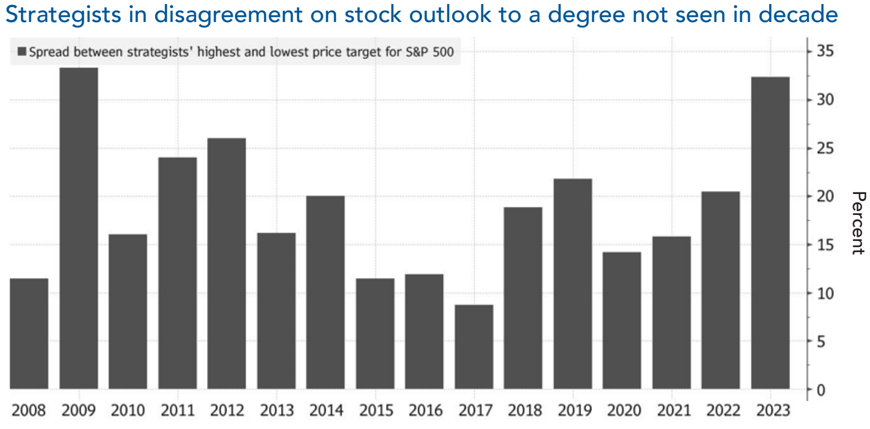
2023 HEDGE FUND OUTLOOK

2022 was a year for the history books. After a decade of easy monetary policy and abundant liquidity, inflation rose to levels not seen for 40 years, and central banks meaningfully tightened financial conditions. This about-face, combined with a rising trend toward de-globalization, has set the stage for a potential regime shift that can last into the new year and beyond. One can envision an environment in which interest rates remain higher for longer, economies (and related monetary and fiscal policies) become less connected, markets are more volatile, and the correlation between asset classes is less stable. At a high level, if such an environment plays out, we believe active management will outperform passive, and hedge funds, with their flexible mandates, should be valuable diversifiers and sources of return. However, as always, we believe that manager selection will be critical to ultimate results. Below we expand on our views for each hedge fund strategy area in the year ahead.

Long/Short Equity

Stock selection, more so than a broad market recovery, will drive performance.
Much of 2022's sell-off in equities can be attributed to a decline in valuation multiples (as opposed to earnings), but by many metrics, equity valuations are no better than average today, especially relative to the uncertain macro environment. If the U.S. economy does slow, as many believe it will, corporate earnings likely will fall, which warrants caution in the near-term, as reflected in the relatively low gross and net exposures across many of our long/short equity managers today. Expectations for corporate earnings for the full year vary widely as do expectations for stock market performance. In fact, according to data compiled by Bloomberg, the range between strategists' price targets for the S&P 500 Index ("S&P") in 2023 is wider than it has been in over a decade.[1]

Split Views
Strategists in disagreement on stock outlook to a degree not seen in decade



Source: Bloomberg

[1] https://www.bloomberg.com/news/articles/2022-12-01/this-year-s-sour-stock-market-made-wall-street-bearish-for-first-time-since-1999

In our opinion, this degree of ambiguity bodes well for bottom-up long/short equity managers that can develop a sharper, differentiated view on the fundamentals of individual companies. Often, alpha opportunities are greater (for those that get the analysis correct) when there is more debate about a company's prospects and a greater range in forecasted outcomes across market participants. In the absence of a highly directional market in 2023, we believe that idiosyncratic stock selection as well as the spread in performance between long and short ideas will drive performance.

Pockets of the stock market that have been heavily sold with little dispersion offer high alpha potential. Certain corners of the stock market were much more heavily punished by rising interest rates in the past year, particularly sub-sectors with high-growth profiles, such as software and biotechnology. The performance of individual stocks within these cohorts was similarly poor across the board, reflecting more of a macro or factor-driven sell-off. We do not necessarily expect growth to outperform if interest rates remain higher for longer, so we do not view the downturn as a great beta opportunity. However, we do think there is ripe alpha potential for specialist managers that can find individual stocks that are significantly mispriced and subsequently benefit when the market becomes more discerning. In addition, we believe the rapid innovation in the technology and biotechnology industries means that managers are often betting on step-function changes—for example, a breakthrough therapy for an underserved disease category—as opposed to just a differentiated view of incremental data points, such as quarterly earnings. And there can be more catalysts, such as clinical trial results, that can reveal whether managers are right or wrong in their stock picks within a finite timeframe versus, say, a more open-ended view that a certain stock is simply misvalued.

