Monthly Newsletter

March 2017

Optimism on EM returns. Let the good times roll.

The RVX Global Opportunity Fund, Ltd. – Class C ("RVXGO") recorded a net return of 0.28% for the month of March, bringing 2017 year-to-date net returns to 5.0%.[1 2 3]

The RVX Emerging Markets Equity Model Portfolio recorded a net return of 6.38% for the month of March, bringing 2017 year-to-date net returns to 13.34%.[2 4]

The RVX Frontier Markets Equity Model Portfolio recorded a net return of 2.11% for the month of March, bringing 2017 year-to-date net returns to 6.72%.[2 5]

Macroeconomic Developments

- Although the Fed is raising interest rates, global financial conditions remain accommodative, with the European Central Bank (ECB) and the Bank of Japan still engaged in aggressive quantitative easing. The dichotomy that pervades global markets is the disconnect between the headlines and price action in markets. Naysayers were proved wrong about the adverse impact on market sentiment regarding the Brexit vote and Donald Trump's shocking victory in the U.S. presidential election.
- EM assets have outperformed in Q1, seeing the strongest portfolio inflows since 2015. Amid quarter-end rebalancing, the reflation trade has slowed, bonds have rallied, and rotation has favored emerging markets. What accounts for the dramatic improvement in sentiment towards emerging markets? The recent Fed´s "dovish hike," weakness of the dollar, improving economic and financial conditions in developing nations (stronger balance of payments positions, particularly in Asia), and the stabilization of growth in China. This sentiment relies on oil prices not collapsing, growth in China holding up and the Fed maintaining a measured pace of rate increases.
- As for developed markets, there is lack of conviction in market direction. Global policy uncertainty is still close to the highest levels on record. Neither political developments nor central banks are providing much clarity. Trends are short-lived, volumes are low, and futures markets send a similar signal of

[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 0.10% for the month and 4.45% 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.

uncertainty, backing away from prevailing short bonds, and long USD positioning.

- Heading for an expansionary fiscal and monetary policy? The 10-year U.S. Treasury bond yield could drop below 2.3% before heading towards 3%. This move down in yield may be supported by lower inflation, little to no acceleration in GDP in coming months, and the fact that fiscal stimulus is likely to be pushed back until later this year and be less than what market participants expected.
- Technical and valuation measures indicate that the S&P should correct eventually (perhaps down 20%), but we suspect that moment of reckoning to be closer to year-end. EM should pull back too then. The U.S. dollar is getting oversold so a bounce in the dollar could add to pressure on EM. In contrast, forward earnings estimates continue to rise for EM equities.
- Since early January, the dollar index (a measure of Greenback's performance against a basket of its peers) has fallen 3.5 % and is once again below the psychologically important level of 100. Half of the decline has occurred since the Fed decision to refrain from accelerating the pace of interest rate rises this year. We think some USD upside is possible but that it may weaken 5-10% lower and stabilize in the long run, as U.S. monetary policy does not seem as aggressive as expected while the Rest of the World (ROW) stabilizes.
- China hikes rates. President Trump meets China's Xi Jinping for the first time. Clues are expected about the future relationship regarding trade imbalances, jobs, currency manipulation, the "One-China policy," and the threat of North Korea's nuclear program.
- Oil: we think oil is biased to increase, but just around 10%; that is USD $53-57 per barrel.
- The ECB is not planning to shift its stance any time soon. It is past the peak of QE but it is still too early to consider rate hikes as long as a sustainable trend in rising inflation cannot be observed. However, the exit from the unorthodox policies is inevitable. What matters is the sequencing of the exit. With the negative deposit rate of 40 bps, the ECB could reduce the negativity before completely ending its asset purchase program. This, however, does not appear likely in the upcoming months. The Federal Reserve waited for a considerable period after the end of its asset purchases before raising its Fed Funds target. In the meantime, the global stock of negative-yielding bonds still stands above USD $10 trillion (according to Tradeweb, a bond trading platform).
- Netherlands: Prime Minister Rutte beat populist Wilders. Rutte's party, VVD, remains the largest party despite losing seats.
- In France, Emmanuel Macron has seen a surge in support in the polls. He will face Marine Le Pen in the second round of the presidential election. Our position is that Macron will ultimately win.

