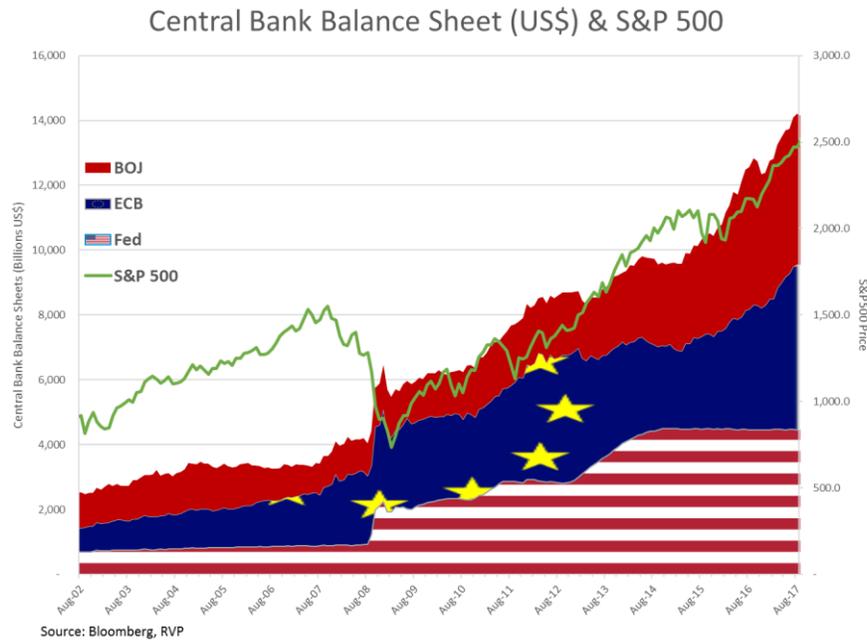


Welcome Back, Goldilocks

October 2017

As we enter the fourth quarter, the global economy is running neither too hot nor too cold, which has precipitated a glacial rollback of quantitative easing (QE) by global central banks. The Fed has started tightening after being in easing mode for nearly a decade. **While global central banks have slowed their purchases, they are still buying \$170 billion in fixed income securities per month¹.** Mario Draghi, the President of the European Central Bank (ECB), has been the most aggressive of the central bankers, driving yields into negative territory across the European Union. In fact, it has pushed the yield of European High Yield bonds below the yield of 10-year US Treasuries. In order to escape negative yields, trillions of assets were effectively sold to the ECB and plowed back into the US credit and equity markets. As of the end of this quarter, a German investor can earn -0.27% per year by buying a 5-year German Bund or purchase a 5-year US Treasury note yielding 1.94%. As we move forward, we will be monitoring the ECB and Fed carefully. Hopefully, global central banks can navigate the unwind and not disrupt the goldilocks scenario.



As for RVP, 2017 continues to be a strong year both nominally and relatively. Through the third quarter, 6 of our 7 strategies have outperformed their respective benchmarks year-to-date. RVP strategies have benefited from both underlying asset class selection and discount tightening. The market continues its strong demand for income producing securities and the funds that invest in them. Our fixed income positions were boosted by our allocation to corporate credit and non-agency mortgages. Equity positions were helped by discount contraction and dividend increases. As always, the return data is at the end of this letter.

¹ Who is buying Treasuries, Mortgages, Credit, and Munis? Who is buying Treasuries, Mortgages, Credit, and Munis?, 2017, pull.db-gmresearch.com/cgi-bin/pull/DocPull/11626-F2BF/269784806/f77e8642-a92e-11e7-a585-056cc5e4a602_604.pdf.



Performance-Driven & Personalized

In our portfolios, we have continued to take action that we believe reduces our exposure to credit and limit interest rate volatility. As positions reach our sell targets, we have sought to swap into lower risk positions. In our equity oriented strategies, we increased our allocation to non-US developed and emerging market stocks, which we believe offer value over the US. Closed-end fund discounts remain near long term averages, yet we believe the ongoing pressure for net asset value (NAV) realization and demand for yield will continue to drive discounts tighter, over time.

It is often difficult to find value in a market where both equities and fixed income continue to appreciate even in the face of concerning news headlines. In times like these, we look to overlooked sectors and asset classes. One such example can be found in our Durable Income Strategy. Pennant Park Investment Corp (PNNT) is a business development corporation (BDC) that owns a portfolio of middle market corporate securities. As of September 30th, it traded at 82% of net asset value (NAV) and paid an attractive 9.40% yield. PNNT has spent the last two years improving the quality of the portfolio and buying back shares at significant discounts. We are confident in management and believe portfolio repositioning along with other shareholder friendly actions should increase NAV over time, improve investor confidence and reduce the discount to NAV. The combination of yield and potential price appreciation creates an attractive opportunity that we think the market currently overlooks.

