RELATIVE VALUE PARTNERS

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Open Mouth Operations

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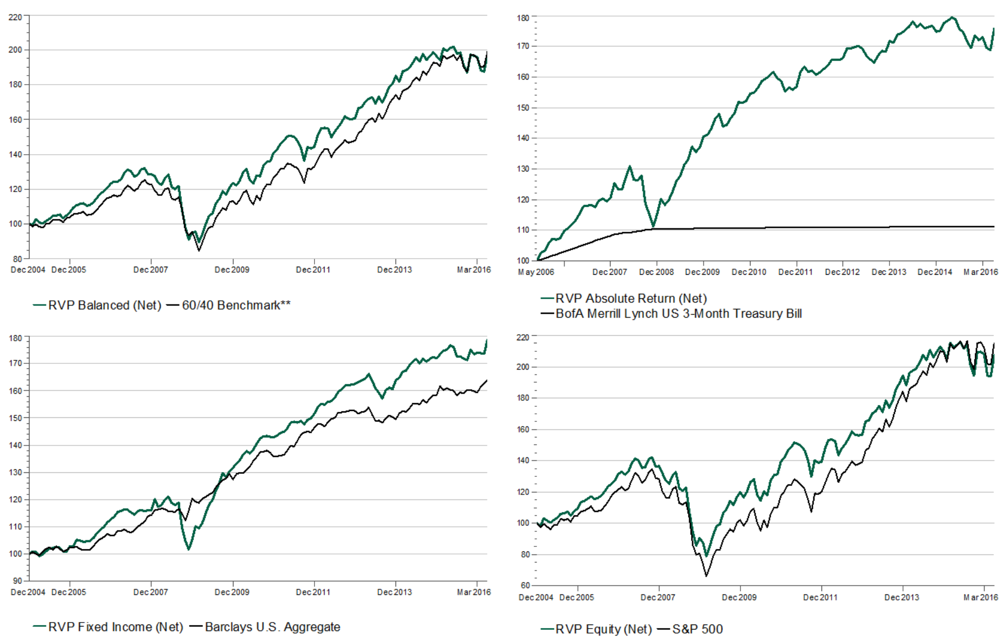
According to the Fed's website, one of the four core purposes of the Federal Reserve is to provide stability to the financial system, however, last quarter it seemed like they were doing the opposite. Despite knowing their comments are closely scrutinized, the Fed's flip-flop commentary exacerbated an already volatile period. In early January, Vice Chair Fischer indicated 4 hikes in 2016, driving further panic in oil prices and subsequent negative effects on the credit markets. In early February, NY Fed President Dudley talked down the U.S. dollar, which drove oil up 8% in a day. The following week, Chairwoman Yellen spoke of further hikes in her congressional testimony, pushing risks assets to panic levels. Oil touched $26 a barrel (down 30% from $37 at year-end) and high yield credit spreads hit 840 bps, the 14th percentile, a level typically reserved for recessions. The S&P 500 was down 10.6% at its trough, as closed-end fund discounts briefly widened to stressed levels. But all's well that ends well; St. Louis Fed President Bullard's dovish comments enabled risk assets to continue their bounce, only to be further strengthened by Yellen's accommodative speech to the Economic Club in NY. Despite all the volatility, the S&P ended up a mere 1.3%. Our Absolute Return Strategy was up 1.6%, Durable Income was up 3.2% and the Balanced Strategy was up 0.9%. Additionally, each strategy is off to a strong start for the 2nd quarter.

