Commentary *by PVG Asset Management - (727) 898-7700*

PVG Corporate Flexible Bond

- For the 3rd quarter of 2017, the PVG Corporate Flexible bond portfolio outperformed our primary benchmark by 29 basis points, 1.62% versus 1.33% for the Barclays Credit Index. For the year, our bond portfolio has returned 6.28% versus 5.07% for the Barclays Credit Index and 3.13% for the Barclays Aggregate Bond Index.

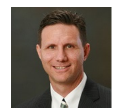
- Outperformance for the year has been driven by positive corporate bond selection and earlier positioning in long-term treasury bonds. We maintain an overweight in energy and retail bonds. These remain the cheapest sectors by historical measures as measured by historical credit spreads.

Annualized Return - 9/30/17	1 Year	3 Years	5 Years	10 Years
U.S. Corporate Flexible Bond Portfolio	4.85%	4.41%	4.50%	5.55%
Barclay's U.S. Credit Bond Index	1.95%	3.87%	3.23%	5.53%
Barclay's U.S. Aggregate Bond Index	0.05%	2.71%	2.06%	4.27%

STRATEGY DESCRIPTION

This strategy invests in fixed income securities (80%) comprised primarily of a combination of investment grade and higher rated non-investment grade corporate bonds (A, BBB, and BB) by Standard & Poor's. These bonds generally outperform Treasury bonds over market cycles.

PORTFOLIO MANAGEMENT



Timothy J. McIntosh, CFP

18 years investment experience
Managed Strategy since 2006

Market Review

The 10-year Treasury yield has been in a range from 2-2.6% since December of last year. Economic reports have been mixed over the preceding quarter. U.S. employers added 156,000 jobs in August and the unemployment rate ticked up to 4.4%. But then, the U.S. Economy lost 33,000 jobs in September. The Labor Department reported it was the first decline in U.S. nonfarm payrolls in seven years, signifying the economy was starkly affected from hurricanes in Florida and Texas. Readings on inflation, despite the low unemployment rate, remain tame. The U.S Consumer Price Index rose 0.5% in September versus a 0.6% expectation. Although it was the largest gain in U.S. consumer prices in eight months, much was due to higher gas prices. Gasoline prices rose sharply as the key disruptions at oil refineries in the Gulf Coast area took effect. But, excluding the unstable food and energy components, consumer prices were modest. Rental prices were meager as well as the cost of new motor vehicles and medical care services. In the 12 months through September, the core CPI has only gone up by 1.7%. While the first quarter U.S gross domestic product (GDP) growth was relatively lethargic at 1.2%, the second quarter was much better, The U.S. economy grew faster than originally thought in the second quarter, achieving its swiftest pace in more than two years. GDP came in at a 3.0% percent annual rate in the April-June period. This was an upward revision from the estimated 2.6% pace estimated. Growth in the second quarter was the finest since the first quarter of 2015. The forecast of third-quarter real consumer spending growth increased from 2.2% to 2.5% after the latest positive retail sales report. The U.S. economy is now on track to grow at a 2.7 percent annualized pace in the third quarter according to the Atlanta Federal Reserve's GDP Now forecast model. This is based upon the improved retails sales data, August construction spending, and solid factory activity in September. Orders at U.S. factories enlarged by 1.2% in August. This was primarily driven by key gains in industrial machinery, autos, and aluminum. The impressive data release followed a sharp drop of 3.3% in July. Business investment, like big-ticket purchases of buildings and equipment, grew by nearly 7% in the first half of the year.

The Federal Reserve policymakers voted in June to raise the federal funds rate by 0.25%. This was the fourth increase in the past eighteen months. The bump in the federal funds rate was widely expected given the solid second quarter growth and low unemployment rate. The U.S. unemployment rate had dropped to a 16-year low of 4.3% this past May. The U.S. economy did lose 33,000 jobs in the latest jobs reports. But this was primarily due to Hurricanes Harvey and Irma last month. The unemployment rate declined even further in September to 4.2%, the lowest since February 2001. But average hourly wages rose 12 cents last month to $26.55, up 2.9 percent from the year ago period. Although the Fed left rates unchanged last month, it indicated that it would likely raise rates again in December. The odds are now just over 80 percent for a December rate increase. Most economists expect three more interest rate increases next year. But not all data is that encouraging. Our preferential Chicago Fed National Activity slumped to a negative 0.31 in August from 0.03 in July. The index's three-month moving average, which we track closely, decreased to negative 0.04 in August from a neutral number in July. The 85-economic indicator average offers an alternative view on the economy. Total industrial production fell 0.9% in August after moving upwards 0.4% in July. Employment-related indicators subsidized positive numbers of 0.05 to the index in August.

Boston Fed President Eric Rosengren recently commented that if inflation reaches the Fed's goal while the unemployment rate falls under 4 percent, it could indicate the economy could be overheating. Mr. Rosengren suggested "*you might have to overshoot*" by pushing interest rates higher than the level expected in a healthy economy. Although his view might be different than Chairman Janet Yellen, Stanford University professor John Taylor's view could be closer to Rosengren. We think that Mr. Taylor or Jerome Power are the odds-on favorites to be nominated by the President as the next Fed chair. Mr. Taylor also is in favor of more regulation of the Fed, at odds with Ms. Yellen. Mr. Power is in-between. This is something that the President may want and is especially why Mr. Taylor is under heavy consideration. ■

Portfolio Review

The spread between the 2-year and 10-year Treasury was 78 basis points in late September, matching the flattest level the yield curve has traded at since October 2007. The spread between the 30-year and 10-year Treasury bonds is now at 50 basis points. As corporate bonds follow Treasury bonds closely, this has made shorter-term maturity corporate bonds more attractive. Within investment grade, the spread differential between different ratings has declined. For example, the spread between A rated and BBB rated bonds has dropped to under 50 basis points. The average is closer to 75 basis points. Throughout the quarter, we reduced the portfolio's weight to non-investment grade bonds, primarily BB-rated debt. Although we believe that credit risk assets can continue to do well, spreads have narrowed across the board. We have slowly moved up the ladder on credit quality and lowered duration in the past six months. We anticipate interest rates to remain within the same range as the previous twelve months and yield spreads to contract further as the Federal Reserve continues to raise the funds rate.

