Monthly Newsletter

September 2017

Cautious, But No Correction…Yet

The RVX Global Opportunity Fund, Ltd. – Class C ("RVXGO") recorded a net return of 1.45% for the month of September, bringing 2017 year-to-date net returns to 15.06%.[1 2 3]

The RVX Emerging Markets Equity Model Portfolio recorded a net return of 2.72% for the month of September, bringing 2017 year-to-date net returns to 37.41%.[2 4]

The RVX Frontier Markets Equity Model Portfolio recorded a net return of 1.41% for the month of September, bringing 2017 year-to-date net returns to 23.10%.[2 5]

Macroeconomic Developments

- The key drivers: Yellen's rather hawkish turn, due to a confidence that inflation will pick up and concerns that labor markets could overheat, is feeding into surging bond yields and forward rates. A renewed focus on possible U.S. tax reform, albeit a toned-down bill with smaller tax cuts with a likely 8 to 12 month horizon, continues to keep markets hopeful. Other key issues include German election results and the Spanish conflict, both of which put a damper on the strength of Euro. In addition, earlier this month, the PBOC scaled back measures to prop up the Yuan.
- Base scenario: re-adjustment out of QE (the unwind in the Fed's balance sheet commences in October), and assuming some normalization in inflation (closer to 2% levels) should result in the yield curve steepening (consensus forecasts see U.S. 10yr yield at 3% by year end 2018).
- Yields have moved up to the top of recent ranges. Investors believe yields will go up as QE policy unwinds, but we think yields will be contained as the normalization of Fed policy and inflationary pressure are likely to be very gradual. Likewise, Fed succession issues are keeping hawkish sentiment in check.
- Global stocks edge closer to a 20% gain this year. Equity risk premia are not considerably out of line with historical averages, and stock prices could probably absorb a 50-75bp rise in bond yields without too much difficulty–even if it happened more quickly than anticipated.

[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 1.00% for the month and 12.02% 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.

- Markets breathed a sigh of relief that tax reform plan was launched (featuring a corporate tax cut to 20% from 35%), with the UST yields jumping, USD gaining, and equity markets making new highs. The Trump administration has stated that something will get done on tax cuts over the coming months, even if those cuts are temporary and look different from the announced plan. Included in any tax proposal will be a reduction in rates, with some reduction in deductions. On a relative basis, this will favor firms which generally pay a higher effective tax rate, as they will benefit from lower rates and will be less disadvantaged by the closing of loopholes.
- Synchronized global recovery remains in place, led to a large degree by EM economic growth: Q3 points to another quarter of robust GDP growth from across the world, but this is as good as it gets. IMF expects world GDP to keep expanding at 3.6% for both the rest of 2017 and into 2018. Synchronized global expansion is being led by robust economic growth in China, running up to the 19th National Congress of the Communist Party in October, with real GDP expected to grow by 6.8% in 2017. In the developed world, lower trend potential growth, aging populations and continuing fiscal and political uncertainty mean the peak of the business cycle may already be upon us. As such, Chinese real GDP growth is expected to fall below 6% in 2019 while real GDP in developed countries will soften to just 1.4%.
- USD: turnaround sentiment continues to persist, but it is taking a breather. 1.2 vs EUR does not seem misaligned.

US:

- Risk asset prices remain resilient. Do risk markets properly reflect geopolitical risks? North Korea, Charlottesville, border wall funding and two hurricanes have collectively renewed a sense of social and political chaos in the United States; however, you wouldn't know it from looking at stock prices or credit spreads. The bond market says nothing much will change in the next two years. Conversely, economic data has been firm, with Q2 GDP revised up to 3.0% and Q3 still tracking above 3%, according to the Atlanta Fed. The current stable balance sheet size is neutral for the US, and attempts to shrink it could be impactful for markets and the economy. However, that neutrality on a domestic level is overwhelmed by QE expansion still going on elsewhere in the G4. The negative domestic flow, set to begin this year, could be more influential than the offsetting positive flow elsewhere. Until negative flow begins in the US, we expect more of the same.
- One of the macro surprises has been 2017´s drop in US inflation. There is lots of uncertainty over the pace of sequential inflation, whether structural changes in the economy are holding down momentum (the "Amazon effect"). A rise in core PCE to 1.9% next year is what Yellen is allegedly seeing.

