Monthly Newsletter

June 2017

Taper Tantrum II: The End of Asset Inflation

The RVX Global Opportunity Fund, Ltd. – Class C ("RVXGO") recorded a net return of -0.21% for the month of June, bringing 2017 year-to-date net returns to 8.93%.[1 2 3]

The RVX Emerging Markets Equity Model Portfolio recorded a net return of 2.07% for the month of June, bringing 2017 year-to-date net returns to 23.84%.[2 4]

The RVX Frontier Markets Equity Model Portfolio recorded a net return of 0.70% for the month of June, bringing 2017 year-to-date net returns to 18.02%.[2 5]

Macroeconomic Developments

- Developed markets central banks´ asset purchases are a major risk for late 2017 and/or 2018. Developed markets central banks´ asset purchases are a major risk for late 2017 and/or 2018. More central banks have taken a hawkish tone. Central banks from Asia to Europe and the U.S. may seek to remove nearly a decade of accommodation. How might rising global interest rates impact growth in emerging markets? Rising debt levels in several emerging markets are an impediment to growth. However, our base scenario is that although the period of exceptionally low global interest rates is ending, interest rates increases should be moderate in the developed world.
- Fed Policy: Economic conditions continue to support a gradual normalization in monetary policy. The inflation picture in the U.S. is more robust than meets the eye, which should keep the Fed on its path of gradual normalization.
- Market direction in Q3 is likely to depend largely on where bond yields are headed. The rise in bond yields during H1 2016 has been benign for global equities and bonds. Consensus forecasts put U.S. 10-year bond yields at 3% in a year's time. Markets could reprice to higher bond yields from now on and trade sideways.
- Commodities look cheap, particularly if the USD stays weak, however, they seem range bound for now. Oil seems to have a floor around USD $40-45 / barrel. This is due of the extension of nine months of the oil output freeze agreement between OPEC and

[1] ***Past performance of any kind is not necessarily indicative of future results and future accuracy and profitable results cannot be guaranteed.*** The net performance of Class C shares of the RVX Global Opportunity Fund, Ltd. is net of Management and Performance Fees. RVX Asset Management, LLC ("RVX"), the investment manager of RVXGO, has reimbursed or paid all of RVXGO's non-investment expenses (i.e. legal fees, third party administration fees, etc.) and will continue to do so until such time as RVXGO has AUMs in excess of US$25,000,000. ***Had the Adviser not reimbursed the above mentioned expenses the net performance after deducting Advisory, Performance and Operational Expenses would had been 1.12% for the month and 8.11% for the year.*** See Disclaimer 1.

[2] See also, "Important Additional Disclaimers and Other Legal Information" following this Newsletter.

[3] See also, Contributors and Detractors to performance following this Newsletter. See Disclaimer 2.

[4] The returns represent the Emerging Markets Hypothetical Model Portfolio. See Disclaimer 3.

[5] The returns represent the Frontier Markets Hypothetical Model Portfolio. See Disclaimer 4.

non-OPEC countries (on May 25th) that should help to maintain relatively stable oil prices despite the recent decline. The ceiling seems to be around USD $50-55 / barrel, as U.S. shale producers start to increase production when price increases.

