



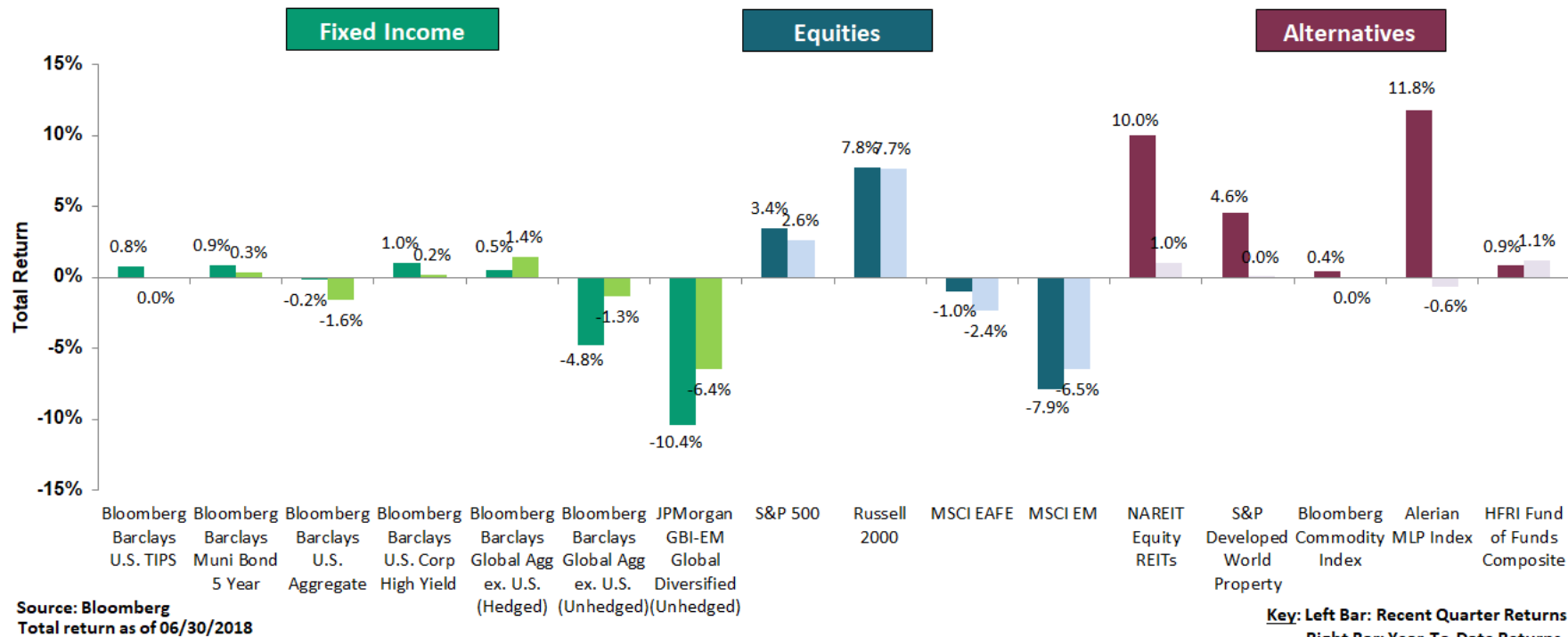
*Performance-Driven  
& Personalized*

# RVP Quarterly Investment Update

June 30, 2018

1033 Skokie Blvd, Suite 470  
Northbrook, IL 60062  
(847) 513-6300  
[www.rvpllc.com](http://www.rvpllc.com)

# Market Snapshot



## Fixed Income

## Equities

## Real Assets

- The Bloomberg Barclays Agg Bond Index fell for the second straight quarter as interest rates rose modestly during the quarter and investment grade spreads widened.
- TIPS moved higher as inflation expectations increased, while U.S. high yield rose due to the yield advantage over investment grade bonds.
- Emerging Markets Debt bonds were the worst performers as a stronger U.S. dollar hurt returns.

- Trade tensions created a clear divergence between domestic and international equities for the quarter. Small cap companies with a higher percentage of domestic revenue outperformed multinational large cap companies.
- A stronger dollar hurt international markets and emerging markets in particular. Continued political and social unrest have added to investor concern for these markets.

- After a mostly negative first quarter, real assets broadly rebounded resulting in near break-even returns through the first half of the year.
- MLPs were the top performer as strength in April and May held through June. Continued stability from crude prices aided sentiment. Energy prices were also a benefit within the commodity space.
- Domestic REITs rallied sharply following a tough first quarter; Global REITs also rose.

