



**PVG Asset Management Corporation**  
LOSS AVERSE INVESTING

**PORTFOLIO MANAGER:**  
Patrick S. Adams, CFA

**PHONE:**  
800-777-0818

**EMAIL:**  
[information@pvgasset.com](mailto:information@pvgasset.com)

**WEBSITE:**  
[www.pvgassetmanagement.com](http://www.pvgassetmanagement.com)

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

## LOSS AVERSE EQUITY INCOME STRATEGY

### Monthly Update January 2016

We believe the market has transitioned from a bull phase to a bear. The peak of the market occurred last May. The average stock is down considerably more than 20% from its high and the unweighted S&P 500 is down very close to -20%. We have historically managed through bear markets well. We have a unique strategy that deploys the tools to manage risk in such markets. We use market related inverse ETFs to hedge or protect our portfolio, additionally, we use stop losses on selected positions to minimize the volatility. We also raise cash when we think it's appropriate. The portfolio is comprised of opportunistically investing in dividend paying stocks, as the dividend gives some cushion in a market decline, and they are generally more defensive securities.

As you know, this portfolio has two tranches, a growth and income tranche (Blue Chip) and an income tranche. Of course there is a third area, which is our hedge; we do not consider this to be an investment. The hedge is not something that is a permanent part of the portfolio, but may seem that way as it has been a meaningful part of the strategy over the past several years.

Looking back on 2015 it was a very tough year for income oriented stocks. We believe, both value oriented and income stocks are very attractively valued as they have declined significantly. Our focus is on value and income. The yield on the portfolio is about 5.8% as of the end of the 2015, and our average P/E multiple on our stocks is considerably lower than the market P/E. We are finding a lot of mispriced income stocks. As an example many of the equity REITs we have invested in are significantly below the value of the real estate portfolio if liquidated. This is also the case for the mortgage REITs and Business Development Companies.

We believe on a bottom up basis, stock by stock, we have solid investments. Stocks at times get to valuation levels that do not make sense, and you have to wonder why they are being valued the way they are. Much of the income sectors look like they have experienced a severe recession or bear market. As we mentioned, we do believe we are in a bear market, but nothing to the magnitude of the declines in some of the income sectors.

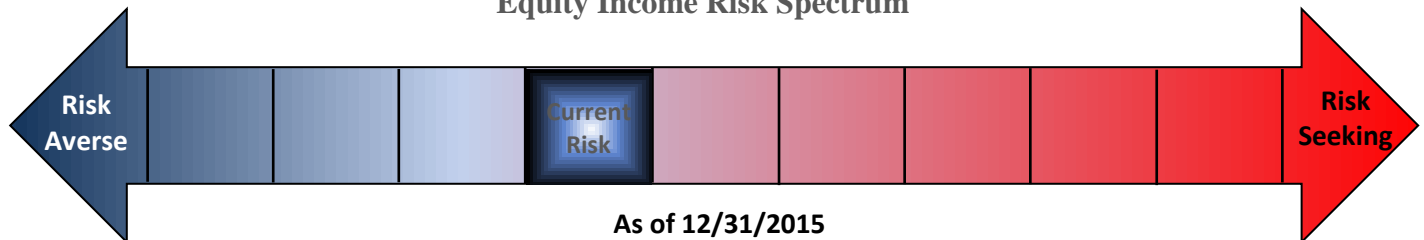
There are six income sectors which we focus on, utilities, equity REITs, mortgage REITs, BDCs, MLPs (using an ETF) and global telecom. We are currently focused on equity REITs, mortgage REITs, BDCs, and telecom (but just domestically). We have never been a big fan of the MLP oil space, as a falling oil price does impact their business. We are more encouraged that oil prices are in the process of finding a bottom and are more positively disposed to the sector.

## PERFORMANCE, ALLOCATION AND RISK SCALE

HISTORICAL PERFORMANCE	
	EQUITY INCOME (NET OF FEES)
BEST YEAR	23.99%
WORST YEAR	-6.09%
AVERAGE ANNUAL COMPOUND RETURN	5.33%
CURRENT DIVIDEND YIELD	5.90%

CURRENT ASSET ALLOCATION*	
COMMON STOCKS	29.00%
INCOME STOCKS	41.40%
INVERSE ETFs	14.00%
CASH & EQUIVALENTS	15.60%
NET LONG POSITION	42.40%

### Equity Income Risk Spectrum



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 passsthroughs), 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.