



LARGE CAP VALUE STRATEGY
MANAGER: TIMOTHY J. MCINTOSH

December 31st 2018



**PVG ASSET
MANAGEMENT**

LOSS AVERSE INVESTING

WWW.PVGASSETMANAGEMENT.COM

Overview

International Value Contrarian Style

- Pure large cap value
- Attractively priced
- High conviction
 - Sector focused
 - High Dividend
 - Low Volatility
 - Low Portfolio Turnover

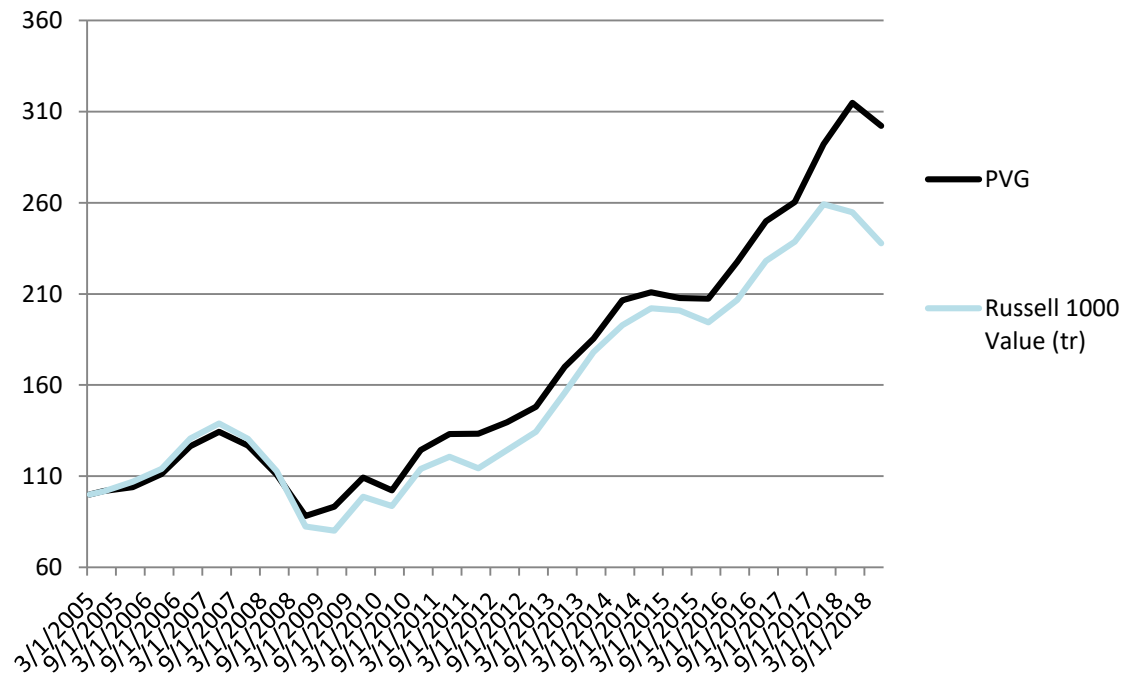
Structured to Serve

- 100% employee owned
- Serving individual and institutional investors since 1989