Please reference the disclosures at the end of this presentation for additional information related to the material presented.

# Insights on RVP Strategies

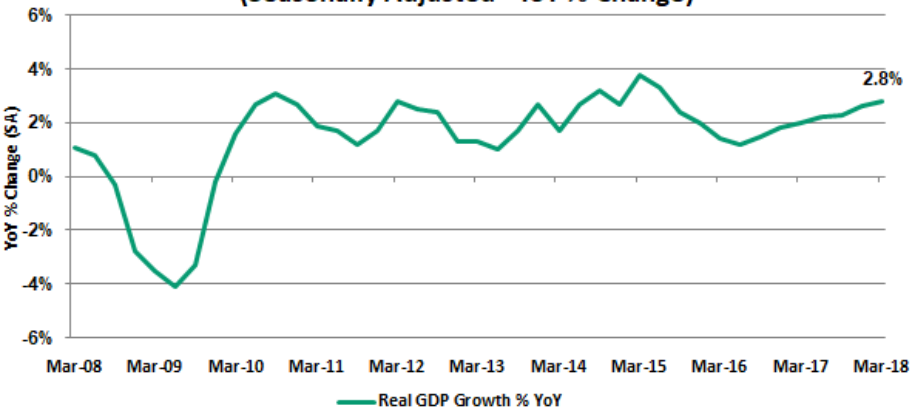
- Equity results were roughly flat for the first half of the year. This was driven primarily by our value tilt and non-US exposure. The Russell 1000 Value index was -1.7% YTD and non-US ACWI index was -3.4% YTD. Value has outperformed growth over 86% of 10-year periods since 1926. Emerging markets are at their most attractive valuation in 16 years when compared to the US based on a trailing P/E ratio. We believe emerging markets offer superior forward returns but have kept exposure modest due to increased volatility.
- Portfolio activity included a shift from European to Japanese equity exposure and a slight addition to emerging markets. We also successfully exited a few equity closed-end fund positions that performed well. We continue to maintain a defensive equity beta as compared to the market.
- Solid fixed income results were driven by our continued focus on short-duration assets and security selection. While there was substantial widening of fixed income discounts overall, our senior loan and term-trust exposure helped to offset this negative headwind. Term trusts are closed-end funds with set liquidation dates. RVP's current term trust holdings are scheduled to liquidate within the next 18 months.
- Fixed Income trading in RVP's strategies was dominated by the selling of several funds that hit our sell targets. The proceeds were deployed into funds that were trading at a cheaper discount with similar assets. We also have used this opportunity to further improve credit quality as we are now in the 10<sup>th</sup> year of the economic expansion. We have begun to add municipal funds based on historic valuations and attractive net yields for our taxable accounts.

# Insights on RVP Strategies

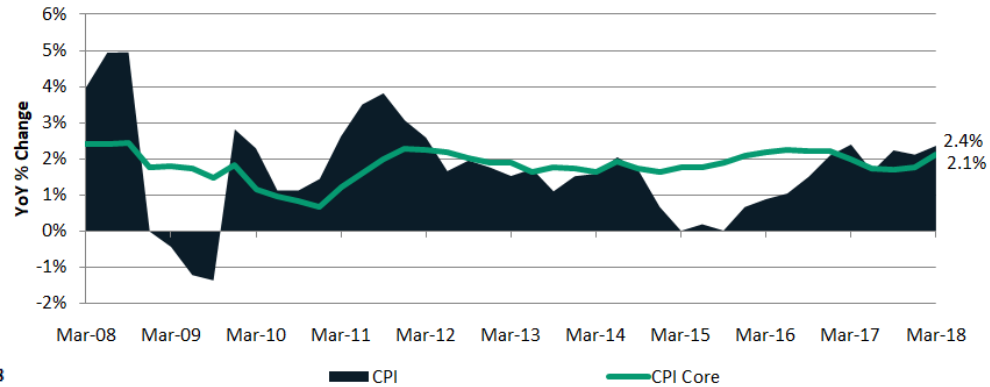
- Absolute Return strategies were hurt modestly by an overall discount widening in the portfolios of approximately 2%. We took advantage of several tenders and redeployed the funds into attractive floating rate funds. We also rotated out of funds that experienced a quick snap back in discounts in the spring into funds with wider discounts. We are in the process of building liquidity for expected opportunities in the closed-end fund levered municipal bond space.
- Durable Income performance was solid given the back drop of higher rates and sideways credit markets. We continue to find selective opportunities in BDCs and high coupon callable preferreds while trimming exposure to mortgage REITS. In the second quarter, we added Triangle Capital Corporation (TCAP) which recently announced a strategic restructuring. We expect the liquidation of American Capital Senior Floating (ACSF) near net asset value at some point in the third quarter. The gross portfolio yield is 7% as of 6/30/18.

