SEVENS REPORT *alpha*

September 18, 2018

In Today's Issue

- Diversification Benefits of Structural (Yet Small) Commodities Allocations
- Why Now May Be the Time for Commodities (It's the Right Time in the Economic Cycle for Commodity Outperformance).
- PDBC—A Better Version of DBC (With no K-1)!
- GNR—Our favorite natural resource stock ETF (a great compliment to physical commodity allocations).
- RLY—A "One Stop" way to hedge against a rise in inflation via an ETF that owns PDBC, GNR, plus allocations to TIPS, Infrastructure, and Real Estate.

Commodities: The Why and How of Late-Cycle Investing

"You want to put commodities into my portfolio? Aren't they too volatile? Aren't they too risky? Haven't they underperformed compared to stocks?"

If you're like many of the advisors we speak with, you know that even a mention of adding commodity exposure to your clients' holdings can be met with these sorts of objections. Let's face it, many investors just don't feel comfortable with allocations other than stocks, bonds, and equity and fixed income mutual funds and exchange-traded funds (ETFs).

Performance in Late Economic Expansions and Early Economic Recessions

	Commodities	Stocks	Bonds
Late Economic Expansion	16.7%	10.4%	3.6%
Early Economic Recession	3.7%	-18.6%	-3.9%

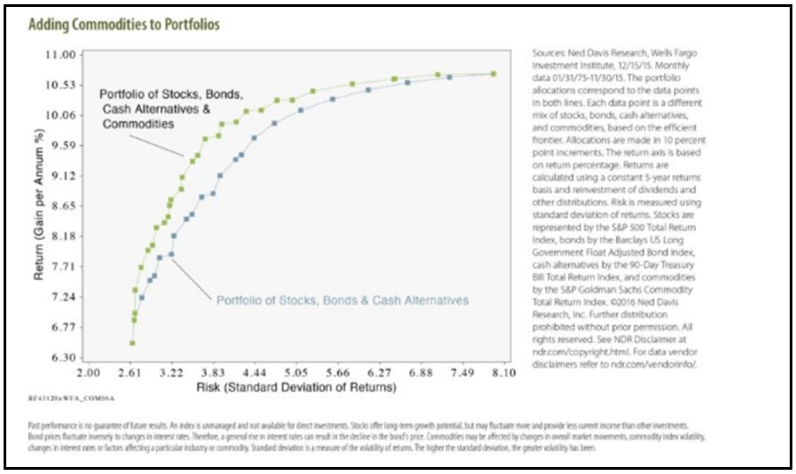
Yet despite their protestations, having an allocation to commodities via the correct ETFs can be a great way to *reduce* the volatility in a portfolio, *increase* that portfolio's overall diversification, and, most importantly, help that portfolio *outperform*!

This outperformance of commodities is something that, admittedly, hasn't happened over the past several years. However, commodities do traditionally outperform during periods when the economy is in the later stages of an economic expansion, and whether you think we're in the 6th inning of this expansion or the 9th inning, the point is that historically, **now** is the time to be allocated to commodities.

Finally, as we've been referencing in the regular *Sevens Report*, the last decade of low inflationary statistics could be a coiling spring from which an enormous release of force could potentially propel a huge move higher across the commodity complex. If this situation does come to pass, it will be important for advisors to understand the commodity landscape in order to determine whether an investment in the segment merits a place in your clients' portfolios right now.

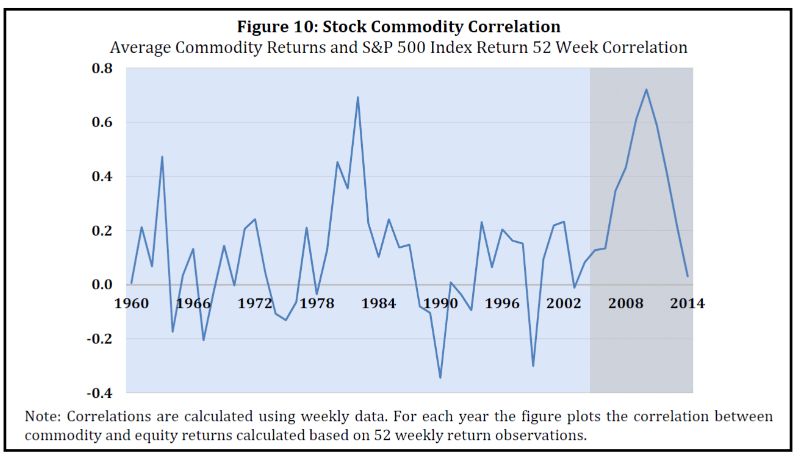
In this issue, we're going to dig deeper into the reasons why advisors should consider allocating client portfolios to commodities, and we'll provide supporting evidence on the historical outperformance of this asset class. Plus, we'll show you why commodity allocations can offer reduced volatility and enhanced diversification due to their non-equity-correlative nature.

