

Item 1. Cover Page ADV Part II Federal Filing

# PVG Asset Management Corporation

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## **DISCLOSURE DOCUMENT AND INFORMATIONAL BROCHURE**

This brochure provides information about the qualifications and business practices of PVG Asset Management Corporation. If you have any questions about the contents of this brochure, contact PVG Asset Management by telephone at 800.777.0818 or by email at [information@pvgasset.com](mailto:information@pvgasset.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PVG Asset Management Corporation also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

PVG Asset Management is a registered as an investment adviser with the Securities and Exchange Commission (SEC). Registration with the SEC is for the purpose of U.S. Government oversight only and does not imply any advisor has achieved a specific level of education, skill or training.

## **Item 2. Material Changes**

Rick Garcia, President and Portfolio Manager is leaving PVG. The Company has hired James Holt to head up institutional sales for PVG and to replace Mr. Garcia's main duties, while other management duties are being assumed by other PVG staff members.

## **Item 3. Table of Contents**

**The enclosed material is intended for financial consultants and advisers or individual investors considering PVG Asset Management as an asset manager. This material should be read in conjunction with other brochure material.**

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**Brochure Supplement Part 2B for Supervised persons**

## **PVG ADV Part 2A**

### **Item 4. Advisory Business**

- A. PVG Asset Management Corporation, a Colorado Corporation with its headquarters in Centennial Colorado. PVG is a fee-based investment adviser specializing in investment portfolios for individuals, corporations, registered investment advisers and institutions. The firm was established in 1988 by PVG and is currently owned by Patrick Adams, and Jana Henderson.
- B. As an asset manager, any financial advice provided is incidental to asset management services. PVG does not provide financial planning, offer tax advice, insurance or other wealth management services unless specifically stated in a signed agreement specifying such services and the fees for these additional services. Each asset management client selects a specific strategy displayed on a PVG investment advisory agreement. Clients may change strategies upon notification to firm. PVG invests client accounts primarily in individual stocks and bonds, and Exchange Traded Funds (ETFs). Our overall asset management approach is characterized as “Loss Averse Investing” to emphasize that loss aversion is a primary investment objective, in contrast to tracking market or peer-based indices. Strategies where assets move more or less like the overall markets, or traditional strategies, which are a minor part of the firm’s management. Our Value Strategy, for instance, is benchmarked against a peer group of similar strategies. PVG’s tactical strategies move in and out of equities or fixed income or apply inverse ETFs to cushion against a down market. PVG cannot guarantee against investment losses. Investors can lose money and can perform significantly different than the financial markets.
- C. PVG allows clients engaging our services after December 31, 2018 to check a risk profile on its Investment Advisory agreements and PVG will attempt to adjust the mix in an account to match the appropriate risk and upside of different securities as market conditions change. Client risk appropriateness is considered very subjective and client’s often change their perception of risk as markets evolve. PVG makes no claim that it’s risk profile questionnaire can capture any client’s future perception of risk.
- D. PVG is the sub-advisor to a mutual fund called Rational Dividend Capture.
- E. PVG does not monitor investments of the client that PVG does not directly manage. If an investment is not managed for a fee, and is not identified as a strategy of PVG in an investment advisory agreement of PVG specifically, PVG is not responsible for non-PVG product, regardless of any affiliation with PVG, even though we may include those asset(s) on client statements for informational purposes. This includes assets sold to a client by any firm affiliated with PVG Asset Management or any individual associated with that firm(s).

