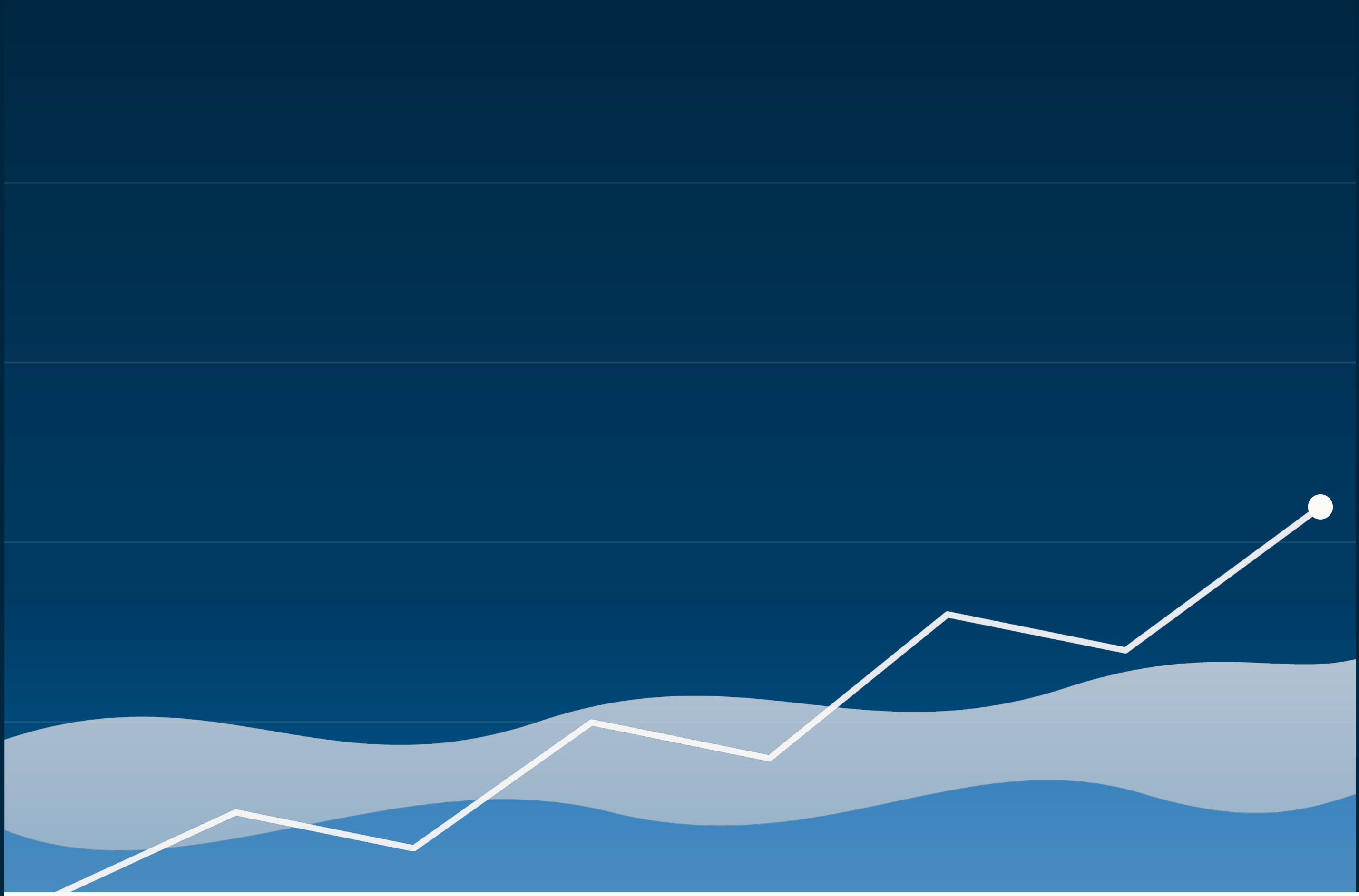


PAYIX

Prospect Enhanced Yield Fund
1-Year Letter **(PAYIX)**

August 2026

20260820-5856449

Prospect Enhanced Yield Fund (Ticker: PAYIX) Marks First Anniversary with Benchmark Outperformance

The Fund grew to $38.0 million in total assets, deploying $34.4 million of net proceeds across 37 investments.