- Although the Euro area recovers, inflation slows. The Eurozone's solid and steady growth spurred talk that the European Central Bank (ECB) is too easy. ECB policy makers want to see sustained inflation growth before they begin exiting from unconventional measures.
- Ironically, U.S. growth was slightly lower than the Eurozone's last year, but with unemployment considerably lower and inflation considerably higher. Yet, many observers, including former Treasury Secretary Summers, have been critical of the Fed for being too hawkish.
- A likely victory for Merkel in September is widely expected. A Merkel victory means that, whether in partnership with the Free Democratic Party (FDP) or the Social Democratic Party(SPD), the basic thrust of German policy will not change.
- Europe is near a peak; the economy too cannot do much better. The Dutch do not have a government. The Finnish government nearly collapsed. Catalonia is planning a referendum in early Q4 which puts it at odds with Madrid. The chances of an early Italian election have faded, and the Five-Star Movement has done poorly in the local elections.
- On June 20th, MSCI announced its annual updates in which they included China's A-shares in the emerging markets index for the first time. Chinese shares (that trade in HK, and in ADRs) currently account for about 25% of the MSCI EM equity index. MSCI plants to include 222 large cap A-shares which currently would represent .73% of the overall index. While the initial weighting of China's A shares is small (and unlikely to change China's capital flow dynamics near term) it should prove supportive for the Renminbi (RMB) and for capital markets reform. Other MSCI actions included a surprising decision not to upgrade Argentina back to EM status and the addition of Saudi Arabia to the watch list for a potential upgrade in 2018.
- EM growth fundamentals are stable and inflation is still falling.
- Latin America: Looking forward to the second half of the year, the outlook for much of the region will be increasingly a function of domestic and international confidence related to election cycles. Chilean presidential elections and key Argentina parliamentary elections take place in 4Q17. Colombia, Mexico and Brazil will all have presidential elections in 2018.
- China: Financial conditions tightening appears to have peaked for now and is unlikely to derail broader markets.

Global Drivers

- The relatively hawkish tone that accompanied the Fed's June 14th rate hike has continued, suggesting that the inflation picture in the U.S. is more robust than meets the eye. This should keep the Fed on its path of gradual normalization. The fact that the unemployment rate could be between 3.5 to 4.0% in a year's time only adds to this case. However, lower oil prices and weaker economic indicators suggest a disconnect between market pricing and the Fed dots, as markets are now pricing less than a 50%

chance of a rate hike by December, and just a 45% chance of another hike by the end of 2018.

- The rise in bond yields has to-date been tracking the 2013 taper tantrum closely. With global equities and bonds up in the year, market direction in Q3 is likely to depend largely on where bond yields are headed. Consensus forecasts put U.S. 10-year bond yields at 3% in a year's time; we think markets could reprice to higher bond yields.
- The unwinding of the reflation trade and yield curve flattening: U.S. Treasury movement is more related to the real rate component than with inflation expectations. The normal path for the 10 year is towards 3% yield. However, the pace could be slower than expected if U.S. growth falters.
- Oil: As oil prices have come under pressure once again, energy sector high-yield spreads have risen to their highest levels since last November, while other sectors have been less affected. Despite some recent weakness, high-yield bonds remain well supported relative to investment grade, reflecting the persistent hunt for returns in a low-rate environment. WTI (West Texas Intermediate) crude oil prices hit a seventh-month low at $42.49. According to Reuters, oil prices have declined sharply, due to rising production from the United States and Nigeria and Libya, the latter two being OPEC members exempt from cutting output. Iran says that OPEC may decide on oil output cut once again. The Permian Basin will keep growing production over the next several years. The U.S. is not "the" swing producer today but "a" swing producer, with the caveat that OPEC has influence as to how this evolves. It expects oil prices to be bound by $55-60 at the end of 2018. The Energy Information Administration (EIA) "expects U.S. crude oil production to increase through 2018, averaging 9.3 million barrels per day (b/d) in 2017 and 10.0 million b/d in 2018. The global supply and demand outlook is slowly tightening compared to early 2016. Interestingly, demand growth in China had a tepid outlook, but that appears to be changing. A recent Wall Street Journal article echoed this sentiment with the trend of Chinese consumers preferring SUVs in spite of the government's push toward electric vehicles. It's hard to say which group will win in the end, though, the government or the consumers. Given China's air pollution problems, it may be the government. China imported 9.2 million b/d in March, 15% increase from the previous year. In spite of recent oil price declines, the longer view appears more favorable. Upstream capital continues to flow to the oil patch. Consumption has been constantly increasing, year over year: For comparison, world consumption in 2015 was 95.40 million barrels per day and 96.92 for 2016. According to the U.S. energy information administration, for 2017, world consumption is at $98.46 million barrels per day.[6]
- Iron ore prices bounce 20% on improved sentiment, demand remains strong, but non-traditional supply increases. Supply continues to rise with China domestic production at roughly 20% year-over-year (YoY), and non-traditional exports +15% YoY. Prices have recovered to U.S. $65/ton from a recent low of U.S. $53/ton in May, which is partly sentiment driven. We expect prices to be relatively well supported near term as