- Greece: we expect it will take time to reach a settlement that will include the participation of the International Monetary Fund (IMF) and a deal on the debt relief measures. However, we think the ECB will continue to avert a default, the same way it prevented a break-up of the Eurozone in July 2012, by pledging to backstop the bond markets of Spain and Italy, thus restoring investor confidence in Europe's fragile single currency area.
- EM export growth continued its strong start to the year buoyed in equal parts by the recovery in commodity prices after their precipitous falls and an improvement in underlying demand. Following growth of 5.1% year-over-year in the final month of 2016, EM exports grew at their fastest rate in four years in January, expanding by 14.4% year-over-year (in dollar terms). The largest gains were in commodity producing economies such as Russia, Saudi Arabia and Brazil. The year-over-year growth rates were boosted by the comparison with a year ago, when commodity prices collapsed.
- The "Trumpometer" – the Mexican peso performance is an indication of how investor sentiment towards EM has fared during the election campaign. It lost more than 20% against the dollar in 2016 and in the eight weeks following Trump's triumph. However, there was a dramatic 15% rise in the peso versus the Greenback since January 19th. Contributing to the recovery are conciliatory comments from the Trump administration, coupled with a successful currency hedging program by Mexico's central bank.
- The UK's Prime Minister Theresa May triggered Article 50 kick-starting the Brexit process, which will see the UK leaving the EU in two years. UK assets have proved resilient. Yet, investors remain wary, with short GBP positions among the most crowded trades of 2017.
- Some EM currencies remain fragile, including the South African rand (political crisis) and the Turkish lira (ahead of the next month's constitutional referendum).

Global Drivers

Global Liquidity: U.S. Monetary Policy

From "hawkish" to "dovish". Fed funds hiked 25 bps increasing them to 1%. We expect two additional hikes this year, likely in June and December, followed by four hikes in 2018. U.S. Treasuries have been incorporating expectations of an expansionary fiscal policy because of Trump's promise on infrastructure. The increased indebtedness (the U.S. Treasury 10-year yield was 1.85% prior to Trump´s victory) reached 2.64% recently, and now hovers around 2.3%. Furthermore, Janet Yellen's speech effect on the yield curve was dovish. She hinted at three additional hikes in the year instead of four, and most importantly, that QE could be reinstated if the long end of the curve misbehaved. Investors have reacted positively because they remember that QE had three effects since 2008: to decrease yields in the long end, to inflate financial assets and to weaken the USD.

The March employment report reinforced the expectation of a June hike. While this expectation is reasonable, there is a risk it may be questioned if GDP growth remains below 2% and the Republicans are unable to pass tax cuts as quickly as expected. If a June rate increase is called into question, the 10-year yield could drop below 2.3% and the 30-year Treasury yield could fall from 3.2% to 2.95%.

Overall, the U.S. economy appears solid. Moderate wage growth has supported competitiveness, while the absence of inflation has allowed for real income gains, supporting consumption. The growth outlook is dependent on what policy measures Congress and President Trump can agree on. After six years of expansion, the economy seems to have found a pace of growth around 2%, enough to increase employment, but not fast enough to generate inflation.

As Congressional Republicans debate next steps in the wake of failed efforts to pass a healthcare bill, concerns persist regarding Trump administration's ability to deliver on its policy proposals. Yet, incoming U.S. economic data continues to surprise on the upside. Consumer confidence hit a 16-year high in March, providing some support to the dollar and cyclical stocks. Rising consumer confidence highlights expectations for consumer tax cuts. Other encouraging signals of the U.S. economy include an upward revision to Q4 GDP growth, driven mainly by robust personal consumption, and that corporate profits also saw a fourth consecutive quarter of growth. While we look for an increase in U.S. growth this year, from 1.6% in 2016 to 2.3%, there are also signs of caution, particularly in the banking sector. The marked slowdown in bank lending, particularly to businesses, has been in a sharp contrast to expectations that stronger demand and hopes for financial market deregulation would boost it. Reasons cited for the slowdown include rising interest rates, political uncertainty and the recent slump in oil prices.

The ECB has continued above trend growth, and inflation has jumped to 2% in the Eurozone. This has spurred more talk of an exit from the extraordinary monetary policy, which could include a rate hike while assets are still being purchased and the European Central Bank's balance sheet is still expanding. Upbeat sentiment has also been evident in the euro area in recent months, fueling expectations that the ECB could further trim the pace of its asset purchases or even increase rates by late 2017 and into 2018. However, with the impact of 2016's higher oil prices gradually fading, inflationary pressures have eased.

Commodities: Oil

Given recent oil price weakness, OPEC production cuts may be extended into the second half of 2017. The deal may be extended if oil inventories remain above their 5-year average.

Commodity prices have recovered more than 10% over the past year or so, but have receded in March. Still, there are risks of oil prices declining, and equity and high-yield debt markets coming under pressure. U.S. "junk bonds" – non-investment grade corporate debt – are already on track to suffer their worst performance since January 2016.

Risks

Politics, global geopolitics, the Greek crisis, overvalued U.S. stock markets, U.S. debt limit, and declining GDP growth are several warning signs.

We see three main risks in the current environment:

1. **If the U.S. implements aggressive protectionist policies.** Yet, worries of extreme protectionism in the U.S. seem to have subsided. Commerce Secretary Wilbur Ross has struck a more conciliatory tone over negotiations with Mexico, but said he is ready to start formal talks with Canada and Mexico to renegotiate NAFTA.

