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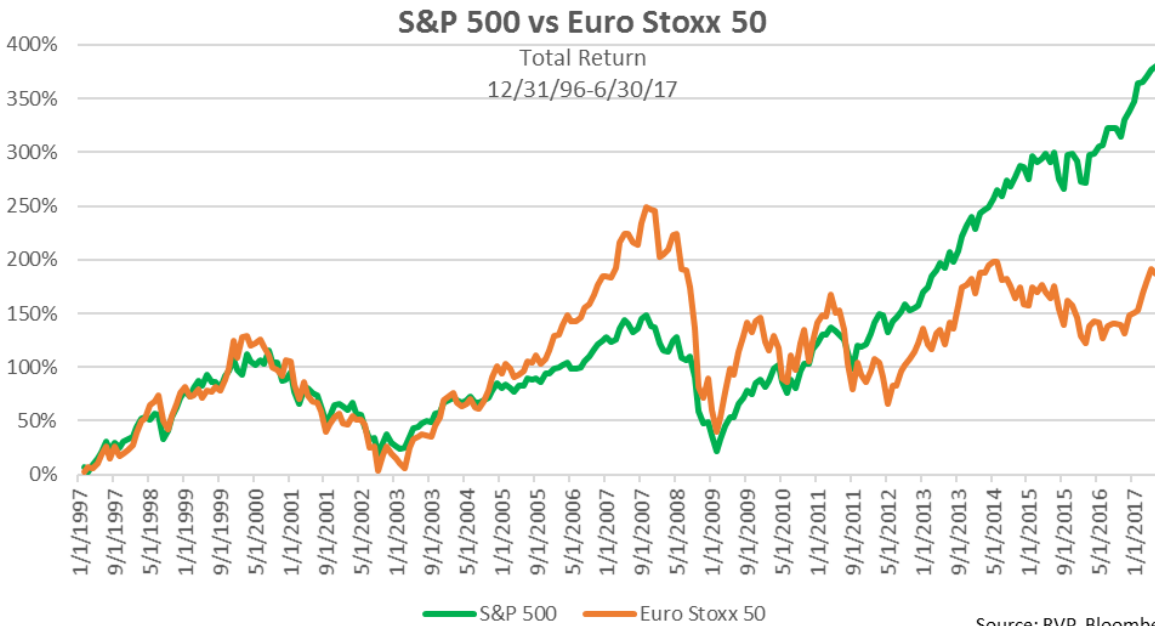
Spiderman Rally: Climbing a Wall of Worry

July 2017

The market has scaled dizzying heights over the last 8 years. Rallying in the face of political gridlock, stretched valuations, and a tightening Fed, the market is as undaunted as Spiderman swinging through Manhattan’s skyline. The rally may hang on longer, but investors must use their “spider-senses” to avoid any future pitfalls. As opposed to trying to call a top, RVP is staying disciplined and continuing to focus on finding undervalued segments of the market.

The S&P 500 rallied 9.3% through the first 6 months of 2017. Dispersion across equity sectors was significant, with technology and healthcare outpacing energy by over 28%. Most global equity markets were stronger than the US. The fixed income markets also performed well, as the Barclays Aggregate Bond Index was up 2.27% through June 30, 2017. The rate on the 10-year Treasury bond closed at 2.30% on June 30th, slightly lower than the start of the year, but off from the year’s low of 2.12%. RVP clients have had a successful start to the year, as nearly all RVP strategies outpaced their respective benchmarks (performance data on RVP composites and respective benchmarks can be found at the end of this newsletter).