Consistent Results

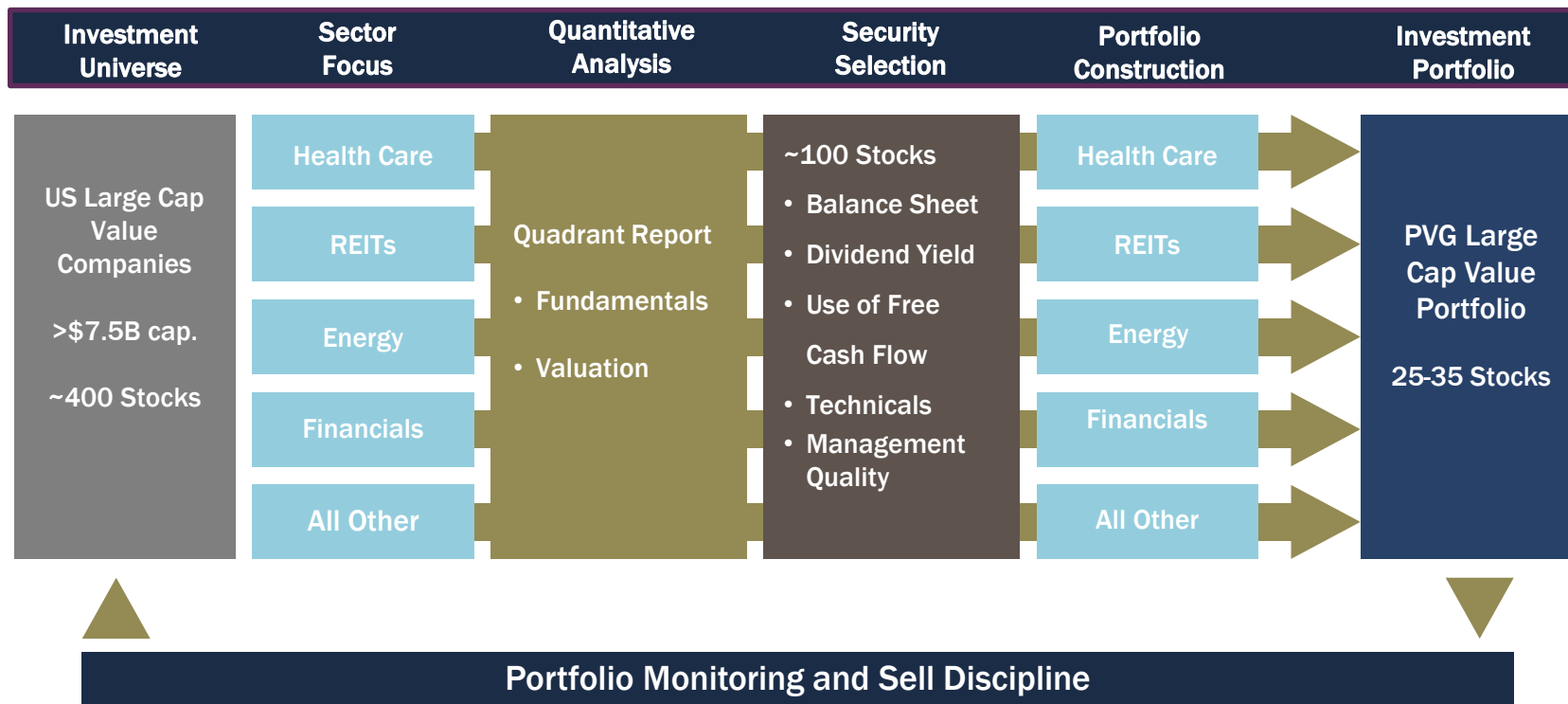
Gross Performance

Since Inception
As of 12/31/2018

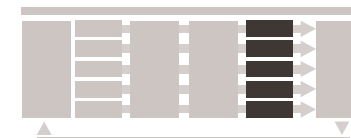


Process Discipline

- Consistent
- Repeatable
- Proven



Portfolio Construction



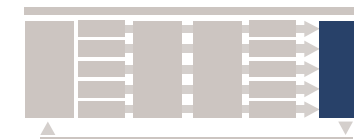
Allocation decisions basis		
Bottom-up	80%-90%	<ul style="list-style-type: none"> • Quantitative screen • Stock-by-stock analysis
Top-down	10%-20%	<ul style="list-style-type: none"> • Inflation • Yield Curve • Currencies • Commodities • Monetary policy

Allocation rules	
Healthcare	10%-25%
Financials	5%-20%
Energy	5%-20%
REITs	5%-15%
All other sectors	15%-35%
Cash	1%-10%

Top Down Positioning	Macro Indications	Typical Allocations
Constructive	Positive sloping yield curve Strong GDP growth Solid fwd earnings growth	<ul style="list-style-type: none"> • + Energy • + Financials • - Healthcare • + REITs • + Industrials/Materials • + Cons. Discretionary • - Utilities
Neutral	Slightly upward sloping or flat yield curve Moderate GDP growth Mixed earnings growth	<ul style="list-style-type: none"> • Quantitative screen • Stock-by-stock analysis
Defensive	Flat to inverted yield curve Weak GDP growth Mixed earnings growth	<ul style="list-style-type: none"> • - Energy • - Financials • + Healthcare • - REITs • - Industrials/Materials • - Cons. Discretionary • + Utilities • + Cons. Staples