2. **If U.S. rates rose sharply.** FOMC officials view stock market valuation as "quite high," along with commercial real estate prices. Few would dispute this, particularly relative to other mature market economies. When the lack of stock market volatility is factored in, the U.S. stock market valuation is at a record high.
3. **If China saw a financial shock.** Things have been looking up for China's economy in the last couple of months: the property market is warming up again, industrial profits have been rising, producer price inflation has turned positive and many PMI readings have been improving. Yet, the medium-term challenges remain. We do not expect that the economy is about to collapse, but a slowdown can be expected in the next year or two. The accumulation of debt and lack of supply-side reforms in recent years make this inevitable because of the drag from deleveraging.

We do not anticipate these risks to materialize. The risks from protectionism are probably the highest in the second half of Trump's term. We also believe that currently, EMs are better prepared to face moderate pressures thanks to the reduction in macro imbalances. However, risks still have to be monitored closely.

EM Investment Outlook

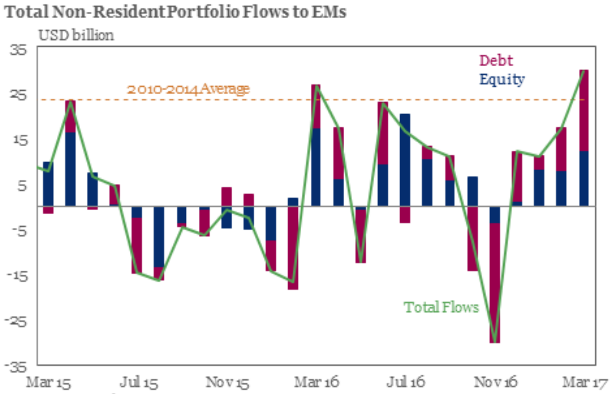
EM recovery unlikely to get undermined. Hefty inflows in recent days, notably into EM bonds.

Despite the heightened focus on U.S. policy normalization, emerging markets continue to fare well. According to JPMorgan, net inflows into EM mutual bond and equity funds since the start of this year have reached more than USD $32 billion. Equity inflows are their highest level in five years and bond inflows are comfortably recouping all of their losses in the weeks following the U.S. election. Inflows into EM mutual funds reached their highest level this year during the week ending March 22nd, which is an indication of just how resilient the EM asset class has proved to be given the plethora of vulnerabilities and risks in markets. Even more so given then mounting concerns about the shaky political underpinnings of Trump's much-anticipated pro-business economic policies.

Given that both Fed hikes and strains in global equities typically dampen the appetite for EM assets, there are good reasons to anticipate continued EM outperformance in the near term. Markets have moved much closer to the Fed dots, meaning less risk of unexpectedly aggressive Fed tightening. In the past this has tended to prompt EM portfolio outflows. The EM growth premium over mature markets is expected to rise in 2017 as EM growth is expected to be at least 2.5% higher than mature market growth this year, up from a differential of less than 1.5% in 2015. This should continue to support EM equities, while low yields and low volatility in mature markets remain very supportive for EM bonds. This is further supported by the Merrill Lynch Option Volatility Estimate (MOVE) Index, which measures the implied volatility of U.S. Treasury market, and has currently dropped back to pre-election levels. Adding to this support from fundamentals, EM assets remain attractive in terms of relative valuation and portfolio weightings. Investors remain underweight both EM bonds and equities. Finally, with political and policy risk at elevated levels in many major mature market economies, the emerging market risk premium has declined notably in recent months.

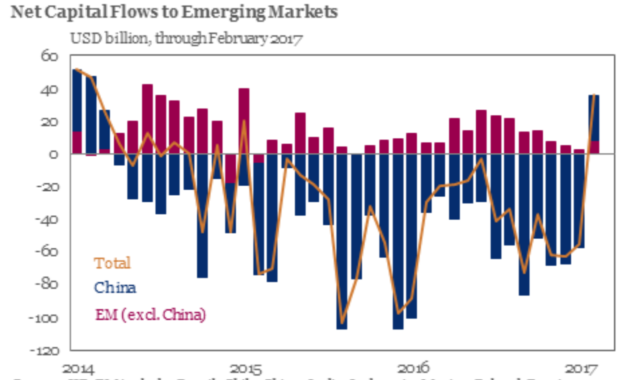
Comparing EM Credit Default Spreads (CDS) relative to those in mature markets, suggests that investors perceive EM risk to be much lower across the board than it has been in recent years, with significant improvement in major EM economies: China, Brazil, Russia, India and Indonesia. While some countries, Mexico, Turkey, and Special Administrative Regions (SAR) have seen relatively less improvement, they are exceptions to this trend.