# U.S. Economic Update

**U.S. Real GDP Growth**  
(Seasonally Adjusted - YoY % Change)



**U.S. Inflation (YoY % Change)**



Sources: Bloomberg & The Bureau of Labor Statistics

Sources: Bloomberg & Bureau of Economic Analysis

<u>Unemployment Rate</u>			<u>Consumer Confidence</u>		
30-Jun	↑	% Chg MoM	30-Jun	↓	% Chg MoM
4.0%		0.2%	126.4		-1.9%

<u>Leading Indicators</u>			<u>Consumer Spending</u>		
31-May	↑	% Chg MoM	31-May	↑	% Chg MoM
109.5		0.2%	\$13.9T		0.2%

<u>Housing Starts</u>			<u>U.S. Personal Income</u>		
31-May	↑	% Chg MoM	31-May	↑	% Chg MoM
1.35M		5.0%	\$17T		0.4%

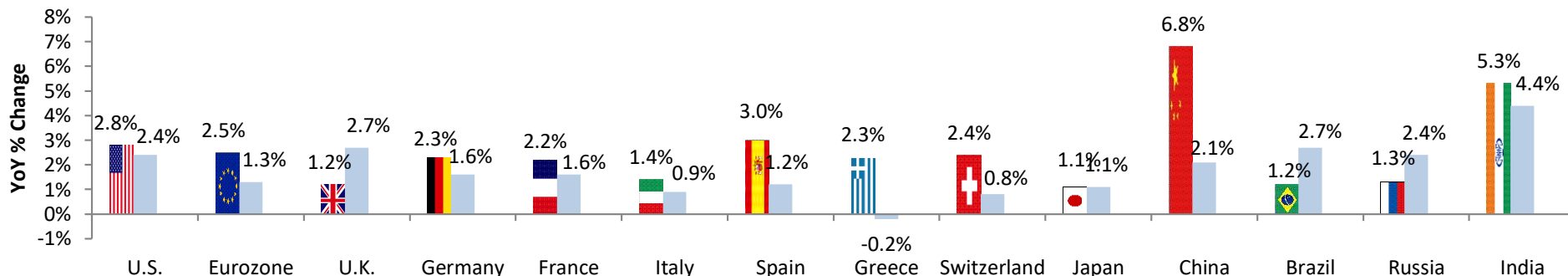
<u>ISM Manufacturing PMI</u>			<u>Retail Sales</u>		
30-Jun	↑	% Chg MoM	30-Jun	↑	% Chg MoM
60.2		2.6%	\$502B		0.8%

- First quarter real GDP came in at an annual rate of 2%, which was a notable slowdown from the 2.9% gain recorded in Q4-2017. The deceleration was caused primarily by reduced consumption, exports and government spending.
- In June, the Federal Reserve increased its benchmark rate by 0.25% to a range of 1.75% to 2.00%. This is the second such raise under new chair Jerome Powell who in the short-term is following the path laid out by his predecessor Janet Yellen.
- Tariff tensions continue to rise and not just with China. The Trump Administration continues to implement and explore additional options to exert its economic power on the global economy.

Please reference the disclosures at the end of this presentation for additional information related to the material presented.

# Global Economic Update

## Global Real GDP & Inflation Rates (YoY) As of: Mar - 18



Source: Bloomberg

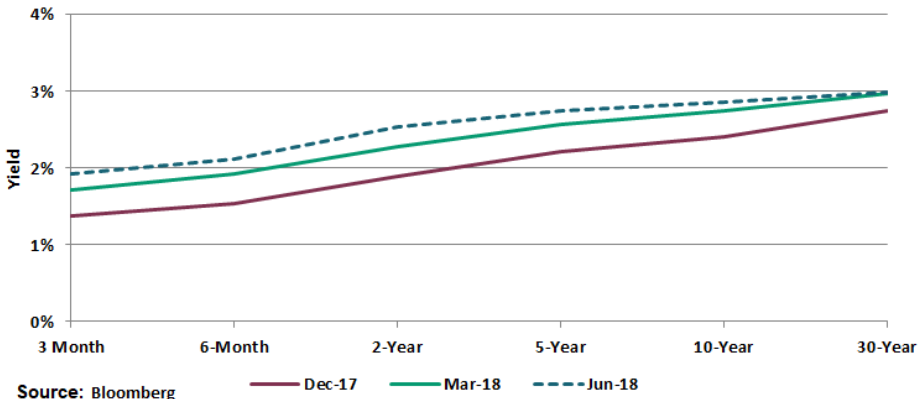
Key: **Flagged bars:** YoY Real GDP growth  
**Blue bars:** YoY CPI change

