

# SEVENS REPORT

## alpha

November 14, 2017

### In Today's Issue

- Did you know you can use “insider information,” legally, to beat the market?
- KNOW is a unique ETF that focuses on insider sentiment.
- See a couple lists of stocks with the most recent insider activity (hint: not KNOW's top 10 holdings).

## A Strategy to Profit from Insider Buying

Former Fidelity Magellan Fund manager Peter Lynch, who averaged 29% annual returns from 1977 to 1990, once said:

*Insiders might sell their shares for any number of reasons, but they buy them for only one: They think the price will rise.*

Lynch was referring to corporate insiders. A group that includes CEOs, CFOs, other high-level executives, major shareholders and anyone else with key company information before it's made available to the public.

Corporate insiders have an obvious advantage over investors—including top financial analysts and portfolio managers—because they know their businesses and industries better than anyone else.

Think about it...

Does a hedge fund manager, professional trader or stock analyst know more about a publicly-traded company

than someone who works at that company on a daily basis, is involved with that company's financials (and financial decisions) and sits in on all boardroom meetings?

Of course not.

And that means all types of investors—almost no matter how much financial information they consume—are always a step behind those “in the know.”

What if you were able to peek through the keyhole—or listen through the old “acoustic coupling” glass on the wall trick—of a publicly-traded company boardroom?

You'd might obtain a clear-cut information edge if you were privy to conversations in these closed-door meetings.

But, chances are, a security guard would escort you out of the building if caught in the midst of these shenanigans. And if you subsequently traded off non-public information, it's way worse. That's punishable by the SEC.

Today, I have a “legal” investment strategy that's the next best thing: following specific insider transactions.

Several academic studies have explored insider trades (specifically, insider buying) over the years:

- “Predictive and Statistical Properties of Insider Trading”—Published in 1968 by James Lorie (University of Chicago) and Victor Niederhoffer (University of Chicago).
- “Insiders and Market Efficiency” and “Special Information and Insider Trading”—Both published in 1974 by Jeffrey Jaffe (University of Chicago).
- “Market Efficiency and Insider Trading: New Evidence”—Published in 1988 by Michael Rozeff (SUNY at Buffalo) and Mir Zaman (University of Iowa).
- “Why Does Aggregate Insider Trading Predict Future Stock Returns?”—Published in 1992 by H. Nejat Seyhun (University of Michigan).
- “Are Insiders' Trades Informative?”—Published in 1998 by Josef Lakonishok (University of Illinois at Urbana-Champaign, NBER) and Inmoo Lee

(Dimensional Fund Advisors).

- “Estimating the Returns to Insider Trading: A Performance-Evaluation Perspective”—Published in 1999 by Leslie Jeng (Boston University School Management), Andrew Metrick (The Wharton School, University of Pennsylvania, NBER), Richard Zeckhauser (John F. Kennedy School of Government, Harvard University, NBER).

The general conclusion is that insider buying tends to outperform the market by roughly 6% to 10% per year depending on which study and time period is observed.

By law, insiders are required to file a “Statement of Changes in Beneficial Ownership of Securities” (SEC Form 4) within two days of a completed transaction.

This form is available to the public on the EDGAR system. Anyone can see when corporate insiders are buying shares.

resources to tackle an exercise of this extent.

An independent equity research firm based in Santa Barbara, CA has streamlined this process.

## An Impressive Squad of Math Wizards

Sabrient Systems was founded by former NASA engineer David Brown in 2000. David assembled a team with a concentration on quantitative research. For example, he hired a former civil/structural engineer from Chevron, an electrical engineer with a PhD in economics, an economist with a PhD in electrical engineering, a mechanical/aerospace engineer from SAIC (Science Applications International Corporation) and various other computer scientists.