- F. PVG provides customized investment management services that include restrictions on the purchase or sale of certain securities, within the boundaries of our Loss Averse Investing strategies. PVG is not responsible for restricted positions in a client accounts, including stocks, bonds, REITs, hedge funds, private placements and any other type of registered or non-registered security that is not specifically part of a PVG model account. When such unmanaged positions appear on a PVG statement or a custodial statement it is for the benefit of the client and not the responsibility of PVG.
- G. PVG associates with Investment Advisor Representatives with their own business entities, whose business names and logos may appear on PVG marketing materials or client statements as approved by their Custodian. These are legal entities of the Investment Advisor Representative and not PVG or the Custodian. These business entities and associated Investment Advisor Representatives may also provide services other than PVG as disclosed herein. Investment Advisory Services of the Investment Advisor Representatives are provided in part or in whole by PVG.
- H. Clients may make additions to and withdrawals from their account at any time, subject to PVGs' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to PVG, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. PVG may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, and short-term redemption or other fees, that may be assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.
- I. Besides individual accounts, PVG manages accounts for other investment advisors. PVG shares a portion of the total management fees paid to it by any client with other investment advisors. In those circumstances, the other investment advisor maintains the primary client relationship, and the Firm merely manages the assets based upon the parameters provided by that investment advisor. The other investment advisor is responsible for all client communications, and an on-going review of the client's risk profile and appropriateness of investment strategies for that client.
- J. Clients generally provide PVG with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send

statements to clients not less than quarterly detailing all account transactions, including any amounts paid to PVG.

- K. As of 03/27/2019, PVG had 1341 total accounts with \$235,060,000 of assets under management. 1299 discretionary accounts with \$217,281,000 and 42 non-discretionary accounts with \$17,779,000 in assets. PVG has a total of 720 households and 847 clients.

#### **Item 5. Fees and Compensation**

- A. PVG charges a base management fee of 2% which is frequently negotiated lower, depending upon client circumstances, account size, and source such as those from financial advisors and broker dealers where PVG may act as a sub-advisor.
- B. PVG generally bills fees quarterly in advance directly to a client's account or to the client, depending upon client instructions. Exceptions include those where PVG acts as a sub-advisor.
- C. PVG manages outside funds, such as the Rational Dividend Capture Mutual Fund. When PVG purchases this fund or any similar future affiliated fund the client may be charged a fee by the Fund, and PVG may also receive a fee for managing the portfolio which includes the fund. While this has not occurred to date, there is the possibility that it may occur.
- D. Besides management fees, clients may incur charges from their selected broker/custodian such as custodial fees, trading commissions and internal fund charges. These charges may be negotiated by PVG, the client, or may be set by the financial advisor or broker/dealer introducing a client to PVG. PVG does not share in any of these fees or charges.
- E. Unearned fees, if a client terminates PVG before any billed fees are earned, fees are refunded upon the request of the client. Client fees will be refunded in the case of termination, based on the formula stated on their contract, and the amount refunded is based upon the number of days remaining in a billing period divided by the total days in that billing period. PVG or the client may terminate the investment advisory contract at any time by giving written or electronic notice.
- F. PVG receives no other compensation, other than management fees billed as described above.

#### **Item 6. Performance Based Fees**

PVG does not charge any performance-based fees.

## **Item 7. Types of Clients**

PVG manages accounts for individuals, corporate and individual retirement plans, foundations and endowments. Minimum account sizes vary greatly based on individual client considerations and the source of each prospective client.

## **Item 8. Methods of analysis, Investment Strategies and Risk of Loss**

PVG's Loss Averse Investing strategies pursue an "absolute" rather than "relative" return objective. Loss Averse Investing does not attempt to outperform market or peer group indices, an objective which generally requires remaining invested at all times regardless of market conditions. PVG attempts to make money in a volatile market and to reduce volatility and avoid substantial losses during market declines. When protecting portfolios from a concern the market will fall, could result in lower or even negative returns.

PVG also manages other strategies that perform, more or less, like market indices or otherwise traditional management strategies. Our Value Strategy, for instance, is benchmarked against a peer group of similar strategies. These types of traditional strategies incur both non-systemic risk or individual security risk, but also systemic risk or market risk.

PVG also manages Tactical strategies by moving in and out of the market or different asset classes. The goal is by reducing market volatility during falling markets can greatly as the strategies moves into a defensive mode.