Among equity holdings, we added SPDR Euro Stoxx (FEZ), an exchange traded fund (ETF) that owns the 50 largest European Union (EU) companies. We chose FEZ specifically because it is one of the few European equity ETFs that does not have an allocation to the UK. This is the first time we have chosen to invest directly in European equities. Our thesis is that European multinational valuations are attractive compared to US multinational valuations. According to Research Affiliates’ study into Cyclically Adjusted Price/Equity (CAPE) ratios, the current S&P 500 CAPE is in the 96th percentile historically (data as of 7/21/17 with CAPE data going back to 1881), while the MSCI EAFE Index is in the 29th percentile (as of 7/21/17 with CAPE data going back to 1982). We believe the EU is still in the earlier innings of its recovery and that its forward return should exceed the S&P 500.



Source: RVP, Bloomberg



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Quick shifts in interest rate expectations caused some of the floating rate funds, which we sold earlier in the year near Net Asset Value (NAV), to become attractively valued once again. As long rates rallied and the mood shifted, investors suddenly decided that they did not want floating rate assets, despite the fact that 3-month LIBOR is up over 60 basis points in the last 12 months. We have begun to once again add to these positions as we believe the markets overreacted to the idea that rates will not be rising as quickly as originally expected.

A new position that we added during the quarter is The GDL Fund (GDL). Managed by Mario Gabelli, GDL invests largely in announced merger deals. We find GDL to be unique and timely for several reasons. GDL remains cheap versus its peers in terms of discount to NAV. Along with its low NAV volatility, we appreciate the fund's low correlation to the rest of our equity holdings. The fund has a solid track record and has been trading at discounts in excess of 13%. Ultimately, we believe that GDL could produce a positive NAV return in a variety of market environments. We used other equity closed-end funds trading at tighter discounts as a source of funds.

To improve portfolio positioning, we used the healthy closed-end fund demand that we experienced during the first half of the year to swap into more interesting opportunities that we believe offer positive asymmetric return profiles. For example, we increased our allocation to term trusts, which are closed-end funds with a set liquidation date, allowing shareholders to realize NAV. The market often does not properly value the discount capture implicit in the structure of term trusts, and at times it doesn't even differentiate these predestined closed-end funds from their traditional (perpetual) brethren. We appreciate their inefficiency, and took the opportunity to sell closed-end funds with similar underlying assets and buy term trusts, improving our chances for discount contraction.

Restrained interest rates, low market volatility, and the clamor for meaningful yield continue to make closed-end funds appealing to a wide variety of investors. The curbed supply of new funds over the past year, coupled with present discount levels, leave room for further contraction. As long as the market remains on its current trajectory, we will continue to decrease our credit risk by selling into the strength of the credit markets. The market has been sanguine this year, in fact, it was the least volatile first half of the year in RVP's history (2005-2017) according to the CBOE Volatility Index (VIX), a measure of equity market volatility. Like Spiderman, we remain vigilant despite the lack of imminent danger (or volatility). Historically, we see a pick-up in volatility after Labor Day. We expect that to be the case again this year which is why we are building some liquidity.

We thank you for your business and continued trust. As always, please do not hesitate to contact us with any questions or if any of your personal information has changed.

Sincerely,

Maury Fertig

Bob Huffman



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Relative Value Partners Group, LLC Absolute Return Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	5 Years Annualized (ending 6/30/17)	Since Inception (5/31/06 to 6/30/17) Annualized
RVP Absolute Return	5.39%	10.28%	4.14%	4.49%	6.51%
3 Month T-Bill	0.31%	0.49%	0.23%	0.17%	1.02%

Relative Value Partners Group, LLC Fixed Income Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	5 Years Annualized (ending 6/30/17)	Since Inception (12/31/04 to 6/30/17) Annualized
RVP Fixed Income	3.44%	5.72%	4.30%	4.34%	5.48%
Barclays Aggregate Bond Index	2.27%	-0.31%	2.48%	2.21%	4.20%

Relative Value Partners Group, LLC Balanced Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	5 Years Annualized (ending 6/30/17)	Since Inception (12/31/04 to 6/30/17) Annualized
RVP Balanced	6.59%	12.70%	5.54%	8.49%	6.89%
60/40 Benchmark*	6.48%	10.33%	6.85%	9.64%	6.69%