Current LCV Portfolio Data

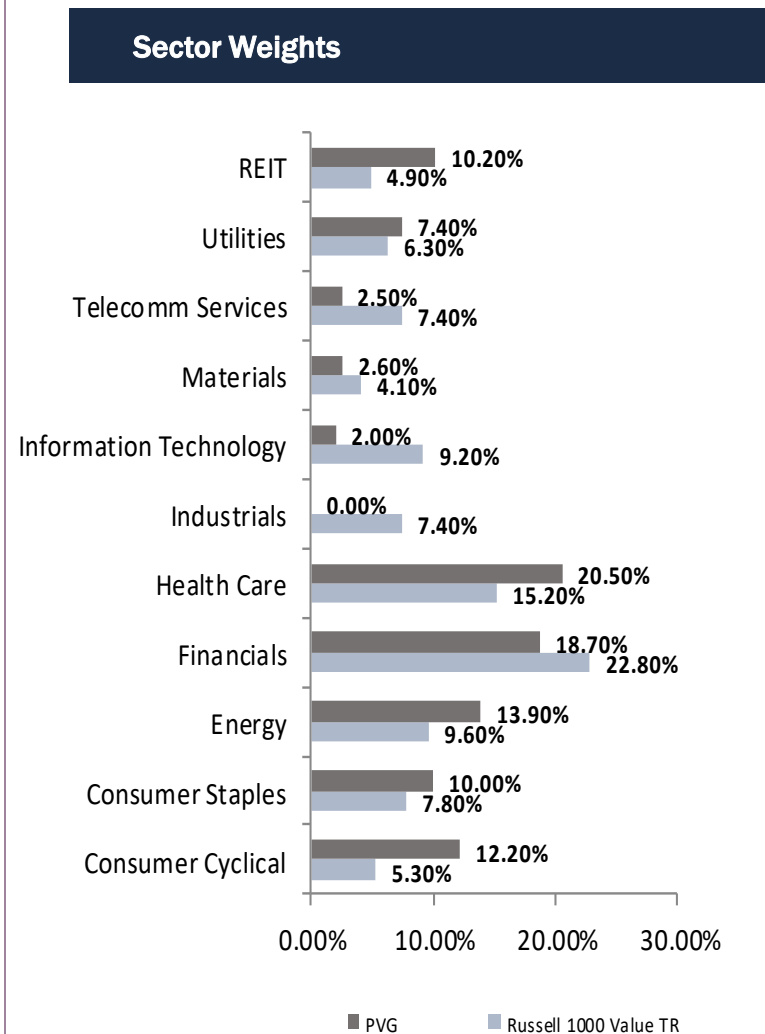
As of December 31, 2018



Characteristic (5 year)	PVG Large Cap Value	Russell 1000 Value Index
EPS Growth – 5 yr. fwd	8.17%	7.65%
P/E 2018	13.27	14.95
P/B 2018	2.23	2.00
Yield	3.39%	2.49%
Beta	0.87	1.0
r ²	0.88	1.0
Allocations		
Mega Cap – \$25B+	43.49%	45.84%
Large Cap – \$10B - \$25B	44.92%	32.60%
Mid Cap – \$1B - \$10B	10.11%	20.35%

Top Holdings - 12/31/2018

Pfizer	8.0%	Total SA	4.9%
Target	5.8%	Dominion Resources	4.9%
PNC Financial	5.8%	Public Storage	4.8%
Ventas	5.7%	GlaxoSmithKline	4.7%
PepsiCo	5.1%	Walgreens Boots Alliance	4.4%