[6] Seeking Alpha. https://seekingalpha.com/article/4083384-crude-oil-price-drop-temporary-dip?ifp=0

India’s monsoon season limits exports, and ongoing pressure on marginal mines.

EM Investment Outlook

Investment Strategy

Emerging Markets: Relentless inflows. Can the party keep going?

- EM assets to remain supported by stable fundamentals and external environment. The drivers of the strong inflows supporting them are changing in nature, but show no signs of fading.
- EM capital inflows should benefit from widening Emerging Market – Developed Market growth differentials and supporting asset prices. The global macro environment is likely to remain supportive of EM capital flows over the summer months: the global growth recovery, while losing some momentum, remains broadly intact, and muted inflation in core markets suggests only gradual monetary policy normalization. In the absence of an unforeseen negative catalyst, this should help maintain the low-volatility environment that pushes capital flows into EM. However, the EM narrative has become less convincing than earlier in the year: growth momentum has peaked in many EM economies, especially in China. Commodity prices have weakened, domestic politics have added idiosyncratic volatility, and positioning has become heavier.
- EM dedicated funds collected inflows for the 14th consecutive week on aggregate (for dedicated EM bond funds 21st week). EPFR Global, also showed that strong institutional inflows into EM funds have continued.
- A sustained rise in bond yields would of course have broad repercussions across asset classes. While global equities to date have held up fairly well, rising yields would prompt much more scrutiny of equity market valuations. Forward P/E ratios are high across the board and particularly stretched for the U.S., while P/B ratios – reflecting views on franchise values– have also risen sharply. Higher bond yields would also eat into the equity risk premium, which for the U.S. is already at its lowest level since 2009. The resilience of equities to a higher cost of capital will depend in large part on how well growth and earnings hold up. Rising yields could be a particular headwind for growth in emerging markets. Despite years of rock-bottom global rates and borrowing costs, capital investment and infrastructure spending have been lacking in many EM countries; planned structural reforms have also lagged in some cases. Consumption, including via higher levels of household borrowing, has instead been a key driver of EM growth. In the near term however, robust EM earnings growth forecasts (seen up over 20% for the MSCI EM index over the next year) have helped keep portfolio inflows to EM equities well supported. With soft oil and commodity prices likely to keep EM inflation subdued this year, high real rates in many major emerging markets are set to persist. More hawkish central banks and a sustained rise in bond yields would mean a more challenging backdrop for EM capital flows. While we remain more optimistic about 2017-2018 prospects than we were back in January, the second half of the year is likely to see a bumpier ride. Recent high-frequency data, which show a shift to outflows on the debt side, suggest that investors may already be taking a more cautious stance.

EM currencies have significantly benefitted from falling volatility this year. With EM foreign exchange (FX) carry trades remaining in vogue, the build-up in net long positions has been very pronounced in the Mexican peso; investors also continue to bet on a stronger Russian ruble and Brazilian real despite volatile commodity prices and rate cuts in Brazil and Russia. Appetite for EM currencies has also been evident in trading volumes, which rose almost 10% in Q1 2017 for local currency EM debt.

Moreover, attractive equity valuations highlight scope for further carry gains; many emerging market sectors are still trading at hefty discounts to the U.S. equity market.

Risks

Very low volatility leaves market vulnerable to repricing on new risks. The tapering of Developed Market (DM) central bank asset purchases and already low volatility are among the key risks.

