



PVG Asset Management Corporation
LOSS AVERSE INVESTING

PORTFOLIO MANAGER:
Patrick S. Adams, CFA

PHONE:
800-777-0818

EMAIL:
information@pvgasset.com

WEBSITE:
www.pvgassetmanagement.com

ADDRESS:
6898 S. University Blvd.
Centennial, CO 80122

LOSS AVERSE EQUITY INCOME STRATEGY

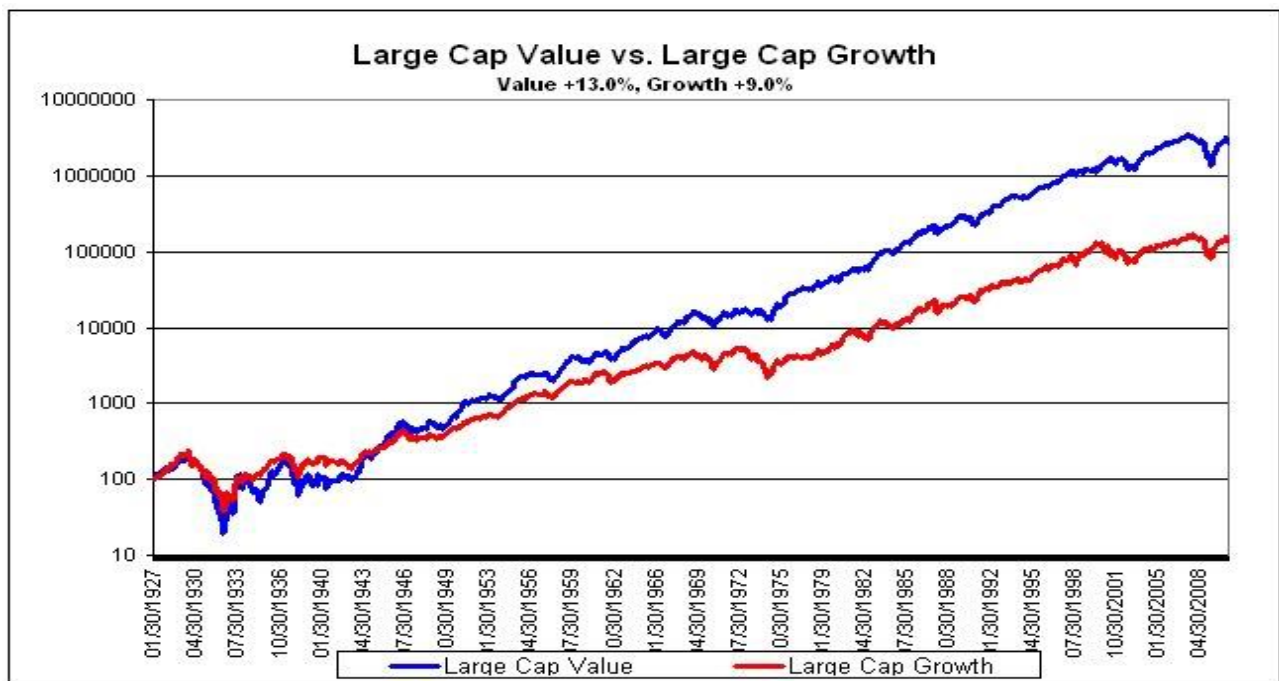
Monthly Update April 2017

We would like to review the overall benefits of the strategy, and some of the historical performance to give you a historical view before we discuss our outlook. This is a very conservative equity strategy, which can be used as a substitute for fixed income or a defensive core equity position in an overall portfolio. The strategy has a very low beta of just .24, since the inception in 2001. The strategy has also had a very low correlation with both the stock market and bond market with an R-squared of just .17 and .18 respectively. The range of returns since inception is -4.9% to 24.4% (gross), with an average of 7.0% (gross). This average return compares very similarly to the S&P 500 and significantly higher than the Barclay's Aggregate Bond Index, but the range of returns relative to the stock market has been far less risky. This point cannot be emphasized enough. This strategy adds diversification to a portfolio, reduces risk, and increases returns over a full market cycle.

If an investor is pushing to beat the market in a strong market, this strategy could be a drag on performance given its defensiveness. We would emphasize that a full market cycle is necessary to get the full benefit in a portfolio for this strategy. As an example, a growth portfolio will perform very poorly from the peak of the market to a bottom of a bear market. Much like a growth fund, you need a full cycle to get the benefit. If you just get the bear market portion of a growth fund you may be very disappointed, many growth funds in 2008 were down over -50%. For a growth fund to work you need the bull part of the cycle. Our strategy works best on a relative basis in a flat to down market or when value/income stocks perform well. For example, we made money in the toughest of markets, like in 2001, 2002, 2008 and 2011. We had two big years, both up over 24% (gross) in 2003 and 2010. We had our worst year in 2015 when we were down -4.9% (gross) and the market was down slightly but the growth/momentum stocks had slightly positive returns. What is nice, in a bad year for this strategy we had a loss of only -4.9%, versus bad periods for the market of as much as -37% plus.