Energy transition is an enduring theme that will provide attractive long and short opportunities. The goal of reaching net-zero greenhouse gas emissions by 2050 will require massive investment, approaching $275 trillion, according to McKinsey.[2] Compounding environmental concerns, the Russia/Ukraine war has underscored security-of-supply issues, reinforcing many countries' resolve to build out alternative energy capabilities and infrastructure with more urgency. Numerous government initiatives have followed. As just one example, the Inflation Reduction Act of 2022, which was signed into U.S. law in August, marks the single largest investment in climate and energy in American history.[3] This government spending will enormously benefit some companies while others will lose out in the transition, creating compelling long and short opportunities in our opinion. In addition, due to the extended bear market (until recently) and related lack of investment in energy, we believe the number of specialist investors in the sector has dwindled over time, yielding less competition.

[2] https://www.mckinsey.com/mgi/overview/in-the-news/what-it-will-cost-to-get-to-net-zero
[3] https://www.energy.gov/lpo/inflation-reduction-act-2022

Short rebates are now meaningfully positive, providing a boost to expected returns. Though a straightforward concept, we believe that the impact that short rebates have on the expected total return of hedge funds, especially those funds with significant short portfolios, is underappreciated. Simply put, the higher the risk-free rate (or proxy for the risk-free rate, such as the Fed Funds rate), the higher the expected return of hedge funds. For easy-to-borrow names, the typical short rebate that a hedge fund earns on the proceeds of its short sale might be the Fed Funds rate less a fee of 0.25%. In the past year, the Fed Funds rate has increased from 0.25% to 4.5%, which means that, in this example, a hedge fund manager could earn 4.25% on its short portfolio over 12 months, if the prices of the securities sold short remain unchanged in that time. Of course, the scenario of steady prices is unlikely, and the return generated from any manager's short portfolio will be most heavily influenced by the performance of the securities themselves. However, a meaningful short rebate is a tailwind to expected returns in long/short equity that has not existed for much of the last decade.

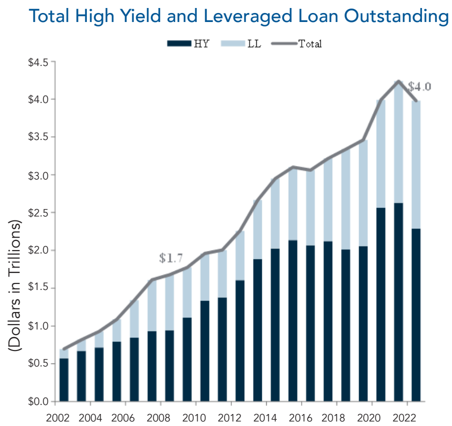
Event Driven

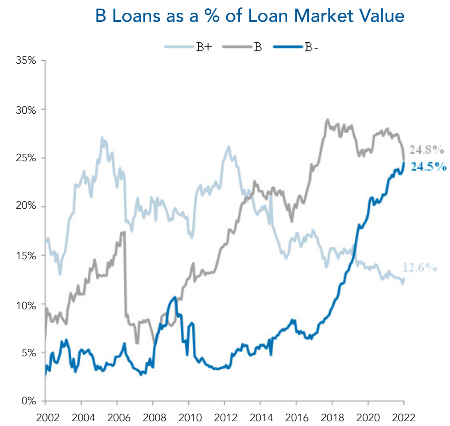
A more challenging market and economic backdrop may motivate management teams and boards to explore corporate change. We expect heightened regulatory scrutiny and antitrust enforcement of proposed mergers and acquisitions to continue into 2023. That may put a damper on takeovers and likely would increase the risks associated with traditional merger arbitrage. However, we believe other corporate event activity, such as changes to companies' capital structures, spin-offs, and management turnover, will persist or increase in the new year as corporations seek alternative means to create shareholder value in a potentially more difficult environment. Such idiosyncratic catalysts have the potential to be a source of return that is less correlated to the broader markets, and we think managers that can correctly anticipate or advocate for these events have a worthy role in a hedge fund portfolio.

We expect more abundant and attractive opportunities in distressed debt strategies. Rising interest rates, sustained high inflation, pressured corporate margins, and a looming recession are all risks for leveraged borrowers, and we believe defaults will rise in the coming year. Indeed, S&P Global Ratings forecasts that the trailing-12-month, speculative-grade corporate default rate in the U.S. will rise to 3.75% by September 2023, more than doubling from September 2022, and could reach 6.0% in a more pessimistic scenario, approaching the peak seen in 2020.[4] We think that should play to the strengths of Evanston Alternative Opportunities Fund ("EAOF") credit managers, several of which have deep experience in distressed investing and have a history of driving value through the bankruptcy restructuring process.

