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LOSS AVERSE EQUITY INCOME STRATEGY

Monthly Update
January 2018

The PVG Loss Averse Equity Income strategy is a very conservative strategy designed to produce consistent returns over time without significant volatility. The returns are generated from a very nice and consistent dividend yield of generally 4%-6%. The current yield is 5.4%. The Beta, a measure of volatility relative to the S&P 500, since inception in 2001 is just .24, and is more consistent with the Barclay's Aggregate Bond Index. The average yearly gross return since inception has been 6.34% in a range of -4.9% to 24.4%. These are attractive returns, especially on a risk adjusted basis.

When the valuations of the market are high historically the strategy will be defensive, and will use stop losses or inverse ETFs on the market to lessen downside volatility of the portfolio, please note that this also limits the upside if the market continues to rise. When the market enters a true downtrend, it is the goal of the strategy to take all the net market exposure out of the strategy with inverse ETFs, but to continue to collect a very attractive dividend yield until the trend of the market improves. Coming out of a bear market into a new bull, or when valuations are attractive, the strategy does not need to have any inverse ETFs to protect against significant market downside. The returns of the strategy tend to be strongest in the early part of a new market cycle until toward the latter part of the cycle when momentum investing becomes the dominate theme. During bear markets we have our strongest relative returns, and have historically had positive returns, which would include 2008, 2002, and 2001.

We do not believe the S&P 500 is a good benchmark for this strategy, as our mix of investments or sectors that we own are very different relative to a traditional benchmark. The strategy focuses on value or income, which overweights certain sectors and can significantly underweight other sectors, like technology currently.

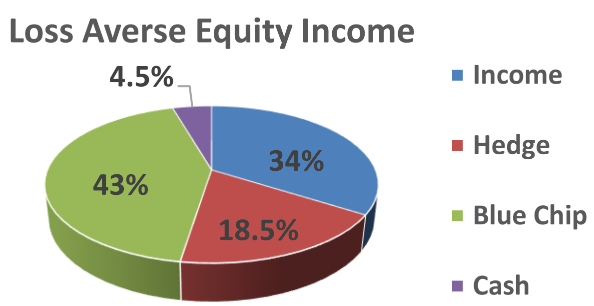
The spread between the P/E multiple of value versus growth is very wide currently by historical ranges, dramatically favoring value. This market cycle is now the second longest in history and has propelled the momentum sectors much further than nearly any other market cycle. Technology is now nearly 30% of the S&P 500, consistent with other very risky periods such as 1999. With the large amount of fiscal stimulus, the tax cut, repatriation of overseas money, less regulation, and a potential infrastructure bill, this will help broaden out the overall market and should give a big lift to the traditional value sectors of the market.

This has been a very odd market cycle with much of the market driven by Federal Reserve liquidity, and now that liquidity is reversing. The economy is now getting a major dose of fiscal stimulus that you would typically get to in the early part of a market and economic cycle. This year should be a very strong year for earnings growth from the cyclical areas of the economy, interest rates will likely rise more than expected, and valuations for the market will likely be under some pressure. We would expect a much slower rate of growth for the economy in 2019 and perhaps a recession depending on how much interest rates rise. The market is way overdue for a significant correction, if not a bear market. The valuation of the market now above 21 times trailing earnings is very richly valued and above 20 times earnings has always had a significant bear market after experiencing an economic cycle.

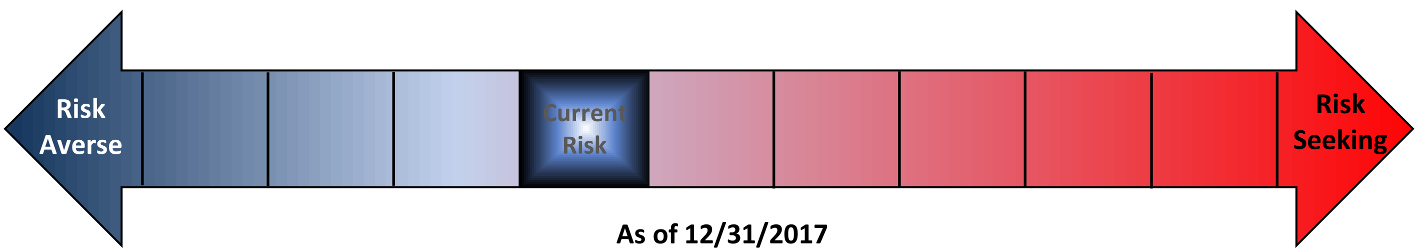
We have a significant hedge in the portfolio, including a hedge to protect against from rising interest rates. We believe conservative strategies will become increasingly important as the market becomes more volatile. This year we expect a year similar to our long-term average of 6% to 7%, but believe the odds of a stronger than expected year is a reasonable expectation. The strategy has an excellent long-term record.

PERFORMANCE, ALLOCATION AND RISK SCALE

Blue Chip Tranche		Income Tranche	
Health Care	10.5%	Equity REITs	8.4%
Consumer Discretionary	7.5%	BDCs	14.3%
Financials	2.0%	Mortgage REITs	2.3%
Technology	6.0%	Telecom	5.0%
Industrial	2.5%	MLP (ETF's)	4.0%
Basic Materials	1.0%	Utilities	-
Consumer Staples	3.0%	Preferred	-
Energy	7.5%	Cash	4.5%
		Hedge	18.5%



PERFORMANCE	
AS OF 1/17/2018	EQUITY INCOME (NET OF FEES)
YEAR-TO-DATE	0.64%
YIELD	5.40%



As of 12/31/2017

*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 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.*