LOSS AVERSE PORTFOLIO

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Loss Averse Strategies

We thought it was timely, given the market conditions, to give you a quick update on how our strategies are performing and what we are thinking. The S&P 500 was down -4.40% on Thursday and thus far the markets are down significantly again on Friday. Our Tactical Total Return strategy was up on Thursday by .07%, Dynamic Core was down just slightly, so we would call it about flat, and the Loss Averse Equity Income strategy was down -1.47%. As you know, PVG Asset Management specialize in tactical and loss averse portfolio management.

Our Tactical Total Return strategy has about 9% net long exposure, Dynamic Core has about zero, and Loss Averse Equity Income about 32%. By net long, we mean we have an inverse ETF in the portfolio that reduces the market exposure, and these percentages are on a dollar basis, not necessary a beta basis. We are very conservatively positioned. Like in Dynamic Core we have roughly 50% long the S&P 500 ETF and 50% in an inverse S&P 500 ETF, or zero net exposure for a temporary defensive position while the market falls. When the market goes back up the strategy goes back to 100% invested.

Our hedging works off our proprietary technical algorithm. The algorithm is based on moving averages, as certain moving averages are broken then the hedge increases or decreases on the upside. We started hedging very quickly as the market started to roll over in our Tactical Total Return and Dynamic Core strategies, the Loss Averse Equity Income has been hedging for a while. We use three different moving averages in our process depending on the steepness of the trendline of the market. As an example, our first negative signal for Tactical Total Return was at 3325 on the S&P 500, the S&P 500 is currently about 2900, that worked very well. Our last sell signal was at 3166 and was the point where we wanted to take the betas to their most conservative position for Dynamic Core, so zero beta. We are happy to discuss the differences of the timing of each strategy.

The market is now well below the 200-day moving average of 3047, which is a level considered to be very important for technicians. The general rule for technicians is below the 200-day you are in a downward trend and should get out of the way. So right now, we are in a downward trend.

Here are two scenarios to think about, as we are down around -15% from the high, investors are likely going to react more aggressively to negative news. The Coronavirus has been the catalyst that knocked over a very vulnerable market (extremely overbought with very high valuations). If the news over the weekend is very negative on the virus then we could see a significant sell off on Monday. The bullish chatter we are hearing is the virus is only temporary, the Federal Reserve will cut rates, and as a result we will have a significant rally. We don't believe the Fed will cut rates but see both scenarios as possible. **We are prepared for either scenario**.

We are seeing some of the hardest hit stocks starting to bottom and getting many calls from our research broker to buy certain stocks. **We are seeing some tremendous values in the higher dividend paying stocks.**

Our firm is built around managing this type of market, (**past performance is no guarantee of future results**). We will update our thoughts on Tuesday morning with our "Market in a Minute" update.

If you would like more information please call our Director of Sales Jim Holt, 303 874 7477.