Finally, we'll reveal three ETFs we think are the best way for advisors and investors to get broad exposure to commodities—so they can benefit from the diversification from this non-correlated asset class, and from the potential outperformance of owning commodities at the "right" time.



Using Commodities to Reduce Volatility and Increase Diversification

Commodities are considered a "non-correlated" asset class, meaning they don't tend to move in lock step with traditional stocks or bonds, and the longer term research proves that out.



Correlations between stocks and bonds spiked during the financial crisis, but have returned to virtually zero, showing commodities do offer true diversification.

This can be a good thing if your goal is to enhance your portfolio diversification so that it includes exposure to the greatest number of investable assets, including those non-correlative assets.

And, by having exposure to non-correlated assets even with a small percentage of your overall portfolio, you'll be better able to weather periods of declining equity and bond prices (which is an increasing long term risk).

A pivotal paper largely confirming that commodities are, statistically, a non-correlated asset that can improve long-term performance, and one that had a dramatic influence on my career, was based on a 2005 study done by the Yale International Center for Finance. Back in 2005 I was still working for Merrill on the floor of the NYSE, but I read this study then, and it convinced me that commodities were on the verge of a breakout due to 1) Coiling inflation pressures and 2) That we were in a late expansion phase of the economic cycle. Both of those points should sound familiar!

In fact, the study was so persuasive to me that I left my job on the floor to become an execution trader at a commodity hedge fund. And, that thesis largely played out. From 2005 to late 2008, commodities handily outperformed the S&P 500.

Fast forward 10 years and that study, and the accompanying paper, titled, "Facts and Fantasies about Commodity Futures Ten Years Later," was updated.

That update continues to buttress my thesis on the value of having commodities in a portfolio—**particularly at this late stage of an economic cycle.**

The original study, titled "Facts and Fantasies about Commodity Futures" was written by Yale researchers Gary Gorton and Geert Rouwenhorst. The study analyzed commodity returns from July 1959 to December 2004 (based on an equal weight index).

The original study found that fully collateralized commodity futures historically offered approximately the same return and Sharpe ratio as U.S. stocks, but were negatively correlated with the return on stocks and bonds.

March 2006 - June 2008				
Portfolio	Cumulative Return	Annualized Return	Annualized Volatiilty	Return/Volatility
SPY	4.6%	1.9%	10.9%	0.18
AGG	12.0%	5.0%	3.1%	1.59
DBC	101.8%	35.1%	15.2%	2.30
60/40 (SPY/AGG)	7.9%	3.3%	6.4%	0.51
50/30/20 (SPY/AGG/DBC)	22.9%	9.3%	5.5%	1.67

And, the follow-up study, which included data from 2005-2014, confirmed those findings, even through the financial crisis of 2008-2009, and the historically unprecedented global central bank stimulus of 2010-2015.

Bottom line, the study statistically showed that commodity futures provided diversification benefits but didn't detract from performance over the longer term.

To read the Yale study for yourself, a task I recommend for those advisors who like the details, then simply [click here to download the paper].

Late-Cycle Outperformance

Diversification is important for long-term portfolio strategies, but beyond the longer-term diversification benefits, the timing to allocate to commodities appears to be "right" from a performance standpoint.

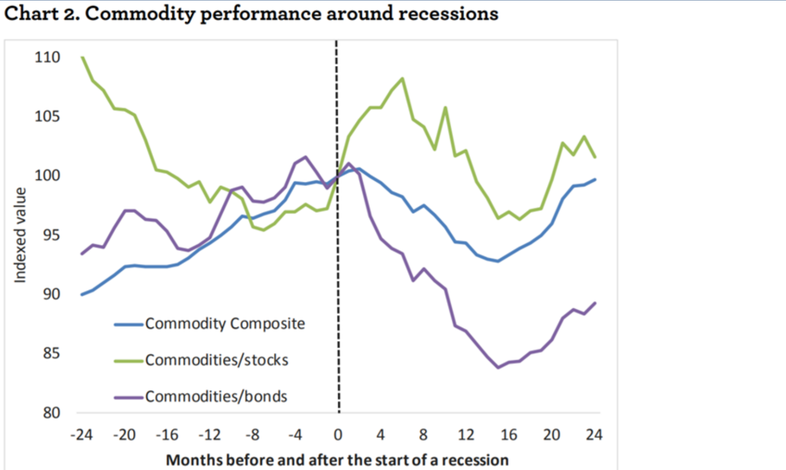
Historical return data shows that commodities outperform during the later stages of an economic expansion. And, while the historic data is conclusive, I frankly don't need it, because I was trading commodities during the late stages of the last economic expansion, back in '05-'07 and I witnessed first hand how commodities outperformed.