As for performance in our bond portfolio, we were favorably positioned in key bonds in the energy and consumer sectors, both of which outperformed the index. Our overweight in BBB rated bonds also provided a tailwind. Lower-quality bonds outperformed in third quarter of 2017. The total return for the intermediate investment grade marketplace was 1.08 percent. This was 66 basis points of excess return over U.S. Treasury bonds. Lower-quality BBB-rated corporate bonds outperformed the corporate market by 25 basis points. Higher-quality AA-rated corporate bonds continued its poor performance. The three highest performing sectors in the quarter were REITs, materials, and energy. We continue to be overweight the consumer, energy, and healthcare sectors. We are maintaining a small position in REITs and materials. Our lone new purchase in the quarter was Becton Dickinson 3.363%, maturity 6/06/2024. We feel the firm is well capitalized and offers a compelling yield within the upper BBB rated category.

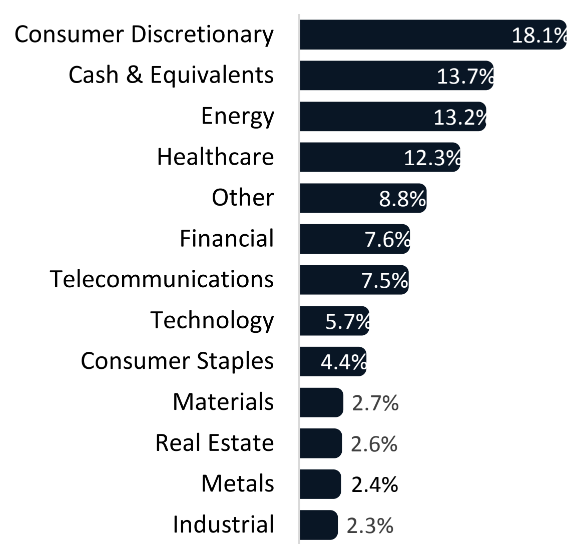
PORTFOLIO STATISTICS (AS OF 09/30/17)

EFFECTIVE DURATION	6.30 years

CREDIT QUALITY

	% Fund
AA or Higher; U.S. Treasury/Agency/Inverse	8.8
A	5.6
BBB	47.8
BB	18.1
B	2.7
CCC	0.8
CC	0.0
C or Lower	0.0
Cash and Equivalents	13.7
Alternatives	2.5

SECTOR WEIGHTINGS



Contributing to performance versus the Barclays U.S. Credit Bond Index

1. Overweight to BB and BBB securities vs. index
2. Selection within BBB securities
3. Overweight to energy sector bonds

Detracting from performance versus the Barclays U.S. Credit Bond Index

1. Underweight industrial sector
2. Selections within the energy and consumer sectors

With our assessment being that we are late in the economic cycle and that credit spreads are very tight, we remain cautious on the credit markets in general. This has resulted in our team reducing exposure to non-investment rated bonds and shortening up duration. We have a higher exposure to energy and retail due to extreme undervaluation. Sectors of interest at the moment are healthcare and also REITs, which have come under pricing pressure. We could witness slightly higher rates in the fourth quarter if GDP comes in above forecast.

Top Contributing Corporate Bonds	Weight	Contribution to Return
Mississippi Power Co 4.25% 03/15/2042	2.01	0.18%
Hertz Corp. 7.0% 01/15/2028	0.75	0.10%
Discover Financial 3.75% 03/04/2025	2.20	0.08%
Petrobras Intl Fin 5.375% 01/27/2021	1.17	0.07%
ArcelorMittal 6.25% 08/05/2020	1.67	0.06%

Bottom Contributing Corporate Bonds	Weight	Contribution to Return
Teva Pharmaceuticals 3.15% 10/01/2026	2.39	-0.07
Under Armour 3.25% 06/15/2026	2.32	-0.02
Citizens Communications 7.125% 03/15/2019	0.66	-0.01
Qwest Corp 6.75% 12/01/2021	0.71	-0.01
Wyndham Worldwide 3.9% 03/01/2023	0.64	-0.01

Source: PVG Asset Management. Contribution to returns shown above represents the absolute contribution of the security to the portfolio. Performance, attribution, and contribution calculations are presented gross of investment management fees. To receive a complete list showing the contribution of every holding in the portfolio, please contact Annie Gallegos at PVG Asset Management.

Performance results are presented in U.S. dollars and are gross of all management fees and reflect the reinvestment of dividends and capital gains. The current yield is calculated gross of fees as of quarter end date and is the expected forward yield. 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. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclay's flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976.The investment strategy and types of securities held by the comparison indices may be substantially different from the investment strategy and the types of securities held by the PVG Equity

Income strategy. Barclays US Credit Bond Index represents publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. An investment cannot be made directly in a market index. PVG Asset Management ("PVG") is a registered investment advisor with the United States Securities Exchange Commission (the "SEC"). SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the advisor has attained a particular level of skill or ability. Inception for the U.S. Corporate Flexible Bond strategy is 3/31/2006. The Firm claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. <u>The verification reports are available upon request</u>

Past performance is no guarantee of future results.

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