PVG Asset Management Corporation
LOSS AVERSE INVESTING

LOSS AVERSE EQUITY INCOME STRATEGY

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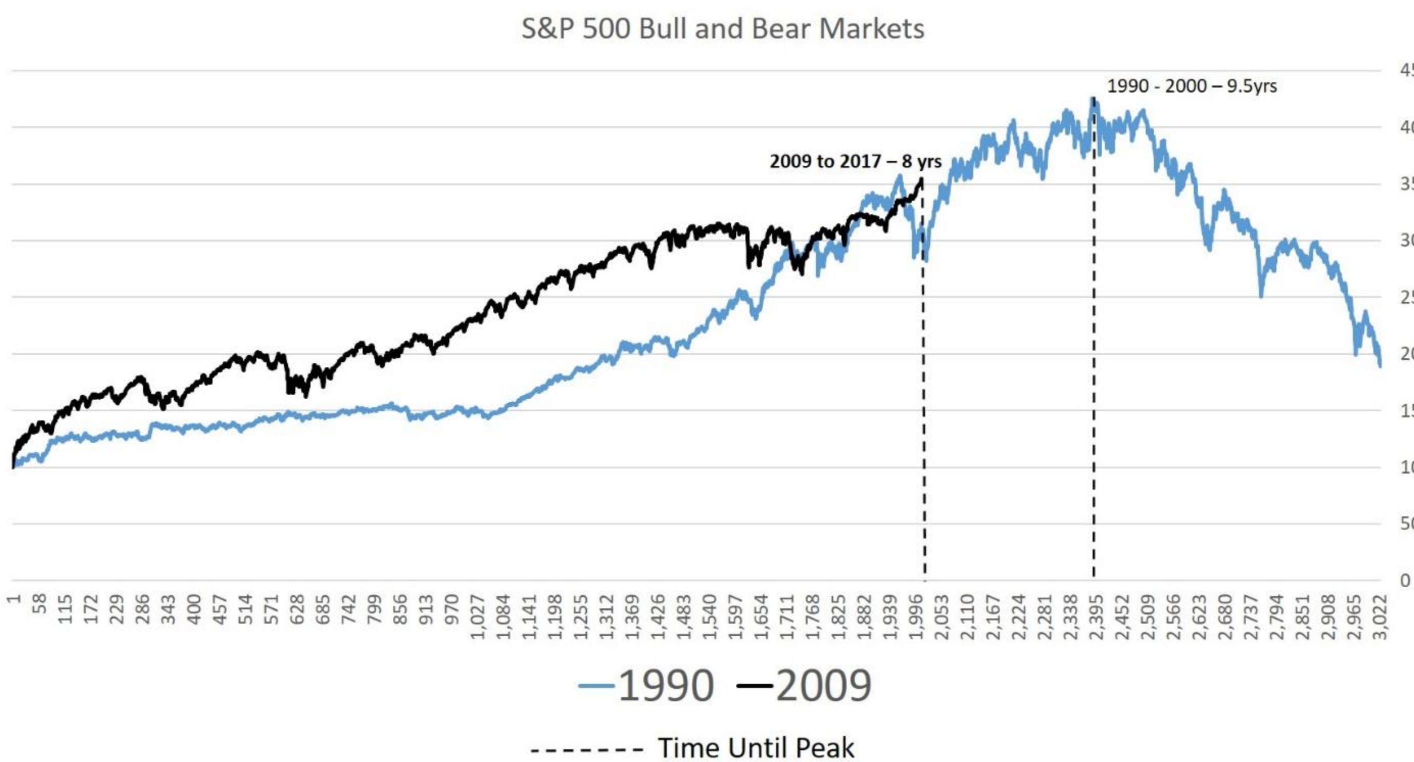
Monthly Update
March 2017

We have been expecting a correction in the first couple of months of 2017, but that has not played out yet. We have been following the trading on a number of institutional Wall Street trading desks and the feedback recently is the large long only funds, like mutual funds, have been very quiet, not doing much. The hedge funds are now getting more aggressive shorting individual stocks, toward the end of February and into early March. That leaves the individual investor as the buyer of this last 5% move up. Individuals are generally not the type of buyer we feel comfortable will continue buying. When we look at the history of the rally, for very different reasons, it resembles the 1990's in the sense it has lasted so long (second longest bull market in history), and it seems we are getting a second wind after such a long bull market, similar to the technology bubble in the 1990's (the Trump rally now). If you look at the chart below of the two markets you can see where this cycle is compared to the 1990's. The down risk is concerning. We have been too patient with our hedge in the portfolio this year, but we think it will be necessary to have in place.



The strategy is roughly flat on the year. As you know with a significant hedge in the portfolio, most of our return as the portfolio stands will come from income, or the current 4.13% dividend yield, earned by the strategy over a twelve-month period. Thus, the hedge has offset some of the upside in the value and income oriented stocks we own, before any significant dividends have been accrued for this short period.

