LOSS AVERSE EQUITY INCOME STRATEGY

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Monthly Update
October 2016

The seemingly ultra-safe dividend sectors and bonds have declined quite a bit recently. Fear is beginning to mount about the economy picking up some modest strength, inflation being a little higher, the Federal Reserve making a case for raising rates in December, and finally the European Central Bank sending out a trial balloon to stop their QE, then retracting it the next day. Stocks that are most sensitive to rising rates have been hit the worse. The large cap equity REITs and utilities have very high valuations along with the consumer staples sector and trade more like the 10-year Treasury Note.

Since August, utilities and equity REITs have corrected about 10%, the 10-year Treasury is down about 5%. The consumer staples sector is also down about 7%. We believe the major risk for the market is a correction in the bond bubble with rising rates caused by the Federal Reserve being only slightly hawkish. If inflation were to accelerate, then the Fed is way behind the curve in containing inflation. Growth stocks, utilities, large cap REITs, and consumer staples would likely decline into a bear market. The large cap REITs are currently valued like utilities, and react more like bonds to rising interest rates.

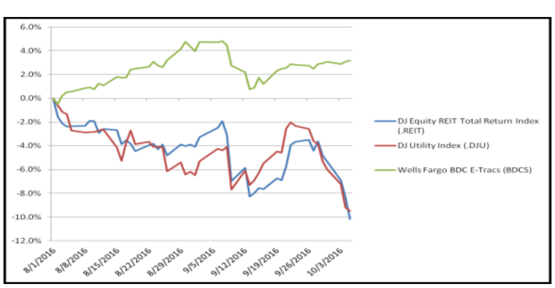
We do not own growth stocks, consumer staples, large cap REITs, nor do we own any utilities. We have experienced some slight downward pressure in the past couple of weeks, but it has been minor. We have been focusing on small and mid-cap REITs that are valued more in line with the value of their real estate, not the bond market. We like buying these REITs when they trade at cap rates that are higher than the current private real estate values, and in the 7%-11% range. Another sector we have liked are the Business Development Companies (BDCs), when interest rates rise so do their dividends as their loans are tied to Libor, or are adjustable.

The banks have been the severely hindered by the low interest rate policy of the Fed. Rising interest rates would be very welcome news for the banks, they are a natural hedge at this point in the cycle. What can hurt both the banks and the BDCs is if rates rise too much and tip the economy into a recession. Keep in mind we have inverse S&P 500 ETFs in the portfolio to guard against this systemic risk and to protect our gains.

Below is an article published on 10/06/16 in the WSJ about the impact of rising rate fears on the utility and REIT sectors. http://www.wsj.com/articles/dividend-stocks-take-a-hit-1475686295 Rising interest rates are never good for stocks or bonds, but we are relatively insulated from it.

There is about a 13% spread in recent performance between BDC's and REITs and Utilities and banks versus 20-year Treasury Notes about a 20% spread. An example of a dividend mutual fund, Federated Strategic Value Dividend Fund is down -5.6% from its recent high.

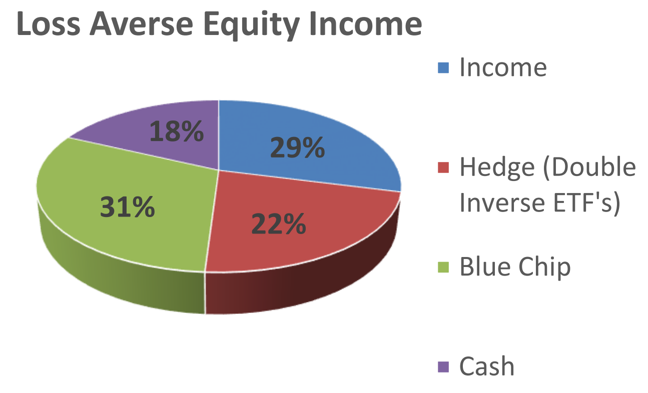
BDC's Outperforming REITS and Utilities



S&P 500 Bank Index top line TLT iShares 20 Treasury Bond bottom line

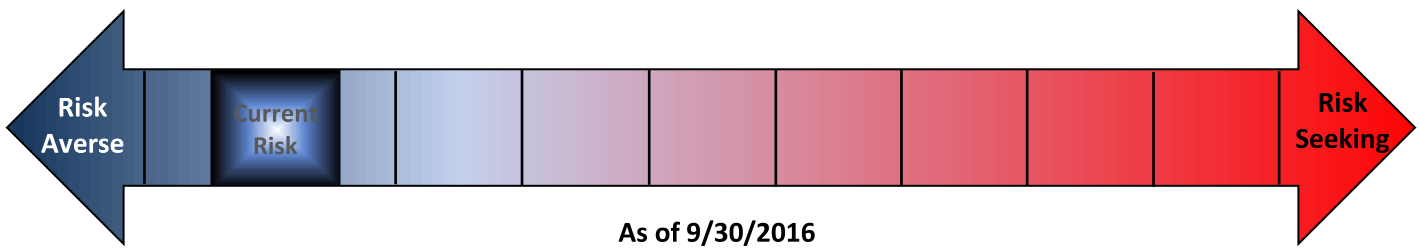
PERFORMANCE, ALLOCATION AND RISK SCALE

PERFORMANCE*	
AS OF 9/30/2016	EQUITY INCOME (NET OF FEES)
YEAR-TO-DATE	+9.17%
YIELD	4.00%



Equity Income Risk Spectrum

59.55% Long	44% Effective Hedge	15.55% Net Long



As of 9/30/2016

Blue Chip Tranche		Income Tranche	
Health Care	4.6%	Equity REITs	8.9%
Consumer Discretionary	8.4%	BDCs	8.5%
Financials	6.1%	Mortgage REITs	4.9%
Technology	7.9%	Preferred	3.0%
Telecom	2.5%	MLP (ETF's)	1.0%
Industrial	1.7%	Utilities	-
Basic Materials	1.5%		
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.*