- U.K. real GDP grew by 0.2% from the fourth quarter and 1.2% from a year earlier. While “Brexit” and trade impacts are the current headlines, future trade agreements are still to be negotiated and therefore have not yet had a meaningful impact. Net trade contributions for the first quarter pushed real GDP higher.
- China’s real GDP grew by 6.8% in the first quarter. Consumption continues to be the primary driver of growth, but trade tensions with the U.S. continue to be at the front of investors’ minds. Thus far, tariffs between the U.S. and China have been limited to solar cells/modules, steel and aluminum. However should the scope expand, the economic impact on real GDP could be material for both countries as well as for the global economy.
- Brazil grew for the fifth straight quarter following its downturn. Growth came in at 1.2%, slightly below expectations of 1.3% as a result of uncertainty surrounding the national election and a nationwide truck driver protest regarding fuel prices.

Please reference the disclosures at the end of this presentation for additional information related to the material presented.

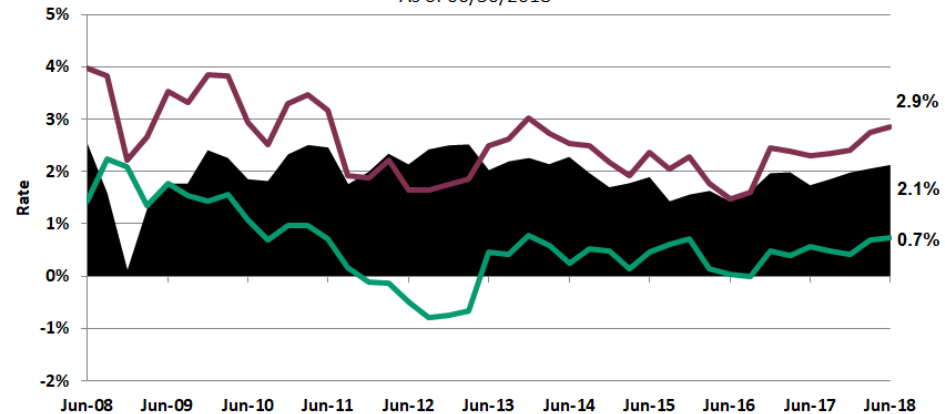
# U.S. Fixed Income

### U.S. Yield Curve



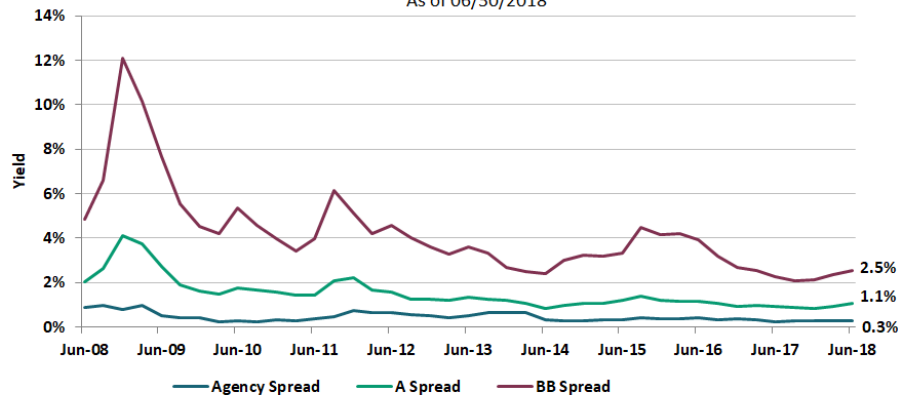
### 10-Year Breakeven Inflation Rate

As of 06/30/2018



### Credit Spreads Above Treasuries

As of 06/30/2018



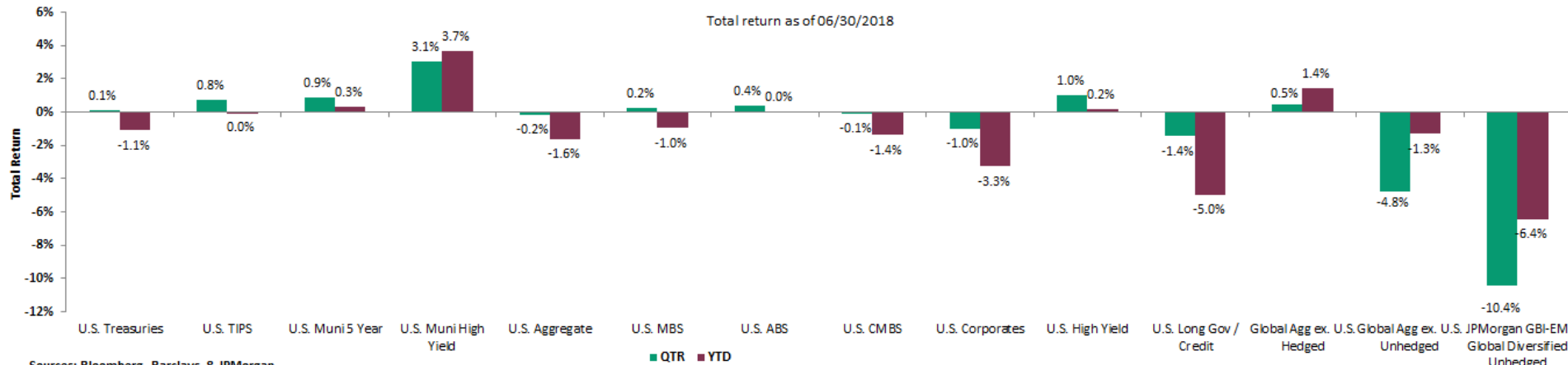
- Strong economic growth and employment figures led the Fed to implement its second rate hike of the year to a target of 1.75% to 2.00%.