RVP Cumulative Returns Net of Fees (as of 3/31/2016)



**60/40 Benchmark is 60% S&P 500 and 40% Barclays Aggregate Bond Index re-weighted monthly
Inception Dates: RVP Balanced 12/31/04, RVP Fixed Income 12/31/04, RVP Equity 12/31/04, RVP Absolute Return 5/31/2006
Source: Zephyr StyleAdvisor

For RVP, a majority of our fixed income holdings reported both positive share price and NAV (Net Asset Value) returns, with discounts a little tighter than year end. Over the quarter, the NAVs of our riskier holdings were often less volatile than their respective indices, largely due to the low energy exposure in the portfolio. The volatility allowed us to reposition holdings into higher conviction ideas. We were also able to sell select senior loan positions inside of a 3% discount, and rotate into similar or improved assets at significantly cheaper levels. Among the equity positions, the quarter was less eventful. Discounts remained around 15% for most of our holdings. We believe we have started to see the beginnings of a shift in stock leadership, which was a welcome sign from last year's extremely narrow leadership. For this quarter, it was more reasonably priced, low dividend, mid-cap stocks that led. Furthermore, we were pleased that two of our holdings, ZF and ZTR, announced a series of tender offers and a very attractive managed distribution. We believe the tenders will enable us to sell a meaningful portion of our holdings near NAV.

Another position we continued to add to during the quarter was Nuveen Mortgage Opportunity Term Trust (JLS) and Nuveen Mortgage Opportunity Term Trust 2 (JMT). JLS and JMT invest largely in non-agency mortgages, which provide a diversified, less correlated, securitized source of returns. The portfolio is run by Wellington, a well-regarded MBS manager. The funds have performed competitively compared to peers and offer an opportunity to purchase an attractive, hard-to-access asset class at a significant discount. Moreover, these funds are term trusts, expiring in 2019 and 2020 respectively. Term trusts are closed-end funds with a set liquidation date at NAV. At RVP, we greatly appreciate the ability to purchase assets at a deep discount with the predetermined ability to sell the assets at full value.

Towards the end of the quarter, investors showed increased appetite for senior loan funds and other short duration multi-strategy funds, our favorite sectors. This space represented an attractive area for investors looking to add income with much less exposure to the headline risk sectors like energy and commodities. We continue to believe in our holdings as the discount-on-discount factor is important; investors are buying the underlying asset at a historically attractive discount to par, in a closed-end fund structure at a significant discount to NAV. As of quarter end, the LSTA Leverage Loan Index was at an 11% discount to par, while many of the funds sold at discounts near 10%, bringing the combined discount to greater than 20%. We believe owning these assets in a CEF structure increases the potential for total return, increases the yield and should provide some protection from downside volatility.

A Barron's article published on April 9th reinforced what we have discussed in previous letters, "Proven market beating factors, like value, can suffer long bouts of laggardly performance." The article sited its concern for "low volatility" ETF strategies that have attracted large quantities of assets, and cautioned that future returns are likely poor for these funds. The growth of these backtested strategies has caused valuations among the underlying market segments to be significantly higher than long term averages. In RVP's and, more convincingly, Rob Arnott's opinion, this is another example of performance chasing. Rob Arnott, a founder of Research Affiliates and fundamental indexing, believes more proven strategies, like his PowerShare FTSE RAFI US 1000 ETF (PRF), will provide better forward returns. PRF trades at a significant discount to S&P 500 and systematically rebalances to out of favor sectors. At RVP, we believe in maintaining discipline in a process that works. Even though PRF has lagged the S&P 500 for the last one, three and five years, we have recently purchased shares of PRF in our Balanced and Equity strategies because we trust in the process at Research Affiliates. We have faith that this strategy will get back on track and provide market beating returns in the years ahead like it has over the last 10 years.

Earlier this month, the Department of Labor issued a ruling to better protect individuals' retirement savings from investment brokers' (advisors working at a brokerage firm, rather than a registered investment advisory firm) conflicts of interest. Specifically, the rule raises the standard of care an advisor must provide regarding the retirement accounts of clients, from a suitability standard to a fiduciary standard. What is the distinction, and why does it matter? Simply put, a suitability standard means that an advisor only has an obligation to recommend a product that is appropriate for a specific client, but may not be in that client's best interests; abuses have arisen under this standard with advisors selling clients higher fee or commission based products rather than lower cost alternatives. All advisors are now held to the higher fiduciary standard, requiring advisors to act in their clients' best interest, in terms of the investments recommended, as well as the appropriateness of fees. This ruling has no direct impact on your relationship with Relative Value Partners. Registered investment advisors, such as RVP, are already held to the fiduciary standard of acting in the best interests of their clients – for retirement accounts as well as taxable accounts. We have been fiduciaries since day one.

