data and processes to bridge fundamental insights on specific companies with a systematic investment and portfolio construction process.
Credit Strategies: The sentiment among credit managers at the conferences was short-term cautiously bullish and long-term bearish. The short-term view was largely driven by the reprieve provided by the Fed. But over the medium and longer-term, the prevailing view is that we are in the last leg of a historic economic expansion, and that the U.S. will likely enter a recession sometime in 2020. On the back of this, there simply isn’t enough capital to support the colossal amount of corporate debt outstanding, and the credit bubble is unlikely to survive an economic downturn. The high yield market is at peak size and half of investment grade bonds are rated BBB, which is one rung above junk territory. If there is another sustained spread widening similar to or in excess of the fourth quarter move, then longer duration and lower quality bonds will have a hard time living up to their ratings. While subsequent downgrades would create painful price action in the near-term, the set-up coming out of this experience would likely be an attractive one for distressed investing, particularly for those managers with the necessary stable capital bases and well-resourced investment platforms to fully capitalize on the improved opportunity set.

Niche Strategies: A couple of conferences made a point to highlight lower beta and lower equity exposure opportunities, and we have uncovered several interesting prospects. These managers tend to focus on identifying pockets of alpha that the markets are ignoring, in large part due to the reduced influence of investment bank proprietary trading desks. The strategies tend to be focused on specific arbitrage opportunities that exist either because of real money flows that distort fundamental pricing or because they are simply too small to be capitalized upon by large firms that cannot make a business out of it.

OPERATIONS AND ADMINISTRATION

(1) In recognition of their positive impact and contributions at ECM, we congratulate several of our colleagues on their recent promotions:

- Tom Demery – Senior Vice President (Business Development)
- Brendan James – Senior Vice President (Investments)
- Brian Lease – Managing Director (Accounting)
- Nadine Roggeman – Senior Vice President (Accounting)
- RJ Schrik – Senior Vice President (Operational Due Diligence)
- Lauren Sieckman – Senior Vice President (Accounting & Tax)

(2) Deloitte & Touche LLP recently began the Fund’s fiscal year-end audit (3/31). We expect to distribute the final audit report during the last week of May.

As always, we would welcome your comments and questions about any of these items. We appreciate your support and trust, and we look forward to continuing to work for the benefit of our aligned interests.

Regards,

The Evanston Capital Team
Evanston Capital Management, LLC
(847) 328-4961
investorrelations@evanstoncap.com
IMPORTANT FUND INFORMATION AND DISCLOSURES

The Fund is a continuously-offered, non-diversified, registered closed-end fund with limited liquidity. The Fund’s shares are subject to legal restrictions on transfer and resale and you should not assume you will be able to resell your shares. No assurance can be given that the Fund will achieve its objectives. This quarterly letter does not constitute an offer to sell or a solicitation of an offer to purchase the Fund’s securities. Any such offer will be made only by means of the Fund’s Prospectus.

The hedge fund strategy classification of each of the Fund’s underlying portfolio funds used to calculate contribution to performance as shown on page 2 is determined by ECM in its discretion. Totals may not sum due to rounding.

The contents of this Fund quarterly letter are solely for informational purposes, are current as of the date set forth on this quarterly letter, and are subject to change from time to time. Neither the Fund nor ECM is obligated to notify you of changes to this information.

Certain statements made herein constitute forward-looking statements. These statements reflect ECM’s current views about, among other things, future events and financial performance, and results may differ, possibly materially, from these statements. Neither ECM nor the Fund is obligated to update or revise the statements made or information presented herein.

Fund Liquidity/Tenders: The Fund intends to conduct quarterly tender offers. Each repurchase offer is expected to be limited to the repurchase of approximately 5-25% of the outstanding shares, in the Board of Trustees’ discretion. No Fund investor can require the Fund to redeem shares, regardless of how the Fund performs.

Early Withdrawal Fee: Shareholders who seek to sell their shares back to the Fund less than one year after purchasing the shares will be subject to a 3% early withdrawal fee payable to the Fund.

Fund Fees and Expenses:

Portfolio Fund Fees and Expenses: The Fund is a “fund of funds” that invests in Portfolio Funds managed by Portfolio Managers unaffiliated with ECM. Portfolio Funds’ management fees range from approximately 1% to 3% per annum, and incentive fees that a Portfolio Fund may charge range from approximately 15% to 35% of profits per annum.10 Portfolio Fund fees and expenses may be substantially higher or lower as a result of the Fund’s investments in new or different Portfolio Funds. The Fund anticipates that its total annual expenses, taking into account the Expense Limitation Agreement and the Portfolio Fund fees and expenses, but excluding any sales load that may be assessed, will be approximately 6.24% with respect to Class I and 6.99% with respect to Class A, as described in detail in the Fund’s Prospectus. Actual expenses may be higher or lower than estimates provided due to the Portfolio Fund’s fees and expenses.