Yet, how far can this rally go before a significant pullback? Although equity markets are hovering near record highs in the U.S., the VIX Index and other volatility indexes stand close to historic lows. One might wonder whether investors are too complacent. Many investors are concerned that market conditions may have become too buoyant. The SKEW index, compiled by the Chicago Board Options Exchange (CBOE), measures the difference between the cost of buying protection against a sharp decline in equities and the cost of buying the right to participate in a rally, has surged to its highest level since the Brexit vote. In other words, scratch beneath the surface of positive sentiment and it shows investors are not as careless as it appears.



Source: National sources, IIF

The Institute of International Finance (IIF) Capital Flows Tracker: Green Shoots. Non-resident portfolio inflows to EM rose to in March. All four EM regions saw portfolio inflows for the second consecutive month in March. China saw net capital inflows in February -the first monthly inflows since March 2014. Net cap flows to EMs (ex-China) reached a four-month high in February.



Source: IIF, EM includes Brazil, Chile, China, India, Indonesia, Mexico, Poland, Russia, South Africa, Turkey

Bond Investment Outlook

Outlook EM sovereign USD bond spreads are tighter than their post-crisis average of around 350bp.

Corporate Emerging Markets Bond Index (CEMBI) and Emerging Market Bond Index (EMBI) levels are trading near two year tights and inflows remain strong. The overall tone feels strong and supportive. EM growth continues to gain pace, with an increasing number of EMs in recovery mode. A tight monetary policy stance, reflected in high levels of real interest rates, has helped to restore macro stability in EM countries which previously faced adverse high inflation.

Global debt soared to over USD $215 trillion (325% of GDP) in 2016 – USD $70 trillion higher than a decade ago. EMs have racked up more than USD $39 trillion in debt since 2006 – largely in local currency. EM foreign currency debt has more than doubled to USD $7.2 trillion over the past decade. Higher domestic rates and stronger

U.S. dollar pose headwinds for those EMs with a debt-driven growth model. Refinancing risk is high – over USD $1.1 trillion of EM bonds and syndicated loans come due through the end of 2017.

Equity Investment Outlook

EM equities are outperforming in both their mature market peers and other EM asset classes. Part of the reason for this is clearly valuation – EM stocks are trading at a 25% discount to mature markets.

So much good news has been built into U.S. equities earnings forecasts, meaning a high risk of disappointment. Underpinning these forecasts is the expectation that U.S. fiscal stimulus will help boost what is already a solid cyclical recovery – economic surprise indices are near their highest levels since 2010, with EM in particular seeing a strong export-driven recovery. If U.S stimulus is not as quick or as significant as has been anticipated, rosy earnings forecasts will need to be downgraded. This will make already high price-earnings ratios look even more stretched, particularly for the U.S., where the Cape-Shiller PE ratio stands very close to 29x. This is well above pre-crisis peaks and not far off average dot-com bubble levels of around 34x. Against this uneasy backdrop, EM have been resilient. The Fed's "dovish hike" has been constructive.

Emerging Markets

Emerging market equities showed positive returns in March, outperforming U.S. markets while slightly underperforming international developed markets. The MSCI Emerging Market Index was up net +2.52% for the month vs. the S&P 500 net return of +0.07% and the MSCI EAFE net return of 2.75%. For 1Q, MSCI EM showed strong relative outperformance, returning net +11.44% vs. the S&P 500 net return of +5.91% and the MSCI EAFE net return of 7.25%. This has been the best start of the year for EM equities since 2006. Poland, Chile, and India were all outperformers for the quarter, while Russia, the UAE, and Qatar were all laggards. From a sector standpoint, Information Technology was the strongest performer while Energy was the worst.

Poland's equities have been supported by the combination of easing financial conditions and fiscal policy and strong external demand. The majority of Poland's equity market cap (51%) resides in financials, which stand to benefit from the above reflationary trends. Chilean equities have benefitted from the gradual rise and change in sentiment regarding the outlook for copper prices, which historically has been positively correlated with the local stock market and the Chilean peso. Political trends also appear to be more centrist and market-friendly, which has recently benefitted neighbors Brazil, Argentina, and Peru. Valuations in Chile appear reasonable even after the recent market upswing. Regarding Indian equities, the easing of fears that demonetization would hamper India's growth trajectory, as well as state election wins by Prime Minister Modi's ruling party that proved demonetization did not dent his political capital, added to tailwinds.

We have been recently focusing on Eastern Europe as a source for new ideas. Romania is showing export and wage growth, which has led to an uptick in domestic demand. Romanian equities show higher than average dividend yields at reasonable valuations, and coupled with a potential inclusion into the MSCI EM index, these factors could spur an increase in foreign investment. Since the country also has one of the lowest market cap to GDP ratios in the

EU (12% vs. 53% EU average), a pipeline of potential IPOs over the next year could improve sentiment. Hungary also looks interesting: the country is showing steady economic growth, backed by rising domestic consumption, low interest rates, and a tightening labor market.