Sabrient Systems acquired Gradient Analytics several years ago, which added a group of forensic accounting specialists with skill in the critical examination of finan-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549									
STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP									
OMB APPROVAL OMB Number: 3235-0287 Expires: February 28, 2018 Estimated average burden hours per response 0.5									
<b>FORM 4</b> <input type="checkbox"/> Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b). (Print or Type Responses)									
1. Name and Address of Reporting Person*			2. Issuer Name and Ticker or Trading Symbol				5. Relationship of Reporting Person(s) to Issuer (Check all applicable) ____ Director _____ 10% Owner ____ Officer (give title below) _____ Other (specify below)		
(Last) (First) (Middle)			3. Date of Earliest Transaction Required to be Reported (Month/Day/Year)		4. If Amendment, Date Original Filed(Month/Day/Year)		6. Individual or Joint/Group Filing (Check Applicable Line) ____ Form filed by One Reporting Person ____ Form filed by More than One Reporting Person		
(Street)									
(City) (State) (Zip)			<b>Table I — Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned</b>						
1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction (s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code V	Amount	(A) or (D)	Price			

However, the time it takes to compile and analyze data on thousands of stocks can be a Herculean task. The majority of investors don't have the time, technology and

cial statements and accounting practices.

You may know of Sabrient Systems due to their flagship

“Baker’s Dozen” top picks list of 13 diverse stocks. Through First Trust Portfolios, there are six “Sabrient-labeled” UITs available.

Over time, the team has built multifactor quantitative models that account for uncertainties. Sabrient Systems has four primary quantitative models: GARP (growth at a reasonable price), earnings quality, defensive/aggressive and insider sentiment.

Insider sentiment is our focus today.

Sabrient Systems takes a different approach when examining insider sentiment. Their model seeks to quantify the general sentiment among both the traditional company insiders (e.g., corporate officers, directors, major shareholders, etc.) and the Wall Street analyst community.

The Sabrient Multi Cap Insider/Analyst Quant-weighted Index (SBRQAM) considers both groups to be “insiders” in a broad sense. Theoretically, both company insiders and Wall Street analysts have the most in-depth knowledge of a company, its industry and its competitors.

The index takes into account the number of insiders buying company stock on the open market (meaning, taking money out of their own pocket to buy their company stock—not option exercises) and the magnitude of the increase in an individual’s beneficial ownership, as well as the number of analysts who have raised EPS estimates and the magnitude of the increase.

There’s more to the index than just these two elements. Here is how the actual methodology works...

#### **Constituent selection process:**

1. The constituents of the S&P Composite 1500 Index are eligible.
2. There are no sector or industry-weighting constraints.
3. Elimination of stocks of companies with very aggressive accounting based on proprietary forensic accounting methodology.
4. All but the final 100 stocks are then removed by

screening public company filings relating to the frequency of insider trades, purchases of stocks and increases in holdings by a company’s insiders, as well as positive earnings analysis (Form 4 and Form 13F filings).

5. The remaining stocks are ranked using a defensive methodology that identifies stocks that have performed well in weak markets, have a solid free cash flow yield and have a strong dividend yield.

#### **Weighting methodology:**

- The top 50 stocks in this ranking are weighted exponentially with the top stock garnering 2.6% of the index and the 50th stock weighted at 0.96%.
- The top 50 stocks comprise an aggregate 82.39% of the index.
- The bottom 50 stocks comprise an aggregate 17.61% of the index and are equally-weighted at 0.35%.
- The index is rebalanced monthly.

We talked to Scott Martindale, President of Sabrient Systems, who broke it down in a more informal way:

*In a broad sense, we consider corporate executives and directors as well as sell-side analysts who closely follow the company and its industry to be insiders and therefore “in the know” so to speak, with respect to a company’s competitive position, product pipeline, and growth prospects, plus any positive catalysts that might be sneaking up on the horizon. And indeed, during development of the index, our studies revealed that while both insider open market buying and analyst positive revisions to earnings estimates have predictive qualities individually, when combined their prescience is even better.*

*Furthermore, because the Insider/Analyst model tends to identify growth-oriented companies with higher betas, and because there are no limits on sector concentrations or turnover in our monthly rebalances of the index, we sought ways to moderate these aggressive characteristics and further enhance performance by testing alternative weighting approaches. We found that ranking each constituent of the index by a proprietary factor that measures relative defensive behavior (similar to a low*

volatility metric) and giving it a modified exponential weighting helps to reduce volatility and produce superior performance over time versus alternative approaches.

And this index has delivered in terms of “superior” returns...

The Sabrient Multi Cap Insider/Analyst Quant-weighted Index has generated spectacular performance over time.

its ETF umbrella—just five—lurking behind the scenes.

On December 8, 2011, Direxion launched the **Direxion All Cap Insider Sentiment Shares ETF (KNOW)**.