Distribution and Service Fee. The Fund pays Foreside Fund Services, LLC (the “Distributor”) a distribution and/or service fee equal to 0.75% per annum of the aggregate value of the Class A shares outstanding, determined as of the last calendar day of each month (prior to any repurchases of shares and prior to the Fund’s management fee (“Management Fee”) being calculated) (“Distribution and Service Fee”) in accordance with a plan adopted by the Fund in compliance with the provisions of Rule 12b-1 under the Investment Company Act of 1940, as amended (the “1940 Act”). The Distribution and Service Fee is payable quarterly, and the Distributor pays all or a portion of the Distribution and Service Fee to certain financial intermediaries. ECM also pays a fee out of its own resources to financial intermediaries. Please see the Fund’s Prospectus for more detailed information.

Management Fee and Management Fee Waiver. ECM contractually agreed to waive a portion of the Management Fee from July 1, 2014 through June 30, 2015, such that it equaled 0.90% per annum (the “Management Fee Waiver”) for such period. Class I’s performance data through June 30, 2015 is shown net of the reduced 0.90% Management Fee. From July 1, 2015 through December 31, 2018, the Management Fee Waiver was terminated, and performance for Class I is shown net of a 1.20% Management Fee during such period. Effective January 1, 2019, Class I’s Management Fee is 1.00% per annum.

Performance shown prior to Class A’s inception date (06/01/2015) is based on the performance of Class I Shares, adjusted to reflect Class A’s fees and expenses. Performance shown through December 31, 2018 for Class A reflects a Management Fee of 1.20% per annum. Effective January 1, 2019, Class A’s Management Fee is 1.00% per annum with a distribution and service fee of 0.75% per annum.

Expense Reimbursement. Effective January 1, 2019 through July 31, 2020, ECM has contractually agreed to limit the Fund’s total annualized expenses (excluding any borrowing and investment-related costs and fees, taxes, extraordinary expenses, and the Portfolio Fund Fees and Expenses) to 1.5% with respect to Class I and 2.25% with respect to Class A (the “Expense Limitation Agreement”). Prior to January 1, 2019, ECM had contractually agreed to limit the Fund’s total annualized expenses to 1.7% with respect to Class I and 2.45% with respect to Class A. ECM and the Fund may continue to renew the Expense Limitation Agreement for one-year terms thereafter, and may terminate it with 30 days’ prior written notice to the other party. ECM will be permitted to recover from the Fund expenses it has borne in later periods, if Class I and Class A’s expenses fall below the annual rate of 1.5% and 2.25%, respectively. The Fund is not obligated to pay any such amount more than 3 years after the fiscal year-end in which ECM deferred a fee or reimbursed an expense.

Please review the Fund’s Prospectus for information about other fees, including the Fund’s operating expenses.

Additional Fund Exposures Information: The Fund and Portfolio Fund exposures generally reflect the value of cash positions as well as the economic value of underlying positions, including derivatives positions such as futures and options. ECM has not received the most recent exposures from the majority of the Portfolio Funds as of the date hereof. Consequently, the most recent exposure information previously received by ECM for such Portfolio Funds is used herein.

* The Portfolio Fund Fees and Expenses are estimated to be approximately 4.54%.
STRATEGY DEFINITIONS

Long-Short Equity: Seek to profit by taking positions in equities and generally involve fundamental analysis in the investment decision process. Long-short equity strategies may aim to have a net long directional bias, a net short directional bias, or be neutral to general movements in the stock market. Long-short equity Portfolio Managers tend to be “stock pickers” and typically shift allocations between long and short investments based on market conditions and outlook.

Event Driven: Seek to invest in opportunities that are created by significant transaction events, such as spin-offs, mergers and acquisitions, and reorganizations.

Relative Value: Seek to profit by exploiting pricing inefficiencies between related instruments, while remaining long-term neutral to directional price movements in any one market. Short selling is an integral part of this strategy.

Global Asset Allocation: Seek to exploit opportunities in various global markets. Portfolio Funds employing these strategies have a broad mandate to invest in markets and instruments they believe provide the best opportunity.

INDEX AND OTHER DEFINITIONS

An investor cannot invest in an index. Please note that the indices or performance benchmarks below are composed of securities which for the most part are dissimilar to the positions held directly or indirectly by the Fund, and these indices or benchmarks do not have similar risk/return profiles to that of the Fund. However, these indices or benchmarks have been included herein because they represent various asset classes to which an investor may choose to compare the Fund’s performance.