Progress on economic reforms, earnings upgrades, and attractive valuations should continue to provide tailwinds for emerging market equities. Key risks include an unexpected slowdown in China's economy, as government officials face the delicate balancing of tempering the strong growth in the property market while supporting overall infrastructure spending. The U.S. Treasury market also bears watching, especially if yields rise faster than expected due to an uptick in inflation. The U.S. government is also debating the merits of a Border Adjustment Tax, which if implemented may cause a sizeable dollar appreciation that would negatively impact emerging markets.

Frontier Markets

Frontier equity markets, as represented by the MSCI Frontier Markets Index, were up net +2.47% for the month and +8.89% for the quarter. Key outperformers were Argentina, Kuwait and Vietnam: Argentina has benefitted from its potential inclusion into EM indices and stronger economic indicators. Market confidence has increased in the 'Kuwait 2035' transformation plan, which aims to make the country into a regional financial and cultural hub. Consumer confidence in Vietnam hit multi-year highs, and the economy remains one of the strongest growth stories globally. The main laggards were Pakistan and Morocco: Pakistan was negatively impacted by net foreign selling and increased regulatory oversight on margin lending, while investors in Morocco took profits after recent gains. We are doing further research for new ideas in Bangladesh and Argentina, where corporates have recently enjoyed earnings upgrades. We remain cautious on Nigeria and most parts of Middle East and North Africa (MENA), mainly due to currency worries, oil uncertainty, and a lack of compelling ideas.

Country Updates

Argentina (Tactical Market Weight)

S&P Upgrades Argentina to B: additional upgrades still to come. The market performance is supporting our long-standing bullish view. Argentina remains cheap compared to lower quality credits, despite lingering challenges: from the low popularity of the President to lingering high inflation and social unrest, to the likely continued increase in debt levels, and to the likelihood that the 2017 elections will mean the Macri administration will continue to depend on coalition-building to approve legislation. Smooth access to external financing has allowed for a gradual policy shift. Headline tax amnesty figure surprised expectations at $116.8 billion. A positive outcome for the government in the October elections is key for the establishment's continued support.

Brazil (Tactical Overweight)

Engaged in monetary easing for a slow turnaround. Outlook has changed to stable from negative by Moody's, Rating affirmed.

Macroeconomic conditions are finally stabilizing, with the economy showing signs of recovery and inflation falling. According to Moody's, GDP growth is expected to be between 0.5 – 1.0% this year and 1.5% in 2018, while inflation may drop to 4.5% in 2017. Moody's expects growth to stabilize around 2-3% after the end of 2018.

Chile (Underweight)

Activity continues to be weak and business confidence remains pessimistic. All indicates that an activity recovery will likely be mild.

Colombia (Market Weight)

Tax-reform impact remains uncertain. Fitch revised the outlook on Colombia's sovereign rating to Stable from Negative. The sovereign outlook revision revealed diminished macroeconomic imbalances. This comes as a result of the sharp reduction in the current account deficit and less uncertainty surrounding Colombia's fiscal consolidation path due to passage of tax reform measures in December 2016.

The tax-reform package will help to reduce large growing central-government deficits, which reached an estimated 4% of GDP last year.

Another key rating consideration is Colombia's external accounts. High current-account deficits led to an increasing external debt burden during the last few years with gross external debt diverging substantially from the BBB median. Fitch estimates Colombia's current account deficit was below 5% of GDP in 2016, down from 6.5% in 2015. Much of the adjustment came from a sharp fall in imports. Further adjustment in the current account balance is needed to stabilize the rise in external debt. Any stabilization will depend on a pick-up in exports as imports are unlikely to decline further.

Ecuador (Underweight)

Elections April 2nd. Ecuador’s new president, Correísmo narrowly won the presidential election, and hangs on Lenín Moreno, the political heir of the left-wing president Rafael Correa. Correísmo’s victory ends a series of defeats for left-wing governments in Latin America. Mr. Moreno’s opponent, Guillermo Lasso, a former banker, has refused to concede, yet the result will probably stand. Mr. Moreno will try to continue his predecessor’s policies, but he will have less money and wield less power.

Ecuador is suffering as a result of the fall in oil prices.