EU:

- According to Draghi, the ECB's bond buying program has been "*very successful.*" A review of how various countries in the European Union have performed since 2011 would suggest the citizens of Germany might agree with Draghi, while those in Greece, Italy, and Portugal not so much. Germany's GDP is not even up 10% since 2011 so one might have to

label the outcome in Germany as a qualified success. Very successful or not, EU GDP growth has improved enough that the degree of monetary accommodation provided by the ECB will need to be dialed back in coming months from $60 billion a month in bond purchases to something less. Therefore, the question remains - when does the ECB communicate the reduction in monthly purchases? Eurozone inflation is hovering around 1.5% and should fall within the remainder of the year. ECB will remain cautious and announce only a very gradual tapering of QE.

- The German election results saw Angela Merkel win a new four-year term but at the expense of a loss of support, which will compel her to find new coalition partners. Any new coalition looks EU-unfriendly. In the meantime, there is additional political risk from the Catalan independence referendum and from next year's Italian elections. From an economic perspective, Germany is unlikely to deviate from its balanced budget policy. But the economy is unbalanced in the sense that it is operating too tight a fiscal policy and too low a real exchange rate brought about by its membership of the Euro. The financial counterpart to the current account surplus is the build-up of financial claims on other countries in the Eurozone. German corporate investment is at an historical low and German industry is facing challenges from China. So where does this leave the ECB? The markets are on alert to the announcement of further tapering in the ECB's QE program, which could happen as early as next month.

Global Drivers

FED:

Markets expect a December hike from the Fed and a little more next year. Remember, the Fed expanded its BS from USD 900 billion to 4.5 trillion in bonds. The unwinding will start with USD 10bn monthly for the last 3 months of 2017 followed by 20bn, 30bn for each subsequent quarter till 50b in Q4 of 2018.

The FOMC sent three messages: (i) it reiterated its conviction in the near-term tightening cycle, aiming for another hike in December and three more hikes in 2018; (ii) a shallower hiking cycle for 2019 and beyond, with only two hikes in 2019 (down from three) and a lower terminal rate of 2.75 percent (down 25 bps); (iii) it retained its fundamental assessment that diminishing slack will drive inflation higher, maintaining its forecast for core PCE inflation to reach 2% in 2019. Markets responded by pricing in more tightening in the front-end of the curve and pushed up the Dollar.

Oil:

We still estimate a WTI range of USD 45-55/bbl.

Base metals are moving lower and could be related to some slowdown in Chinese economic activity.

EM Investment Outlook

Need to look at ways to cover the downside

- We find reasons to maintain our cautious stance: We stand ready to change our views and portfolio positioning should we see a marked improvement in the real economy, gently going hand in hand with higher yields, together with a U.S. equity market moving sideways for long enough as to re-absorb the current over-valuation.

- Twin Bubbles: An Equity Bubble, particularly in the U.S., and a Bond Bubble, particularly in Europe. Inflation moved from zero to 2% in the past 9 months, quite an acceleration, leaving real rates in a -2.5% deep hole in Germany and other core EU countries. Real rates are now more negative than at any other point in modern financial history. Rationally, if negative rates were deployed to spur growth (through financial repression), and reduce unemployment (although not directly a mandate for the ECB), then it should follow that growth resurfaced interest rates should adjust. The higher the growth rate, inflation adjusted, the higher the real rates the economy can take. As growth picked up and rates did not, their relationship broke down markedly. The disconnect that ensued shows up as one of the largest to date. When compared to trend growth, government bonds in core Europe have never been as expensive as they are today. They are 200/250 basis point away from equilibrium.
- Outflows from U.S. stock funds persist amid uncertainties about the scope of U.S. tax reform, valuation concerns. Flows have dropped to its lowest level since the U.S. election in November.
- EM bond fund investors appear to prefer higher exposure to less-risky EM assets—favoring hard currency over local currency and sovereigns over corporates. With the pace of emerging market bond issuance in foreign currency at record highs, demand for EM bonds has continued to increase--yet investor appetite for EM currencies has diminished.
- We expect capital flows to emerging markets to remain resilient despite challenging circumstances, helped by a widening EM-mature market growth differential and generally attractive valuations. However, an abrupt deceleration in global risk appetite could weigh on EM currencies, particularly for currencies with an elevated level of domestic political uncertainty, such as the BRL, ZAR and TRY.