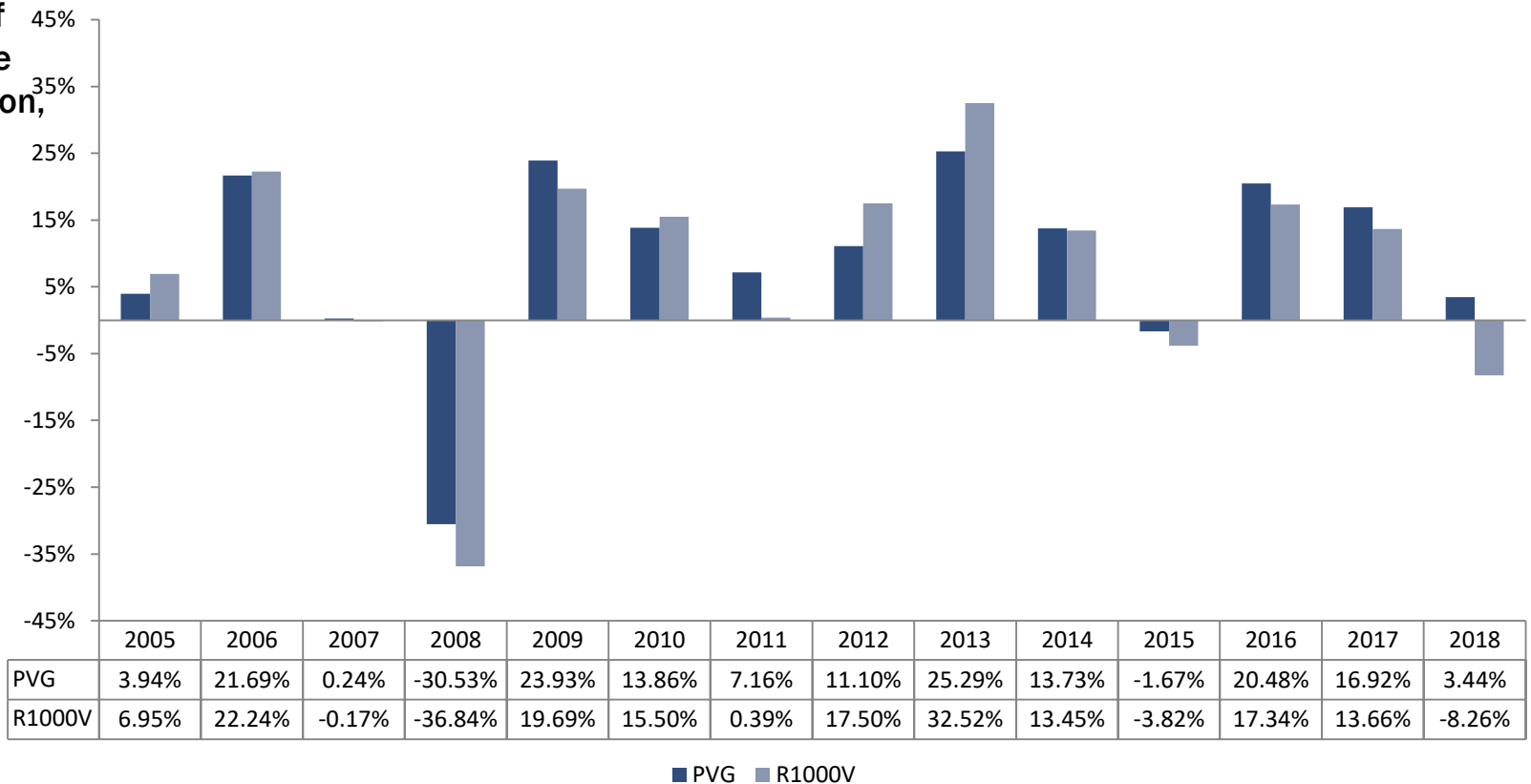


Yearly Returns - Gross

As of December 31, 2018

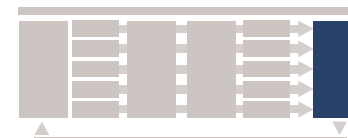


- **Outperformance of Russell 1000 Value Index since inception, 3/31/05**



Annualized Returns - Gross

As of December 31, 2018



	Annualized:	1 Year	3 Years	5 Years	10 Years
PVG U.S. LCV Portfolio		3.44	13.37	10.26	13.12
Russell 1000 Value Index		-8.26	6.96	5.95	11.18
Morningstar Large Cap Value Universe		-8.46	9.22	5.92	11.09