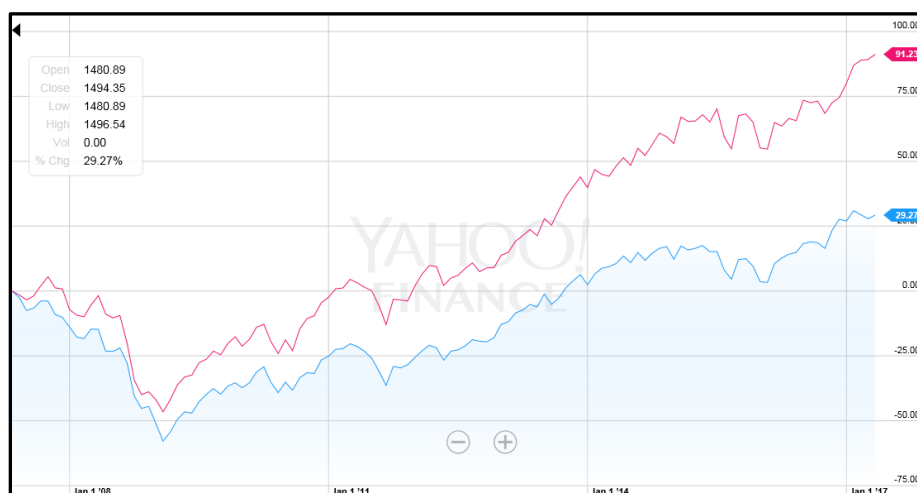
We believe we are entering a period where our strategy should see significant outperformance. We believe two scenarios are highly likely. 1) The bull market is not going to last forever. After eight years, the market is showing obvious signs of aging, and there are excessive valuations for some stocks and sectors. When the bull market comes to an end, we plan on protecting the portfolio similar to other corrections or bear markets that have occurred. 2) The other more positive scenario is we get another leg up in the market, similar to the 1990's bull market, another 20% upside would equal the bull market performance of that period. In our opinion, to get that performance, the market needs to get help from fiscal policy, as monetary stimulus is no longer possible. We believe it is possible for the Trump administration to get its stimulus package passed later this year. If this were to occur the value stocks should do very well, which is where we are positioned.

We focus on where the value is in the market, but we have a couple of constraints, the portfolio must have a dividend yield of 2-3 times that of the S&P 500, or currently between 4% and 6%. The benefit of a conservative stock portfolio with an attractive yield, and with hedges in place, is in a down market the portfolio holds up very well relative to other strategies that correlate highly with the market. Because of the sectors or types of stocks we focus on, there are times our strategy may be in favor with what is working in the market and sometimes not. When the growth/momentum stocks are in favor there are very limited ways for us to get that exposure. Over the long term, buying stocks at attractive valuations has been a winning strategy. Below, please find a chart of large cap value versus growth. Over time, value generally performs better than more expensive riskier growth stocks. We believe, we are entering a period where value will significantly outperform growth, as most growth stocks have very high valuations relative to their growth prospects and history. We believe if the economy grows at a reasonable pace, faster than what we experienced during the last eight years, value stocks will perform strongly. The markets are poised to correct, or the economy is set to reaccelerate with stimulus from Washington D.C.



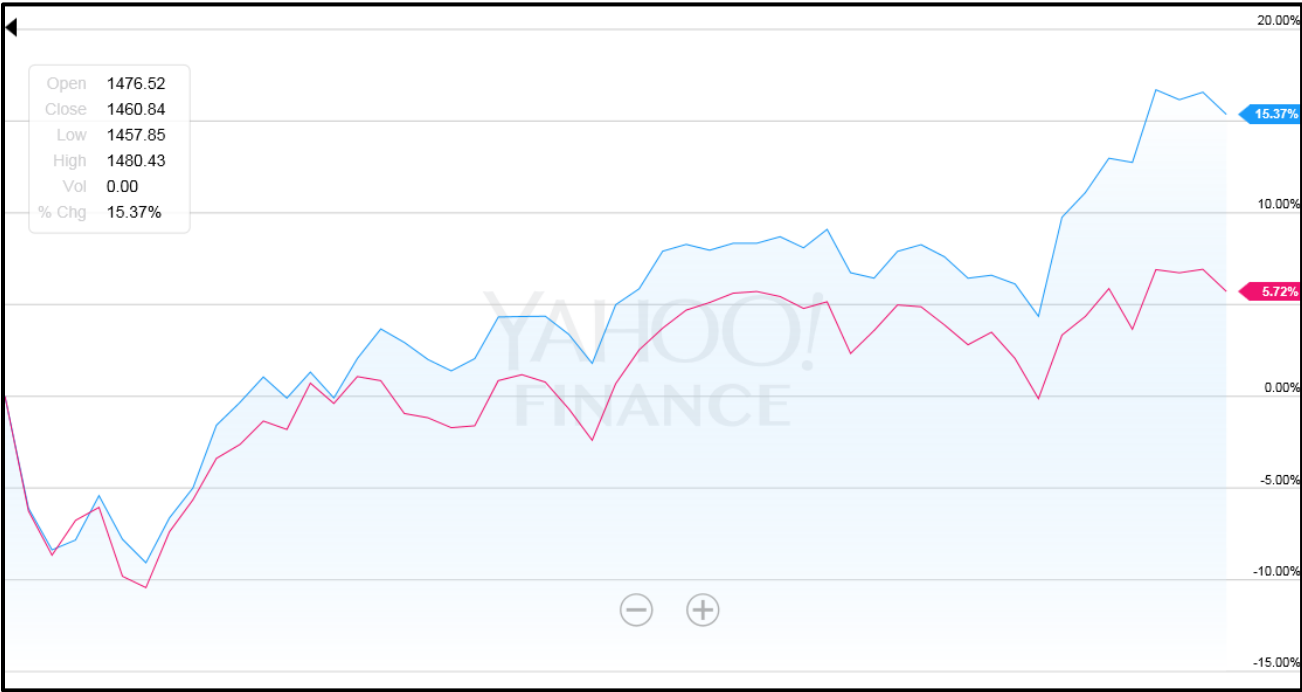
As you can see from the chart below, over the last 10 years, growth has outperformed value by about 3 times. That is an extremely large divergence and not sustainable. This illuminates the opportunity in the value sectors of the market.