RISKS:

Global leverage too sensitive to interest rates. Some asset prices seem overvalued.

Uncertainty around key issues: Stretched valuations, the likelihood of a pickup in inflation, the risk of renewed capital outflows from China, the outcome of U.S. tax reform, the Fed's reaction, which dictates as to where the USD is headed and how investors are factoring in political/policy risk.

Global growth is slower but global debt levels are higher. According to the IIF, household, government and corporate debt climbed at the end of 2016 represented 325% of global GDP. The increase was driven by a 'spectacular rise' in emerging market debt: From 2006, it soared from $16 trillion to $55 trillion in 2016, and amounted to 215% of emerging market GDP, compared to 146% in 2006. Debt in developed countries rose to 390% of GDP from 348% in 2006. Most of the increase in emerging market debt was due to the explosion in Chinese debt, accounting for roughly one-half of all new credit created globally since 2005. China's credit boom has reached the point where countries typically encounter financial stress, which could spill over to international markets. In 2016, with the pace of growth still roughly twice that of nominal GDP, the credit-to-GDP gap has reached almost 30 percentage points. The international experience suggests that a rapid buildup is often followed by stress in domestic banking systems. The growth in global debt isn't a problem since growth is strong enough to provide the cash flow to service

the mountain of global debt, and interest rates are still quite low. But the record high level of debt relative to GDP suggests it will take less of an increase in interest rates to slow global growth as the cost of debt service consumes a greater share of cash flow. The increase in debt also leaves the global economy vulnerable to another financial shock as central banks have less ammunition now than in 2008 to contain a contagion. The seeds of the next financial crisis have been sown but won't be visible until global growth slows.

Equity markets in the U.S. are in bubble territory, when measured against trend growth, even considering multiples built on the two top quarters in earnings of the past ten years. They come cheaper only against bond yields. Except bonds are in a bubble themselves, never as big a bubble when yields are measured against the same trend growth. So valued, the expensiveness of government bonds are off-the-charts. As a result, we have bubbles in major equities and bonds at the same time. Emergency policymaking and ultra-loose monetary policy are being phased out, capacity constraints (no more bonds to buy past mid-2018) and income inequality are threatening to trigger regime change.

Uncertainties surrounding U.S. tax reform in the coming two months will likely usher in UST volatility.

Equity Investment Outlook

Emerging Markets

EM equities, as represented by the MSCI EM Index, were down -0.40% for the month, underperforming the developed markets indices: MSCI EAFE was up 2.49% while the S&P 500 was up 2.06%. For 3Q, EM equities showed better relative performance: up 7.89% vs. 5.40% for the MSCI EAFE Index and 4.47% for the S&P 500. While EM equities did take a breather in September, YTD outperformance remains compelling: up 27.78% vs. 19.96% for the MSCI EAFE Index and 14.21% for the S&P 500.

Top performers for the month and quarter included Brazil and Russia. Brazil's currency has been one of the top outperformers since 2Q, amid improving economic conditions and increased confidence that inflation will remain subdued and interest rates will decline. Russia has also enjoyed falling inflation and interest rates, and the equity market has been steadily rebounding from its lows in 2Q. On a bottom-up basis, we continue to find more attractive opportunities in Brazil, where multiples are still compelling following many years of underperformance.

Laggards for the month and quarter included Greece and Qatar. Greece was impacted by a public dispute between the IMF and ECB regarding Greek banks and the need for an AQR (Asset Quality Review), and by the results of the German federal elections: while Chancellor Merkel's CDU/CSU coalition maintained their leadership, they underperformed expectations while the far-right AFD party outperformed pre-election predictions. We saw the sell-off as a potential buying opportunity; while there definitely is a quality bifurcation among the Greek banks, the strong ones are showing many positive trends and have actually been outperforming expectations on loan growth and asset quality. Qatar continues to be impacted by the regional embargo led by Saudi Arabia, with the IMF recently cutting growth estimates for the year.