PVG believes that security prices are determined by future economic conditions, corporate fundamentals, and the supply and demand for securities, all of which are uncertain in the present but which may be postulated through diligent investment research. Security prices reflect this uncertainty, changing frequently and often to extremes, as institutional and individual investor opinions change, and their willingness to accept risk (valuations) rises and falls.

PVG employs a disciplined investment process designed to capture and profit from secular and cyclical changes in market valuations (trends) that can be anticipated or at least identified.

PVG believes it has greater flexibility to fully exploit market cyclical or pricing extremes than many money managers. Our investment process does not require meeting different internal institutional demands like tracking market, asset class, or peer-group benchmarks. Our decisions are not limited to a single asset class, an investment selection style, or by

trading restrictions. We make decisions with limited concern for tax implications. Unlike most managers, we use hedging techniques to protect assets from market declines. Our size, organizational structure, and technology allow us to take advantage of market cyclicalities without moving market prices in the process.

PVG's investment process encompasses top-down and bottom-up economic and corporate fundamental research, and technical analysis. Some of our strategies incorporate only technical analysis or moving averages. PVG utilizes a technical algorithm to signal trades in select strategies. This algorithm is predicated on the 20, 50, and 200 Day Moving Averages of the S&P 500 Index. Trading occurs at the thresholds above and below the 200 Day Moving Average and above and below the 20 Day or 50 Day Moving Averages. We also incorporate a stop loss to attempt to avoid losses of more than 10% at a given time.

Security selection and management tactics reflect our economic and business views. They are also based on field proven research, including the research and experience of our investment professionals.

A common fundamental emphasis of this research is identifying sustainable and improving sales and earnings growth rates and rising corporate returns on equity, based on new products, management, and other events. A common technical emphasis is on market leadership, institutional sponsorship, and identifying changing supply and demand for asset classes, market sectors, and individual securities.

PVG managers continuously review economic, business and market issues to determine trends, and to confirm or revise our opinions and understand the opinions of others. We continuously review research and price information on a large universe of alternative securities to sort out those most promising for inclusion or sale from portfolios.

Portfolio activity, "turnover", depends upon changing market trends, often over periods of only a few months, as well as corporate fundamentals. We may quickly reverse decisions, even taking losses to avoid further price deterioration. Purchases and sales are contrarian, based on perceived investor overreaction to news. i.e., portfolios are frequently constructed during declining markets, adjusted during rising markets, and liquidated after gains. Fully invested portfolios typically contain between 10 and 50 individual securities or substantially fewer when Exchange Traded Funds are used for sector exposure and diversification.

Rather than liquidate all securities in a portfolio that may be declining because of a weak market, our managers also "hedge" portfolios against negative market conditions. Hedging is accomplished in most cases with the purchase of an Inverse Exchange Traded Fund or a similar mutual fund that effectively "shorts" a market. These inverse securities are designed to move in the opposite direction of the market which they represent, although

they may at times differ. There is no certainty that inverse ETF's will work always as expected. As an example, a portfolio's "net long position" or the dollars in an account that are exposed to market risk may range from 100% to 0% without the sale of all securities because of this technique.

PVG solely employs Exchange Traded Funds (ETFs) in the management of some accounts. ETF's are selected using the same techniques as for individual securities. They most often reflect the same decision process as used for individual securities. ETFs are funds that encompass tens to hundreds of securities. While providing diversification, they sometimes will fail to track the price of their underlying securities. Like mutual funds ETF's charge an additional internal management fee.

An investment with PVG may differ from other asset managers in several ways.