- The U.S. yield curve continued to flatten during the quarter. Investors have voiced concerns that an inverted yield curve may be a precursor to a market pullback.
- Breakeven inflation held steady at 2.1% during the quarter. The Fed continues to focus on wage inflation as economic growth remains strong.

Please reference the disclosures at the end of this presentation for additional information related to the material presented.

# Global Fixed Income

## Fixed Income Sector Returns

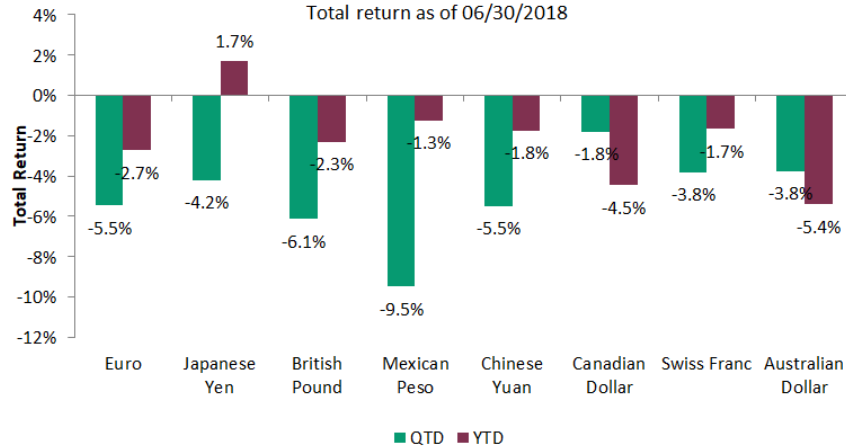
Total return as of 06/30/2018



Sources: Bloomberg, Barclays, & JPMorgan  
All indices are Bloomberg Barclays indices except where noted

## Currency Returns vs. U.S. Dollar

Total return as of 06/30/2018



- Interest rates continued to be volatile during the quarter. The 10-year Treasury rose to as high as 3.11% before trade concerns forced rates to retreat to end the quarter at 2.85%.
- In a dramatic reversal from the first quarter, the dollar sharply gained against global currencies. An additional rate hike and concerns around the Italian referendum contributed to gains.
- Global fixed income markets continued to be challenged during the quarter. Trade concerns and a rallying dollar pressured emerging markets. Despite questions around the impact of tariffs on domestic businesses, U.S. high yield bonds rose during the quarter.

Please reference the disclosures at the end of this presentation for additional information related to the material presented.



