PVG Asset Management

LOSS AVERSE INVESTING

Market in a Minute

September 30, 2025

Index Performance: As of September 26, 2025			
Index	**Price**	**Last Week**	**YTD**
S&P 500	6,643.70	-0.31%	12.96%
Dow Jones	46,247.29	-0.15%	8.70%
NASDAQ	22,484.07	-0.65%	16.43%
Russell 2000	13,294.25	-0.58%	10.23%
Russell 2000 Growth	12,005.54	-0.99%	11.30%
Russell 2000 Value	19,168.94	-0.12%	9.10%
Russell 1000 Growth Total Return	4,847.15	-0.84%	16.26%
SPDR Gold Shares	346.74	2.23%	43.20%
Powershares US $ Index	27.6	0.62%	-6.19%
Ishares EAFE Index	92.63	-0.40%	22.51%
Barclays Aggregate Bond Index	100.07	-0.22%	3.27%
iShares Barclays 20+ Yr Treasury Bond	88.9	-0.13%	1.80%
Utilities Select Sector ETF	86.81	2.88%	14.69%
Vanguard REIT ETF	91.02	-0.69%	2.18%
iShares Mortgage Real Estate	21.98	-1.35%	2.95%
Alerian MLP ETF	47.56	1.36%	-1.25%
iShares Global Telecom	123.9	-1.93%	28.17%
ETFMG Alternative Harvest ETF	31.01	-4.05%	15.36%
Grayscale Bitcoin Trust	85.65	-5.19%	15.71%
Shanghai SE Index	3,828.11	0.21%	14.21%

Source: Bloomberg & Yahoo.com, Returns are appreciation only.

A Word on the Market

By: Patrick Adams, CFA

Market Update:

- The S&P 500 Earnings are growing and should continue into 2026 and 2027.
- The Big Beautiful Bill should make growth strong with both tax incentives for individuals and corporate capital spending in 2026.
- Federal Reserve is cutting rates without a recession, and the market is discounting rates coming down to 3.0% from the current 4.25% on the Federal Funds rate.
- Rates coming down should force some of the $7 trillion in money market funds into risk assets.
- Liquidity in the REPO market, the excess reserves in the banking system, has dried up.
- AI infrastructure spending in 2025 is estimated to be around $360 billion, up 80%, from about $200 billion in 2024, which is about .50% additive GDP growth. We think the law of large numbers will impact the growth in 2026.

S&P Sector Performance: As of September 26, 2025			
Index	**Price**	**Last Week**	**YTD**
Information Technology	5,537.00	0.31%	20.12%
Consumer Disc.	1,918.05	-1.22%	4.75%
Consumer Staples	867.75	-1.09%	1.65%
Health Care	1,580.59	-0.87%	-1.51%
Financials	896.65	-0.38%	11.46%
Industrials	152.58	0.06%	15.80%
Energy	703.64	4.67%	7.45%
Communications Services	426.53	-2.74%	24.84%
Utilities	440.94	2.82%	14.54%
Materials	565.17	-2.02%	6.68%
Real Estate	263.64	0.88%	3.02%

Source: Bloomberg website, Returns are appreciation only

PVG Strategies			
Tactical Strategies	**QTD**	**YTD**	**Average Annual Return as of 6/30/25**
Tactical Total Return	1.92%	3.47%	8.11%
Dynamic Core	4.55%	5.85%	8.48%
Tactical Growth	0.92%	1.59%	18.50%
Loss Averse			
Loss Averse Equity Income	0.91%	2.21%	3.66%
Specialty			
Emerging Healthcare	-2.54%	8.96%	68.64%
Focus			
High Income Focus 10	0.87%	5.92%	6.80%
Growth Focus 10	-2.63%	6.54%	11.66%
Emerging Healthcare Focus 10	10.79%	14.17%	11.29%

- Technology and related account for about 48% of the S&P 500.
- NVDA, being such are large weighting in the market, poses some risk that may start to emerge. We discussed the OpenAI risk deal where NVDA would invest $100 billion so OpenAI could buy NVDA chips. The more we think about this the more we don’t like it. OpenAI likely could not finance the purchase and as competition heats up NVDA likely cannot keep the margins as high.
- Seasonality, for the market has not been a problem in August or September, which surprised us, this sets up October…we have observed some of the tech stocks that have off quarters report strong quarters sell off on the news.
- Bull case on 2026 earnings we see 7200 on the S&P 500 (up 8%) which assumes Federal Funds rate coming down to around 3%, the 10-Year Treasury dropping to below 4%, and the market broadens.
- Retail investors seem to dictate the market, which do not necessarily look at valuations or do much in terms of analysis.
- Government shut down, not likely a material event.

