



PVG ASSET MANAGEMENT

LOSS AVERSE INVESTING

WWW.PVGASSETMANAGEMENT.COM



PVG HEDGING TACTICS

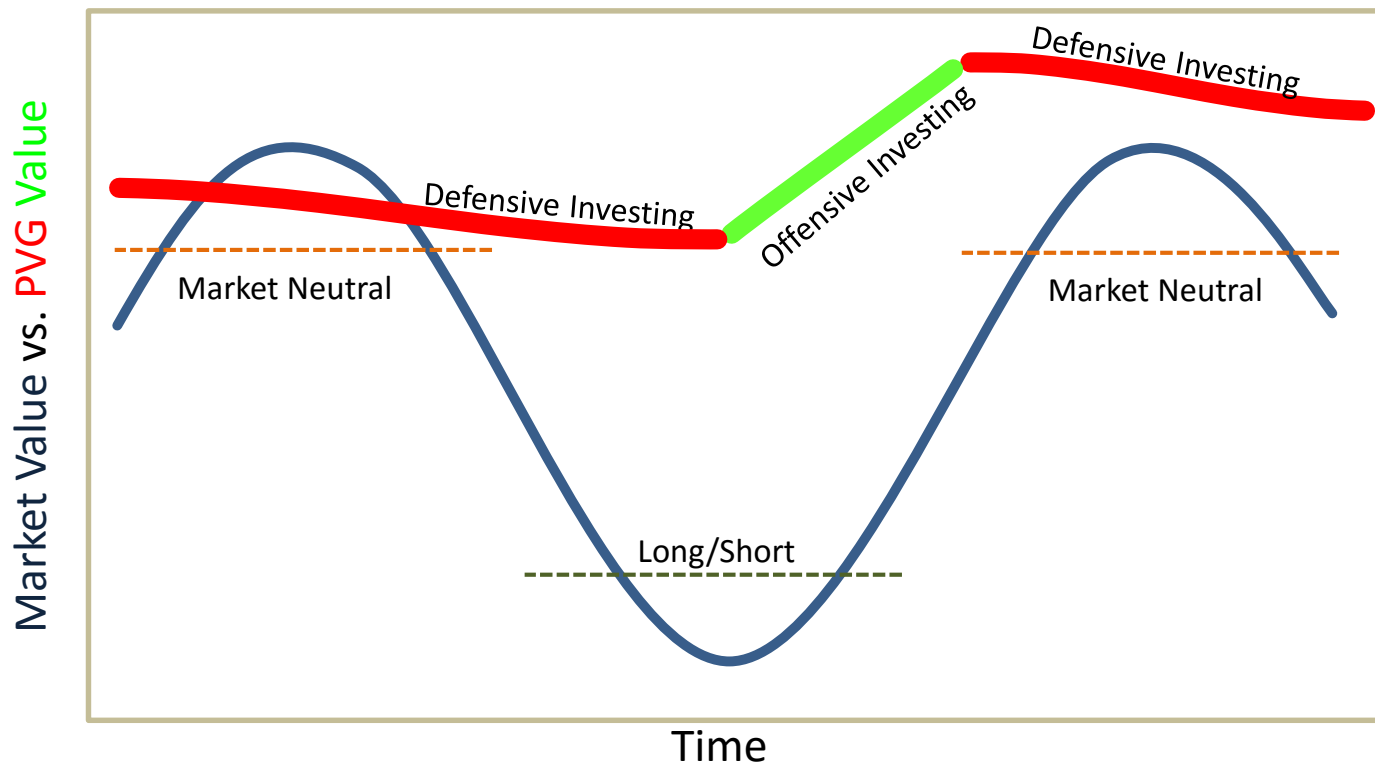
MARKET CYCLE OVERVIEW

PVG has coined the phrase, “**Loss Averse Investing**” to best describe the approach of preserving capital during negative markets. Our belief is that by capturing the least amount of downside helps apply an investment stance that operates with far less overall risk, yet captures greater returns over the long term market cycle.

The major risk to portfolios is the systemic risk or market risk, and there are times that the systematic risk of owning either stocks or bonds or both must be taken out of the portfolio.

There are managers who control portfolios that can replace traditional asset classes or sub-categories that do not have the same systemic or market risk as traditional managers. These management firms specialize in managing stocks, bonds, or a combination of both in a tactical manner, which reduce or eliminate the systemic risk, and can also be known as, *absolute return managers*.

The hypothetical chart below shows how PVG establishes different hedging techniques depending on the current market cycle. During peaks of the market, PVG will become more cautious and take a market neutral approach to protect assets during sustained or unforeseen market pullbacks. At the bottom of the cycle PVG will become more of a long/short as we find a bottom in the market. As momentum in the market picks up, the strategy will become more like a long only strategy. During all cycles PVG will bring value in the form of a 4% to 6% dividend yield.



PROACTIVE AND REACTIVE HEDGING TECHNIQUES

PVG reduces un-diversifiable market volatility and risk by hedging portfolios with inverse market index securities, stop losses and cash positions. Hedging tactics are utilized to reduce overall volatility of the portfolio, and may also result in minimizing losses that may occur in an unfavorable cyclical or secular market.

Proactive – Hedging Portfolios

Inverse ETF's

- Broad Market ETF's Only
- Portfolios are never net short

Reactive – Stop Losses

Placed on Individual Securities (When hedge is not in place)

Stop Loss Value

- Tighter stop on more mature valuations
- Looser stop on undervalued securities

Goal

Risk Reduction not Maximum Returns

- Designed to prevent portfolio losses of 10% or more

FACTORS THAT DRIVE PVG HEDGING

PVG utilizes both fundamental analysis and technical indicators to drive the hedging of the strategy. The main focus is derived from the valuation analysis of our universe of stocks as well as the trend and chart analysis in the overall market. Our goal is to reduce the risk of the overall portfolio when the analysis and indicators give us a signal.

Fundamental Analysis

Multifactor Macro Indicators

Market Cycle Analysis

Valuation Analysis

Technical Indicators

Sentiment Indicators

Trend Analysis

Chart Analysis

Goal

Overall portfolio beta and risk reduction



*Investing with an
emphasis on
Capital Preservation*



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Investment Products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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