On the macro front we believe some level of tax reform will ultimately get passed, acting as a tailwind to the economy and allowing the FOMC to raise rates further. SPDR S&P Bank ETF (KBE), a tactical position in our equity and balanced portfolios, has the ability to add meaningful return versus the S&P 500. KBE invests in midcap banks, that in our view, should benefit more directly from rising short term rates compared to large, diversified capital market banks.

As we look forward, we are paying close attention to how the market will digest the reduction of liquidity from the slowing of QE. In addition, we are acutely focused on the yield curve, which historically has been a strong predictor of a recession when it has inverted. We plan to take advantage of any dislocations that cross our path.

Lastly, we are happy to announce that Ernie MacVicar joined RVP. Ernie joins RVP from Credit Suisse where he worked for over 20 years in Chicago in institutional sales and Head of Midwest middle market sales. We are excited to have him at RVP.

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



Performance-Driven & Personalized

Relative Value Partners Group, LLC Absolute Return Composite Net Returns

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | 5 Years Annualized (ending 9/30/17) | Since Inception (5/31/06 to 9/30/17) Annualized |
|---------------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|---|
| RVP Absolute Return (Net) | 7.68% | 8.96% | 5.33% | 4.42% | 6.56% |
| 3 Month T-Bill | 0.57% | 0.66% | 0.32% | 0.22% | 1.02% |

Relative Value Partners Group, LLC Fixed Income Composite Net Returns

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | 5 Years Annualized (ending 9/30/17) | Since Inception (12/31/04 to 9/30/17) Annualized |
|-------------------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|--|
| RVP Fixed Income (Net) | 4.52% | 4.48% | 4.86% | 3.99% | 5.45% |
| Barclays Aggregate Bond Index | 3.14% | 0.07% | 2.71% | 2.06% | 4.18% |

Relative Value Partners Group, LLC Balanced Composite Net Returns

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | 5 Years Annualized (ending 9/30/17) | Since Inception (12/31/04 to 9/30/17) Annualized |
|--------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|--|
| RVP Balanced (Net) | 9.82% | 12.13% | 6.89% | 7.95% | 7.00% |
| 60/40 Benchmark* | 9.70% | 10.90% | 7.65% | 9.34% | 6.81% |

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

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

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | 5 Years Annualized (ending 9/30/17) | Since Inception (6/30/10 to 9/30/17) Annualized |
|---------------------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|---|
| RVP Absolute Return 30 (Net) | 9.55% | 11.04% | 6.66% | 6.91% | 7.74% |
| 30% S&P 500 /70% 3 Month T-Bill | 4.52% | 5.79% | 3.47% | 4.34% | 4.72% |

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

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | Since Inception (9/30/13 to 9/30/17) Annualized |
|--|----------------------|-------------------------|-------------------------------------|---|
| RVP Limited Duration Fixed Income (Net) | 4.68% | 5.70% | 5.00% | 5.33% |
| Barclays 1-5 yr Corporate Total Return Index | 2.65% | 1.82% | 2.37% | 2.39% |

Relative Value Partners Group, LLC Durable Income Composite Net Returns

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | Since Inception (5/31/14 to 9/30/17) Annualized |
|-----------------------------------|----------------------|-------------------------|-------------------------------------|---|
| RVP Durable Income (Net) | 8.32% | 12.64% | 10.34% | 9.07% |
| Barclays US Corp High Yield Index | 7.00% | 8.88% | 5.83% | 4.90% |

Relative Value Partners Group, LLC Global Equity Composite Net Returns

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | 5 Years Annualized (ending 9/30/17) | Since Inception (4/30/07 to 9/30/17) Annualized |
|------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|---|
| RVP Global (Net) | 25.20% | 24.93% | 7.81% | 9.55% | 6.20% |
| MSCI EAFE Index | 20.47% | 19.65% | 5.53% | 8.87% | 2.16% |



Performance-Driven & Personalized

Relative Value Partners Group, LLC Equity Composite Net Returns

| | YTD (ending 9/30/17) | 1 Year (ending 9/30/17) | 3 Years Annualized (ending 9/30/17) | 5 Years Annualized (ending 9/30/17) | Since Inception (12/31/04 to 9/30/17) Annualized |
|------------------|----------------------|-------------------------|-------------------------------------|-------------------------------------|--|
| RVP Equity (Net) | 13.35% | 17.70% | 8.56% | 10.69% | 7.90% |
| S&P 500 | 14.24% | 18.61% | 10.81% | 14.22% | 8.15% |

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.

Discussion in this newsletter relating to a particular company or security is not intended to represent, and should not be interpreted to imply, a past or current specific recommendation to purchase or sell a security, and the companies and securities discussed do not include all the purchases and sales by RVP for clients during the quarter. A list of specific recommendations made by RVP over the past year can be made available upon request. In addition, please note that any performance discussed in this newsletter should be viewed in conjunction with complete performance presentations that we update on a periodic basis. Such presentations are available by contacting Catherine Goel at (847) 513-6300 or cgoel@rvpllc.com.

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.