Frontier Markets

Frontier equity markets were up 2.04% for the month and 8.03% for the quarter, but on much lower trading volume. Average daily trading volume went down roughly -20% during 3Q, mainly on a regular downdraft in volumes given the summer season but also probably due to the myriad index changes in the MSCI FM Index during 2Q. Kuwait, Argentina and Vietnam were the key outperformers: Kuwait was boosted by its potential addition to the FTSE Emerging Markets Indices, while Argentina and Vietnam both showed improving GDP and consumer confidence numbers. Laggards included Sri Lanka and Nigeria: while both countries did see profit-taking after a strong 2Q, sentiment in Sri Lanka was affected by the resignation of the country's Finance Minister on corruption charges. Nigeria still faces an uncertain investing climate, given slowing growth related to a downturn in energy prices and an unhealthy banking system.

Research Travel

Our portfolio management team traveled to the Middle East in 3Q, and met with multiple companies from the MENA region. Some impressions from the trip:

- **The UAE** has many stable companies with strong dividend yields and healthy balance sheets, but slowing top-line growth. There has been a slight downturn in real estate prices as significant new capacity has been coming into the market. The capex cycle seems to be improving, and the push to increase non-energy tax revenues (VAT, luxury good, sin) is continuing. A few potential ideas were uncovered, including a low-cost airline carrier with well-stated expansion plans and a diversified property management company that is trading under its net asset value.

- **Egypt** looks very interesting, and we came away impressed by the progress the country has made since the devaluation of 4Q 2016. Local currency lending and credit growth are showing positive trends, and the country has been adhering to its IMF requirements. Companies tied to a rebound in local demand look interesting: we met with a large food conglomerate, who fed us well with good information and tasty snacks, an auto company, and a financial services firm.

- **Saudi Arabia and Kuwait** have both been buoyed by potential inclusions into larger emerging markets indices. In Saudi, capital markets activity has been strong, with a recent sovereign bond issue and the pending large IPO of Saudi Aramco. Economic reforms have been gaining steam and the country is working hard to diversify away from its dependence on high energy prices. The recent decision to end the driving ban on women

should have a positive economic impact in terms of increasing labor participation rates and discretionary spending. Kuwait has managed to transition from fiscal austerity measures (i.e. capex cuts) to more revenue-boosting policies. If oil remains near $50/bbl, Kuwait should show a surplus for the current fiscal year. Kuwait has deeper availability of large and liquid names, but we are waiting for some of the valuations to get more interesting.

- **Qatar and Oman** have many value-oriented and high dividend-yielding names given the recent downturn but without any clarity on the embargo and an uncertain credit ratings outlook, the risk-reward ratio does not look particularly compelling. We met with some telecommunications companies that trade locally but have significant operations outside the two countries; a continued sell-off could lead to a buying opportunity as the valuation of those non-core assets becomes more attractive.

Country Updates

Argentina (MW, spec OW on weakness): *technical correction feasible after the rally*

Economic recovery and the government's mid-term election momentum to pick up. The clarification of the political landscape already priced-in a victory of Cambiemos. New supply of debt to reach ~USD 32b in 2018, while total financing needs would rise to ~USD 45bn. Inflation, growth and tax collection are all improving. Imports are picking up but exports aren't.

Brazil (MW): *economic recovery likely will meet election uncertainties next year. Minimal risk of a populist new government. Social security reform is expected to be passed before the 2018 elections but markets are not concerned.*

There is a general view that the worst has passed in terms of the economic downturn and political turmoil, but uncertainty remains for the upcoming presidential elections. Falling inflation paves the way for lower interest rates. The Copom stated its preference for gradually reducing the pace of Selic rate cuts at the upcoming meetings until the end of the monetary easing cycle. Accordingly, the Copom should cut the Selic rate at the meeting of October from 8.25% to 7.50%, and to 7% at the end of the year.

China (UW, spec MW): *S&P downgrade but statement positive. Government Debt Still Contained.*

The leadership reshuffling will represent a turning point for economic growth, as the new politburo seeks to mitigate financial system risk and control the domestic housing market.

S&P decided to downgrade China's long-term sovereign rating to A+ (outlook stable) from AA-, citing lingering credit growth. Among the key points mentioned by the rating agency, (1) S&P believes that China's prolonged period of strong credit growth has increased its economic and financial risks; (2) the stable outlook reflects the view that China will maintain robust economic performance and improved fiscal performance in the next 3 to 4 years; (3) the credit growth in the next two to three years will remain at levels that will increase financial risks gradually; (4) S&P expects China's per capita real GDP growth to stay above 4 percent annually, even as public investment growth slows further; and (5) the recent intensification of Chinese government

efforts to rein in corporate leverage could stabilize trend of financial risk in the medium term.