Prospect Enhanced Yield Fund (the "Fund") proudly completed its first year of operations on August 6, 2026. The Fund returned 7.61% over the trailing 12-months since inception, 257bps ahead of the 5.04% average trailing 12-month total return of the Eldridge BBB–B CLO ETF (Ticker: CLOZ), Janus Henderson B–BBB CLO ETF (Ticker: JBBB), the ICE BofA BB US High Yield Index, and the Morningstar LSTA US Leveraged Loan Index over the same period.[1] Class I shares (Ticker: PAYIX) paid cumulative dividends of $1.71 per share during the year, and announced an 11.5% annualized distribution rate for the month of July.[2]

The Fund invests in non-mortgage structured credit, principally BB-rated Collateralized Loan Obligation ("CLO") tranches, alongside a smaller asset-backed security ("ABS") allocation, resulting in a portfolio of 37 investments in its first year.

What the Fund Invests In

A CLO is a diversified, structured security backed by senior secured, first lien corporate loans. A pool of 150 to 250 (or more) loans is held in a special purpose vehicle ("SPV"), which is arranged and managed by a CLO manager. The SPV issues securities in tranches by seniority, from AAA as most senior to BB as the most junior debt, and equity which takes first loss. The Fund targets the BB tranche, which sustains no principal impairment until the equity tranche and each subordinate rated class have been fully exhausted.

The CLO BB opportunity is an attractive one with few competitors. BB tranches represent only 3 to 4% of a CLO's capital stack, limiting the non-stressed investable universe, which currently totals approximately $32.9 billion across U.S. broadly syndicated loan CLOs and $3.9 billion in middle-market loan CLOs.[3] Few dedicated CLO BB funds exist today. We believe limited supply and dedicated capital create inefficiencies that favor investment managers with established sourcing relationships.

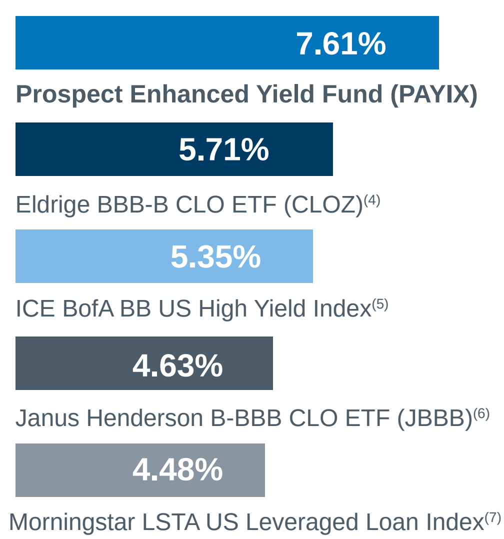
FUND HIGHLIGHTS

Total AUM	$38.0M
Investment Count	37
NAV per Share *Class I as of July 31, 2026*	$24.83
Ann. Distribution Rate[2] *Class I as of July 31, 2026*	11.5%
Cumulative Dividends Paid per Share	$1.71

As of June 30, 2026 unless otherwise noted.

257bps outperformance of the average of: two CLO BB ETFs and two leveraged-credit benchmark indices over the prior 12 months[1]

1-YEAR TOTAL RETURN[1]



Performance data above represents past performance. Past performance is not indicative of future performance. Current performance may be lower or higher than the performance data stated above, and investors should be aware that investment returns and principal value of an investment will fluctuate so that shares may be worth more or less at redemption than the performance data above suggests. Please see Important Disclosures and Endnotes for further information.

The result has historically been higher yields and fewer defaults than comparably rated corporate credit. Since 2016, CLO BBs have historically paid roughly 300 to 600 basis points more than similarly-rated high yield corporate bonds,[8] with approximately 650 basis points fewer cumulative dollars defaulted on a five-year basis,[9] and principal impairment generally requires sustained defaults above 7% in the underlying loan pool.[10]

Building the Portfolio

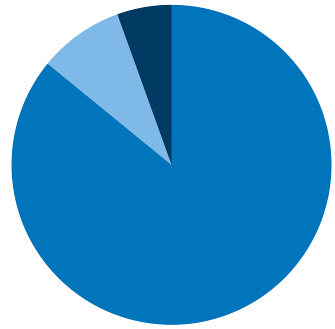
The Fund sources CLO BBs in both the new issue and secondary markets; over the first year, purchases were nearly evenly split between the two deal-sourcing channels. We aim to participate in new issues when spreads compensate for the risk, and tend to shift to secondary market transactions when bonds are available at a discount to par.