- What if it really was just a Quantitative Easing bubble? An obvious catalyst that would inject volatility back into markets would be a potential tightening of global liquidity conditions (U.S. Treasury 10's back to 2.6%?) as DM central banks taper asset purchases. However, such event is unlikely in the near term.
- While many EM corporates have relatively solid balance sheets, risks are higher for those that have accumulated FX debt over years of low interest rates. The rise in FX debt has been particularly pronounced for many countries in Latin America. Accordingly, the number of companies in the region with a low interest coverage ratio (those more exposed to a rise in global risk premia) has been on the rise, the same for Chinese corporates. Such firms could see debt-servicing capacity weaken if U.S. rates and the USD were to rise significantly, putting pressure on regional capital flows and currencies.
- What if oil is back in a bear market? The most significant risk to EM in 2H17 was identified as a renewed downturn in commodity prices.
- Political uncertainty with elections in many EM countries.
- Weakening economic Chinese data.

Equity Investment Outlook

Emerging Markets

Emerging market equities were up 1.01% in June, outperforming their developed market counterparts with MSCI EAFE ending down -0.2%, while the S&P 500 was up 0.48% for the month. The biggest outperformer was China's domestic A-share market, which was up +7%. Much of the catalyst for this outperformance was MSCI's long awaited decision to include China's A-share market in its emerging market index. MSCI decided to include China's A-shares gradually with a 5% inclusion factor starting in 2018. Greece also performed well, up +5.6% with news of the Eurozone finance ministers reaching an agreement to renew their commitment to implement a second set of measures to ensure Greece's debt sustainability. Qatar was the worst performing market, ending down -8.12% due to the decision by Saudi Arabia, Egypt and other GCC countries to potentially economically isolate the country.

For the quarter and the first half of the year, emerging markets outperformed DM significantly. With the exception of Russia, Eastern Europe as a region performed best during the quarter, with Greece, Hungary and

Turkey all yielding double digit returns. In addition to Greece's Eurogroup agreement, these countries are benefitting from the economic recovery of the European continent in general. We are sanguine on the outlook for Eastern Europe and are actively researching new potential investments. In contrast Russia was the worst performing market ending down -14.26% for the quarter, as weak energy prices and potential U.S. sanctions weighed on the market.

Frontier Markets

Frontier equity markets, as represented by the Frontier market stocks averaged a small increase this past June. The MSCI Frontier Markets index gained 0.61%. The Africa and Middle East region contributed most, with Morocco and Nigeria up 7% and 6%, respectively. The Consumer Staples sector also contributed positively, up 3%. Argentina (down -4%), Romania (down -7%), and the Energy sector (down -8%) detracted most.

During the second quarter, the index experienced broad gains, appreciating 6.13%. Including June, the Africa and Middle East region contributed most, with Nigeria, Kenya and Morocco appreciating significantly. Argentina (up 4%), Romania (up 9%), and Vietnam (up 5%) also contributed. From an industry viewpoint, Banks, Food Products and Beverages contributed most.

For the first half of 2017, the index has appreciated broadly, gaining 15.57%, with all regions contributing significantly. Only Oman (down -15%) and Pakistan (down -6%) have been exceptions. All sectors have also participated in the index's rise.

We continue to find investment opportunities in Central Asia—specifically, Sri Lanka, Pakistan, and Bangladesh—and are overweight there as a result. We also continue to believe our Vietnamese holdings are significantly undervalued. We are most underweight Kuwait and Argentina. Regarding Kuwait, we expect low global oil prices to continue to hamper Middle Eastern budgets, while valuations have become stretched in Argentina.

Country Updates

Argentina (Hold Market Weight)

October midterm elections should set the tone. A stronger economy should set the stage for increased public support for current policies in the October midterm elections.

Disinflation should raise real wages and nominal wages and pension corrections start to kick in to support demand, while investment should recovery sharply. 1Q confirmed the exit from the recession (+2.4% quarter-over-quarter, saar) but disappointed on the margin our more optimistic call. We see better sequential growth for the rest of the year supporting our 3.1% full-year call, although we flag minor downside risk to this forecast.