India (Overweight)

On a roll. The government successfully advanced the legislation for the Goods and Services Tax (GST) on March 30th. There will be four rates: 5%, 12%, 18% and 28%, depending on whether goods are considered a necessity or luxury. If revenues do better than the conservative assumptions, the rates could moderate and converge over time. Meanwhile, petroleum, alcohol and real estate will be taxed separately from the GST. While not perfect and teething troubles cannot be ruled out, the GST is a historic reform, which should reap sizeable growth dividends over the medium term. It establishes a uniform national tax for goods and services, thus ending the patchwork of state levies. Furthermore, it reduces logistics costs, bringing about efficiency gains, improves inter-state commerce and boosts the government’s “Make in India” campaign, in addition to encouraging FDI. Furthermore, the GST should give a lift to government revenues by improving compliance to provide financing for greater infrastructure and development spending. The renewed reform momentum comes soon after the Bharatiya Janata Party’s (BJP) strong showing in state elections in mid-March. Financial markets have responded positively to the election results and adoption of the GST; there was a jump in the stock market, appreciation of the rupee, and surge in portfolio inflows.

Indonesia (Overweight)

Bolstered by positive fundamentals. The economic expansion is being supported by robust private consumption, rising public investment, accommodative monetary policy, and gradual advancing of reforms.

The government is focusing on lifting development spending while cutting subsidies and expanding the tax base to keep the budget deficit below 3% of GDP.

After a series of rate cuts, Bank Indonesia is set to keep the policy rate at the current level over an extended period in the face of somewhat higher inflation and potential downward pressures on the rupiah. The Balance of Payments (BoP) is supported by a small CAD, sizeable non-resident capital inflows, and large reserve holdings, which should help underpin rupiah stability in the Rp 13000-14000/$1 range.

Downside risks emanate from possible protectionism in the U.S., greater slowdown in China, faster than anticipated Fed tightening, and domestic political dynamics.

Malaysia (Underweight)

Turning Around. The economy should gradually gain momentum as the headwinds of the past several years dissipate with domestic demand remaining stable, thus improving prospects for exports, and a firmer balance of payments. The government is keeping on the path of gradual deficit reduction, while curbing unproductive expenditures to allow slightly greater development spending along with targeted support to households. Despite a pickup in headline inflation, Bank Negara Malaysia (BNM) is set to keep the policy rate at 3% over the near term, while maintaining macro prudential and ringgit-stabilizing measures. Controversies related to 1 Malaysia Development Berhad (1MDB) remain a distraction for the government amid ongoing lawsuits and probes. However, it is firmly in control following state and by-election victories. Downside risks stem from U.S. led uncertainty, slowing China, possible renewed commodity weakness, global financial volatility, household and corporate indebtedness, and 1MDB related investigations.

Mexico (Tactical Market Weight)

The central bank of Mexico is expected to tighten monetary policy and intervene in the foreign exchange market. This follows fears of vulnerability pertaining to the protectionist measures pledged by Trump, which included withdrawing the U.S. from the NAFTA and building a wall along the U.S. – Mexico border.

The Mexican Peso reverted to be the best performing EM currency against the USD over the past month. External balances are improving, the carry is generous and there should be greater recognition of the mutually beneficial aspects of U.S. – Mexico trade even as NAFTA renegotiation gets underway.

Nigeria (Tactical Overweight)

The IMF says further actions are "urgently needed" to boost the economy. This is the first recession in 25 years. Growth is expected to remain flat and macro imbalances to persist. The IMF urges removal of foreign exchange curbs, tighter monetary and fiscal policy. Nigeria has not asked the IMF for fiscal support, but USD $1.4 billion in multilateral loans could be affected.

President Buhari has rejected a devaluation of the naira currency and backed curbs imposed by the central bank that force firms to buy dollars needed for imports for a premium on the black market. Nigeria has at least five exchange rates: the official one, a rate for Muslim pilgrims travelling to Saudi Arabia, one for school fees abroad, and a retail rate set by licensed exchange bureaus. The IMF said that if Nigeria did not remove foreign exchange restrictions and unify the exchange rates, it risked "further deterioration in foreign exchange reserves" and "a disorderly exchange rate depreciation." Furthermore, Nigeria should tackle its over-dependence on oil, low government revenues, large infrastructure deficit, rising debt service and double-digit inflation.

Nigeria released an Economic Recovery and Growth Plan (ERGP) for 2017 to 2020 calling for a market determined exchange rate. According to the IMF, the ERGP "is more optimistic on growth than (IMF) staff... does not explicitly call for tighter monetary and fiscal policy in the near term, and assumes no immediate change in exchange rate policy – all of which are essential to reduce vulnerabilities and increase investors' interest." Delays in adopting these policies increase vulnerabilities and risk reforms being politicized ahead of the 2019 elections. Adoption of a fully flexible exchange rate would likely see the naira, which is propped up by the central bank but trades around 30% weaker in the parallel market, plummet in value.

Poland (Tactical Underweight)

Contentious attempts by the authorities to block re-appointment of the former Prime Minister Tusk as President of the European Council. Two days after the decision by the European Council to reappoint Mr. Tusk, he was subpoenaed by the Polish prosecutors in a case related to the 2010 plane crash that killed former President Kaczynski. Most of our counterparts were exasperated with the attention given to the case by the government and all expressed concerns that Poland will have to cope with smaller inflow of EU funds in the new budget cycle that will start in 2021.

