PORTFOLIO MANAGER:
Patrick S. Adams, CFA

PHONE:
800-777-0818

EMAIL:
information@pvgasset.com

WEBSITE:
www.pvgassetmanagement.com

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

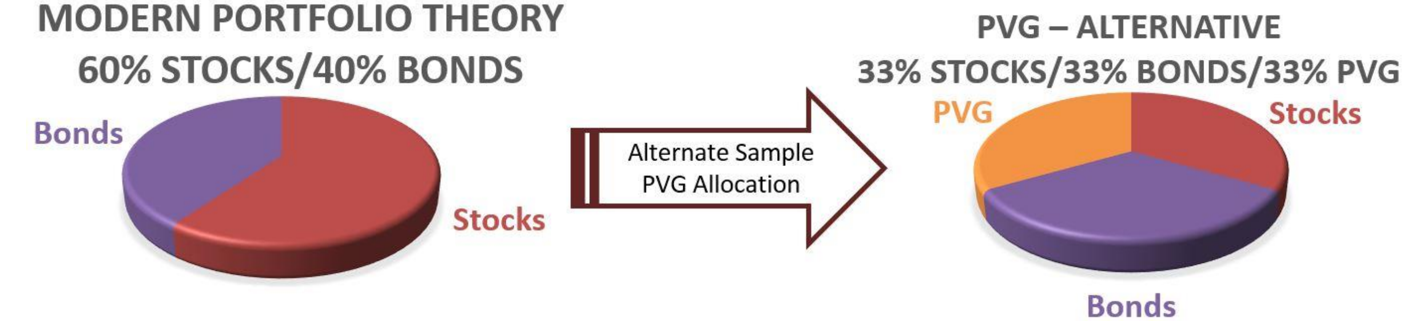
LOSS AVERSE EQUITY INCOME STRATEGY

Monthly Update
July 2016

The PVG Loss Averse Equity Income strategy had a very strong second quarter, up 3.6% net of fees, besting both the stock and bond market, and up 5.2% thru the end of the second quarter. The current yield on the portfolio is 4.9%. Although the yield has dropped a little as stock prices have gone up and our gross investment has been reduced as we have taken some profits, that is still a very strong yield from quality companies. We think a roughly 5% yield, over the next 12 months, will be a very competitive return versus both the stock and bond market. At the end of the quarter our net exposure was 22%, so very defensively positioned.

The strategy has two tranches, a Blue Chip tranche and an Income tranche. The Income tranche has been very strong. We opportunistically took advantage of both the sell off earlier in the year and due to the recent vote in Britain to leave the E.U. We believe both the Blue Chip tranche and Income tranche are well diversified. The Blue Chip tranche is primarily invested in Consumer Discretionary, Technology, and Healthcare, with no exposure in Consumer Staples due to a lack of attractive opportunities. The Income tranche is also diversified although with no Utility exposure due to valuations. We took a significant amount of exposure out of the Equity REIT space although it is still one of our largest sectors.

The Loss Averse Equity Income strategy's goal is to provide an investor with a return greater than the bond market and similar to the stock market over a full cycle, yet with significantly lower risk than the stock market. The overall correlation with both asset classes tends to be very low. The Beta relative to the S&P 500 Index, is only .24, and relative to the Barclay Aggregate Bond Index only 1.07. The strategy has S&P 500 type of returns over a full cycle, yet has the volatility measurements more like the bond market. Additionally, the R Squared, or correlation is very low relative to both the S&P 500 and the Barclay Aggregate Bond Index, .17 and .19 respectively. Since inception, the strategy before fees has very similar returns as the S&P 500, but with only 24% of the risk. This strategy is a good fit for a conservative investor, low volatility with very attractive long term returns. This strategy is an outstanding complement to a traditional portfolio adding diversification, increasing total return and lowering overall risk. An example of how we fit in a traditional stock and bond allocation is in the chart below. Essentially, we would be a carve out of some of the bond allocation and some of the stock allocation. This would add true diversification of an alternative style to your traditional modern portfolio theory style of investing.