Argentina's reclassification to EM status by MSCI has been postponed. The government has focused on meeting the more urgent macro stabilization goals (reducing inflation and jump-starting growth). However, limited progress has been made thus far in advancing productivity-enhancing reforms and improving the underlying fiscal position. The primary central government deficit was 4.6% of GDP in 2016 and is set to remain above 4% this year. Much still needs to be done.

Brazil (Underweight)

New downgrade probable without reforms, says Moody's. Recovery is still expected to gain traction, led by domestic demand as the Central

Bank's easing cycle comes to a close. 2017 growth is expected at 0%, even as 2H should engender a recovery. The fate of the Temer presidency, the impact on reforms, and the outlook for 2018 elections are an interrelated wild card.

Chances that the credit rating will suffer a new downgrade are very high if structural reforms do not advance. Moody's changed the outlook from stable to negative in May due to the expectations that the vote on the pension system reform will be delayed and on the decreased probability of approval. While the decline of inflation forecasts and the expected cuts in interest rates favor a reduction in Brazil's debt, weak economic growth risks further eroding government's revenue. The ratings company said that if the pension system reform is not voted this year, it is not expected to happen before the October 2018 presidential elections, which is likely to occupy lawmakers' attentions as early as the start of next year as they prepare to seek reelection.

Public sector net debt rose to 48.1% of GDP. Gross general government debt rose to 72.5% of GDP. To sustainably stabilize net debt, the government has to generate primary surpluses above 2% of GDP.

Social security deficits continue to balloon. The private social security system registered a 2.66% of GDP deficit in twelve months.

Central Europe (Underweight)

Good fundamentals, but at a cost. Output has risen above potential in all four countries as real GDP growth is set to rise to 3.5% this year. At the same time, fiscal balances are worsening, affected by spending increases and tax cuts. Fiscal policy, largely restrictive in 2011-2016, turns expansionary this year despite mounting signs of overheating.

Chile (Underweight)

Credit downgrade looms. The end of the commodities super cycle, tight global financial conditions, and relatively low domestic confidence levels conspired to constrain Chile's economic growth for a fourth consecutive year in 2016. Two of the three risk rating agencies have revised Chile's outlook from stable to negative.

The country's ratio of debt-to-GDP continues to grow; unemployment reached 7%; and further weakening of fiscal accounts amid low growth could trigger a credit downgrade.

The recovery in commodity prices and improved political prospects ahead of the November presidential election are two potential short-term catalysts for growth. President Piñera is consistently leading the presidential polls, expanding its advantage over Senator Guillier.

China (Hold Underweight)

Manufacturing activity picks up. The official NBS Manufacturing PMI rose in June, defying market expectations of a fall. The expansion in domestic and export orders was very strong, which had led to a rise in production. The upshot is that underlying economic activity was stronger than the market had expected, supported by accommodative fiscal and monetary policies. While financial regulatory tightening is still on-going, authorities should strike a balance between growth and reform. Modest but broader recovery is expected in the coming quarters.

Egypt (Hold Market Weight)

Stabilizing, but still no growth. The reform program set in motion late last year has let the economy find a floor. Positive growth in new export orders also offers substance to hopes that FX reforms has started to boost competitiveness.

However, none of the underlying activity markers look to be building momentum. Inflationary pressures remain elevated. We continue to expect activity to remain subdued with recovery only apparent in 2018.

Malaysia (Market Weight)

The ringgit has risen strongly against the dollar in 2017 after a volatile 2016. Revived foreign portfolio inflows, improved growth, firmer oil prices and BNM policies have lent support. While there are downside risks, the appreciation is likely to continue amid solid fundamentals.

Mexico (Hold Market Weight)

Weaker activity expected in the coming quarters. Mexico is an exception to 2H recovery: resilient growth to cool and rotate towards net exports. Higher inflation and tighter monetary policy may weigh on consumption, but stronger external manufacturing demand should compensate somewhat. Solid manufacturing, with the NAFTA renegotiation scenario benign and AMLO risk contained.