Local government debt stabilized after the rapid increase in 2009-14. Government debt was 40% at end-2016—16% central and 24% local. China's debt/GDP ratio is still much lower than those of other major economies. The debt sustainability is not yet an issue given capped growth, manageable cost, solid GDP growth and the vast assets owned by the governments. Many small and medium sized banks in China count NBFI (non-bank financial institutions) transactions as investments rather than loans. Investment assets carry lower risk weightings (25%) than loans to nonfinancial corporations (100%), so the banks are required to set aside far less than for loan loss provisions. NBFI's understate the actual level of indebtedness within China's economy since many of them are not classified as loans.

Ecuador (UW): *continuous balance of payments deterioration. Macro vulnerabilities persist.*

International reserve loss is evidence of the structural fragility of Ecuador's balance of payments following the decline in oil prices. The Moreno administration has focused most of its energy on political changes. Yet, it hasn't acted on economic reforms needed to address the negative feedback loop between the balance of payments, the fiscal, and the monetary sectors. However, seemingly benign global economic conditions for the foreseeable future may help to slow down the pace of such deterioration and minimize its costs.

While at present, Ecuador does not have a solvency problem, the pace of indebtedness seems unsustainable. If such a trajectory is not corrected, Ecuador risks losing market access. This could lead authorities to seek multilateral support.

Egypt: *The Economy Is Gathering Strength*

The IMF program is being carried out with the government enacting bold reforms. The program led to a disbursement of $1.25 billion of the $12 billion support under the Extended Fund Facility.

Economic activity has been gathering strength and efforts to rein in the budget deficit have begun. With the liberalization of the foreign exchange market, shortages have disappeared. Looking ahead through the end of this year and into next year, the policy mix is also supportive of a decline in inflation from the high levels in the summer

Energy subsidy reform: The government has taken bold steps to reduce energy subsidies, which mostly benefits the rich, and to skew production of energy-intensive industries. The government reallocated part of the resources to social spending, including health and education, and for targeted cash transfers.

Ghana (UW, spec MW): *4th IMF Review Under the Extended Credit Facility Arrangement*

Recurrent policy slippages have amplified the impact of external and domestic shocks, created persistent imbalances, and contributed to high inflation, exchange rate volatility, and unfavorable debt dynamics over the years. The authorities have taken some encouraging steps and the economy is showing signs of recovery. As risks remain tilted to the downside, careful fiscal management will be required to achieve the 2017 program targets and reverse the unfavorable debt dynamics. The new government has made considerable progress in the implementation of the banking system roadmap through the approval of timebound recapitalization plans for banks found to be undercapitalized.

India (MW): *temporary adverse factors should wane*

Economy hit by the demonetization and GST shocks, along with weak private investment. Government intends to step-up policy support to bolster growth. Monetary stance should also turn more positive, including greater transmission of rate cuts.

GDP to revive to 6.8% in 2017/18 and 7.8% in 2018/19.

Exports should be lifted by external demand to check the current account deficit, while positive pull factors continue to generate sizeable non-resident private capital inflows but with occasional volatility.

Kenya (UW, spec MW): *Supreme Court nullifies election, calls for re-run*

In an unprecedented ruling, the Kenyan Supreme Court declared President Kenyatta's 2017 election win invalid, saying it had found "irregularities and illegalities" committed by the Independent Electoral Boundaries Commission (IEBC), and ordered new elections to take place within 60 days from September 1st. Further delays are possible. Nevertheless, President Uhuru Kenyatta remains the favorite to win.

Kenya's fiscal outlook continues to deteriorate. The near 9% of GDP deficit in FY17 is wider than any regional issuer and almost three times the long-term average. Robust tea and horticultural exports, remittances, and the recovery in tourism, policy makers expect these dynamics to help the current account deficit narrow to 5.8% of GDP at the end of the year.

Korea (UW): *Economy Supported by Policy Revamp*

President Moon's ambitious agenda is focused on achieving sustainable growth of 3% addressing structural challenges, including increased wages, more jobs, fairer competition, and greater innovation. The government plans to rely on fiscal policy to bolster the program initiatives by increasing spending, including more public employment, and lifting revenue by raising tax rates for large firms and the wealthy. Interest rates are also being kept low as fiscal policy and exports become more supportive and the external position remains strong.