1. Investment positions are often taken for shorter term gain potential, even though we research the longer-term attractiveness of a business and investment. When securities are not sold, market risk may be "hedged" using mutual or exchange traded funds that short the market. Hedging may also generate short-term gains or losses, even when markets are moving in an opposite direction. In addition, PVG employs stop losses to avoid risk. Sold or similar stocks may be repurchased if market conditions or our judgment changes.
2. PVG uses all asset classes, including larger and smaller companies by capitalization and international securities, and all styles of security selection in portfolios, including securities often identified as growth and value, and may also use equity or fixed income security derivatives like exchange traded funds. PVG may also utilize individual bond holdings in some accounts that may contain non-investment grade bonds. Portfolios may be more concentrated by industry or market sector than other managers that track typical asset classes or market benchmarks. While this may involve additional risk, it also can avoid performance dilution from lagging groups and sectors.
3. Technical analysis is a component of our management, although we rigorously engage in qualitative and quantitative fundamental economic, business, and corporate research. Behavioral reasons, as indicated by technical measures, are often the reason for the sale of companies or asset classes that continue to have attractive business prospects.
4. Management may pass up the potential for higher returns by selling securities during rising markets in order to protect client assets or limit risk. We may choose to hold money market funds instead of stocks or hedge market risk in a rising but risky market, rather than risk a reversal and capital losses. As a result, PVG clients are subject to greater management decision risk than investors who remain fully invested in diversified

portfolios where market risk is greater.

5. Our management process may reduce but does not eliminate portfolio sensitivity to a declining market. As with all money management, the future is uncertain and results depend heavily on the skill of the investment professionals making decisions. There is no guarantee of results, returns or past performance. This is particularly true after longer periods of rising stock and bond prices.

#### **Item 9. Disciplinary Information**

PVG is not subject to any disciplinary actions. None of PVG's principals is subject to any criminal charges. None has ever been accused or convicted of any criminal activity.

#### **Item 10. Other Financial Industry Activities and Affiliations**

Choice Capital management, LLC is the General Partner of a number of hedge funds investing in long and short security positions and private companies. Patrick Adams is a passive investor of Choice Capital Management, LLC, and Choice Investment Management a holding company that owns a Broker Dealer, CIM Securities. Mr. Adams has no management of these entities and the shares that Adams owns are in a voting trust controlled by the managers of these entities. Adams is not in control of these entities and is not involved in management. Investors that invest in the Choice Capital Management LLC private investments must do so via a subscription agreement directly with Choice Capital Management LLC. Choice Capital Management LLC only manages hedge funds or private equity funds and does not advise individual clients' assets. Choice Capital Management LLC is not a registered investment advisor and does not have a fiduciary duty that a typical registered investment advisor would have. Significant conflicts may exist between the funds managed by Choice Capital Management LLC or securities offered by CIM Securities and investors. Choice Capital Management LLC and CIM Securities have their own management, products, services, compliance history or form BD and for further information prospective investors need contact them directly.

PVG assumes no responsibility for any investments by its clients' with Choice Capital Management LLC or CIM Securities.

PVG management and employees invest significant amounts of their own liquid net worth in PVG managed accounts, and these individuals may have investments in other non PVG investments such as real estate, cattle, private companies, and other non-traditional assets.

## Item 11. Code of Ethics

PVG has adopted written **Policies and Procedures** setting forth standards of conduct expected from corporate personnel. These Policies and Procedures specifically address such issues as Client Privacy, Proxy Voting, and Personal Securities Trading practices.

Complete copies of these Policies are presented to the client at the inception of the account and/or the signing of any management agreement.

PVG recognizes that its customers have an expectation that PVG and its affiliates will maintain the confidentiality of customers' nonpublic personal information. Nonpublic personal information about clients is collected for purposes of managing and administering the client relationship with us. This information is not for resale or transfer to unaffiliated parties and is shared with third parties only to allow us to manage, trade, and administer the account.

PVG may collect information furnished by clients such as client name, address, social security number and beneficiary designation on forms required to establish the accounts with PVG and affiliated companies. This information may contain specific details concerning the assets in the account, and including records of transactions in assets transferred from another financial institution.

Expressly for the purpose of managing and administering the account, PVG may disclose both identification and transaction information to affiliated and nonaffiliated parties such as brokers, transfer agents, mutual fund companies, administrators, or other representatives of the seller or purchaser of assets or a firm that provides valuations for securities. PVG does not disclose nonpublic personal information about clients to any party, except as directed by client and permitted by law. PVG has installed safeguards to ensure client nonpublic personal information is used by these organizations only for the purpose provided. PVG maintains records on secured computers. All employees are advised of PVG's privacy policies and of the confidential nature of the information they handle.