Growth in 2017 Q1 remained solid driven by improved exports stemming from a gradual recovery in the U.S. manufacturing sector. Yet, a major topic of debate is whether Mexico will be able to sustain growth in the coming quarters. Uncertainty over the NAFTA renegotiation and the July 2018 presidential election has eroded confidence. While high-frequency indicators have not provided conclusive evidence of a broad-based growth slowdown in the short term, investment has been largely affected, undermining the economy's ability to grow.

Consensus real GDP growth forecast for this year is at 2%, down from 2.3% in 2016. Growth is projected to further slowdown in 2018. High interest rates and doubts surrounding the stability of relations with the U.S. will likely persist into 2018. These factors, combined with volatility linked to the presidential election, will have a more adverse impact on activity next year than what is anticipated.

Nigeria (Speculative Overweight)

Struggling to adjust to lower oil prices, FX shortages and stagflation. The economy may have finally found a floor. Sentiment has improved, but recovery is expected to remain slow due to challenges in bringing oil production back to capacity and capital controls hampering foreign investment. Plans for a more expansionary fiscal policy could increasingly crowd out private sector credit growth. Despite the challenging outlook, international reserves should continue to rise and inflation should fall modestly.

Given that macro rebalancing may be underway, local currency assets may offer interesting entry points for investors that are willing to take the long view. We do not anticipate rampant appreciation of the Nigerian Naira (NGN) in the near term. Inflation has peaked, but it may actually decline only slowly. As a result, bond and Treasury bill yields could remain elevated for quite some time.

Philippines (Market Weight)

Growth is slightly slower post-elections, yet exports have rebounded. The tax reform should allow greater development spending while limiting the increase in the deficit. The monetary stance is likely to be remain accommodative in the near term with inflation within target range. Real GDP is expected to grow 6.5% in 2017 and 6.6% in 2018.

Remittances are key as they bolster domestic consumption and help shore up the current account. Concerns on remittance outlook have risen due to the oil price collapse and cutbacks in the Middle East. However, recent data suggests receipts have been resilient and we expect continued moderate expansion.

Qatar (Underweight)

Cut diplomatic ties. Saudi Arabia, UAE, Bahrain, Egypt, Jordan, and few other allied countries have cut diplomatic ties and transport links with Qatar, the largest LNG exporter in the world. The cause cited regards national security concerns and differences over foreign policy. The peg to the dollar will be maintained, underpinned by large foreign currency assets, but Real GDP growth could halve. While the banking sector is sound, the imposition of sanctions by neighboring countries could pose a significant challenge.

Russia (Overweight)

All key activity indicators surprised to the upside. Recovery in economic activity gains momentum following a recession of almost two years.

The gradual recovery in economic activity remains supported by a favorable external environment (mainly characterized by broadly stable oil prices since mid-2016 and softer U.S. dollar) and subdued geopolitical risks. Key production-side indicators surprised to the upside. Strong dynamics were revised with partial payback in 3Q; to some extent due to the current downward correction in oil prices. A weaker oil price outlook and our conservative view on Russia's potential growth contain potential.

Stronger growth is unlikely to generate immediate concerns on the part of the Central Bank of Russia (CBR) as momentum in consumption has weakened a bit, while wage growth appears aligned with productivity.

As for geopolitical risks, our baseline scenario assumes that there will be no significant changes in the sanctions against Russia during our forecast horizon. U.S. lawmakers have recently discussed codification of current sanctions, making their removal extremely difficult.

The ruble is likely to be slightly weaker in the remainder of this year but we are not concerned about an imminent potential weakening of the ruble in 2017. The CBR also stands ready to resume FX purchases to replenish its FX reserves toward $500 billion. Total gross FX reserves stood at $405 billion as of June 1st.