Lastly, one aspect of investing that we frequently discuss is how we define risk. Warren Buffet defines risk as a permanent loss of capital while the more textbook definition is standard deviation of returns. We generally agree with Warren Buffett; although our strategies do experience discount volatility, which does increase standard deviation, we know that widening discounts is not a permanent impairment. And while our separately managed account structure and complete transparency increases some client's anxiety, most often during periods of peak fear, we believe investors are truly better served compared to partnership structures with only quarterly liquidity and minimal transparency. It is worth noting that according to DALBAR's annual study, a quantitative study of investor behavior, retail investors cost themselves hundreds of basis points a year in performance due to improper timing of sales and allocation size. At RVP, we believe a disciplined strategy is essential to long term performance.

We greatly appreciate your continued trust in us.

Sincerely,

Maury Fertig Bob Huffman

Relative Value Partners Group, LLC Balanced Composite Net Returns

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	3 Years Annualized (ending 3/31/16)	5 Years Annualized (ending 3/31/16)	Since Inception (12/31/04 to 3/31/16) Annualized
RVP Balanced	0.85%	-0.91%	5.09%	5.96%	6.24%
60/40 Benchmark*	2.11%	2.09%	8.18%	8.61%	6.31%

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

Relative Value Partners Group, LLC Absolute Return Composite Net Returns

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	3 Years Annualized (ending 3/31/16)	5 Years Annualized (ending 3/31/16)	Since Inception (5/31/06 to 3/31/16) Annualized
RVP Absolute Return	1.64%	-1.44%	1.17%	2.08%	5.91%
3 Month T-Bill	0.07%	0.12%	0.07%	0.08%	1.09%

Relative Value Partners Group, LLC Global Equity Composite Net Returns

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	3 Years Annualized (ending 3/31/16)	5 Years Annualized (ending 3/31/16)	Since Inception (4/30/07 to 3/31/16) Annualized
RVP Global	-0.81%	-8.01%	2.52%	3.97%	3.92%
MSCI EAFE Index	-2.88%	-7.87%	2.68%	2.76%	-0.09%

Relative Value Partners Group, LLC Equity Composite Net Returns

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	3 Years Annualized (ending 3/31/16)	5 Years Annualized (ending 3/31/16)	Since Inception (12/31/04 to 3/31/16) Annualized
RVP Equity	-0.18%	-2.28%	6.85%	6.91%	6.71%
S&P 500	1.35%	1.78%	11.82%	11.58%	7.05%

Relative Value Partners Group, LLC Fixed Income Composite Net Returns

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	3 Years Annualized (ending 3/31/16)	5 Years Annualized (ending 3/31/16)	Since Inception (12/31/04 to 3/31/16) Annualized
RVP Fixed Income	2.83%	2.11%	2.84%	4.29%	5.30%
Barclays Aggregate Bond Index	3.03%	1.96%	2.50%	3.78%	4.50%

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

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	3 Years Annualized (ending 3/31/16)	5 Years Annualized (ending 3/31/16)	Since Inception (6/30/10 to 3/31/16) Annualized
RVP Absolute Return 30	1.62%	-1.45%	3.56%	4.43%	6.41%
30% S&P 500/70% 3 Month T-Bill	0.53%	0.82%	3.61%	3.57%	4.60%

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

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	Since Inception (9/30/13 to 3/31/16) Annualized
RVP Limited Duration Fixed Income	2.64%	1.41%	3.91%
Barclays 1-5 yr Corporate Total Return Index	1.76%	1.76%	2.33%

Relative Value Partners Group, LLC Durable Income Composite Net Returns

	YTD (ending 3/31/16)	1 Year (ending 3/31/16)	Since Inception (5/31/14 to 3/31/16) Annualized
RVP Durable Income	3.21%	0.09%	2.55%
Barclays US Corp High Yield Index	3.35%	-3.69%	-1.80%

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.

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.