



PVG Asset Management Corporation
LOSS AVERSE INVESTING

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HIGH INCOME STRATEGY

Monthly Update September 2016

The PVG High Income strategy is up 15.6% as of the end of August. The current yield of the portfolio is 4.80%. This has been a very strong eight-month period. We have been positioned in the right stocks. The year to date average performance of the sectors we focus on is up roughly 9.4%, much better than both the stock and bond market. Our return of 15.6% is from diligently doing research and focusing on the best ideas, stocks trading significantly below their intrinsic value, yet still being high quality companies. This is a very conservative strategy and our goal is to have a fraction of the volatility of the stock market. We do not want to risk losing our gains and have slowly positioned the portfolio very conservatively.

As an example of our security selection in the equity REIT sector, we value the real estate of the underlying properties in the publicly traded REIT. We have a very conservative approach, we focus on the long term valuations, and not inflated values due to aggressive Federal Reserve interest rate policy. The capitalization rate, is the rate of return on a real estate investment property based on the income that the property is expected to generate. The cap rate is used to estimate the investor's potential return on their investment. Long term cap rates of real estate are in the 7%-8% range, the private real estate cap rates, depending on the property, are currently around 5% to 6% and lower for some class A buildings. We have had several instances of picking quality equity REITs at very attractive prices this year, and consequently, making more than 50% in less than 12 months on some of these purchases, plus receiving a very attractive dividend. This is somewhat unusual, the key is to be very patient and disciplined in our buying, and selling. We like picking off these liquid portfolios of real estate when there is panic in the market at 10% plus cap rates. Buying income opportunistically is a low risk winning strategy.

Our focus in the portfolio is on Business Development Companies (BDCs) and Equity REITs. We like the small and mid-cap stocks to find these great values.

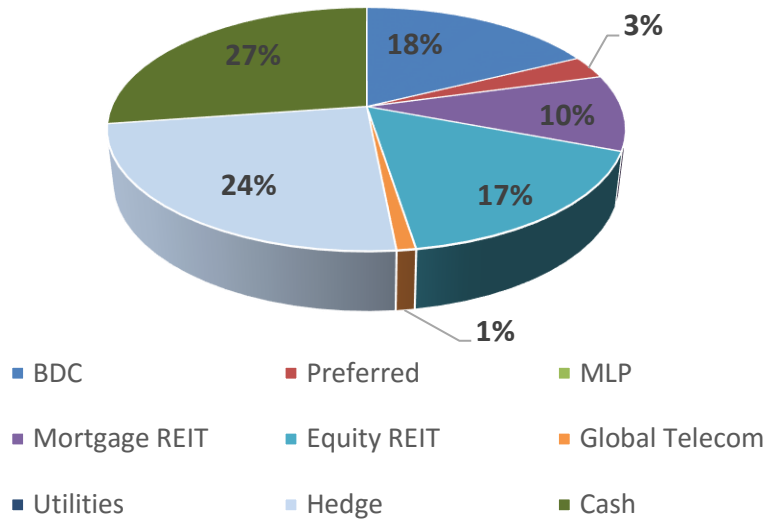
Our primary concern for the markets is rising interest rates, at some point. We know the Federal Reserve will aggressively fight deflation, and other central banks like the EU and Japan have aggressive quantitative easing policies being executed. The BDCs are a significant part of the portfolio. These stocks can be volatile, but when interest rise so do the underlying loans that are held by the BDC, as a result BDCs benefit from rising interest rates.

We are positioned very conservatively. We are concerned a correction, at a minimum, is coming soon. Our current net market exposure is 9% with 49% long, 20% in the double inverse on the S&P 500, 27% in cash, and adding additional protection with 4% in the VIX, which is a bet on volatility increasing in the markets. This is a very low volatility, low risk, strategy that has a very attractive dividend yield. This strategy is suitable for investors wanting high income but not the volatility.

PERFORMANCE AND ALLOCATION

High Income

PERFORMANCE*	
AS OF 8/31/2016	HIGH INCOME (NET OF FEES)
YEAR-TO-DATE	+15.60%
YIELD	4.80%



BDCs	18.0%
Preferred	3.0%
MLP	-
Mortgage REIT	10.0%
Equity REIT	17.0%
Global Telecom	1.0%
Utilities	-
Hedge	24.0%
Cash	27.0%

Performance results are presented in U.S. dollars and are net-of-actual-management fees and trading expenses of the composite and reflect the reinvestment of dividends and capital gains. 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 date and is the expected forward 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. PVG's Portfolio Risk Spectrum is based off a number of factors including portfolio structure, holdings, weighting and risk measures. It is not meant to define the client's risk profile or appetite when investing with PVG. The Portfolio Risk Spectrum may change from the current position at any time depending on the factors stated for measurement. 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 High Income strategy is 1/31/2011. 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.