[4] https://www.spglobal.com/_assets/documents/ratings/research/101570029.pdf

Even in the absence of defaults, we expect more stressed credit situations in the year ahead. First, we believe current market dynamics suggest a greater likelihood of technical dislocations if we see continued market volatility and/or ratings downgrades. Thanks to many years of low interest rates, the credit market has grown tremendously since the financial crisis, and with it, the share of lower-rated debt.





Source: Silver Point Capital, L.P. BofA U.S. High Yield Research and Leveraged Commentary & Data (LCD) Research. Data as of December 31, 2022.

In addition, collateralized loan obligations ("CLOs") and mutual funds have grown as a portion of the leveraged loan and high yield bond holder base.[5] We believe that these ingredients—larger market, more lower-rated debt, and higher market share in the hands of CLOs and mutual funds—could lead to more technical dislocations due to potential forced selling. For example, mutual funds offer daily liquidity to a largely retail investor base, despite some of their underlying assets being less liquid. If these vehicles need to fund outflows during market sell-offs, that could exacerbate the downside move in certain securities, even if long-term fundamentals and risk of default are unchanged. Similarly, ratings downgrades (prompted by declining interest coverage ratios, missed earnings, etc.) could lead to forced selling by CLOs, which have a limit on the amount of CCC-rated debt they can hold. That could lead to potential gaps down in price upon which hedge funds can capitalize.

We also believe fundamental situations, such as liquidity issues or an inability to refinance, will lead to equity-like return opportunities in credit. Market volatility, risk aversion, and rising interest rates led to a substantial decline in new high yield bond and leveraged loan issuance last year, and refinancing activity plunged.[6] While there are not a lot of near-term maturities, the amount of debt coming due begins to ramp significantly in the next year[7], and some borrowers may want to get ahead of these looming liabilities. With slowing economic growth, we believe more borrowers will face liquidity issues or

[5] Source: Silver Point Capital, L.P. and Leveraged Commentary & Data (LCD) Research
[6] Source: Pitchbook and Leveraged Commentary & Data (LCD) Research
[7] https://pitchbook.com/news/articles/distressed-debt-outlook-2023-investing-landscape-may-offer-more-opportunities

find it difficult to refinance at new, higher costs of capital. This could lead to wider credit spreads and selling pressure on existing debt, which could provide for attractive entry points. In addition, certain issuers may need to conduct liability management exercises, such as debt-for-equity swaps, and hedge funds potentially can help provide solutions (for a price).

Having expertise in Europe may provide credit managers with an advantage. A much bigger economic shock is expected in Europe given its historical reliance upon Russian gas, the ongoing war, and soaring energy prices in the region. That is likely to weigh on the European consumer and dampen growth prospects for some companies. Reflecting some of these risks, high yield credit spreads ended 2022 slightly wider in Europe than in the U.S.[8] We think these factors should lead to high alpha potential and stressed/distressed investing opportunities for managers that are both skilled in credit analysis and understand the nuances of restructuring procedures in Europe's various jurisdictions, some of which have been more creditor-friendly than others historically.

Global Asset Allocation/Macro

Deglobalization may lead to higher dispersion between countries and asset classes. Heightened geopolitical and national security risks, as well as enduring supply chain issues related to the pandemic, have bolstered nationalistic impulses. The tensions between the U.S. and China are a prime example. If the trend toward deglobalization continues, we believe individual economies will become less connected, and monetary and fiscal policies naturally will follow. That could lead to greater dispersion in the performance of asset classes globally—a fruitful backdrop for skilled global macro managers, in our opinion.

A bullish period for commodities seems poised to continue. The ongoing war in Ukraine and the most recent set of sanctions against Russia will continue to restrict energy supply while the rollback of China's zero-COVID policy likely will increase demand, both of which should be supportive to energy prices in the near-term. Over a longer horizon, our macro managers believe that energy markets are structurally tight due to a lack of investment over many years, and supply will be the first constraint on growth when economies start expanding again. Despite its recent outperformance, the energy sector comprised just 5.3% of the S&P as of December 31, 2022, compared to over 16% at its peak in 2008, suggesting that investment has not flowed into the sector much even amid higher prices, and the ability to create spare capacity requires not just spending but time.

[8] Source: Ice Data Indices, LLC, retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org

Energy Sector as % of S&P 500 Index

Source: Bloomberg. Monthly data from 1/31/2001 to 12/31/2022.

