
# LOSS AVERSE EQUITY INCOME STRATEGY

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## Monthly Update
## April 2018

## Market Overview

The stock market is beginning to struggle on a technical basis or lose momentum. The S&P 500 made a new high in January, that looked like an exhausting parabolic move. These types of moves are generally associated with market peaks. Since then the market has been making lower highs but not lower lows at this point, so it looks as though we are consolidating and not entering a bear market at this point. Our fundamental view is positive when looking at the strength in earnings in 2018, however, we are concerned about extremely tough comparisons in 2019. We would expect perhaps flattish earnings in 2019 as the economy slows and interest rates rise.

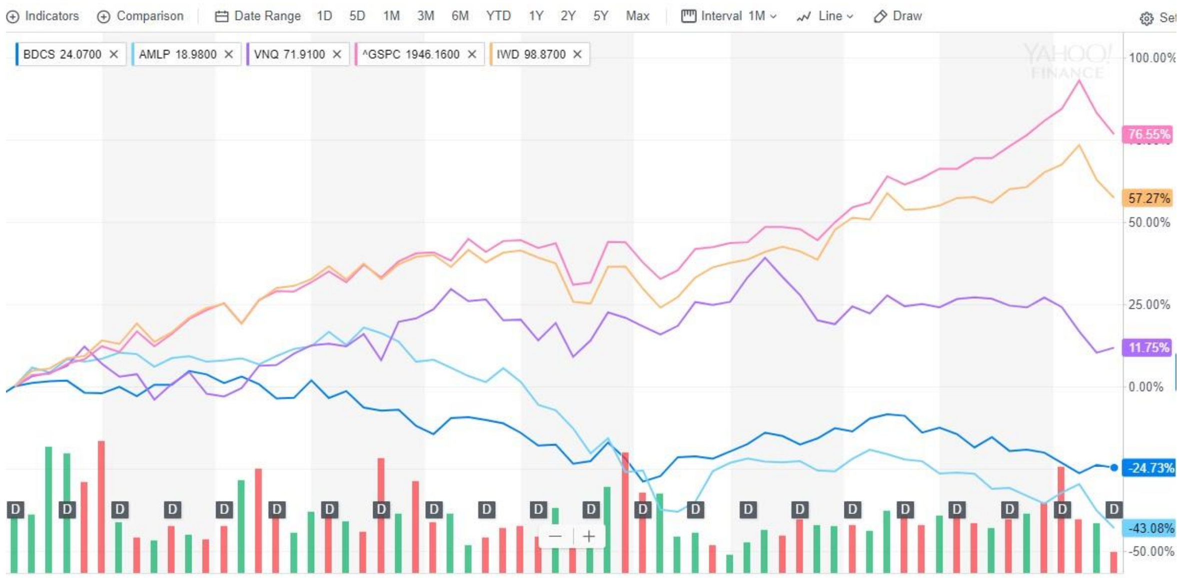
## Loss Averse Equity Income

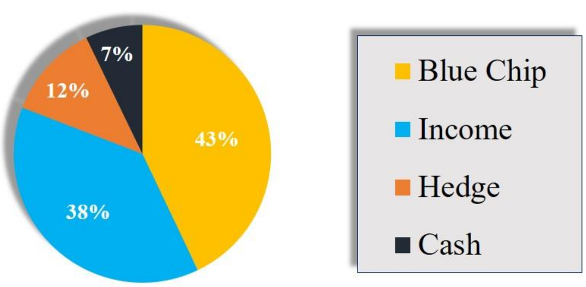
We are big believers in reverting to the mean, as an example, as technology stocks get overly expensive and energy stock become too cheap the markets will rotate out of technology and into energy, as long as the fundaments support it. This has been something that has occurred forever. When we look at the market, we see value in the “value” stocks, REITs, BDCs, and energy MLPs. When you look at the energy MLPs over the last 5 years they are down roughly -43% over that period versus the S&P 500 Index up roughly 77%. AMLP is the Alerian MLP ETF, it has a very attractive dividend yield of 9.0% and we believe that is a secure dividend that will grow over time. At this point in the market cycle would you rather own an inflated stock market or a very attractively valued income producing asset that has actual assets that could be liquidated for significant value? Not as pronounced are the BDCs and the equity REITs, both also have attractive income streams and are undervalued relative to their net asset values. The BDCs generally have yields over 10% and REITs above 5%.

We maintain price targets on all our stocks and are quite happy with the portfolio.  Our portfolio is undervalued by 16% based on 2018 earnings. We are assuming a flat market. The current dividend yield is 5.6% and is expected to grow at a higher rate than inflation.  Another way of looking at it is our portfolio has 16% upside plus the 5.6% dividend yield based on our price objectives. We believe the strategy is compelling in terms of timing. We are prepared to increase the inverse S&P 500 ETF if the market breaks lower to dampen any losses during a bear market.

## 5 Year Chart

### S&P 500, Russell 1000 Value, REITs, BDCs, Energy MLPs




| Blue Chip Tranche | | Income Tranche | |
|---|---|---|---|
| Health Care | 8.5% | Equity REITs | 16.8% |
| Consumer Discretionary | 8.5% | BDCs | 14.0% |
| Financials | 1.5% | Mortgage REITs | 1.7% |
| Technology | 1.5% | Telecom | 5.5% |
| Industrial | 0.5% | MLP (ETF's) | 4.0% |
| Basic Materials | 4.0% | Utilities | - |
| Consumer Staples | 7.5% | Preferred | - |
| Energy | 3.5% | Commodities | 2.0% |
| Index | 1.0% | Cash | 7.2% |
| | | Hedge | 15.0% |

| Performance*<br>April 17, 2018 (Net of Fees) | |
|---|---|
| | Loss Averse Equity Income |
| YTD | -0.92% |
| | S&P 500 |
| YTD | 1.79% |

**Please call us at 303 874 7471 or email us at rgarcia@pvgasset.com to schedule an introductory call regarding our strategies.**

The ***Loss Averse Equity Income*** strategy is a portfolio of high quality dividend paying stocks, with a very attract dividend yield, inflation protection, and we protect against falling or bear markets when we think it is appropriate with inverse ETFs on the market indices. This portfolio has a low correlation with the major stock and bond indices, and has very attractive returns over a full market cycle, adding both return and diversification to an overall portfolio.