



PVG Asset Management Corporation
LOSS AVERSE INVESTING

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LOSS AVERSE EQUITY INCOME STRATEGY

Monthly Update The Power of Income

We think our Loss Averse Equity Income strategy is coming into favor as our expected 5% dividend yield is substantially higher than yields that can be achieved from the bond market globally, and that of the S&P 500. We expect interest rates to increase over time, and have positioned the portfolio into securities that will benefit from rising interest rates. We also have an interest rate hedge in the portfolio. More importantly, the stock market's fundamentals are becoming increasingly risky. The current valuation when measured by the price to earnings ratio is the highest it has been over the past 10 years at 17.4 times 12 month expected earnings. Additionally, earnings growth has been slashed to an expected 3% increase for 2015, due to the impact of falling oil prices on energy companies. The strong dollar has also been negatively impacting earnings and the competitive positioning in overseas markets by internationally driven companies. We are concerned that earnings for the S&P 500 will finish down in 2015. High valuations and flat to down earnings is a concern.

Investors have been very spoiled by the recent gains in both the equity and bond market. We are approaching 6 years of this current bull market, which will be one of the longest bull markets in history. It may seem so long ago but bear markets have not gone away and generally occur every 3.8 years. At this stage of the cycle, it would be somewhat irrational not to be conservative, or have some defensive exposure like our portfolio, in an overall portfolio.

The Loss Averse Equity Income strategy is conservatively positioned. We currently have a net long exposure to the market of about 34%.

Income can be very powerful as it compounds and grows over time. The portfolio, having an expected 5% dividend yield, if maintained at that level, over a 10 year period, without any growth in dividends, would produce a 62.9% return (this is a hypothetical example and should not be assumed to be a fact). Our conservative approach is to protect against bear markets, collect the high dividend, and then capture some appreciation in the subsequent rebound. The S&P 500 has only appreciated about 34% from the high achieved during the last peak in 2007 to the current level. Bear markets are extremely destructive in achieving reasonable returns, and need to be managed. It has been proven that diversification cannot take out the harsh effects of a bear market, and market exposure itself needs to be managed. Much like what just happened in oil, and the equity markets in 2011 or 2008, markets usually fall before an investor can react to it.

Our allocation to equities is managed over a full cycle by increasing or decreasing our market exposure with the use of inverse ETFs. After a significant correction in the market it allows us to increase our market exposure, and capture some appreciation, as our high dividend yield continues to compound.

See reverse side for performance & disclosures

PERFORMANCE AND ALLOCATION

PERFORMANCE*	
AS OF 2/17/2015	EQUITY INCOME (NET OF FEES)
YEAR-TO-DATE	0.20%
YIELD	5.0%

CURRENT ASSET ALLOCATION*	
COMMON STOCKS	25.2%
INCOME STOCKS	33.1%
INVERSE ETF'S	19.5%
CASH & EQUIVALENTS	22.2%
NET LONG POSITION	34.3%

Performance results are presented in U.S. dollars and are net-of-actual-management fees and trading expenses of the composite and reflect the reinvestment of dividends and capital gains. 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 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 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.