



PVG Asset Management Corporation
LOSS AVERSE INVESTING

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LOSS AVERSE EQUITY INCOME STRATEGY

MONTHLY UPDATE MAY 2014 Opportunistic Income

We have two tranches of our portfolio, the growth and income tranche and the income tranche. Together the two generate around a 4.5% dividend yield on the portfolio. We would like to focus on the income tranche of the portfolio in this update. We currently have about 33% in the growth and income tranche and about 34% in the income tranche, with 10% in cash, and the remainder in hedges or inverse ETFs.

The income tranche is designed to get attractive dividend yields, but also some appreciation by being opportunistic. The growth, or inflation protection, in the portfolio comes from the growth and income tranche. In the income tranche there are six main sectors we focus on to get yield: electric utilities, equity REITs, mortgage REITs, business development companies (BDCs), master limited partnerships, and global telecom companies. We would consider fixed income securities, such as closed end funds, or ETFs, if there was an unusual situation to take advantage, but on a secular basis we are very negative on the bond market. Year to date, electric utilities have been big winners, and are not attractively valued with P/E multiples of 18 times currently, with dividend yields of only 3.8%. We do not find this sector attractive. The equity REIT space has also been very strong this year, and now have yields of around 2.8% on average, we are finding undiscovered quality investments in this sector. Mortgage REITs have also performed well this year, and have dividend yields of approximately 11.4%. The BDC's have dividend yields of around 11.1%, and are down about 9% for the year. We believe the BDCs are the most attractive sector by far. The global telecom stocks are about flat on the year, and have dividends of about 3.4% on average. The master limited partners are up about 2.4% on the year, and have yields of about 6.0%. Just for comparative purposes the 10 year Treasury yields 2.6%, intermediate corporate bonds 3.2%, and junk bonds 5.7%.

Yields of Different Sectors or Asset Classes

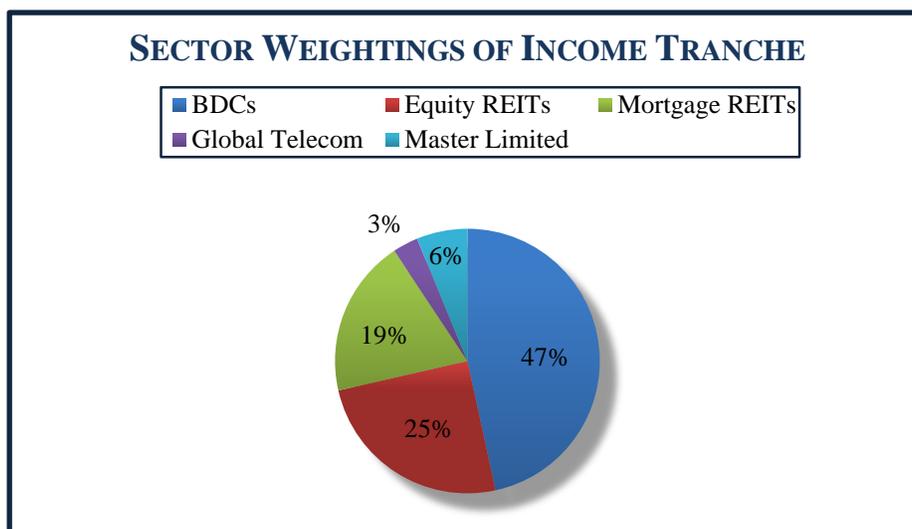
Electric Utilities	Equity REIT	Mortgage REIT	BDCs	Global Telecom	Master Limited
3.8%	2.8%	11.3%	11.1%	3.4%	6.0%

We currently have exposure in the equity REIT space, mortgage REITs, BDCs, a small position in global telecom, and MLPs through an ETF so we don't have the k-1 tax forms to deal with. We are very selective in the equity REIT space, where our average yield on the securities we own is 7.1%. This yield is significantly higher than the sector average. We have no exposure to the electric utility sector due to valuation concerns. This sector does correlate highly with the bond market, as do the mortgage REITs. The mortgage REITs are still undervalued from the decline they experienced last year when interest rates rose sharply, most are still trading at significant discounts to book value. We are much more positive on mortgage REITs than electric utilities.

See reverse side for continuing comments

The sector that stands out most is the BDC sector. These are companies that have a similar legal structure as a REIT. BDCs make loans to middle market companies where the banks no longer carry a focus, due to banking regulation that disfavors banks making loans, and the fact that the regional banking sector has largely disappeared. It is not because it isn't a very lucrative area to lend. Additionally, BDCs typically require a lot of collateral when they make loans, substantially reducing risk. The BDC sector has underperformed this year relative to the other yield oriented sectors due to S&P taking BDCs out of their indices and Russell is in the process. BDCs don't have an exemption from the SEC that REITs have, which allows the fees they charge to be viewed like operating expenses, the fees are being added to the expense structure of the indices. We view this as odd and not fundamental. We would expect the BDCs to also get this exemption, but the timing is not certain. The BDC sector is very attractive for income, and when this technical selling is over in June, the sector should have significant appreciation. We believe the sector is 10%-15% undervalued.

We have been slowly adding to the BDC sector on this weakness, however, it is causing some drag to performance short term. This should be a very attractive sector in a slow growth economy, and compressed dividend and bond yields.



PERFORMANCE

PERFORMANCE*	
	EQUITY INCOME (NET OF FEES)
APRIL MONTH-TO-DATE	0.27%
QUARTER-TO-DATE	0.27%
YEAR-TO-DATE	1.49%
DIVIDEND YIELD	4.50%

CURRENT ASSET ALLOCATION*	
COMMON STOCKS	33.2%
REITs, BDCs ETC.	34.7%
INVERSE ETFs	22.0%
CASH & EQUIVALENTS	10.1%
NET LONG POSITION	28.9%

Performance results are presented in U.S. dollars and are net-of-actual-management fees and trading expenses and reflect the reinvestment of dividends and capital gains. The applicable management fee schedule is 1.0%. Actual fees may vary based on, among other factors, account size and custodial relationship. 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 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 registered as an 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.