PVG principals or employees may invest in the same securities as its clients. Securities purchased by employees are in most cases in accounts managed by PVG as any other client, and are entered as trades at the same time as for other client accounts. Employees may not purchase or sell any security in advance or with knowledge that similar action will be taken by the firm. All employee trades are reviewed for consistency with PVG's code of ethics on a quarterly basis.

## Item 12. Brokerage Practices

To the extent PVG invests in stocks, bonds, and mutual funds, commissions or other transaction costs are paid from the client account to the broker/dealer/custodian.

Many PVG accounts are “directed”, and as such are traded exclusively with the financial consultant/advisor or broker/dealer responsible for the introduction of the account to PVG. PVG may not be authorized to negotiate commissions and may not be able to obtain volume discounts in this situation as opposed to clients that are not directed. A disparity in commission charges may exist between the commissions charged to clients who direct PVG to use the above named broker/dealer and other clients who do not direct PVG to use said broker dealer. PVG does not share in any commissions.

To the extent PVG may invest accounts in funds managed by other firms; these funds may pay a management fee to their respective managers that are deducted from each fund's income. These fees are an indirect expense client accounts. PVG may also from time to time make investments in certain funds where redemption, transaction, or 12b(1) fees may be levied against the client account by the Fund Company or by the Account Custodian. PVG does not share in any of these fees.

PVG may execute undirected institutional security trades through CIM Securities or other broker dealers to achieve “Best Execution”. PVG considers the following factors or combination of factors when determining the broker dealer with which to trade: 1.) commission cost per share; 2.) timeliness and quality of the firm executing the trade; 3.) market impact of the trade including the broker’s order flow in the particular security or whether or not the broker “makes a market” in the security; and 4.) any research that a firm may provide to PVG.

Soft Dollars: Some accounts managed by PVG generate “soft dollars”, whereby the broker executing a trade will pay for services for the benefit of PVG clients based on the volume of commission business conducted. A benefit typically is research or other services provided that can be used by PVG managers for the benefit of clients.

PVG makes decisions involving “soft dollars” in a manner that satisfies safe harbor requirements provided by Section 28(e) of the Securities Exchange Act of 1934. Under specified conditions, PVG is permitted to utilize a portion of commission dollars generated by trades to pay for investment research and brokerage products and accounting services. If Applicant were to obtain a product (or service) for both research and non-research purposes, it directs payment of only that portion of the cost

attributable to research use with soft dollars. Applicant's interest in making such allocations may differ from clients' interest in that Applicant has an incentive to designate as great a portion of the cost as "research" as possible in order to permit payment with "soft dollars".

PVG allocates transactions to broker-dealers for execution on such markets and at such prices and commission rates as in its good faith judgment are in the best interest of the client, taking into consideration primarily available prices and then brokerage commission rates, and other relevant factors such as, the broker-dealer's execution capability, the size of the transaction, the difficulty of execution, the operational facilities of the broker-dealer involved, the risk in positioning a block of securities, the quality of the overall brokerage and research services provided by the broker-dealer, and the value of an ongoing relationship with such broker-dealers without having to demonstrate that such factors are of a direct benefit to a client. PVG may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction if PVG determines in good faith that the amount of commission is reasonable in relation to their value of the services provided by the broker-dealer, viewed in terms of either the particular transaction or PVG's overall responsibilities with respect to the account over which it exercises investment discretion.

Applicant may use a client's "soft dollars" to acquire research and other services and products in support of investment decisions for accounts other than the particular account whose transactions generate the commissions.

### **Item 13. Review of Accounts and Other Matters**

Client accounts are generally reconciled daily against custodian records and reviewed daily by the investment staff. Accounts, other than custom accounts, generally hold the same investment positions, based on objective. If a position is bought and sold in one of these accounts, it is typically bought and sold in all accounts with the same objective, except in unusual circumstances.