The Fund deployed $39.3 million of gross notional across 42 investments at a notional-weighted average purchase price of 99.61, with 54% ramped in the first two months since inception, eventually building a portfolio of 37 investments across 28 CLO managers.

The Fund sold five positions totaling $5.0 million of notional, producing a gross 9.8% realized IRR and a 1.04x realized multiple.

Substantially all of the Fund's portfolio trades in an established, liquid, secondary market and is valued by independent third-party pricing services, with broadly syndicated loan CLOs representing 85.9% of holdings. The Fund purchased one consumer loan ABS position during the year representing 5.5% of holdings.

PORTFOLIO ALLOCATIONS



- Broadly-Syndicated Loan CLOs (85.9%)
- Middle-Market CLOs (8.6%)
- Consumer Loan ABS (5.5%)

CAPITAL DEPLOYMENT

Notional Purchased	$39.3M
# Investments Purchased	42
Wtd. Avg. Purchase Price	99.61
Primary / Secondary	55% / 45%
# Investments Sold	5
Notional Sold	$5.0M
Fund-level Leverage *(Debt-to-Equity)*	~0.1x

Trade date basis, inception through June 30, 2026. Leverage as of June 30, 2026.

Looking Ahead

We remain confident in the long-term fundamentals for the investments pursued by the Fund. CLO BB debt continues to benefit from structural features like equity subordination and over-collateralization despite the continued software and AI disruption affecting the market in 2026. Underlying credit fundamentals continue to improve; the overall market trailing 12-month default rate (including distressed exchanges) declined from 4.46% in June 2025 to 2.77% in June 2026.[11] CLO manager tiering and disciplined underwriting remain key differentiators, and we believe the Fund is well positioned to navigate this environment.

The Fund remains optimistic in its pursuit of CLO BBs as an investment strategy and continues to canvas the market for attractive asset-backed and CLO securities.

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IMPORTANT DISCLOSURES

Performance data above represents past performance. Past performance is not indicative of future performance. Current performance may be lower or higher than the performance data stated above, and investors should be aware that investment returns and principal value of an investment will fluctuate so that shares may be worth more or less at redemption than the performance data above suggests.

The Prospect Enhanced Yield Fund is distributed by Ultimus Fund Distributors, LLC, Member FINRA/SIPC. Ultimus Fund Distributors LLC is not associated with Prospect Capital.

The achievement of investment returns is dependent on a multitude of factors, many of which are beyond the control of Prospect Enhanced Yield Fund. **Investors should consider the investment objective and policies, risk considerations, charges and ongoing expenses of an investment carefully before investing. The prospectus and summary prospectus contains this and other information relevant to an investment in the fund. Please read the prospectus or summary prospectus carefully before you invest or send money.** To obtain a prospectus, please contact your investment representative or Investor Services at 866.655.3650.

FORWARD LOOKING STATEMENTS

This press release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the future performance of Prospect Enhanced Yield Fund. Words such as “believes,” “expects,” “projects,” and “future” or similar expressions are intended to identify forward-looking statements. Any such statements, other than statements of historical fact, are highly likely to be affected by unknowable future events and conditions, including elements of the future that are or are not under the control of Prospect Enhanced Yield Fund and that Prospect Enhanced Yield Fund may or may not have considered; accordingly, such statements cannot be guarantees or assurances of any aspect of future performance. Actual developments and results are highly likely to vary materially from any forward-looking statements. Such statements speak only as of the time when made, and Prospect Enhanced Yield Fund undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ENDNOTES