*60% S&P 500/40% Barclays Aggregate Bond Index, reweighted monthly

Relative Value Partners Group, LLC Absolute Return 30 Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	5 Years Annualized (ending 6/30/17)	Since Inception (6/30/10 to 6/30/17) Annualized
RVP Absolute Return 30	6.65%	12.38%	5.36%	7.08%	7.61%
30% S&P 500 /70% 3 Month T-Bill	2.96%	5.48%	3.08%	4.42%	4.67%

Relative Value Partners Group, LLC Limited Duration Fixed Income Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	Since Inception (9/30/13 to 6/30/17) Annualized
RVP Limited Duration Fixed Income	3.44%	7.47%	4.25%	5.37%
Barclays 1-5 yr Corporate Total Return Index	1.87%	1.58%	2.08%	2.35%

Relative Value Partners Group, LLC Durable Income Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	Since Inception (5/31/14 to 6/30/17) Annualized
RVP Durable Income	6.15%	17.58%	8.91%	9.12%
Barclays US Corp High Yield Index	4.93%	12.70%	4.49%	4.64%

Relative Value Partners Group, LLC Global Equity Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	5 Years Annualized (ending 6/30/17)	Since Inception (4/30/07 to 6/30/17) Annualized
RVP Global	18.24%	24.19%	4.24%	9.69%	5.76%
MSCI EAFE Index	14.22%	20.83%	1.61%	9.18%	1.68%



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Relative Value Partners Group, LLC Equity Composite Net Returns

	YTD (ending 6/30/17)	1 Year (ending 6/30/17)	3 Years Annualized (ending 6/30/17)	5 Years Annualized (ending 6/30/17)	Since Inception (12/31/04 to 6/30/17) Annualized
RVP Equity	8.74%	18.01%	6.80%	11.32%	7.70%
S&P 500	9.34%	17.90%	9.61%	14.63%	7.94%

Relative Value Partners Group, LLC (RVP) is a registered investment advisor. Prior to July 1, 2015, RVP was known as Relative Value Partners, LLC. The Balanced Account composite contains fully discretionary balanced accounts and for comparison purposes is measured against the 60/40 Benchmark. The 60/40 Benchmark is comprised of 60% S&P 500 and 40% Barclays Aggregate Bond Index, reweighted monthly. The Absolute Return Composite contains fully discretionary absolute return accounts and for comparison purposes is measured against the 3 Month Treasury bill. The Equity Account Composite contains fully discretionary equity accounts and for comparison purposes is measured against the S&P 500. The Fixed Income composite contains fully discretionary fixed income accounts and for comparison purposes is measured against the Barclays Aggregate Bond Index. The Global Equity Composite contains fully discretionary Global Equity accounts and for comparison purposes is measured against the MSCI EAFE Index. The Absolute Return 30 composite contains fully discretionary Absolute Return 30 accounts and for comparison purposes is measured against 30% S&P 500/70% 3 Month T-Bill, reweighted monthly. The Limited Duration Fixed Income composite contains fully discretionary Limited Duration Fixed Income accounts and for comparison purposes is measured against the Barclays 1-5 year Corporate Total Return Index. The Durable Income Composite contains fully discretionary Durable Income accounts and for comparison purposes is measured against the Barclays US Corporate High Yield Index.

All returns are shown in US dollars and are net of actual fees. The returns shown include the reinvestment of dividends and other earnings. Accounts may own levered closed-end funds or ETFs and may short ETFs. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk and there can be no assurances that any specific investment will be profitable. Investors may experience a loss.

RVP claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of RVP's composites and/or a presentation that adheres to the GIPS standards, contact Catherine Goel at (847) 513-6300, or write RVP, 1033 Skokie Blvd, Ste 470 Northbrook, IL 60062, or cgoel@rvpllc.com.