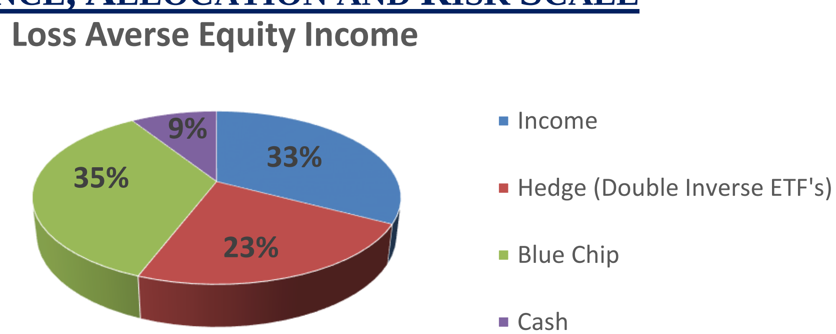
The risk management employed in the portfolio is centered around reducing both the systemic, or market risk, and the non-systemic, or security risk. The management uses market related inverse ETFs to protect the portfolio during bear markets, or during periods of heightened market risk. The idea is, during falling markets, the systemic risk may be eliminated by using inverse market ETFs. We have historically done very well protecting the portfolio during falling markets. Another way we reduce systemic risk is by using stop losses, if we do not have the inverse ETFs in place to protect the portfolio. This is more of a safety net. The stop losses are designed to protect the portfolio from falling more than 10% in aggregate. If the inverse ETFs are in the portfolio, then the stops are generally not active.

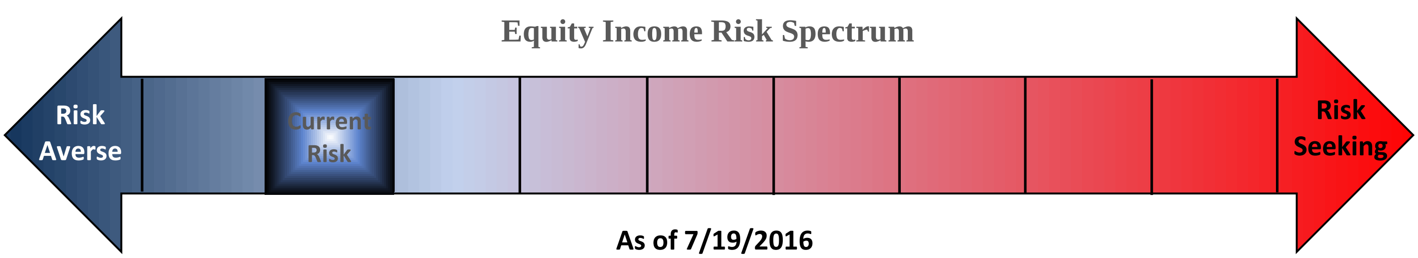
Another method of risk management used by PVG is a disciplined security selection process, or controlling the non-systemic risk. When stock valuations become too expensive, and it becomes harder to find attractive securities, then the management will naturally allow cash to rise.

The more interesting income stocks tend to be mid to smaller capitalization securities, and somewhat more difficult to sell quickly. PVG's overall philosophy is to buy great income producing securities when opportunities arise. This is how attractive long term returns are generated. The philosophy is to not put stop losses on conservative dividend paying stocks as it generally is not a profitable strategy. PVG wants to buy income when it is down, sometimes we may be early in a decline in trying to find a bottom. We do not want to sell these securities, while we are building a position, due to the lack of liquidity, as some positions may be difficult to buy or sell quickly. Over the 15 years we have been managing this strategy we have always looked to improve our process. As many of the more interesting income stocks can be less liquid, we will hold more positions of smaller income stocks, and will focus larger positions on more liquid income securities. This should result in having only 3-5 more positions, but will improve our risk management, and avoid declines in individual positions that can happen in bear markets.

We are very pleased with the returns to date and like how we are positioned in a difficult investing environment.

Performance, Allocation and Risk Scale





As of 7/19/2016

68.05% Long	46% Effective Hedge	22.05% Net Long

Blue Chip Tranche		Income Tranche	
Health Care	6.0%	Equity REITs	10.6%
Consumer Discretionary	10.1%	BDCs	10.5%
Financials	5.3%	Mortgage REITs	6.0%
Technology	8.0%	Preferred	3.0%
Telecom	2.1%	MLP (ETF's)	1.0%
Industrial	2.0%	Global Telecom	1.5%
Basic Materials	1.3%	Utilities	-
Consumer Staples	-		
Energy	0.6%		

*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.*