The federal budget deficit shrank to 1.6% of GDP in January through May this year from 3.4% of GDP last year on back of recovering energy-related revenues. As three quarters of these come from oil-related export duties and taxes, higher oil prices helped them recover to 7.1% of GDP this year so far from 5.7% of GDP in 2016.

Saudi Arabia (Underweight)

Implication of change in succession. The change in succession will reinforce the economic and social reforms of the 2030 Vision. It puts an end to decades of conservative Saudi policy, administered by relatively senior princes. Private sentiment is encouraged by the change in succession as indicated by the jump in Saudi stock market. The exchange rate peg is regarded as a critical anchor of economic stability.

South Africa (Underweight)

Current account structural deficit. South Africa's external current account deficit, long regarded as a source of vulnerability, came sharply into focus in 2013 when it was labeled as one of the "Fragile Five" emerging markets dependent on portfolio capital inflows. The current account has not always been in deficit, however, which raises the question whether it has now become more structural in nature.

There is still pronounced cyclicality, but this mainly reflects movements in the trade account. The price index spread of South Africa's main commodity exports over oil (the largest import) is closely correlated with movements in the trade balance. However, when the spread peaked in 2009-11, which coincided with declining import volumes due to recession, the current account remained in deficit, despite a relatively large trade surplus. This is in sharp contrast to the period 1990-2005 when the current account twice swung into surplus when the trade balance improved, implying that the structural element of the current account deficit has become more dominant over the past decade. The main reason for the persistent current account deficit since 2005 was a deterioration in the income balance and an increase in net transfers.

South Africa is one of the few EM countries (the others being China, Russia and GCC countries) where external assets exceed liabilities.

The USD will continue to strengthen versus ZAR. Current account deficit widened. While the economy maintained a healthy trade surplus, the worsening external imbalance reflected a bigger income deficit as dividend receipts declined. It's expected both the trade position and income deficit will deteriorate pushing the current account shortfall to about 4% of GDP in the second half of this year. The country's external imbalance widened at the start of the year as a result of a deteriorating income deficit, but remains substantially smaller than the 5.0% of GDP shortfall observed in the same period last year. This largely reflects the marked improvement in South Africa's terms of trade. The large imbalance on the income account remains structural in nature and will continue to limit the scope for the current account to improve.

The current account position will continue to worsen. This is likely to be something that ratings agencies monitor, with the reliance on short-term inflows for financing increasing the country's underlying external vulnerability.

Turkey (Market Weight)

Credit boom. Strong real GDP growth fueled mainly by temporary tax cuts, with private consumption as the key contributor. Growth forecast unchanged at 4.2% for 2017 and 3.5% for 2018.

RVXGO[1] Contributors and Detractors to Performance
June 2017

Rank	Contributors	Contribution
1	RUSSIA 5.25% 23 JUN 2047 REGS	0.38%
2	DONACO INTL LTD	0.24%
3	KOSMOS ENERGY LTD	0.13%
4	IBAZAZ 5.625% 11 JUN 2019	0.12%
5	NEUQUE 7.5% 27 APR 2025 REGS	0.11%

Rank	Detractors	Contribution
1	GEOPARK LTD	-0.45%
2	VOSTOK 9.875% 11 MAR 2019 REGS	-0.25%
3	PDVSA 8.5% 27 OCT 2020 REGS	-0.18%
4	GLOBAL X MSCI PAKISTAN ETF	-0.17%
5	FRONTERA ENERGY CORP	-0.12%

We thank you for your continued support.

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Had the Adviser not reimbursed the above mentioned expenses the net performance after deducting Advisory, Performance and Operational Expenses would had been -0.35% for the month and 7.73% for the year. Please keep in mind that double-digit annual returns, if any, are highly unusual and cannot be sustained. Prospective Investors should also be aware that these returns were primarily achieved during favorable market conditions, which are generally at an all-time high. All results portrayed for RVXGO are estimated, unaudited, subject to adjustment, and not intended to comply with AIMR-PPS™ or GIPS guidelines. **See also the "IMPORTANT DISCLAIMERS AND OTHER LEGAL INFORMATION."**

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The contributors/detractors do not represent all of the securities purchased, sold, or recommended. Upon request, RVX will make available both: (i) a list showing every holding's contribution to the fund's overall performance during the measuring period; and (ii) the calculation methodology.