South Africa (Underweight)

S&P cuts South Africa credit rating to BB+ amid political crisis. Cabinet reshuffle is likely to result in change in direction of economic policy. Fitch sees South Africa GDP growth 1.2% in 2017 and 2.1% in 2018, but says the reshuffle has raised downside risks.

Since taking office in 2009, Jacob Zuma's administration has been plagued with scandals and allegations of nepotism. Despite setbacks, the African National Congress (ANC) still supports Zuma, and it seems that he will be able to survive his second and final term, which ends in 2019. The ANC will likely become increasingly subject to competing factions, resulting in government paralysis and potential for further downgrades in the country's credit ranking. The country's economic growth has also suffered, although we are seeing a signs of improvement on the horizon.

South Korea (Tactical Underweight))

Impeachment upheld, but the next government will face a challenging time. The recent decision by the Constitutional Court to uphold President Park's impeachment brings to a close the political saga. However, the next government will face multiple challenges ranging from rejuvenating the economy and chaebol reform, to rising tensions with China and North Korea, as well as possible demands from the U.S. to renegotiate the bilateral free trade agreement.

- Korea's Constitutional Court unanimously upheld on March 10th the National Assembly's December 9th vote to impeach President Park Geun-hye. This follows the growing corruption scandal involving her close confidante Ms. Choi Soon-sil and some of the country's leading corporations, which triggered widespread public protests. A snap presidential election must be held within 60 days, and we expect a left-of-center candidate to win the poll.

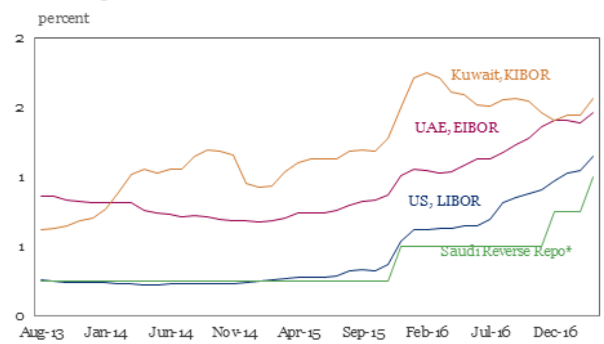
- The economy continues to experience below-trend growth with GDP to slip further to 2.5% this year from 2.7% last year. Risks are tilted to the downside despite the maintenance of low policy rates and a likely supplementary budget by the next government.
- However, the markets have responded positively to the impeachment process amid expectations of improved reform prospects.
- The political controversy has brought to the forefront criticism on corporate governance among the country's large, family-controlled conglomerates (chaebols). Demands for closer scrutiny of the chaebols have grown louder, as the public rallied against perceived deep-rooted graft and collusion among the political and business elite. Several of the largest chaebols donated large sums to Choi-affiliated organizations, some of which prosecutors suggest amounted to bribes in exchange for political favors. This resulted in the indictment of Lee Jae-yong, Vice Chairman of the leading Samsung Group. However, leniency is often granted to chaebol heads in legal trouble, including Mr. Lee's father being pardoned in the past.
- Potential presidential candidates have called for more stringent chaebol regulation and are likely to sympathize with public calls for reform. Beyond the perceived graft and special treatment of the chaebols, smaller businesses often have difficulty competing amid the large firms' economic might. There is a widespread feeling that the government's efforts to support small and medium-sized enterprises and innovative startups have not gone far enough to reform the system.

The next government will face elevated tensions with China as well as North Korea. It has to decide whether to revive the policy of seeking closer engagement. A deteriorating relationship with China could adversely impact Korea. This is because China accounts for 25% of Korean exports.

United Arab Emirates (Underweight)

Gulf Council Countries (GCC) Central Banks match the recent rate hike in the U.S. Despite a slowdown in activity due to serious fiscal consolidation and the oil crash, five GCC central banks (Bahrain, Kuwait, Qatar, Saudi Arabia, and the UAE) raised their key policy rates 25 bps in the context of the peg against the dollar. With the Fed expected to raise rates by another 50 bps in 2017 and 100 bps 2018, there is some concern about the impact of monetary tightening, yet the authorities' commitment to the peg remains firm. We expect financial conditions to tighten further.

GCC: Changes in Interest Rates



Source: Haver Analytics, National Authoritie
**Saudi interbank rates have eased with improved liquidity, SAMA policy rate shown in the chart*

Monetary tightening has been accompanied by significant real exchange rate appreciation since mid-2014. The strong dollar, to which the Gulf currencies are pegged, has meant cheaper imports and lower inflation. However, it has also exacerbated the slowdown in non-oil activity particularly in the more diversified economies in the region such as the UAE. While higher rates will eventually improve the profitability of the financial sector, we expect nonperforming loans to rise due to the slowdown and higher cost of credit. Nonetheless, the GCC banking sector is well positioned, with a capital adequacy ratio of about 17%.

