RELATIVE VALUE PARTNERS

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DURABLE INCOME STRATEGY

Investment Letter – October 2016

For the first nine months of 2016, the Durable Income Strategy performed well. Durable Income generated a 16.64% net return vs the Barclays High Yield Index Benchmark return of 15.11%. Since inception (June 1, 2014), Durable Income has generated a 7.61% annualized net return vs the Barclays High Yield Index's annualized return of 3.24%. 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 September 30th, Durable Income was generating an attractive 7.47% gross yield and the portfolio was priced at a weighted average price to book value of 93%[1]. The 3rd quarter was relatively benign and uneventful from a market perspective; however, there continues to be solid investor demand for incoming producing securities. During the 3rd quarter, we made slight adjustments to the portfolio with the overall objective of decreasing risk. We increased cash slightly, reduced our exposure to rising interest rates and trimmed some of the larger positions. The decrease in the net portfolio yield was a combination of improving prices on the underlying securities and a conscious decision to be more cautious. We believe that as the 4th quarter progresses, there are a number of events that could increase volatility. The obvious catalysts are the elections, the Fed and general year-end pressures. As a result, we are slightly more defensive as we look for attractive opportunities.

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 with the overwhelming majority of the portfolio's underlying assets holding 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 that might suffer permanent impairments due to poor liability structures despite good underlying assets. 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.

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. On the margin, we have reduced duration by selling lower coupon preferred

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

stocks and have replaced them with higher coupon, callable preferred stocks. This helps to limit the sensitivity to rising interest rates.

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

RVP Durable Income Portfolio Characteristics
As of September 30, 2016

	% Portfolio	Yield	Price/Book	# Positions
BDCs	19.7%	10.26%	91.8%	5
Preferred Stocks and Bonds	32.0%	5.90%	N/A	12
Residential Mortgage REITs	21.2%	8.63%	91.2%	5
Commercial Mortgage REITs	16.6%	8.42%	96.9%	4
Broadly Syndicated Loans	3.9%	5.28%	93.3%	2
Utilities and Pipelines	2.5%	5.10%	92.9%*	2
Cash	4.1%	0.07%	N/A	1
Total	**100%**	**7.47%**	**93.1%***	**31**

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

In summary, 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 nine 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 to take advantage of the current market climate over the near term. 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 9/30/16)	1 Year (ending 9/30/16)	Since Inception (5/31/14 to 9/30/16) Annualized
RVP Durable Income	16.64%	16.83%	7.61%
Barclays US Corp High Yield Index	15.11%	12.73%	3.24%
iShares iBoxx $ High Yield Corporate Bond Exchange Traded Fund (ticker: HYG)	12.44%	10.92%	1.83%

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.