1. Total returns calculated based on Class I share price, which is equivalent to net asset value per share. Benchmark since-inception returns are calculated using the Fund’s inception date of 08/06/2025 to ensure consistency in reporting time periods. Actual fund inception date for Eldridge BBB-B CLO ETF is 01/24/2023; actual fund inception date for Janus Henderson B-BBB CLO ETF is 01/11/2022; actual inception date for ICE BofA BB US High Yield Index is 12/31/1996; and actual inception date for Morningstar LSTA US Leveraged Loan Index is 12/31/2000. Adviser has entered into an Expense Limitation Agreement pursuant to which it will reimburse the Fund, to limit Operating Expenses to an Annual Limit of 2.00% of Net Assets until June 30, 2027, subject to recoupment by the Adviser within three years. Adviser has additionally agreed to reimburse Operating Expenses up to the Annual Limit of 2.00% of Net Assets until June 30, 2027. Total Annual Expense Ratio for each class is as follows: Class I: 6.28% Gross (estimated)/0.00% Net; Class A: 6.53% Gross (estimated)/0.25% Net; and Class C: 7.28% Gross (estimated)/1.00% Net.
2. The annualized distribution rate is based on the net asset value per share and is calculated by annualizing the monthly common share distributions. The annualized total cash distribution is $2.85 per share (11.48% annualized rate based on the July 31, 2026 net asset value of $24.83 per common share, or 9.18% annualized rate based on the July 31, 2026 net asset value of $24.83 per common share and excluding undistributed catch-up for tax), for distributions with record dates between July 30, 2026 and September 29, 2026. Our distributions may exceed our earnings, and therefore, portions of the distributions that we make may be a return of the money that you originally invested and represent a return of capital to you for tax purposes. The Fund will ordinarily pay distributions from its net investment income, if any, on a monthly basis. Distributions are not guaranteed. Based on current estimates, July, August, and September 2026 distributions reflect a return of income, and the Fund does not expect any portion of the distributions to be a return of capital.
3. Intex; Kanerai; Prospect Estimates as of 5/11/2026.
4. Eldridge BBB-B CLO ETF, as of 08/06/2026. Total annualized returns calculated using share price. There may be material differences between the Fund offering and Eldridge BBB-B CLO ETF in costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features. For example, the Fund invests at least 80% of its net assets in non-mortgage related structured credit instruments, including asset-backed securities, collateralized loan obligations and other securitized investments representing interests in cashflows from various assets, such as loans, leases, and warehouse facilities, whose debt is rated below investment grade, or in limited circumstances unrated, which have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal, may be difficult to value and illiquid. Furthermore, the Fund has an interval fund structure and conducts quarterly repurchase offers at NAV, of no less than 5% of our outstanding shares. Conversely, the Eldridge BBB-B CLO ETF invests at least 80% of its net assets (plus any borrowings made for investment purposes) in collateralized loan obligations (“CLOs”) that are rated, at the time of purchase, between BBB+ and B- or an equivalent rating by a nationally recognized statistical rating organization. Additionally, the Eldridge BBB-B CLO ETF offers intradaily liquidity on an exchange at market-determined prices.
5. ICE BofA BB US High Yield Index, as of 08/06/2026. There are material differences between the Fund offering and ICE BofA BB US High Yield Index. It is not possible to invest in an index. Individuals cannot invest directly in an index and unmanaged indices do not reflect fees, expenses or sales charges. There are differences between an investment in the Fund and the securities comprising the ICE BofA BB US High Yield Index (“HY Index”). For example, the Fund invests at least 80% of its net assets in non-mortgage related structured credit instruments, including asset-backed securities, collateralized loan obligations and other securitized investments representing interests in cashflows from various assets, such as loans, leases, and warehouse facilities, whose debt is rated below investment grade, or in limited circumstances unrated, which have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal, may be difficult to value and illiquid. Conversely, the HY Index is a subset of the ICE BofA US High Yield Master II Index and is comprised of market capitalization-weighted U.S. dollar-denominated high-yield or below investment grade corporate bonds and includes all securities with a given investment grade rating BB and have at least one year to maturity and have a minimum outstanding par amount of $100 million. Further, there may be different costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features for the securities comprising the HY Index and the Fund.