# Global Equity Markets

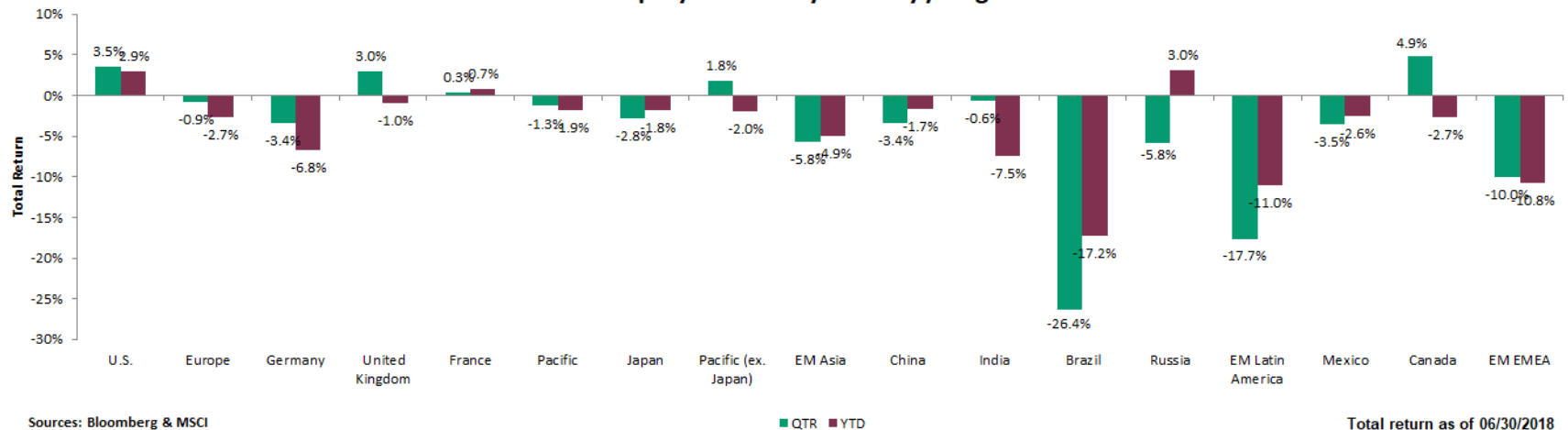
## US Equities:

	Value		Core		Growth	
	QTR	YTD	QTR	YTD	QTR	YTD
	Large	1.2	-1.7	3.6	2.9	5.8
Mid	2.4	-0.2	2.8	2.3	3.2	5.4
Small	8.3	5.5	7.8	7.7	7.2	9.7

Source: Bloomberg  
Total return as of 06/30/2018

- Within U.S. equity markets, small cap companies handily outperformed large cap companies, with trade tensions between the U.S. and other countries a focal point during the quarter. Smaller companies tend to derive more revenue from within the U.S. than larger multinational companies. Broadly, growth continued to outperform value, particularly as market cap increased.
- Developed international markets were mostly lower on global trade concerns and the ECB's announcement to end asset purchases by year-end. The U.K. avoided the negative trend as the central bank held off on an expected rate increase during the quarter.
- Brazil was a notable drag on returns in emerging markets as a fresh scandal hit newswires in May involving President Michel Temer and the recent probe into the political corruption scandal. Higher diesel prices during the month of June led to a nationwide strike by the country's truck drivers.