Strategic			
Tactical Aggressive	-0.25%	6.03%	15.66%
Tactical Moderate	2.58%	2.47%	10.45%
Tactical Conservative	2.20%	4.31%	7.56%
Tactical Income	1.91%	6.92%	7.21%

Interest Rates

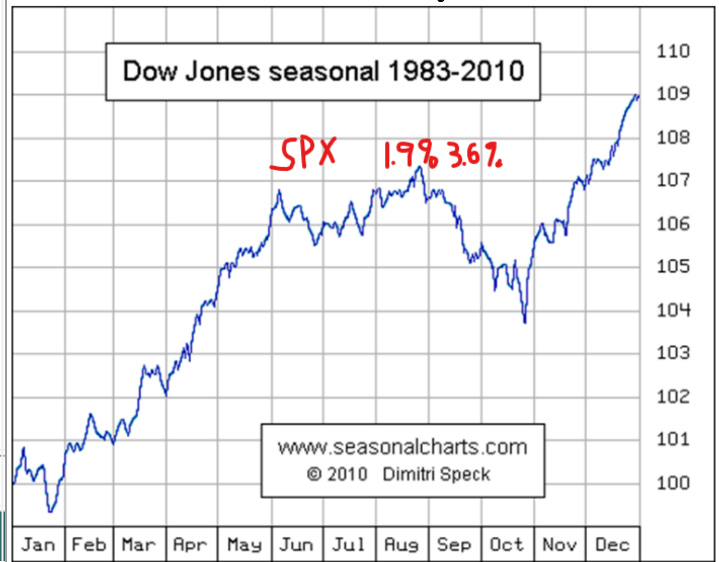
Fed Fund	4.09 %	**5-Year**	3.75%
3-Month	4.04%	**10-Year**	4.18%
6-Month	3.85%	**30-Year**	4.75%
2-Year	3.64%		

Source: Bloomberg.com

Economic Events This Week

Date	Report	Forecast	Previous
Sept 30	S&P Case-Shiller home price index	1.9%	2.1%
Sept 30	Chicago PMI	41	41.5
Sept 30	Consumer Confidence	96	97.4
Oct 1	Construction Spending	0.1%	-0.1%
Oct 1	ISM Manufacturing Index	49.2%	48.7%
Oct 2	Initial Claims	220K	218K
Oct 2	Factory Orders	0.8%	-1.3%
Oct 3	Nonfarm Payrolls	39K	22K
Oct 3	Unemploymen t Rate	4.3%	4.3%
Oct 3	Avg. Hourly Earnings	0.3%	0.3%
Oct 3	Average Workweek	34.2	34.2

Seasonality



Other Asset Classes/Risk Management:

- To protect yourself from potentially a significant selloff in the stock market it can potentially be done in a couple of ways, asset allocation, or hedging.

- We have been discussing reducing market exposure tactically as we entered this tough seasonal period, so exposure to equities is less than what they would be normally. As an example, if you are a moderate investor, instead of having 60% in equities you may want to reduce that exposure to 40% or 50% temporarily. This helps some.

- Using strategies that can hedge when appropriate to lessen the potential losses, as an example, a strategy like this may be flat or down slightly while the S&P 500 or the Nasdaq may drop -40%, like in 2008.

- Income oriented securities generally hold up better in a down market.

- International stocks tend to follow our markets and do not provide much diversification.

Oct 3	ISM Services	51.7%	52%

Economic Events Last Week	
Sept 24	New-home sales jump to 3-year high as builders use discounts to sell homes
Sept 25	Jobless claims drop to lowest levels since mid-July, easing labor market concerns
Sept 25	U.S. trade deficit sinks to 2-year low as businesses try to time orders to beat tariff price hikes
Sept 25	Business investment perks up from tax cuts and AI spending to help offset tariff troubles
Sept 26	Higher incomes help to keep consumer spending strong
Sept 26	PCE shows Inflation rises again, but not enough to worry the Fed

- Value strategies performed well in the 2000-2002 bear market, and we would expect this to occur again at this point.
- Consumer staples and healthcare have both significantly underperformed and believe these sectors are very defensive.
- Bonds are not very attractive, except for a temporary defensive position, but baby bonds yielding 8% plus, 5 years or less in maturity, and investment grade are compelling.
- Real Estate, we would prefer to invest through liquid securities, we like IYRI that yields 11%.
- In terms of individual stock risk, if you cannot sell the position, as an example, NVD is 2x the inverse of NVDA.
- The chart shows if you hedge the position timely how powerful it can be. The QID up 141% versus the QQQ down -49% at the bottom in 2008.

2008 QQQ versus QID