We believe a similar outlook can be extended to certain metals, which are key inputs to electric vehicles and alternative energy infrastructure, and to agricultural commodities amid the fertilizer shortage. As ever, we expect our macro managers will be tactical with their exposure to commodities as macroeconomic variables evolve.

Higher volatility in rates and currencies should continue to create opportunities. In 2022, the focus was on interest rates and just how far central banks would hike them before pausing or pivoting. As we enter 2023, this debate persists. When data points suggest inflation is peaking or falling and economic growth is rolling over, the pause/pivot narrative gains steam. When signs indicate the labor market and consumer spending are still strong, the market discounts further tightening. We believe this uncertainty and zig-zagging path creates numerous trading opportunities in interest rates, especially relative to the low-volatility years of global, zero interest-rate policy—whether directional trades (long or short), bets on the shape of the yield curve, or bets on the likely volatility of interest rates. In addition, although the U.S. dollar came off its highs in recent months, its strength in 2022 was notable. The dollar's appreciation helps combat inflation pressures here at home, but only exacerbates the issue for many other countries that are importers of dollar-priced goods, such as commodities, and can lead to bigger current account imbalances. Indeed, we have seen some governments intervene in the currency markets recently, and in December, Japan surprisingly altered its yield curve control policy, partly in response to the significant depreciation of the yen over the course of 2022. We believe that savvy macro managers can take advantage of these dynamics.

Relative Value

Tighter financial conditions reinforce our general aversion to highly leveraged relative value strategies. In the current environment, we believe that liquidity is both paramount and fleeting, raising the tail risk associated with strategies that rely upon high degrees of financial leverage. We are also more wary of complex hedging strategies that potentially amplify financing and counterparty risks and that often rely upon historical correlations. As we saw in 2022, even the negative correlation between bonds and equities, which had persisted for most of the last two decades, strongly reversed. Relative value managers that can remain agile and drive returns through liquid, high-alpha trades and/or high turnover, as opposed to high leverage, are more attractive to us. Most of EAOF's relative value exposure today is in long/short credit, convertible bond arbitrage, and quantitative equity market-neutral strategies.

A large swath of the convertible bond market is currently "busted," shifting opportunities (and risks) toward credit and away from traditional volatility arbitrage. Busted convertible bonds offer attractive yields, and potential corporate action, such as takeovers or new issues/exchanges, could result in bondholders getting paid par before maturity, thus increasing prospective IRRs. However, many of these issuers are concentrated in the tech sector, some have less proven business models, and credit risk is relatively high. In addition, when comparing yields to today's higher Fed Funds rate, the amount one is being compensated for taking that credit risk seems more average to us than exceptional. We therefore believe managers with sharp credit-underwriting skills and the ability to actively shift exposures between convertible bond arbitrage and more directional trades are in a better position to capitalize upon the current opportunity set.

We remain optimistic about the prospects for quantitative relative value strategies that are less commoditized. While quantitative equity managers broadly performed well in 2022, we are reminded that many of these strategies use similar underlying models and therefore have some risk of contagion, especially in stressed performance periods. In other words, one manager's poor performance and subsequent de-risking could weigh on the performance of competitors, causing a feedback loop of further deleveraging and negative returns. Indeed, we witnessed a small-scale event of that kind in a subset of index arbitrage strategies towards year-end. Therefore, we are more interested in capacity-constrained quantitative strategies that can: (1) use their smaller size to trade more nimbly and capture alpha at different points in time and (2) exploit potential short-term mispricings that are created by the collective flows of other active managers (*i.e.,* second order effects).

IMPORTANT FUND INFORMATION AND DISCLOSURES

Evanston Alternative Opportunities Fund (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 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 contents of this letter are solely for informational purposes, are current as of the date set forth on this letter, and are subject to change from time to time. Neither the Fund nor Evanston Capital Management, LLC ("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.[9] 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 6.19% with respect to Class I and 6.94% 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 Funds' 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. Effective January 1, 2019, Class A's and Class I's Management Fee is 1.0% per annum.

Expense Reimbursement. Effective August 1, 2022 through July 31, 2023, 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.

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/Macro: 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.

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. Although ECM has over 20 years managing privately offered fund of hedge fund products, ECM's experience managing registered investment companies is limited to the Fund, which launched in 2014.

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.

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1560 Sherman Avenue, Suite 960 | Evanston, IL 60201
P. 847-328-4961 | F. 847-328-4676 | E. investorrelations@evanstoncap.com
www.evanstoncap.com

[9] The Portfolio Fund Fees and Expenses are estimated to be approximately 4.69%