As the economy moves towards the late stage of an economic expansion, we tend to see economic activity gathering momentum, credit growth becoming strong, and profitability healthy against an accommodative—though increasingly neutral—monetary policy backdrop. **This should sound familiar because it's exactly what's happening in our economy right now!**

And, that's why commodities outperformed the S&P 500 for the first half of the year. The widely held commodity ETF, DBC, rose 6.44% through June 30, compared to just 2.52% for the S&P 500.

The reason why is because as the economic recovery matures, energy and materials sectors rise as inflationary pressures build and the late-cycle economic expansion helps maintain solid demand.

Chart 2. Commodity performance around recessions



Sources: Bloomberg, Bureau of Labor Statistics (BLS), National Bureau of Economic Research (NBER), Ned Davis Research, and Wells Fargo Investment Institute; Prices by G.F. Warren and F.A. Pearson. Monthly data. Indexed to 100 at the start of recessions. Lines represent average performance of commodities, commodities relative to stocks, and commodities relative to bonds in periods around the 22 U.S. recessions since 1902 (the 15 U.S. recessions since1926 for bonds). Commodities represented by the Commodity Composite, stocks by the Dow Jones Industrial Average, and bonds by the Bloomberg Barclays Long Term Treasury Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Index definitions and asset class risks provided at end of report.

An April 2018 analysis by the Wells Fargo Investment Institute titled, "Time to Buy Late-Stage Commodities?" included the chart on this page, which shows the relative outperformance of commodities during the late-cycle expansion phase.

Finally, a 2014 research note by First Trust Advisors analyst Ryan Issakainen titled, “Commodity ETFs and the Business Cycle,” which not-coincidentally referred to the aforementioned original Yale paper that changed the course of my career, laid out in table form (at right) the relative outperformance of commodities during late-cycle phases.

Table 1

Average Returns by Stage of the Business Cycle, July 1959-December 2004

Cycle Type	Stocks	Bonds	Commodity Futures
Expansion	*13.3%*	*6.7%*	*11.8%*
Early	16.3%	10.0%	6.8%
Late	10.4%	3.6%	16.7%
Recession	*0.5%*	*12.6%*	*1.1%*
Early	-18.6%	-3.9%	3.7%
Late	19.7%	29.1%	-1.6%

Gorton, G. and K. Geert Rouwenhorst (2006). "Facts and Fantasies about Commodity Futures." Financial Analysts Journal, vol. 62, no. 2: 47-68. Past performance is no guarantee of future results.

Table 2

Returns by Stage of the Business Cycle, November 2001-June 2009

Cycle Type	Stocks	Bonds	Commodity Futures
Expansion (10/31/01-11/30/07)	*55.8%*	*33.8%*	*131.5%*
Early (10/31/01-11/15/04)	17.7%	16.7%	74.7%
Late (11/15/04-11/30/07)	32.4%	14.7%	32.5%
Recession (11/30/07-5/30/09)	*-35.6%*	*6.9%*	*-28.2%*
Early (11/30/07-8/31/08)	-12.0%	2.3%	8.8%
Late (8/31/08-5/30/09)	-26.8%	4.5%	-34.0%

Stocks are represented by the S&P 500 Index. Bonds are represented by the Barclays US Aggregate Corporate Bond Total Return Index. Commodity Futures are represented by the Dow Jones-UBS Commodity Total Return Index. Past performance is no guarantee of future results. An index cannot be purchased directly by investors.

As you can see by the table, commodities have outperformed during late stages of an expansion.

Of course, as the compliance mantra goes, “Past performance is no guarantee of future results,” but you already know that. What you can do is put yourself in a position to help your clients smooth out the volatility in their portfolios via having more diversified exposure to non-correlative assets such as commodities, and particularly commodity ETFs.

And, the best part is that owning these ETFs during a late-cycle expansion phase can really boost overall portfolio performance.

<u>The “How To” of Commodity Exposure</u>

If you’re now convinced that having some commodity exposure is a good idea for your clients’ portfolios, the next logical question is what’s the best way to gain that exposure.