Clients receive electronic and printed communication from their respective broker/dealer custodians at least monthly. In addition, PVG provides printed or electronic quarterly statements and performance reports, depending upon the request of clients and/or their investment advisor or broker of record.

**Liquidity and Distributions:** Investors in separate accounts may withdraw their funds at any time without penalty or establish periodic distributions.

Investors in other "funds" outside of PVG are subject to the rules of such

fund.

**Communication:** Daily, monthly, quarterly, and annual communication concerning economic and market conditions and other subjects is provided by public mail, the internet, and email, as well as by telephone and personal contact. Valuations, performance, and tax reporting are provided as required. Broker/dealer/custodian web sites generally provide clients the ability to view their accounts on a daily basis via websites. Frequency of personal contact may depend upon the requirements of each client as negotiated with PVG.

**Performance** is reported by group or objective and is calculated on a time and dollar weighted basis (TWR) by third party Advent AXYS software for both separate account and Fund investors. Performance is available on both a net of fees and expenses and gross basis.

No model or hypothetical portfolios are used to represent reported performance. Reported performance represents the results of the PVG management team. PVG changed the methodology of their Dynamic Core strategy in 2015 and has an audited record of a back tested model of the new methodology.

#### **Item 14. Client Referrals and Other Compensation**

PVG may at times pay solicitors with solicitor agreements for referring accounts to the firm.

#### **Item 15. Custody**

PVG has no custody of client's cash, bank accounts or securities with regard to advisory accounts. We do not act as trustees on accounts, nor are we a qualified custodian for clients in connection with advisory services provided. PVG acts solely under a limited power of attorney that allows it to manage a client's account and, in some cases bill, a client's custodian for account management per contract. Each client's individual custodian provides asset protection and account data, including statements, that should be compared with any provided by PVG for accuracy.

#### **Item 16. Investment Discretion**

Clients engage PVG with an advisory agreement that includes a power of attorney allowing PVG to buy and sell securities in its discretion. Combined with the appropriate custodian/broker dealer documentation, PVG has the discretion to manage any account in a manner deemed appropriate by PVG.

PVG or the custodian/broker dealer provides all contracts and agreements

for client signature. PVG returns to each client its contracts and agreements with a right of rescission.

PVG has some clients that do not allow the Company investment discretion. As a convenience to clients, those clients who have assets in the account they do not want to sell, may designate these assets to be separated into a “non-managed” and sometimes “non-billed” portion of their account. Any client doing so retains responsibility for these specific assets, although continue to be tracked on our portfolio management software. PVG also acts a portfolio manager or model manager to Wrap Sponsored accounts or private funds where we provide trades to the Wrap Sponsor. The Wrap Sponsor will execute the trades on behalf of the client and therefore PVG does not technically have discretion, but these clients are included in PVG’s trade rotation in timing of when the model is sent to the plan sponsor for execution.

#### **Item 17. Voting Client Securities**

Clients are required to designate their intention to vote their own security proxies on the chosen custodian’s documentation. If they choose to vote their own proxies, they will receive the documentation directly from the transfer agent or custodian.

On behalf of its clients, PVG will accept authority to vote client securities. PVG will also vote all Mutual Fund proxies. PVG acquires and holds a company’s securities in the portfolio it manages in the expectation of profit. The ability and judgment of management is critical to the investment success of any company. Therefore, PVG will generally not hold securities of companies whose management it questions. As such, PVG casts most of its proxy votes, particularly on routine matters, such as the slate of director nominees, ratification of accountants, changing corporate names and similar matters, in accordance with management recommendations, subject to SEC rule 206(4)-6. PVG does not anticipate conflicts of interest between itself and clients with respect to the voting of securities since we typically own the same securities as our clients or do not own any related securities. Clients may obtain a copy of our voting policies and procedures as well as our voting record upon request.

#### **Item 18. Financial Information**

PVG is not subject to any financial reporting requirements.

#### **Item 19. Requirements for State-Registered Advisers**

PVG is federally registered Investment Adviser.