90-Day T-Bill: rate of return is derived from cash-equivalent securities.
Barclays Aggregate Bond Index: comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities, and is a broad measure of the taxable U.S. bond market.
CBOE Volatility Index (VIX Index); is considered by many to be the world’s premier barometer of equity market volatility. The VIX Index is based on real-time prices of options on the S&P 500 Index (SPX) and is designed to reflect investors’ consensus view of future (30-day) expected stock market volatility.
HFRI FOF Composite Index: is an index composed of funds of funds that voluntarily report their performance to HFR.
HFRI Asset Weighted Composite Index: is a global, asset-weighted index comprised of over 1,500 single-manager funds that report to HFR Database.
BofAML US High Yield Master II Index: tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market.
EURO STOXX: is Europe’s leading blue-chip index for the Eurozone, providing a blue-chip representation of super-sector leaders in the region. The index covers 50 stocks from 11 Eurozone countries.
MSCI EAFE Index: is a free float-weighted equity index that captures large and mid-cap representation across developed markets, excluding U.S. and Canada.
MSCI EM: is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
MSCI World Index: is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.
NASDAQ Composite Index (NASDAQ): is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market, and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.
Nikkei 225: is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock exchange.
Russell 1000 Growth: measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992.
Russell 2000: is composed of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The index was developed with a base value of 135.00 as of December 31, 1986.
Russell 2000 Biotechnology Index: is composed of the smallest Biotechnology companies in the Russell 3000 index.
S&P 500 Index: is composed of 500 publicly traded stocks representing all major U.S. industries.
S&P Healthcare: is a market cap-weighted index. The index comprises stocks included in the S&P 500 that are classified as members of the GICS Healthcare sector.
S&P 500 Information Technology Index: comprises those companies included in the S&P 500 that are classified as members of the GICS Information technology sector.
Shanghai Stock Exchange Composite Index: is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.
Alpha: Measures a manager’s value added relative to a passive strategy, independent of the market movement.
Beta: is measured versus the relevant index.
Sharpe Ratio: is a measure of risk-adjusted returns and is defined as the excess return over cash per unit of volatility.
IMPORTANT RISK FACTORS CONCERNING THE FUND

As described in the Fund’s Prospectus and Statement of Additional Information, an investment in the Fund is speculative, involves a substantial degree of risk, and an investor could lose all or substantially all of his or her investment. There can be no assurance the Fund will achieve its investment objectives or avoid significant losses. The Fund is only available to “eligible investors” who can bear significant risk and do not require a liquid investment. Please see the Fund's Prospectus for important information about the Fund’s terms, risks, and other disclosures.

The Fund’s Portfolio Managers may, in some cases, be recently organized or may manage Portfolio Funds that are recently organized and have no or a very limited operating and performance history. The Fund is managed by ECM, and its success will depend, in large part, on ECM’s skill and expertise. While ECM has over 15 years managing privately offered fund of hedge fund products, ECM has not previously managed a registered investment company.

The Fund’s shares are subject to restrictions on transfer and have limited liquidity. The Fund does not list its shares for trading on any national securities exchange; there is no secondary market for the shares, and none is expected to develop. An investment in the Fund’s shares is not suitable for investors that require liquidity, other than liquidity provided through the Fund’s repurchase policy. There can be no guarantee that an investor will be able to sell any of its shares when it desires to do so. The Fund’s repurchase offer policy may decrease its size over time absent significant new investments in the Fund. It could force the Fund to maintain more liquid investments, sell assets prematurely, substantially increase the Fund’s ratio of illiquid to liquid securities for non-redeeming investors, and/or reduce the investment opportunities available to the Fund and cause its expense ratio to increase.

The Portfolio Funds are not registered under the 1940 Act, and therefore are not subject to the 1940 Act’s restrictions and protections, such as fee limitations, asset coverage requirements, and reporting requirements. The Portfolio Managers may use investment strategies and techniques that are not generally permissible for registered investment companies, and Portfolio Funds may be less transparent in providing portfolio holding and valuation information.

ECM relies on the valuation of the Portfolio Funds to value the Fund’s shares. Fair value estimates may prove to be inaccurate and may be subject to later adjustments from time to time. Similarly, inaccurate or delayed information that a Portfolio Manager may provide could adversely affect ECM’s ability to accurately value the Fund’s shares.

The net asset values received by ECM or the Fund’s administrator from Portfolio Funds may be estimates only, and, unless materially different from the actual valuations, generally will not be subject to revision. ECM relies on these estimates in calculating the Fund’s net asset value for, among other things, reporting the performance data reflected herein. Portfolio Funds are typically audited on an annual basis.

The Fund may borrow money for portfolio management and other purposes, and may have to pledge assets when borrowing, which could affect the Fund’s operations in the event of an uncured default. The Portfolio Funds may use leverage to purchase instruments, sell securities short, and/or other means, which would increase any loss incurred. Consequently, the Portfolio Funds may be subject to major losses if market disruptions destroy any hedged positions, which would negatively impact the Fund’s performance.

The Fund intends to meet the requirements necessary to qualify for favorable tax treatment as a “regulated investment company,” or “RIC” under Subchapter M of the Internal Revenue Code. If the Fund fails to satisfy the applicable requirements, it may lose its status as a regulated investment company, and in such case, all of its taxable income would be subject to U.S. federal income tax at regular corporate rates without any deduction for distributions to shareholders. Disqualification as a RIC would have a material adverse effect on the value of the Fund’s shares and the Fund’s distribution amounts.

You should consult with your own legal, tax, financial, and other professional or advisers before investing in the Fund.

Before investing, you should consider carefully the Fund’s investment objectives, limited liquidity, risks, charges, and expenses. The prospectus contains this and other information about this investment company. You can obtain a copy of the prospectus by contacting ECM at investorrelations@evanstoncap.com or calling 847-328-4961 or by requesting a copy from your financial professional. Please read the prospectus carefully before you invest.