KNOW seeks to track the aforementioned Sabrient Multi Cap Insider/Analyst Quant-weighted Index.

This ETF is somewhat of a hidden gem in Direxion’s ETF

Year	SBRQAM Annual Total Return	SPY Annual Total Return	IWM Annual Total Return
2007	5.48%	5.33%	-1.95%
2008	-30.24%	-36.80%	-34.14%
2009	42.94%	26.35%	28.49%
2010	25.12%	15.06%	26.92%
2011	0.69%	1.89%	-4.43%
2012	18.85%	15.99%	16.70%
2013	37.67%	32.31%	38.70%
2014	19.21%	13.46%	5.04%
2015	4.51%	1.23%	-4.48%
2016	15.58%	12.00%	21.59%
2017 YTD thru 10/31/17	10.00%	16.68%	11.75%
<b>Avg Annualized Return</b>	<b>12.06%</b>	<b>7.87%</b>	<b>7.64%</b>
<b>Cumulative Return</b>	<b>243.47%</b>	<b>127.17%</b>	<b>122.09%</b>

It has almost doubled the returns of SPY and IWM (iShares Russell 2000 ETF) since 2007. (The original insider model actually dates back to 2001. However, Sabrient Systems added the defensive weighting scheme after the index’s launch and uses 2007 as a starting point for historical data.)

Going year by year... SBQRAM has outpaced SPY in nine of the last 10 years and IWM. And SBQRAM has outrun IWM in seven of the past 10 years.

Not surprisingly, an ETF issuer caught wind of this performance and these back-tests.

## **One of Direxion’s Few “Smart Beta”**

### **ETFs**

Direxion is known for its vast lineup of leveraged and inverse ETFs—73, in total. But, it also has a few smart beta strategies (Direxion prefers “strategic beta”) under

product list with \$227 million in assets.

Most investors—retail and institutional—are familiar with the firm’s leveraged and inverse products. But, they’ve been missing out on this one.

KNOW has been able to transition the index’s outperformance into an investable vehicle for investors.

It has racked up solid, market-beating returns over the last (almost) six years.

### **Fund Statistics & Comparison**

	Cumulative Return	Ave. Ann Return	Alpha	Beta
KNOW	148.27	16.93%	0.02%	1.08
S&P 500	130.96	15.49%	0.00%	1.00
S&P MidCap 400	127.11	15.15%	-0.05%	1.03
S&P Small Cap 600	143.12	16.51%	-0.02%	1.09
S&P 1500	131.09	15.50%	-0.01%	1.01

Source: Morningstar Direct/Bloomberg. (data from 12/8/11-09/30/17)

Since its inception, KNOW has outperformed each the S&P 500 Index and the S&P Composite 1500 Index by an average of close to 1.5% per year. (KNOW is a true “all cap” fund with its diversified market capitalization comprised of mega cap 6.5%, large cap 40.1%, mid cap 36.1%, small cap 14.6% and micro cap 2.7%).

On a calendar year basis from 2012-2016, KNOW has outperformed both the S&P 500 Index and the S&P Composite 1500 Index in four of the last five years (narrowly missing out on outperformance in 2012).

- 2016: KNOW up 13.78% vs. S&P 500 up 11.96% vs. S&P Composite 1500 Index up 13.03%
- 2015: KNOW up 3.68% vs. S&P 500 up 1.38% vs. S&P Composite 1500 Index down 1.01%
- 2014: KNOW up 19.01% vs. S&P 500 up 13.69% vs. S&P Composite 1500 Index up 13.08%
- 2013: KNOW up 36.31% vs. S&P 500 up 32.39% vs. S&P Composite 1500 Index 32.80%
- 2012: KNOW up 15.00% vs. S&P 500 up 16.00% vs. S&P Composite 1500 Index 16.17%

<b><u>KNOW Facts</u></b>	
Inception Date:	12/8/11
Assets:	\$227M
Avg Daily Vol:	37K
Expense Ratio:	0.59%
Mstar Rating:	5 Star

Right now could be a good time to add this ETF, as a satellite position, because it’s experiencing an off year.

This year through October 31st, KNOW is up 9.2%, while the S&P 500 Index is up 16.9% and the S&P Composite 1500 Index is up 14.5%.

