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RELATIVE VALUE PARTNERS

DURABLE INCOME STRATEGY

Investment Letter – July 2016

For the first half of 2016, the Durable Income Strategy performed well in a volatile market environment. Durable Income generated a 9.48% net return vs the Barclays High Yield Index Benchmark return of 9.06%. Since inception (June 1, 2014), Durable Income has generated an 11.10% cumulative net return vs the Barclays High Yield Index's cumulative return of 2.06%. Durable Income invests in exchange traded, income oriented securities with an underlying goal of generating above market income while avoiding permanent asset impairment. Since seeding the strategy, the portfolio managers have added new capital.

As of June 30th, Durable Income was generating an attractive 7.37% net yield (net of management fee) and the portfolio was priced at a weighted average price to book value of 89.5%[1]. The second quarter started off on stable footing as we came out of the first quarter downdraft driven by fears of rising interest rates. As the second quarter progressed, the market began to conclude that the Fed was going to raise interest rates over a longer, slower trajectory relative to previous market expectations. This helped drive demand for income producing securities. Late in the 2nd quarter, we had the Brexit vote which broadly increased demand for US fixed income oriented assets. The portfolio has generally benefited from these events.

We continue to believe that Durable Income is a compelling long term story given its diversified portfolio of well-structured entities trading at a discount to book value and the overwhelming majority of the portfolio's underlying assets hold a par claim. RVP's overriding risk management theme is anchored around prudent interest rate and credit risk while understanding an entities' structural protections and financing terms. In short, we want to avoid entities with good underlying assets that might suffer permanent impairments due to poor liability structures. It is our belief that over time, well underwritten assets with good capital structures, purchased at a discount, earning substantial positive carry, will generate attractive long term, risk adjusted returns.

During the 2nd quarter, we made slight adjustments to the portfolio. We added approximately 3% to our preferred stock positions while modestly reducing our BDC and utility holdings. Specifically, we eliminated our position in Whitehorse Finance as we saw some price recovery and we become less comfortable with the underlying portfolio and management. We also added a Bank of America convertible preferred that is similar to the Wells Fargo preferred we discussed in the Q1 2016 Letter. As a reminder, both are perpetual, high coupon, out-of-the money convertible preferred stocks. They are non-call for life with dividend payments that are taxed at the preferential long term capital gain tax rate. The higher coupon reduces the duration versus a comparably low coupon, par security. The non-call feature would become quite valuable in a "lower for longer" interest rate environment. In aggregate,

[1] Excludes cash, preferred stock, bonds, and Spectra Energy.

we believe that these small portfolio adjustments enhance the overall risk-adjusted return potential of the portfolio.

We continue to maintain a disciplined and cautious stance with respect to the portfolio. As previously discussed, we have limited commodity and oil & gas exposure. Our European exposure is minimal and the little exposure we own is through commercial real estate. We continue to believe that market fundamentals for residential, commercial and corporate credit remain strong. We are biased to invest in entities with lower leverage, floating rate and/or shorter duration fixed rate structures. Over 90% of Durable Income's underlying assets are loans, bonds or securities with a par claim on a particular assets and/or business. Collectively, these features should help protect us from negative credit events, a flattening yield curve and rising interest rates.

Below is a June 30st snapshot of the Durable Income composite:

RVP Durable Income Portfolio Characteristics
As of June 30, 2016

	% Portfolio	Yield	Price/Book	# Positions
BDCs	19.5%	10.95%	86.5%	5
Preferred Stocks and Bonds	31.6%	7.11%	N/A	14
Residential Mortgage REITs	21.7%	8.88%	91.3%	5
Commercial Mortgage REITs	17.3%	9.10%	90.3%	4
Broadly Syndicated Loans	3.9%	5.34%	92.3%	2
Utilities and Pipelines	3.1%	5.68%	86.4%*	2
Cash	2.9%	0.05%	N/A	1
Total	**100%**	**8.27%**	**89.5%***	**33**

*Excludes Spectra Energy as it does not trade relative to its book value. Total also excludes preferred stocks, bonds and cash.

To repeat, our overriding outlook and portfolio positioning continues to be as follows:

- We think the specialty finance sectors offer compelling yields and lower valuations versus utilities, traditional REITs, high quality dividend paying stocks and traditional high yield;
- The Durable Income Strategy's assets trade at a low multiple to earnings and/or cash flow and discount to net asset value while simultaneously generating above market yields;
- The portfolio is constructed with an eye towards rising interest rates; and
- The portfolio is currently invested in the higher quality sectors of the leveraged finance, specialty finance and mortgage markets.

Over the past six months, we have seen some pretty sharp market moves. We believe that this volatility can create indiscriminant selling which creates opportunities. That being said, we believe that the Durable Income portfolio is currently well positioned and presents an interesting opportunity in the current market climate. Thank you for investing with RVP.

Sincerely,

Maury Fertig	Bob Huffman	Doug Crimmins

Relative Value Partners Group, LLC Durable Income Composite Net Returns

	YTD (ending 6/30/16)	1 Year (ending 6/30/16)	Since Inception (5/31/14 to 6/30/16) Annualized
RVP Durable Income	9.48%	6.10%	5.18%
Barclays US Corp High Yield Index	9.06%	1.62%	0.98%
iShares iBoxx $ High Yield Corporate Bond Exchange Traded Fund (ticker: HYG)	7.68%	0.98%	-0.09%

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 Durable Income Account composite contains fully discretionary Durable Income accounts and for comparison purposes is compared against the Barclays US Corp High Yield Index. Effective 6/30/2016, RVP added iShares iBoxx $ High Yield Corporate Bond Exchange Traded Fund (ticker: HYG) as a secondary benchmark.

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.