Even though the market has been strong this year it has created some attractive stocks that we are taking advantage of buying. A few of the securities are in the telecommunications sector. This sector has lagged the market this year, as a result we are selectively buying very attractively valued securities with high dividends, that are supported by operating cash flow. These dividends are taxed as qualified versus income like from a bond or REIT.

The Federal Reserve appears to be poised to raise rates soon, followed by 2 or 3 more rate hikes this year. We believe Trump's policies are very pro-growth, which could significantly fuel inflation and push interest rates to a concerning level. The French elections in May could turn out to be very problematic for the euro and the economic union. A recession in Europe, even with their negative interest rates, is possible. To impact economic policy or to improve the playing field for U.S. manufacturers, we believe Trump will likely put in place some form of a border tax. This type of tax will not be good initially for the economy, real GDP will drop.

The global bond market is in a bubble of epic proportions. Our bond market, on a relative basis, seems very attractive, but we think investors will likely lose money in bonds for multiple years as our interest rates normalize. Rising interest rates are negative for stock valuations. We believe P/E multiples should range between 15-17 times earnings for the S&P 500, and earnings will range between $130 to $150 for 2018 or possibly 2019. That is a big range, but if the entire stimulus gets approved for Trump then $150 in 2018 is a possibility. This puts the S&P 500 in a range from 2550, up 6%, to 1950, or down -19%. If we are wrong and the market continues to over inflate, like in 2013, we will need to opportunistically adjust our hedge to capture some of these gains.

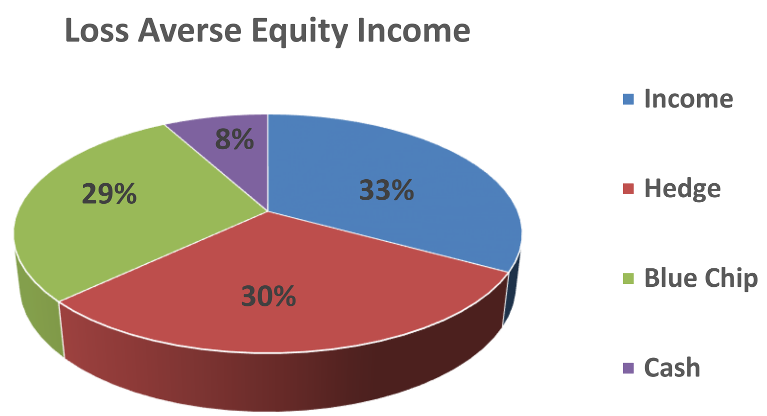
Value stocks significantly outperformed last year and helped our strategy return 8.2% before fees. So far this year, value has underperformed growth, but we believe value should be the big winner over the coming several years. Also, we believe equity income will outperform bonds over the coming years. As a result, we believe our value oriented, Loss Averse Equity Income strategy is very well suited for this environment.

Performance, Allocation and Risk Scale

Performance*	
As Of 3/1/2017	Equity Income (net of Fees)
YEAR-TO-DATE	-0.38%
Yield	4.13%

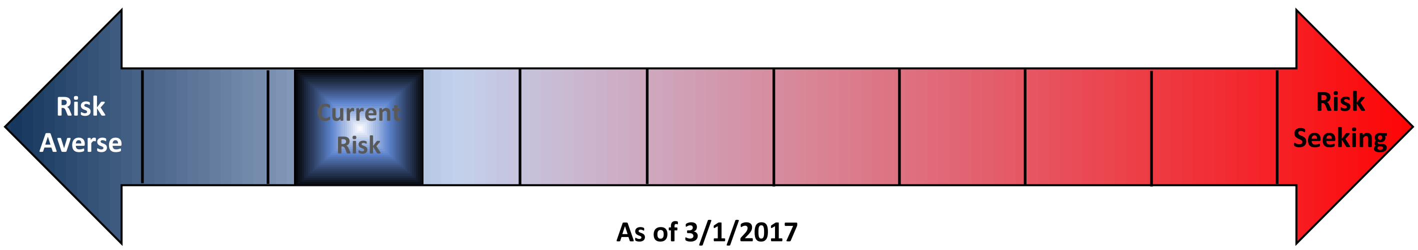
Blue Chip Tranche | **Income Tranche**

Health Care	7.0%	Equity REITs	9.2%
Consumer Discretionary	8.0%	BDCs	7.0%
Financials	-	Mortgage REITs	4.5%
Technology	2.7%	Preferred	3.0%
Telecom	8.3%	MLP (ETF's)	1.0%
Industrial	1.0%	Utilities	-
Basic Materials	2.0%		
Consumer Staples	4.0%	Cash	8.3%
Energy	3.0%	Hedge	30.0%



Equity Income Risk Spectrum

61.70% Long	40% Effective Hedge	21.70% Net Long



As of 3/1/2017

*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.*