



**PVG Asset Management Corporation**  
LOSS AVERSE INVESTING

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## LOSS AVERSE EQUITY INCOME STRATEGY

### QUARTERLY UPDATE APRIL 2014

#### Adds Diversification and Increases Returns

The stock market is now into the sixth year of a cyclical bull market that started March of 2009, rarely do bull markets last more than five years. Additionally, one of the main catalysts for the market has been the Federal Reserve's quantitative easing, which if all goes as plan will end in 2014. Our view, of both the stock market and the bond market is they both have considerable risk, and this systemic risk or market risk needs to be managed. This is an unusual period where the three major asset classes, stocks, bonds, and cash are not attractive. As a result we believe it is imperative to use tactical managers rather than traditional managers that benchmark against stock or bond indices. We also believe the selection of a tactical manager that can protect against bear markets is imperative. It is critical to understand that our strategy is named Loss Averse for a reason, which we believe differentiates us from other tactical managers that do not focus as much on asset protection. In our view, it is not acceptable to have a greater than a 10% drawdown in any market environment.

By selecting managers based on 1, 3, and 5 year performance is an overly simplistic method. Selection of a money manager needs to be done over a full market cycle, which means from the peak of the market to the next peak, or the trough of the market to the next trough. The importance of this is you need to see how the manager performs in both rising and falling markets, not just rising markets or not just falling markets.

#### JULY 2007 TO APRIL 2013 PERFORMANCE



*See reverse side for performance & disclosures*

The market peaked July of 2007, so you could argue we are near the current peak, but for analysis purposes we can use the end of the most recent quarter as a peak. On the previous page you will find a chart of the PVG Loss Averse Equity Income strategy versus the S&P 500 and the Barclays Aggregate Bond Index from July 2007 to March 31, 2014. During a full market cycle, the Loss Averse Equity Income strategy has experienced superior performance relative to both the stock and bond market, without much correlation with equities. As a result the strategy adds both diversification and increases returns. We would emphasize the strategy needs to be held over a full cycle, which is intended for investors, and not for active or hot money.

Some tactical managers do not make the cut, as we see it, if you use a 10% maximum drawdown in 2008 or even in 2011. If there is not significant asset protection, then a benchmark oriented long only manager works just as well.

The Loss Averse Equity Income strategy focuses on an absolute return rather than trying to match an index. As a result, the strategy generally performs best, relative to the stock market, when markets are falling and worse relative to the market when the stocks are advancing in the later stages of a bull market.

We made some minor adjustments during the first quarter, reducing the hedge after the market bottomed in early February, and the reapplied after the market went back up. Additionally, we reduced some of the exposure to the income tranche of the portfolio and increased the growth and income tranche. We are using the S&P 500 inverse and the Twenty Year Treasury inverse to protect the portfolio. At times, we opportunistically also use the Russell 2000 inverse, which is under consideration.

## PERFORMANCE

PERFORMANCE*	
	EQUITY INCOME (NET OF FEES)
MARCH MONTH-TO-DATE	0.41%
Q1 QUARTER-TO-DATE	1.22%
YEAR-TO-DATE	1.22%

CURRENT ASSET ALLOCATION*	
COMMON STOCKS	35.2%
REIT'S, BDC'S ETC.	30.2%
INVERSE ETF'S	27.0%
CASH & EQUIVALENTS	7.6%
NET LONG POSITION	32.4%

Performance results are presented in U.S. dollars and are net-of-actual-management fees and trading expenses and reflect the reinvestment of dividends and capital gains. The applicable management fee schedule is 1.0%. Actual fees may vary based on, among other factors, account size and custodial relationship. No current or prospective client should assume future performance of any specific investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may cause the performance results of your portfolio to differ materially from the reported composite performance. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Historical performance results for market indices generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark. Portfolios in the composite utilize levered index products. Leveraged ETFs are considered risky. The use of leverage strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Most leveraged ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time. Exchange traded funds (ETFs) are offered by prospectus only. Investors should consider a fund's investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. ETFs trade like stocks and may trade for less than their net asset value. The S&P500 Total Return Index is the total return version of the S&P 500 Index which includes the effects of reinvested dividends. The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The investment strategy and types of securities held by the comparison indices may be substantially different from the investment strategy and the types of securities held by the PVG Equity Income strategy. PVG Asset Management ("PVG") is registered as an investment advisor with the United States Securities Exchange Commission (the "SEC"). SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the advisor has attained a particular level of skill or ability. Inception for the Equity Income strategy is 10/1/2010; prior performance represents the Income portion of the Balanced Strategy Composite, which PVG believes was managed with the same investment goals. Composite performance represents the results of the PVG management team, which has changed over time due to retirements and new staff. Additional information is available upon request