



**PVG Asset Management Corporation**  
LOSS AVERSE INVESTING

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## TACTICAL TOTAL RETURN STRATEGY

### MONTHLY UPDATE JANUARY 2018

The Tactical Total Return strategy is managed by a proprietary technical algorithm designed from years of work and testing by our investment team. The strategy focuses on four major indexes of the market. It has allocations in the S&P 500 with 30%, the Nasdaq at 20%, the Russell 2000 with 20%, EAFE 20%, and a 10% alpha sleeve which is invested into individual stocks. When the market is in an uptrend the strategy each index is fully invested, when the market is in a downtrend the strategy becomes defensive and protects the portfolio from falling by neutralizing each index individually. This provides the upside of the market yet dampens or eliminates the downside risk during bear markets. The result is a much lower long-term Beta than the S&P 500, a lower standard deviation, and significantly higher long term returns by avoiding bear markets. We have a similar strategy called Dynamic Core which only invests in the S&P 500. This strategy was one of the top performers in 2017 in the Tactical Allocation universe (top 15%). The reason we mention this, is we modified Tactical Total Return to this new structure last year which uses the same algorithm of Dynamic Core.

The strategy started in 2001, PVG was allocating the portfolio in a very similar manner as other tactical managers but unlike some tactical managers we had some outstanding years relative to the market like in 2001, 2002, 2008, where we were either up or down slightly relative to the market being down big in those years. We use a combination of the 20, 50, and 200 day moving averages in the trend analysis. The strategy stays invested in an uptrend, out in a down, and hunts for sell signals and buy points at extreme levels.

We have tested the strategy over a 50-year period and had a GIPs audit over a 15-year period through 2014 just using the S&P 500. During the 15 year backtest the result was a cumulative return of 401.35% for the strategy vs. 126.56% for the S&P 500. We improved the strategy by capturing more of the upside of the market but kept the downside protection. We believe this strategy that has some extra features to improve performance, such as individual stocks, and will do exceptionally well in a rising market yet have very similar historical downside protection.

We believe the strategy is particularly timely as the market continues to rise heading into its tenth year, with very high market valuations and rising interest rates. At some point a bear market will occur. This strategy has the ability to generate greater than market returns as the market continues to ascend higher, but is designed to protect against what will likely be a nasty bear market when it does occur.

#### Market Bear Starting - Sell Signal



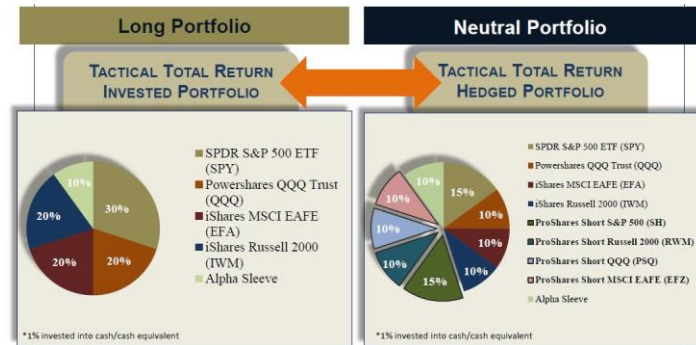
#### Market Bull Starting - Buy Signal



Please call us at 303 874 7471 or email us at [rgarcia@pvgasset.com](mailto:rgarcia@pvgasset.com) to schedule an introductory call regarding our strategies.

## PERFORMANCE, ALLOCATION AND RISK SCALE

PERFORMANCE* JANUARY 17, 2018 (NET OF FEES)	
	TACTICAL TOTAL RETURN
YTD	4.45%
	S&P 500
YTD	4.89%



### **Risk Considerations:**

**Past performance is not a guarantee of future results.**

Performance results are presented in U.S. dollars and are Net of any actual fees and reflect the reinvestment of dividends and capital gains. Actual fees may vary based on, among other factors, account size and custodial relationship. Model results are before the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid. \*Annual returns are compounded over the specified period. 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 or index. The model portfolio will have materially different volatility than the given index. Portfolios in the composite utilize inverse index products. Inverse ETFs are considered risky. The use of inverse 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 or loss. Most inverse 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 composite was created 9/30/2001. Additional information is available upon request.