Q4 Commentary

U.S. Large Cap Value Portfolio

Our U.S. Value Leaders portfolio advanced by 3.44% (gross) for 2018 versus -5.20% for the Dow Jones Industrial index and -8.26% for the Russell 1000 Value Stock Index. Here were our top five performers of the year;

– *Merck, 35.79% - Kohl's, 22.33% - Pfizer, 20.51% - Amgen Inc, 11.94% - GlaxoSmithKline, 7.72%*

Notice that four of the five stocks above were in the pharmaceutical and biotech areas. We overweighted the healthcare sector beginning in 2018 as we believed the economy would slow and valuations within pharmaceuticals were extremely attractive. Investors gravitated towards these names in the last six months as economy slowed, volatility picked up, and the trade war started. We like the merits of each of these top five, although we make take some profits to move into more sensitive sectors that offer more value for 2019. Our worst performing five stocks for 2018 were; *Dow DuPont, -24.91 - Exxon Mobil, -18.47, - UPS, -18.15, - Occidental Petroleum, -16.67 -Hess, -14.68*

Energy stocks were the worst sector in 2018 and our overweight position had a negative impact. None of our stocks escaped a negative performance in this arena, including Exxon, Occidental, Hess, and Total SA. All four fell by double digits. DowDuPont was dragged down by weak global demand and higher input costs. UPS, or United Parcel Service, was also negatively affected as shipping volumes dropped. Within the balance of stocks that were in-between these return ranges, our sector picks were mixed. In utilities, Duke Energy rose by 2% while Dominion fell by 7%. Pepsi fell by 7%, despite excellent earnings and a dividend boost of 12%. Our real estate stocks, or REITs, fell just slightly. Ventas fell 3%, and American Campus was flat. Slight gainers were Target (up 3%) and Intel (up 2%). One item that helped our cause this year were very timely purchases. We bought Walgreens at \$62 and the stock finished at \$68. For Realty Income Co, we purchased at \$49 and the stock finished at \$61. These gains along with sector positioning all assisted in performance and helped produce a 1100 plus basis point gain above that of the R1000 Value Index. After substantially underweighting the financial sector in 2018, we added two solid financial institutions in December; PNC Financial and Key Bank. Both pay handsome dividends of above 3%. Both also fell in price by over 15% during the year. U.S. active managers have reduced their exposure to financials for the eighth consecutive month. We think banks will do much better in 2019 than in 2018, as valuations and expectations are very low. Banks tend to outperform during non-financial driven downturns, as seen in 2001.

Disclosure

PVG ASSET MANAGEMENT, LLC. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Composite Disclosures & Footnotes:

- “PVG is an independent investment advisory firm headquartered in Centennial, Colorado. PVG manages equity, fixed income, and ETF portfolios for both individual and institutional investors. The firm was founded in 1989.” **PVG and SIPCO merged in October of 2016**
- U.S. Value Leaders** Composite consists of all fully discretionary large cap value equity portfolios with strong relative balance sheets and above average dividend yield value. Inception of the portfolio is 3/31/2005. The portfolio is concentrated in the healthcare, energy, technology, and financial sectors. The portfolio is typically invested in 30-40 equities chosen primarily from the United States. 15% of the portfolio can be invested in ADR securities from the major developed markets of Europe and Asia. When the portfolio manager believes that the global stock markets are highly valued or that market conditions warrant a more defensive posture, the manager may raise cash or purchase market hedges. The benchmark is the Russell 1000 Value.
- The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. The U.S. Dollar is the currency used to express performance of each composite. Returns are presented gross of management fees, and include the reinvestment of all income. Other than levered and inverse ETFs, leverage or derivatives are not used. The use of levered and inverse ETFs is anticipated to be infrequent and may not materially impact returns in any given year.

- A complete list and description of all of the firm’s composites is available upon request.

- PVG does not have composite minimums.

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- Performance is expressed in U.S. dollars.

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- PVG clearly labels returns as gross of fees or net of fees in the column headings of the composite performance table.

- As of January 1, 2015, the composite is a carve out, which includes the large cap stock segment plus cash of the PVG Value Long Short Portfolio.

- Withholding taxes on dividends, interest income and capital gains are custodial based and reclaimed where available through the Advent Axis portfolio accounting system.

- Exchange rates for foreign securities provided by the external custodians and have no known inconsistencies.