Ukraine (Tactical Overweight)

Blockade threatens growth. The Ukrainian economy is showing signs of recovery. Growth is returning, inflation has been brought down, and international reserves have doubled. This is threatened by the blockade of the occupied territory in eastern Ukraine and by halting implementation of the IMF program. Real GDP accelerated in 2016Q4 to 4.8% year-over-year and pushed the annual growth rate in 2016 to 2.3%. The recovery lasted into January, with robust increases in industrial production and exports. Renewal of animosities in the occupied territories and the consequent blockade, however, slashed February numbers. External accounts still rely on the official financing to cushion the widening of the current account deficit to 4% of GDP last year. Headline inflation increased to 14.2% in February, significantly above the inflation target, pushed by higher tariffs and by pass-through effects of a weaker hryvnia. Pressures to raise wages and pensions are building. The central bank is likely to keep the policy interest rate unchanged at 14% to offset high wage increases and to prevent excessive hryvnia depreciation. Fiscal policy is likely to become expansionary during 2017, as parliamentary election nears. Notwithstanding the large fiscal adjustment, public debt remains high. The completion of The Executive Board's third review of the IMF of Ukraine's economic program under the Extended Fund Facility (EFF) enables the disbursement about USD $1 billion. This would bring total disbursements under the arrangement to about USD $8.38 billion. Impressive progress has been made in rehabilitating the banking system, but efforts are needed to continue to restore banks' soundness and reinforce their ability to support growth. The recent nationalization of Ukraine's largest bank was an important step to safeguard financial stability.

Venezuela (Speculative – Hold)

Another bout of political noise...another opportunity to add. A Supreme Court ruling stripped the National Assembly of its powers as it declared Congress was allegedly in contempt last year. This followed the admittance of three challenged representatives from Amazonas. The Court was going to delegate congressional functions directly to the court's Constitutional Chamber or to a specific body appointed by it. However, a few days later, Maduro reinstated Congress. Now, the National Assembly said that it will start a process to remove judges from the tribunal.

The more important question in the near term is repayment risk on April 12th (which will likely scrape gold reserves). We believe the willingness to pay remains intact while capacity keeps eroding – unless oil prices increase substantially, which we do not expect. The probability of debt restructuring increases with time, but so does the chance of regime change, hence, recovery value increases too.

RVXGO[1] Contributors and Detractors to Performance
March 2017

Rank	Contributors	Contribution
1	UNICMR 7.875% 01 APR 2024 REGS	0.30%
2	SUZANO 7.0% 16 MAR 2047 REGS	0.12%
3	GRUPO FINANCIERO GALICIA-ADR	0.12%
4	DIREXION DLY RUSSIA BEAR 3X	0.11%
5	DONACO INTL LTD(ASX)	0.10%

Rank	Detractors	Contribution
1	AGROK 9.875% 01 MAY 2019 REGS	-0.65%
2	PROSH ULTRAPRO SHORT S&P 500	-0.30%
3	PDVSA 8.5% 27 OCT 2020 REGS	-0.27%
4	GERDAU SA -SPON ADR(NYS)	-0.12%
5	VOSTOK 9.875% 11 MAR 2019 REGS	-0.11%

We thank you for your continued support.

The RVX Team

RVX Asset Management LLC
20900 NW 30th Avenue, Suite 401
Aventura, FL 33180
http://www.RVX-AM.comwww.RVX-AM.com | Phone: +1-305-363-6890
Fax: +1-305-675-0394

Important Additional Disclaimers and Other Legal Information

<u>Disclaimer 1</u>:

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 0.10% for the month and 4.45% 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."**

<u>Disclaimer 2</u>:

Past performance of any kind is not necessarily indicative of future results and future accuracy and profitable results cannot be guaranteed. The Top 10 Holdings do not represent all of the securities purchased, sold, or recommended. The Top 10 Holdings are not recommendations to buy or sell any particular security. Such advice is given to each RVX client individually based on, inter alia, their particular goals and objectives and risk tolerances. You should not view the Top 10 Holdings as necessarily being indicative of RVX's favorite holdings. The Top 10 Holdings are provided on an "as is" basis. RVX makes no express or implied warranties or representations with respect to the accuracy, completeness, reliability, or fitness of the Top 10 Holdings or any financial results you may achieve from their use; in no event shall RVX or its affiliates have any liability relating to the use of the Top 10 Holdings. There is no guarantee any of these Top 10 Holdings will be held by the Fund (or held with similar weightings) on any date hereafter; they are subject to change without notice.

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.

<u>Disclaimer 3</u>:

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.

<u>Disclaimer 4:</u>

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.

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.