



PVG Asset Management Corporation
LOSS AVERSE INVESTING

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EQUITY INCOME STRATEGY

MONTHLY UPDATE

FEBRUARY 2014

HOW TO USE PVG LOSS AVERSE EQUITY INCOME IN AN ASSET ALLOCATION

We have discussed how to use our Loss Averse Equity Income in an asset allocation in the past. We thought we would do it again as we are still getting questions as to why we did not perform like the equity markets in 2013, and how to best use the strategy in a portfolio. We have a lengthy white paper on asset allocation and specifically how to implement tactical asset allocation. We believe you will find this very helpful. Please take advantage of this research.

There are three asset classes, stocks, bonds, and cash equivalents. We fit into the conservative side of the portfolio. Our strategy substantially underperformed the equity market in 2013, but significantly outperformed the bond market and cash. We never try to beat an index. Our goal is an absolute return, which we have historically done consistently. There are times the equity markets will perform strongly or fall significantly, and this strategy may have very little volatility. This is the case this year so far as the market is off about 6% and Loss Averse Equity Income is about flat.

We have historically captured about 40% of the upside of the equity market and had very little if any of the downside. This is over a long period of time and not intended to be a short term goal or strategy of the portfolio. It is a function of generating an attractive income stream, currently around 5%, being opportunistic when markets do fall to capture the subsequent upward move or take advantage of high quality dividend paying stocks when there is a buying opportunity, but most important, not falling significantly during bear markets in stocks or bonds. If you don't fall in a bear market you don't need to take much risk in up markets to have great long term results.

We believe 2013 was a very odd year as it started out with the fear of the fiscal cliff and if we did go off the fiscal cliff it would have been a disaster for the equity market. Since this strategy fills the conservative part of the portfolio, we protected against this risk. Additionally, the fixed income market had one of the worst years on record, we had a bear market in longer maturity bonds. We thought it was imperative to protect against the fiscal cliff, sequester, hiking of tax rates, but because we have a high dividend yield our REIT exposure in the portfolio was impacted by rising rates. We have subsequently repositioned the income side of the portfolio to be less sensitive to rising rates and have started to hedge against rising interest rates as well.

This year for us has started out well, and due to the significant fall in the stock market we can be more opportunistic (tactical) with our hedging. Our philosophy is to keep the portfolio intact, and to manage the hedge or individual positions with stop losses.

We strongly encourage you to read our white paper on Tactical Asset Allocation. We are five years into a cyclical bull market, there are only 3 periods since 1930 of 16 that lasted more than five years without a 20% correction. We believe, statistically, there is significant risk in both stocks and bonds. Even if you have a very long term time horizon it is not prudent to use just long only managers. Tactical management should be a very important part or all of a portfolio at this point in the cycle, especially for older clients that need, or may need soon, their portfolios for retirement.

PERFORMANCE

PERFORMANCE*	
	EQUITY INCOME (NET OF FEES)
JANUARY MONTH-TO-DATE	-0.10%
Q1 QUARTER-TO-DATE	-0.10%
YEAR-TO-DATE	-0.10%

CURRENT ASSET ALLOCATION*	
COMMON STOCKS	36.6%
REIT'S, BDC'S ETC.	31.9%
INVERSE ETF'S	26.0%
CASH & EQUIVALENTS	5.5%
NET LONG POSITION	34.5%

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