



**PVG Asset Management Corporation**  
LOSS AVERSE INVESTING

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## LOSS AVERSE EQUITY INCOME STRATEGY

### Monthly Update May 2016

The Loss Averse Equity Income strategy is up about 1.6% through the first month of the 2<sup>nd</sup> quarter versus .4% for the S&P 500. Year to date the strategy is up 3.2% net of fees and 4% gross, versus the S&P 500 of 1.75%. This is significant outperformance over a short period of time. If you look at the Nasdaq Composite, which is down -4.6% for the year, it is even more pronounced.

We generally believe looking at performance over a short period of time is meaningless when evaluating a manager and believe you should only look at a full market cycle, or both a bull and a bear. However, we believe there is something of note in the short term performance year to date. There is a significant shift out of growth and into the more defensive, value stocks, income or commodity stocks. We are positioned in value and income.

Growth outperforms in the last part of a bull move and then generally does not hold up as well in a bear market relative to value. Growth has recently outperformed value by such a wide margin in this market cycle that we believe the value side should significantly outperform growth regardless if the market falls or goes up from this point.

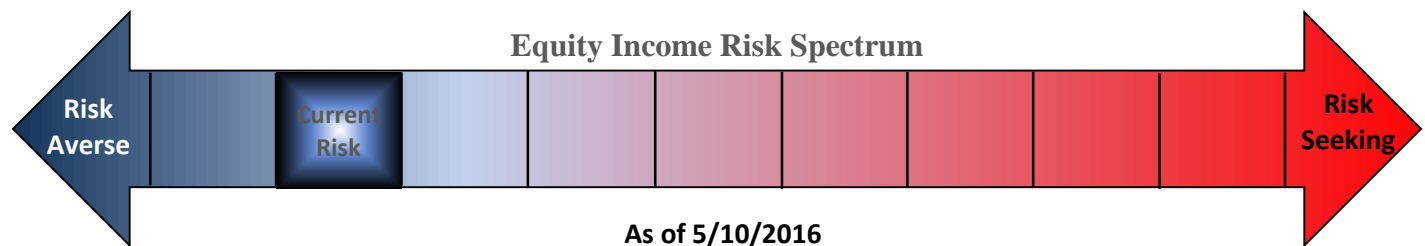
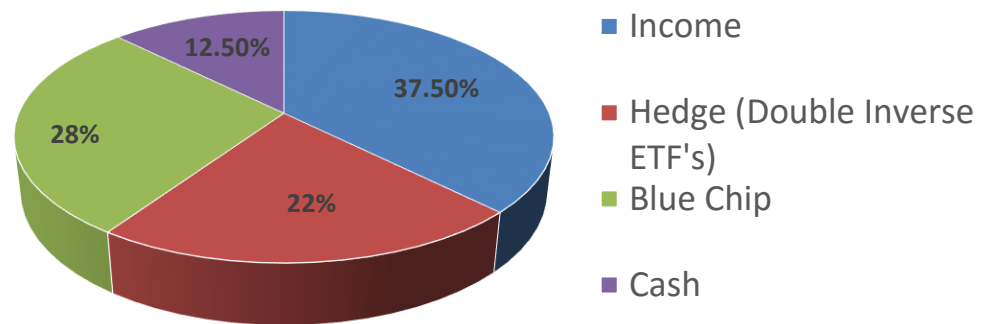
We believe this trend will continue for several years, but perhaps not in a straight line.

Since the end of the first quarter, we have dropped the risk from a 3 to a 2 on a scale of 0-10. The hedge, on a leverage adjusted basis, has increased from 38% to 44% and our net exposure from 33% to 22%. We took some profits and we are protecting our gains. If the market were to roll over we do not expect much of an impact on our portfolio as it is currently positioned, especially given the 5.7% dividend yield.

As we were in the upper part of the range for the market, with little catalysts to drive the S&P 500 higher, we thought it prudent to be defensive. The market has subsequently pulled back to a support level and is in an oversold condition. We will continue to evaluate the trend.

# PERFORMANCE, ALLOCATION AND RISK SCALE

## Loss Averse Equity Income



**65.5% Long / 44% Hedge = 21.5% Net Long**

### Blue Chip Tranche

### Income Tranche

Health Care	5.5%	Equity REITs	15.0%
Consumer Discretionary	6.5%	BDCs	11.0%
Financials	4.5%	Mortgage REITs	7.0%
Technology	6.0%	Preferred	5.0%
Telecom	1.0%	MLP (ETF's)	1.0%
Industrial	2.0%	Global Telecom	1.0%
Basic Materials	2.0%	Utilities	-
Consumer Staples	-		
Energy	0.5%		

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 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.