The answer isn’t as easy as it may seem. The reason why is because most investors have a greater sense of comfort when it comes to understanding how stocks and bonds function vs. commodities. That said, many investors find themselves unable to comprehend the fickle nature of commodity markets. This is particularly true when unforeseen factors such as weather, global trade, or political wrangling can make a significant impact in price patterns.

Tax implications are another important factor to consider as well. Many commodity-related ETFs are structured as limited partnerships rather than traditional trusts. As such, shareholders in these funds receive the often-infuriating K-1 tax statement for their proportional share of the fund’s profits.

Unfortunately, those K-1’s and the tax implications sometimes don’t even correspond to the direct gains or losses they may have sustained in actual investment itself. This can be a frustrating, and sometimes a mostunwelcomed and most-unexpected tax headache that must be dealt with by your client.

And as you likely know, there's nothing more frustrating for you or your client when they have an unexpected tax issue they must grapple with.

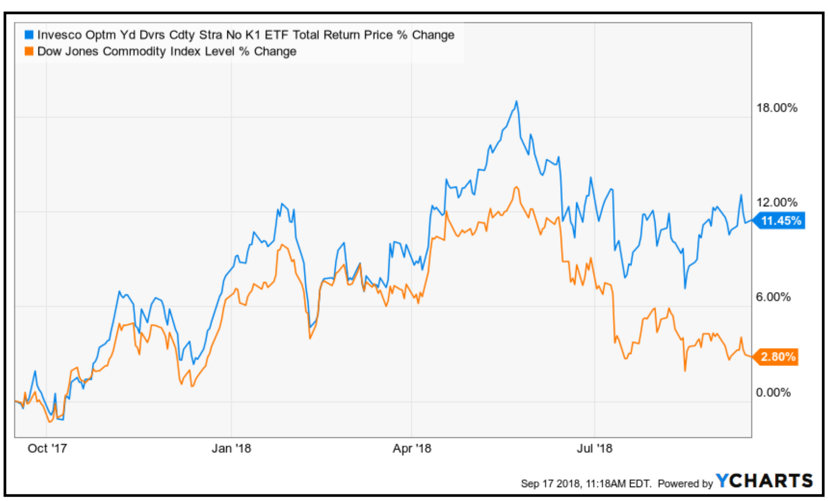
Fortunately, there are now newer and better ETF investment products that can avoid this type of tax issue.

The following ETFs represent our best ideas for helping clients gain broad exposure to the commodities markets. We think that the following list of ETFs will give you a big leg up as you build out this underappreciated piece of your portfolio.

Invesco Optimum Yield Div Commodity Strategy No K-1 (PDBC)	
Inception Date:	11/07/2014
Assets:	$2.18B
Avg Daily Volume:	928K
Expense Ratio:	0.59%
# of Holdings:	7
YTD Return:	3.09%
3-Yr Return:	4.47%
Mstar Rating:	4 Star

Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF

Getting diversified exposure to a basket of commodities isn't difficult. The task can be accomplished via one of the most-popular ways to do just that, the Invesco DB Commodity Index Tracking Fund (DBC).



DBC is the most common commodity basket ETF due to its long existence (the fund began trading in 2006) and deep pool of assets ($2.45 billion). This ETF tracks 14 of the largest and most-liquid commodity futures contracts, including oil, natural gas, gasoline, precious metals, industrial metals, and agriculture products such as sugar and soy beans. It's a virtual one-stop-shop for commodities exposure.

However, there are two substantive negatives when it comes to DBC.

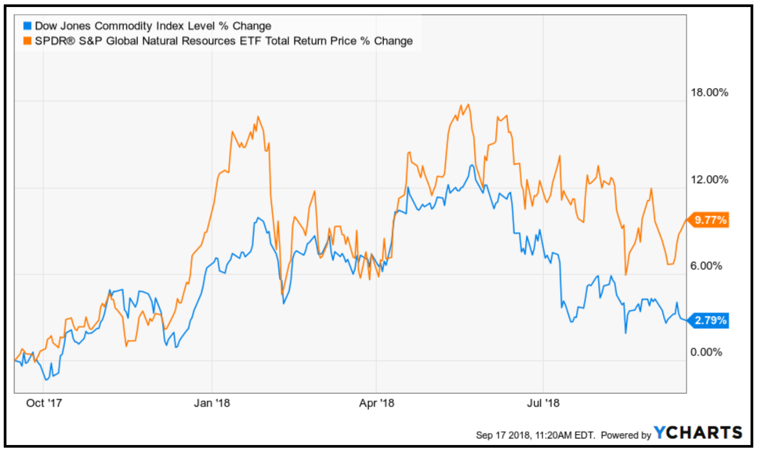
First, the fund has an above-average expense ratio at 0.89%. Then, there's the fund's legal structure. DBC was originally setup as a limited partnership, with shareholders required to receive that pernicious K-1 at tax time.