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ENDNOTES

6. Source: Bloomberg, Janus Henderson B-BBB CLO ETF, as of 08/06/2026. Total annualized returns calculated using share price. There may be material differences between the Fund offering and Janus Henderson B-BBB CLO ETF in costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features. For example, the Fund invests at least 80% of its net assets in non-mortgage related structured credit instruments, including asset-backed securities, collateralized loan obligations and other securitized investments representing interests in cashflows from various assets, such as loans, leases, and warehouse facilities, whose debt is rated below investment grade, or in limited circumstances unrated, which have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, may be difficult to value and illiquid. Furthermore, the Fund has an interval fund structure and conducts quarterly repurchase offers at NAV, of no less than 5% of our outstanding shares. Conversely, the Janus Henderson B-BBB CLO ETF invests at least 80% of its net assets (plus any borrowings made for investment purposes) in CLOs of any maturity that are rated between and inclusive of BBB+ and B- (or equivalent by a nationally recognized statistical rating organization. Additionally, the Janus Henderson B-BBB CLO ETF offers intradaily liquidity on an exchange at market-determined prices.
7. Morningstar LSTA US Leveraged Loan Index, as of 08/06/2026. There are material differences between the Fund offering and the Morningstar LSTA US Leveraged Loan Index ("Leveraged Loan Index"). It is not possible to invest in an index. Individuals cannot invest directly in an index and unmanaged indices do not reflect fees, expenses or sales charges. There are differences between an investment in the Fund and the securities comprising the Leveraged Loan Index. For example, the Fund invests at least 80% of its net assets in non-mortgage related structured credit instruments, including asset-backed securities, collateralized loan obligations and other securitized investments representing interests in cashflows from various assets, such as loans, leases, and warehouse facilities, whose debt is rated below investment grade, or in limited circumstances unrated, which have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, may be difficult to value and illiquid. Conversely, the Leveraged Loan Index is comprised syndicated term leveraged loans that are held within top-tier institutional investor loan portfolios tracked by PitchBook LCD that have first lien seniority, at least one year to maturity, have a minimum initial spread of Base Rate + 125bps, and have an initial par value of at least $50 million. Further, there may be different costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features for the securities comprising the Leveraged Loan Index and the Fund.
8. Yield premium reflects the difference in effective yields between the Palmer Square CLO BB Index and, respectively, the Morningstar LSTA US Leveraged Loan Index and the ICE BofA BB US High Yield Index, measured as of the period ending 06/30/2026. The 300–600bps range reflects the spread between these measures and is not a forecast. Index yields are gross of fees and expenses. Indices are unmanaged, and do not reflect the deduction of fees or expenses and are not available for direct investment. CLO BB tranches and corporate bonds differ materially in structure, liquidity, capital structure position, and loss profile; identical ratings do not imply identical risk.
9. CLOs 5-Year Cumulative Default Rate, S&P Global, “Default, Transition, and Recovery: 2023 Annual Global Leveraged Loan CLO Default And Rating Transition Study", 06/27/2024. Corporates 5-Year Cumulative Default Rate, S&P Global, "Default, Transition, and Recovery: 2023 Annual Global Corporate Default And Rating Transition Study", 03/28/2024.
10. CLO BB Par Breakeven Rate calculated using Intex, assuming 20% prepayment and 70% recovery. Representative bond used is Carlyle 2026-2, as of 03/06/2026.
11. Pitchbook, Morningstar LSTA Leveraged Loan Index, LTM Default Rate including Distressed Exchanges, as of 06/30/2026.

DEFINITIONS

- **Asset Backed Security (ABS) -** security backed by a pool of underlying assets, typically loans such as auto loans, credit card receivables, or leases.
- **Basis Points (BPS) -** equivalent to 0.01%.
- **Collateralized Loan Obligation (CLO) -** structured credit product backed by a pool of leveraged loans, typically made to companies with below-investment-grade ratings. CLOs issue tranches with varying levels of risk and return.
- **Corporate Bonds -** debt securities issued by companies to raise capital. Investors lend money to the corporation in exchange for periodic interest payments and the return of principal at maturity.
- **Distressed Exchanges -** an out-of-court negotiated tender in which issuers will swap their existing debt for a new debt, equity or cash. Credit rating agencies may consider a distressed exchange as a default event depending on their methodology.
- **First Lien -** a legal right or claim that has priority over all other claims on a specific asset. If the borrower defaults, the holder of the first lien has the first right to be repaid from the proceeds of the collateral's sale.
- **Over-collateralization -** a credit enhancement technique in which the value of the collateral backing a loan or security exceeds the amount of the loan or the issued securities. It reduces investor risk by providing a cushion against losses.
- **Rated Tranche -** portion of a structured finance deal that has been assigned a credit rating by a rating agency. Quality ratings reflect the credit quality of the underlying securities in the Fund's portfolio and not that of the Fund itself. Quality ratings are subject to change. S&P/Moody's assign a rating of AAA/Aaa as the highest to D/C, respectively, as the lowest credit quality rating.
- **Senior Secured Loan -** loan backed by collateral and has priority over other unsecured or subordinated debt in the event of borrower default.
- **Subordination Structure -** A subordination structure is the hierarchy in which different classes (tranches) of securities get paid in a structured finance deal. Senior tranches are paid first, while junior or subordinated tranches take losses first.
- **Syndicated Loans -** large loans provided by a group of lenders (syndicate) who work together to provide funds to a single borrower. This structure spreads the risk among multiple lenders and is common in corporate and project finance.
- **Unlevered Gross IRR -** Internal rate of return based on cash flows before fees and expenses, and assuming no leverage is applied.

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