And from a valuation perspective, KNOW looks cheap compared to SPY and VTI:

- F P/E... KNOW 16.5 vs. SPY 21.1 vs. VTI 20.7
- P/B... KNOW 2.1 vs. SPY 3.0 vs. VTI 2.8
- P/S... KNOW 0.9 vs. SPY 2.2 vs. VTI 2.0
- P/CF... KNOW 6.4 vs. SPY 12.3 vs. VTI 11.5
- Div Yield: KNOW 2.5% vs. SPY 1.9% vs. VTI 1.9%

[The Vanguard Total Stock Market ETF (VTI) has a market cap breakdown of roughly 80% large cap, 20% mid cap and 10% small cap.]

**Editor’s Note No. 1:** If you plan to add this ETF to any taxable accounts, beware there is the possibility of a capital gain distribution. KNOW distributed a short-term capital gain in two previous years (2016 and 2012) at year-end. Per Bloomberg, the short-term capital gain was \$1.4947 in 2016. And in 2012, the short-term capital gain was \$0.7721. Both distributions represented almost 2% of NAV. Morningstar shows KNOW has potential capital gain exposure (PCGE) of 12.3%. PCGE measures how much the fund’s assets have appreciated and can be an indicator of possible future capital gain distributions.

**Editor’s Note No. 2:** If you don’t have access to KNOW on your specific platform, the **Guggenheim Insider Sentiment ETF (NFO)** is an alternative.

NFO has outperformed KNOW over the last year (you’ll understand why below). But, KNOW has outperformed NFO over the past three and five years.

In the past, NFO used the Sabrient Insider Sentiment Index as its benchmark. But, it switched to the Nasdaq US Insider Sentiment Index about 12 months ago. The new index is different in some of the following ways: It is equal-weighted... There are no small- and micro-cap stocks... Wall Street analysts revisions are not part of the equation... And it is rebalanced semi-annually. Essentially, NFO—lases in on securities that reflect favorable corporate insider buying trends based on three factors: insider buying trends, momentum and volatility.

The same tax situation applies to NFO. Although, Morningstar shows PCGE of -69.2%—meaning, the fund has reported losses on its books, which reduces the possibility of a capital gain distribution.

## Spotlighting Specific Stocks

We took a deeper look at the Sabrient Multi Cap Insider/Analyst Quant-weighted Index to narrow the field of 100 stocks down to the ones with highest levels of “insider sentiment.”

Remember, the index uses a defensive overlay to rank and weight the final 100 stocks.

So, with an assist from Sabrient Systems, we were able to strip out that part of the methodology (performance in weak markets, solid free cash flow yield and strong dividend yield) and isolate the highest-scoring stocks in insider sentiment for the month of October (two top 10 lists).

“**Insider Score**” (number of open market insider buyers + percentage change in ownership):

1. **Tiffany (TIF)**: 4 open market insider buyers; 135.4% change in ownership
2. **Endo International (ENDP)**: 4 open market insider buyers; 51.8% change in ownership
3. **Energizer Holdings (ENR)**: 3 open market insider buyers; 60.6% change in ownership
4. **Range Resources (RRC)**: 3 open market insider buyers; 54.1% change in ownership
5. **B&G Foods (BGS)**: 2 open market insider buyers; 101.6% change in ownership
6. **Cypress Semiconductor (CY)**: 3 open market insider buyers; 45.2% change in ownership
7. **Eagle Pharmaceuticals (EGRX)**: 2 open market insider buyers; 51.1% change in ownership
8. **Occidental Petroleum (OXY)**: 2 open market insider buyers; 32.5% change in ownership
9. **Education Realty Trust (EDR)**: 3 open market insider buyers; 14.1% change in ownership
10. **Polaris Industries (PII)**: 2 open market insider buyers; 25.1% change in ownership

“**Insider/Analyst Score**” (number of open market insider

buyers + percentage change in ownership combined with the number of analysts covering the stock + percentage of analysts who have raised EPS estimates + percentage change in EPS estimates):