__Disclaimer 3__:

The hypothetical model performance shown herein is based on simulated or hypothetical trades made by RVX for a hypothetical Model Emerging Markets Portfolio containing investments of the type RVX generally expects to purchase for accounts utilizing an emerging markets strategy (although there may be potentially significant differences which may affect performance). The assets which formed the basis for the hypothetical performance were invested in a style currently expected to be so similar to the fund or a real portfolio utilizing RVX's Emerging Markets strategy that RVX believes this information to be relevant to prospective clients. However, there are certain material inherent limitations on data derived from a client account's application and exposure to a hypothetical model portfolio that, although invested similarly, is not that of a client account (or the fund) and there are many reasons why actual results may differ. One of the limitations is that hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk associated with actual trading. There are numerous other factors related to the markets in general and to the implementation of any specific trading strategy which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results. Furthermore, hypothetical model results may not reflect the correct impact, if any, that certain market or economic factors might have had on RVX's decision making if RVX were actually managing a client's money. Accordingly, in real life, frontier market products of RVX (i.e. the fund) may not actually make trades or investments in the same way that simulated the hypothetical model performance generated herein.

No hypothetical model performance is a guarantee of future results, and no representation is being made that any fund or account of RVX will or is likely to achieve profits or losses similar to those shown or described herein. You must not assume in absolutely any way that assets of the fund (or any account) will grow at rates similar to the results described herein, or that your assets will have positive returns. All investments involve risk including the loss of principal and actual performance for a real account will further vary from any hypothetical model performance shown herein based on many factors, including, but not limited to, timing of capital contributions and withdrawals, side pocket investments (if any), investment strategies, taxes and withholding, special allocations of new issues, market conditions, and different fee arrangements, among other things. The returns are net of advisory fees and estimated commissions fees. Please keep in mind that double-digit annual returns, if any, are highly unusual and cannot be sustained. Prospective investors should also be aware that these hypothetical model returns were achieved during favorable market conditions, which are generally at all-time highs.

The U.S. dollar is the currency used to express hypothetical model performance. All hypothetical model performance shown herein isn't necessarily based on the same types of gains. Hypothetical model performance figures shown herein include reinvestment of all dividends, interest, and capital gains, are pre-tax averages of individual year's results (unless otherwise indicated), are based on end-of-day data, and are presented net of advisory fees and estimated commission fees. All hypothetical models are estimated, unaudited, subject to adjustment, and not intended to comply with AIMR-PPS™ or GIPS guidelines.

__**Disclaimer 4:**__

The hypothetical model performance shown herein is based on simulated or hypothetical trades made by RVX for a hypothetical Model Frontier Markets Portfolio containing investments of the type RVX generally expects to purchase for accounts utilizing a frontier markets strategy (although there may be potentially significant differences which may affect performance). The assets which formed the basis for the hypothetical performance were invested in a style currently expected to be so similar to the fund or a real portfolio utilizing RVX's Frontier Markets strategy that RVX believes this information to be relevant to prospective clients. However, there are certain material inherent limitations on data derived from a client account's application and exposure to a hypothetical model portfolio that, although invested similarly, is not that of a client account (or the fund) and there are many reasons why actual results may differ. One of the limitations is that hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk associated with actual trading. There are numerous other factors related to the markets in general and to the implementation of any specific trading strategy which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results. Furthermore, hypothetical model results may not reflect the correct impact, if any, that certain market or economic factors might have had on RVX's decision making if RVX were actually managing a client's money. Accordingly, in real life, frontier market products of RVX (i.e. the fund) may not actually make trades or investments in the same way that simulated the hypothetical model performance generated herein.

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