## MSCI Equity Returns by Country / Region



# Why Diversify?

2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	10yr Annualized
Emerging 79.0%	MLP 35.9%	MLP 13.9%	Emerging 18.6%	Small Growth 43.3%	REITs 30.1%	Large Growth 5.7%	Small Value 31.7%	Emerging 37.8%	Small Growth 9.7%	Large Growth 11.8%
MLP 76.4%	Small Growth 29.1%	TIPS 13.6%	REITs 18.1%	Small Blend 38.8%	Large Blend 13.7%	REITs 3.2%	Small Blend 21.3%	Large Growth 30.2%	Small Blend 7.7%	Small Growth 11.2%
High Yield 58.2%	REITs 27.9%	REITs 8.3%	Small Value 18.1%	Small Value 34.5%	Large Value 13.5%	Large Blend 1.4%	MLP 18.3%	International 25.6%	Large Growth 7.3%	Small Blend 10.6%
Large Growth 37.2%	Small Blend 26.9%	Aggregate Bond 7.8%	International 17.9%	Large Growth 33.5%	Large Growth 13.1%	Aggregate Bond 0.5%	Large Value 17.3%	Small Growth 22.2%	Small Value 5.4%	Large Blend 10.2%
Small Growth 34.5%	Small Value 24.5%	High Yield 5.0%	Large Value 17.5%	Large Value 32.5%	Aggregate Bond 6.0%	Cash 0.0%	High Yield 17.1%	Large Blend 21.8%	Large Blend 2.6%	Small Value 9.9%
International 32.5%	Emerging 19.2%	Foreign Bond 4.4%	Emerging Debt 16.8%	Large Blend 32.4%	Small Growth 5.6%	Hedge Funds -0.3%	Large Blend 12.0%	Emerging Debt 15.2%	Hedge Funds 1.1%	Large Value 8.5%
REITs 28.0%	Commodities 16.8%	Large Growth 2.6%	Small Blend 16.3%	MLP 27.6%	Small Blend 4.9%	International -0.4%	Commodities 11.7%	Small Blend 14.6%	REITs 1.0%	High Yield 8.2%
Small Blend 27.2%	Large Growth 16.7%	Large Blend 2.1%	Large Blend 16.0%	International 23.3%	MLP 4.8%	Small Growth -1.4%	Emerging 11.6%	Large Value 13.7%	Cash 0.8%	REITs 7.9%
<b>Balanced</b> 26.8%	Emerging Debt 15.7%	<b>Balanced</b> 1.0%	High Yield 15.8%	Hedge Funds 9.0%	Small Value 4.2%	TIPS -1.4%	Small Growth 11.3%	<b>Balanced</b> 12.6%	High Yield 0.2%	MLP 6.5%
Large Blend 26.5%	Large Value 15.5%	Large Value 0.4%	Large Growth 15.3%	High Yield 7.4%	TIPS 3.6%	Large Value -3.8%	Emerging Debt 9.9%	Foreign Bond 10.5%	Commodities 0.0%	<b>Balanced</b> 4.6%
Emerging Debt 22.0%	High Yield 15.1%	Cash 0.1%	Small Growth 14.6%	<b>Balanced</b> 7.1%	Hedge Funds 3.4%	Small Blend -4.4%	REITs 8.5%	Small Value 7.8%	TIPS 0.0%	Aggregate Bond 3.7%
Small Value 20.6%	Large Blend 15.1%	Emerging Debt -1.8%	<b>Balanced</b> 10.7%	REITs 2.5%	<b>Balanced</b> 3.3%	High Yield -4.5%	<b>Balanced</b> 8.3%	Hedge Funds 7.8%	<b>Balanced</b> -0.2%	International 3.3%
Large Value 19.7%	<b>Balanced</b> 13.9%	Small Growth -2.9%	TIPS 7.0%	Cash 0.1%	High Yield 2.5%	Foreign Bond -6.0%	Large Growth 7.1%	High Yield 7.5%	MLP -0.6%	TIPS 3.0%
Commodities 18.9%	International 8.2%	Small Blend -4.2%	MLP 4.8%	Aggregate Bond -2.0%	Cash 0.0%	<b>Balanced</b> -6.1%	TIPS 4.7%	REITs 5.2%	Foreign Bond -1.3%	Emerging 2.6%
Hedge Funds 11.5%	Aggregate Bond 6.5%	Small Value -5.5%	Hedge Funds 4.8%	Emerging -2.3%	Emerging -1.8%	Small Value -7.5%	Aggregate Bond 2.6%	Aggregate Bond 3.5%	Aggregate Bond -1.6%	Emerging Debt 2.6%
TIPS 11.4%	TIPS 6.3%	Hedge Funds -5.7%	Aggregate Bond 4.2%	Foreign Bond -3.1%	Foreign Bond -3.1%	Emerging -14.6%	International 1.5%	TIPS 3.0%	Large Value -1.7%	Foreign Bond 1.8%
Foreign Bond 7.5%	Hedge Funds 5.7%	International -11.7%	Foreign Bond 4.1%	TIPS -8.6%	International -4.5%	Emerging Debt -14.9%	Foreign Bond 1.5%	Commodities 1.7%	International -2.4%	Hedge Funds 1.4%
Aggregate Bond 5.9%	Foreign Bond 4.9%	Commodities -13.3%	Cash 0.1%	Emerging Debt -9.0%	Emerging Debt -5.7%	Commodities -24.7%	Hedge Funds 0.5%	Cash 0.8%	Emerging Debt -6.4%	Cash 0.3%
Cash 0.2%	Cash 0.1%	Emerging -18.2%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	MLP -32.6%	Cash 0.3%	MLP -6.5%	Emerging -6.5%	Commodities -9.0%

Total returns as of 6/30/2018  
Source: Morningstar and Lipper

Please reference the disclosures at the end of this presentation for additional information related to the material presented.