Russell 3000 Growth (red) versus Russell 3000 Value (blue) 10 years



The chart directly below shows that in 2016 the Russell 3000 Value outperformed significantly, roughly 15% versus less than 6% for Russell 3000 Growth, and we had an above average year. The last chart is the Russell 3000 Value versus Growth year to date. The trend flipped back to growth. This does not surprise us. Most trends change after a correction or bear market. We think the stimulus by Trump will clearly change the trend toward value or the market will fall, either is fine will us.

Russell 3000 Growth (red) versus Russell 3000 Value (blue) in 2016



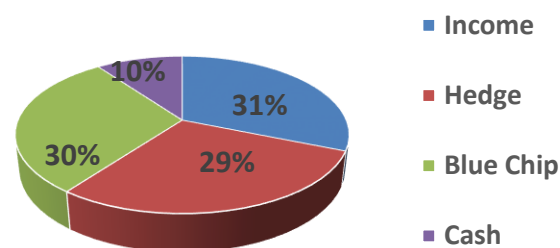
Russell 3000 Growth (red) versus Russell 3000 Value (blue) in YTD 2017



PERFORMANCE, ALLOCATION AND RISK SCALE

PERFORMANCE*	
AS OF 4/21/2017	EQUITY INCOME (NET OF FEES)
YEAR-TO-DATE	-0.74%
YIELD	4.35%

Loss Averse Equity Income



Blue Chip Tranche

Health Care	4.5%
Consumer Discretionary	9.0%
Financials	1.0%
Technology	2.0%
Industrial	2.0%
Basic Materials	4.5%
Consumer Staples	4.1%
Energy	4.0%

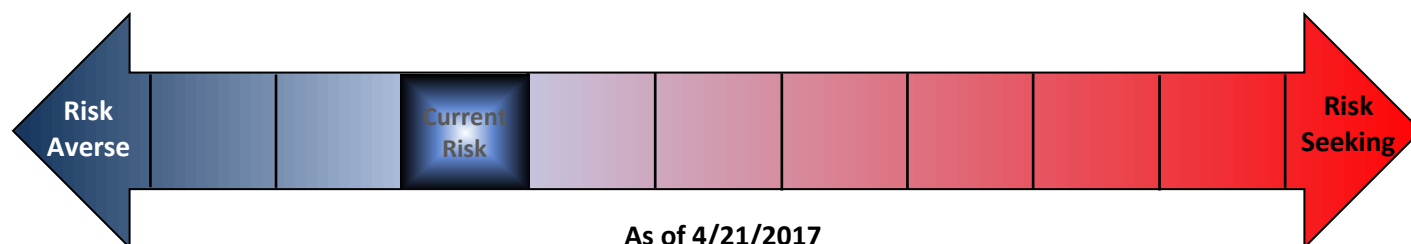
Income Tranche

Equity REITs	11.2%
BDCs	6.1%
Mortgage REITs	3.6%
Telecom	11.0%
MLP (ETF's)	-
Utilities	-
Preferred	-
Cash	10.0%
Hedge	29.0%

63.00% Long

33% Effective Hedge

30.00% Net Long



Performance results are presented in U.S. dollars and are gross-of-actual-management fees and trading expenses of the composite and reflect the reinvestment of dividends and capital gains unless otherwise denoted. Actual fees may vary based on, among other factors, account size and custodial relationship. *Annual returns are compounded over the specified period. The current dividend yield is calculated gross of fees as of quarter end or month end date and is an expected dividend yield. 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 leveraged 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 U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclay's flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976. 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 a registered 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.