1. **Freeport McMoRan (FCX)**: 1 open market insider buyer; 31.9% change in ownership—combined with—18 analysts; 56.5% of analysts revised up; 12.5% change in EPS estimates
2. **Seagate Technology (STX)**: 1 open market insider buyer; 0.3% change in ownership—combined with—24 analysts; 65.2% of analysts revised up; 9.2% change in EPS estimates
3. **Polaris Industries (PII)**: 2 open market insider buyers; 25.1% change in ownership—combined with—19 analysts; 81.0% of analysts revised up; 7.4% change in EPS estimates
4. **Cypress Semiconductor (CY)**: 2 open market insider buyers; 25.1% change in ownership—combined with—13 analysts; 81.0% of analysts revised up; 7.4% change in EPS estimates
5. **Buffalo Wild Wings (BWLD)**: 1 open market insider buyer; 2.0% change in ownership—combined with—25 analysts; 32.0% of analysts revised up; 11.4% change in EPS estimates
6. **Kemper (KMPR)**: 1 open market insider buyer; 16.7% change in ownership—combined with—5 analysts; 50.0% of analysts revised up; 52.2% change in EPS estimates
7. **Patrick Industries (PATK)**: 1 open market insider buyer; 0.0% change in ownership—combined with—6 analysts; 83.3% of analysts revised up; 4.3% change in EPS estimates
8. **Micron Technology (MU)**: 1 open market insider buyer; 0.3% change in ownership—combined with—25 analysts; 4.5% of analysts revised up; 3.0% change in EPS estimates
9. **Newfield Exploration (NFX)**: 1 open market insider buyer; 0.8% change in ownership—combined with—28 analysts; 23.3% of analysts revised up; 3.7% change in EPS estimates



10. **Eagle Pharmaceuticals (EGRX)**: 2 open market insider buyers; 51.1% change in ownership—combined with—4 analysts; 25.0% of analysts revised up; 2.4% change in EPS estimates

So, there you have it...

An ETF (KNOW) that has outperformed several major domestic equity indexes over the last six years.

An index (the Sabrient Multi Cap Insider/Analyst Quant-weighted Index) that has also outperformed the same indexes, but over a much longer time frame.

And a few lists of stocks that have recorded the highest recent scores when zeroing in on “insider sentiment” (without the defensive overlay).

If you choose not to invest in one of the ETFs (KNOW or NFO), you have some additional value to peruse with the specific stock lists from the advanced screening we did.

You can utilize the individual stocks in various ways...

Do some additional research on these names. Look at their fundamentals, do some technical analysis, explore other catalysts, etc.

Put these lists of stocks in front of your clients that like to manage their own stock portfolios (give them extra value).

Either way, it’s an interesting story—and a bonafide investment strategy—to discuss with your clients who ask for fresh ideas or ways to beat the market. Tell them about this legal method to profit from insider trading... Following the “smart money” (corporate insider transactions) and “smart opinions” (Wall Street analyst positive earnings revisions).

Have a good week and all of us at The Sevens Report wish you and your family safe travels and a happy Thanksgiving.

Tom

**Disclaimer:** Sevens Report Alpha is protected by federal and international copyright laws. Kinsale Trading, LLC is the publisher of the newsletter and owner of all rights therein, and retains property rights to the newsletter. The Newsletter may not be forwarded, copied, downloaded, stored in a retrieval system or otherwise reproduced or used in any form or by any means without express written permission from Kinsale Trading LLC. The information contained in Sevens Report Alpha is not necessarily complete and its accuracy is not guaranteed. Neither the information contained in Sevens Report Alpha or any opinion expressed in Sevens Report Alpha constitutes a solicitation for the purchase of any future or security referred to in the Newsletter. The Newsletter is strictly an informational publication and does not provide individual, customized investment or trading advice to its subscribers. SUBSCRIBERS SHOULD VERIFY ALL CLAIMS AND COMPLETE THEIR OWN RESEARCH AND CONSULT A REGISTERED FINANCIAL PROFESSIONAL BEFORE INVESTING IN ANY INVESTMENTS MENTIONED IN THE PUBLICATION. INVESTING IN SECURITIES, OPTIONS AND FUTURES IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK, AND SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.