# RVP Strategy Returns & Disclosures

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

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (5/31/06 to 6/30/18) Annualized
RVP Absolute Return (Net)	-1.57%	1.06%	4.97%	4.00%	6.04%
3 Month T-Bill	0.81%	1.36%	0.68%	0.42%	1.04%

## Relative Value Partners Group, LLC Fixed Income Composite Net Returns

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (12/31/04 to 6/30/18) Annualized
RVP Fixed Income (Net)	-0.59%	0.84%	4.40%	4.07%	5.13%
Barclays Aggregate Bond Index	-1.62%	-0.40%	1.72%	2.27%	3.85%

## Relative Value Partners Group, LLC Balanced Composite Net Returns

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (12/31/04 to 6/30/18) Annualized
RVP Balanced (Net)	-0.25%	5.69%	7.15%	7.53%	6.80%
60/40 Benchmark*	1.00%	8.34%	7.88%	8.97%	6.82%

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

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

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (6/30/10 to 6/30/18) Annualized
RVP Absolute Return 30 (Net)	-1.13%	2.61%	6.29%	6.13%	6.98%
30% S&P 500 /70% 3 Month T-Bill	1.42%	5.19%	4.05%	4.27%	4.74%

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

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	Since Inception (9/30/13 to 6/30/18) Annualized
RVP Limited Duration Fixed Income (Net)	0.37%	2.06%	5.04%	4.66%
Barclays 1-5 yr Corporate Total Return Index	-0.51%	0.16%	1.70%	1.88%

## Relative Value Partners Group, LLC Durable Income Composite Net Returns

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	Since Inception (5/31/14 to 6/30/18) Annualized
RVP Durable Income (Net)	3.00%	4.69%	9.35%	8.04%
Barclays US Corp High Yield Index	0.16%	2.62%	5.53%	4.14%

# RVP Strategy Returns & Disclosures

## Relative Value Partners Group, LLC Global Equity Composite Net Returns

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (4/30/07 to 6/30/18) Annualized
RVP Global (Net)	-4.15%	6.18%	7.03%	7.78%	5.80%
MSCI EAFE Index	-2.37%	7.37%	5.41%	6.93%	2.18%

## Relative Value Partners Group, LLC Equity Composite Net Returns

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (12/31/04 to 6/30/18) Annualized
RVP Equity (Net)	-0.15%	8.79%	9.11%	9.96%	7.78%
S&P 500	2.65%	14.37%	11.93%	13.42%	8.41%

## Relative Value Partners Group, LLC Low Equity Composite Net Returns

	YTD (ending 6/30/18)	1 Year (ending 6/30/18)	3 Years Annualized (ending 6/30/18)	5 Years Annualized (ending 6/30/18)	Since Inception (12/31/05 to 6/30/18) Annualized
RVP Low Equity (Net)	-0.70%	2.96%	5.61%	5.74%	6.16%
30/70 Benchmark*	-0.28%	3.92%	4.81%	5.62%	5.59%

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.



Performance-Driven  
& Personalized

# Disclosures

Information is obtained from a variety of sources which are believed though not guaranteed to be accurate. Any forecast represents median expectations and actual returns, volatilities and correlations will differ from forecasts. Past performance does not indicate future performance. This presentation does not represent a specific investment recommendation.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash - Citigroup 90 Day T-Bill; TIPS - Bloomberg Barclays US Treasury TIPS; Municipals - Bloomberg Barclays Muni Bond 5-Year; High Yield Municipals – Bloomberg Barclays High Yield Muni Bond; Aggregate Bond - Bloomberg Barclays US Aggregate Bond Index; High Yield - Bloomberg Barclays US Corporate High Yield; Foreign Bond - Bloomberg Barclays Global Aggregate Ex USD; Emerging Debt - JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value - Russell 1000 Value; Large Blend - S&P 500; Large Growth - Russell 1000 Growth; Small Value - Russell 2000 Value; Small Blend - Russell 2000; Small Growth - Russell 2000 Growth; International - MSCI EAFE; Emerging Markets - MSCI EM; Domestic REITs - FTSE NAREIT Equity REITs; Global REITs - S&P Developed World Property; Commodities - Bloomberg Commodity Index; MLP - Alerian MLP; Hedge Funds - HFRI Fund of Funds Composite Index; Balanced^ - 3% Bloomberg Barclays US Treasury TIPS, 31% Bloomberg Barclays US Aggregate Bond Index, 1.5% Bloomberg Barclays Global Aggregate Ex USD, 1.5% Bloomberg Barclays Global Aggregate Ex SD (Hedged), 4% Bloomberg Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 17% S&P 500, 6% Russell 2000, 15% MSCI EAFE, 7% MSCI EM, 3% FTSE NAREIT Equity REITs, 2% Bloomberg Commodity Index, 5% Alerian MLP, 2% Citigroup 3 Month T-Bill

<sup>^</sup>Represents current allocation of the DSA Balanced DPA Model Portfolio and historically tracks allocation changes to that Model. Returns are hypothetical and do not represent the actual returns earned by clients invested in the DSA Balanced DPA Model Portfolio. Please contact us for additional information on the historical allocation of this Model.