While the outlook has improved, downside risks stem from heightened geopolitical tensions related to North Korea, external factors impacting exports, and high household debt.

Kuwait (MW): *Resilient to Low Oil Prices*

Well placed to withstand low oil prices given its low debt and enormous financial buffers, allow the authorities to pursue gradual fiscal

consolidation. Non-oil growth remains strong, driven by investment, and is well above the GCC average. Main risks to the outlook include possible delay in capital projects, lower oil prices, and intensifications of regional geopolitical tensions.

Mexico (MW): *Earthquakes and macro view: Continued outperformance into 2018.*

The economic impact from the two recent earthquakes appears modest and short-term on macro variables (the cost of the earthquakes between USD $2-4bn). The states that were most impacted by the earthquakes together generate 35% of the country's GDP. Historically, GDP often decreases in the quarter that the earthquake hits. However, GDP often expands in the quarters after an earthquake due to the impact of the reconstruction efforts.

Stable peso, real rates remain positive, and output gap means there is no need for further hikes.

Russia (HOLD OW): *import substitution policy benefited agriculture.*

The import substitution policy, promoted after the 2014 embargo on foreign food exports, boosted the share of domestic production in private consumption. Imports increased with growth centered on more technologically advanced machinery and equipment. The current account surplus will likely remain below USD 40bn this year, despite oil prices rising 20% from 2016. The ruble's vulnerability to external shocks, including a tightening by global central banks, is not large, but the contracting current account limits the potential for strengthening.

Saudi Arabia (MW): *Macro and Banks:*

Growth is expected to remain subdued into 2018 due to a continued high dependence on oil and public spending. Household consumption is recovering gradually, but upcoming VAT and energy price reforms may exert downside pressure. Better-than-expected budget balance performance (from 10% GDP to 8% GDP deficit) was due to a strong contribution from oil. Currently, the currency peg and very low public indebtedness serve as the most important macro anchors for both local and international investors.

Banking sector: little loan growth; banks continue to prefer high-yielding, zero risk-weight government bonds. Central Bank FX reserves fell further, taking year-on-year decline to USD 75bn. Total holdings still stand at USD 488bn or the equivalent of some four years of import spending, hence no concerns over FX liquidity or the outlook for the SAR's peg against the dollar. The capacity the Kingdom has shown to raise funds on the international market also provides comfort.

Venezuela (spec HOLD/MW): *flirting with default but muddling through this year allows to capitalize on high current yield*

Venezuela's government, looking for ways to circumvent US sanctions, is telling oil traders that it will no longer receive or send payments in dollars. Vennie faces USD 3.5bn in debt payments in October and November. The country must pay USD10b a year on average within the following four years. From the total payments scheduled for later this year, Venezuela should disburse USD 2.2bn between October 27th and November 2nd. When considering available resources, Venezuela has

receivables of USD 7bn from its energy contracts, but with a market value of around USD 3.6bn. The country has about an additional USD 4.4bn outside its reserves, mainly in Chinese funds. From the total USD 66bn in outstanding Venezuelan bonds, some 30% is held by local entities. The government's nonfinancial consolidated assets abroad total USD 2.6bn. Venezuela's foreign debt has increased to USD 134bn, with a projection to reach USD 143bn by the end of 2017, driven mainly by bilateral loans. The embedded recovery ratio for Venezuela's debt is currently 37% of its nominal value.

RVXGO[1] Contributors and Detractors to Performance
September 2017

Rank	Contributors	Contribution
1	RUSSIA 5.25% 23 JUN 2047 REGS	0.57%
2	KOSMOS ENERGY LTD	0.29%
3	AZERBJ 3.5% 01 SEP 2032 REGS	0.25%
4	GEOPARK LTD	0.21%
5	METINV MULT 31 DEC 2021	0.13%

Rank	Detractors	Contribution
1	UKRAINE 7.375% 25 SEP 2032 REGS	-0.24%
2	PROSHARES ULTRASHORT MSCI BRAZIL	-0.21%
3	DONACO INTL LTD	-0.16%
4	PROSHARES ULTRAPRO SHORT S&P 500	-0.12%
5	COMMERCIAL INTERNATIONAL BANK	-0.07%

We thank you for your continued support.

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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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