- Performance presentations conform to local laws and regulations (principally the SEC) that do not differ from the GIPS requirements in any known material manner.

- All performance presentations periods are GIPS compliant.

- PVG composites do not contain bundled fee portfolios.

- Gross of fee returns reflect direct trading expenses. Net of fee returns reflect direct trading expenses and investment management fees.

- Additional information regarding policies for calculating and reporting returns is available upon request.

- PVG does not use sub-advisors and has not historically.

Period	Total Return (gross of fees) (%)	Total Return (net of fees) (%)	Benchmark Return* (%)	Number of Portfolios at Period End	Composite Dispersion (Asset-Wtd Std Dev) (%)	Total Composite Assets at Period End (\$millions)	Percent of Total Firm Assets (%)	Total Firm Assets at Period End (\$millions)
2005*	3.94	3.02	6.95	2	0	0.1	2	6.8
2006	21.69	20.26	22.24	6	1.09	0.4	3	11.2
2007	0.24	(0.97)	(0.17)	7	0.8	0.5	3	18.4
2008	(30.53)	(31.44)	(36.84)	9	0.64	1.1	6	18.1
2009	23.93	22.92	19.69	7	0.64	1.3	5	25.2
2010	13.86	12.83	15.50	7	0.52	1.2	3	34.8
2011	7.13	6.16	0.39	14	0.82	2.4	7	33.9
2012	11.10	10.55	17.50	18	0.63	3.8	8	46.2
2013	25.29	24.34	32.52	18	1.07	4.3	7	57.7
2014	13.73	13.01	13.45	20	1.14	7.5	10	73.3
2015	(1.67)	(2.12)	(3.82)	36	0.53	11.21	16	71.9
2016	20.48	19.89	17.34	30	1.06	10.9	2.9	374.7
2017	16.92	16.02	13.66	30	1.03	13.1	3.9	337
2018	3.44	2.70	(8.26)	28	1.74	10.3		

• **PVG fees for investment management services are:**

Account Market Value
 \$1 - \$250,000
 \$250,000 - \$500,000
 500,000 - \$1,000,000
 \$1,000,000 and up

Annual Fee
 1.50%
 1.35%
 1.20%
 1.00%

Disclosure

Composite Disclosures & Footnotes: (Cont.)

- All significant events that would help a prospective client interpret the firm’s performance record are believed to be disclosed within the firm’s SEC Form ADV Part II with Schedule F, the composite performance table and related footnotes, the client’s Investment Management Agreement, the client’s Investment Policy Statement, the firm’s web site and various firm brochures.
- PVG, as a firm, has not been redefined.
- No composites have been redefined.
- There have been no composite name changes.
- Composite creation date is 3/31/2005
- Calendar month-end or last business day of the month portfolio valuations are used.
- Composite dispersion is the asset-weighted standard deviation of the individual portfolios around the composite mean for the current period. Composites with 5 portfolios or less are shown as NM (not meaningful).
- PVG does not have multiple defined firms within a parent company.
- There have been no changes in calculation methodology or valuation sources that would result in a material impact on the performance of composite returns.
- Returns for periods of greater than 1 year are annualized.
- The three year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

SEC Disclosure and Representative :

The U.S. Securities and Exchange Commission (“SEC”) allows performance information to be presented gross of management fees in one-on-one presentations if accompanied by disclosures that: (1) the results do not reflect the deduction of investment management fees; (2) the client’s return will be reduced by the management fees and any other expenses incurred in the management of the account; and (3) the advisor’s investment advisory fees are described in Part II of the advisor’s Form ADV. Also accompanying these disclosures must be a “representative example” that shows the effect an investment advisory fee, compounded over a period of years, could have on the total value of a client’s portfolio.

Representative Example of Compounded Effect of Investment Advisory Fee

	Years	Cumulative Fee	Years	Cumulative Fee
A maximum 1.00% management fee deducted from a portfolio quarterly (0.25%/quarter) would result in the following cumulative compound reduction of the portfolio time-weighted rate of return.	1	1.004%	6	6.176%
	2	2.018%	7	7.241%
	3	3.042%	8	8.318%
	4	4.076%	9	9.405%
	5	4.121%	10	10.503%