# Sevens Report Alpha Fund & Stock Ideas

ETF/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
KWEB (KraneShares CSI China Internet ETF)	KWEB is a play on FTSE's index rebalance, where Chinese "N" shares (ADRs of major Chinese companies like BIDU, WB, etc.) will be added to FTSE Emerging Market Indices between now and June 2018. (PGJ is an alternative if KWEB is unavailable on your platform.)	Issue 1: 8/17/17 8/24/17	7.89%	6.72%
RSP (Guggenheim S&P 500 Equal Weight ETF)	RSP has massively outperformed SPY over longer-term time frames (314% vs. 112% over 17 years). In 2017, RSP has lagged (so far) due to significant tech sector outperformance. We view this as a short-term dislocation and an opportunity to buy RSP at a discount compared to SPY.  <b>What to do now: Buy.</b>	Issue 2: 9/7/17	4.53%	5.08%
<u>Self-Driving Car Basket</u> SNSR (Global X Internet of Things ETF). ROBO (ROBO Global Robotics & Automation Index ETF). AMBA (Ambarella) QCOM (Qualcomm)	Massive changes to the auto industry, including self-driving technology, are closer to the mainstream than most investors think. The foundational changes to the auto industry could be the next "Megatrend" in investing to provide outperformance for years to come.  There is no pure play "self-driving" ETF yet, but SNSR and ROBO offer exposure to many tech companies that are best-positioned in the space.  AMBA and QCOM are two of the better stocks with unique exposure to the growing self-driving car industry.  <b>What to do now: Buy the ETFs. We closed QCOM in a month and a half after the Broadcom takeover announcement for a quick, large gain. AMBA is up big, as well. If you decided to book similar profits here, that's justifiable</b>	Issue 3: 9/21/17	SNSR: 5.06% ROBO: 5.42% AMBA 21.10% QCOM 23.20% (closed)	3.51%   3.72% (through QCOM close date)
<u>Electric Car Battery Plays</u> LIT (Global X Lithium & Battery Tech ETF). ALB (Albemarle)	The trend towards the widespread adoption of electric cars is accelerating, with US auto companies planning massive roll outs and several countries putting end dates on the internal combustion engine.  There is no pure-play "electric car" ETF, but the key here is better technology, specifically lithium.  LIT is a lithium ETF. Albemarle Corp (ALB) is one of the leading lithium plays in the market today.  <b>What to do now: Longer-term investors can buy now, but as we said in the issue, LIT and ALB ran up big following China's electric car decision. Both have digested those gains, but both remain overbought. Waiting for a lower entry point for shorter/medium-term investors makes sense.</b>	Issue 3: 9/21/17	LIT: 6.56% ALB: 6.01%	3.51%
<u>Dividend Growth</u> DIVY (Reality Shares DIVS ETF) REGL (ProShares S&P MidCap 400 Dividend Aristocrats ETF) SMDV (ProShares Russell 2000 Dividend Growers ETF)	Historically, dividends are responsible for half of the market's total return. They are an essential component of long-term outperformance. While most investors choose high-yielding dividend stocks, our research shows dividend growth stocks can generate better long-term returns.  DIVY is the only ETF that isolates pure dividend growth. This ETF is a fixed income alternative that should provide steady single-digit returns with low volatility and true diversification.  REGL and SMDV are ETFs that provide exposure to the "Dividend Aristocrats" of tomorrow.  <b>What to do now: Buy.</b>	Issue 4: 10/4/17	DIVY: 0.85% REGL: -0.38% SMDV: -3.43%	AGG: -0.26% MDY: 0.90% IWM: -2.28%
<u>Merger Arbitrage</u> GABCX (Gabelli ABC Fund) MNA (IQ Merger Arbitrage ETF)	Merger arbitrage is a time-tested hedge fund strategy. It seeks to profit from the timely completion of mergers, takeovers and corporate re-orgs. The strategy has produced solid absolute returns with low correlations to stocks and bonds.  GABCX and MNA are the two best-performing—and cheapest—options to invest in this space.  <b>What to do now: Buy.</b>	Issue 5: 10/17/17	GABCX: -0.19% MNA: -0.19%	BIL: 0.08%
Benchmark Information: KWEB, RSP, SNSR, ROBO, AMBA, QCOM, LIT and ALB are all benchmarked to SPY. DIVY is benchmarked to AGG (iShares Core U.S. Aggregate Bond ETF). REGL is benchmarked to MDY (SPDR S&P MidCap 400 ETF). SMDV is benchmarked to IWM (iShares Russell 2000 ETF). And GABCX and MNA are benchmarked to BIL (SPDR Bloomberg Barclays 1-3 Month T-Bill ETF).				