For these two reasons, we don't recommend allocating to DBC. Instead, there is now a much-improved version of DBC that we feel is better suited for advisors to use in clients' portfolios, and it even comes from the same fund provider.

The **Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF (PDBC)** was launched in 2014, and it has swiftly become the go-to spot for ETF investors to get broad commodity exposure. The fund has already accumulated $2.18 billion in total assets, and the reason is because it fixes the two failings of its predecessor, DBC.

PDBC essentially tracks the same basket of commodity futures while charging a more palatable expense ratio of just 0.59%. More importantly, the fund eliminates the need for that K-1 tax headache, as its structured to avoid the need for a K-1. The result is a highly diversified and liquid investment vehicle with an emphasis on optimizing rolling futures contracts within its portfolio.

The fund is heavily weighted towards the energy space, with 61% energy exposure. Agriculture is the next biggest allocation at 19% while industrial metals at 11% and precious metals at 10% round out the broader weightings. These weighting are then rebalanced on an annual basis.



PDBC is our preferred choice for allocating directly to the commodities sector because of its transparent and efficient index solution. It covers the most-important areas that are directly linked to commodity inflation and can be a core solution for most portfolios.

Even allocating a small portion (under 10%) of your portfolio to this fund can immediately help solve the missing component for those investors that want to reduce long-term volatility, hedge against inflation and add alpha to their existing stock and bond holdings. Sticking with a fund like PDBC also eliminates the hit-or-miss style of trying to select one or two single commodities that may or may not perform to your expectations.

SPDR S&P Global Natural Resources ETF (GNR)

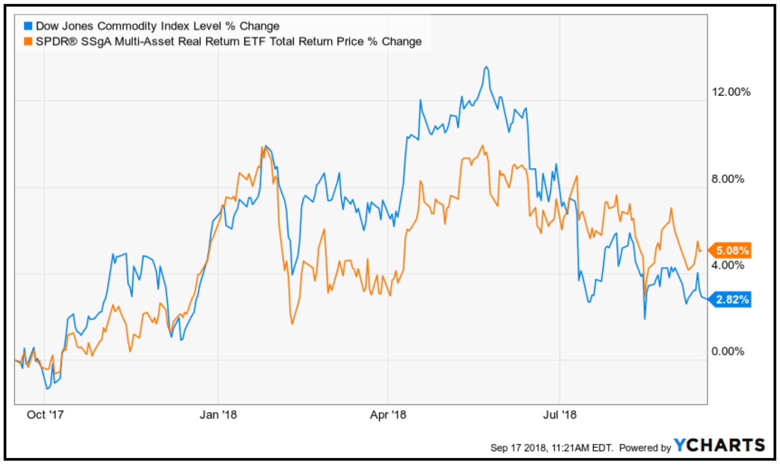
SPDR S&P Global Natural Resources ETF (GNR)	
Inception Date:	09/13/2010
Assets:	$1.49B
Avg Daily Volume:	142k
Expense Ratio:	0.40%
# of Holdings:	104
YTD Return:	0.05%
3-Yr Return:	14.59%
Mstar Rating:	3 Star

Owning physical commodities is just one aspect of the broader inflation theme. The other side of that coin is the natural resource stocks that are directly impacted by the price appreciation of the commodities themselves. Think of the miners, producers, drillers, and refiners that benefit from these forces as they are playing out in real time.

Our preferred fund choice for this is the **SPDR S&P Global Natural Resources ETF (GNR)**. Like its name suggests, this ETF contains truly global exposure to a group of 90 large and mid-cap companies within the three sub categories of agriculture, energy, and metals/mining. The index GNR tracks caps the allocation to each sub group at one third to create an even exposure profile across the natural resource landscape.

Top holdings include well-known names such as BHP Billiton LTD (BHP), Nutrien LTD (NTR), Exxon Mobil (XOM), and Royal Dutch Shell (RDSA). In terms of country exposure, the fund is highly spread out with the United States at 30%, United Kingdom 15%, Canada 11%, Australia 10%, and another 20 domicile countries rounding out the remaining stocks. Foreign exposure is complemented by both developed and emerging market stocks within the GNR wrapper.

From a structural standpoint, the fund charges an expense ratio of 0.40%, has $1.5 billion in total assets, and trades more than 140,000/shares on average every day. Those statistics give us confidence that this type of ETF can handle the liquidity and cost-conscious factors that are so important in today's marketplace.



On the performance front, GNR is experiencing the same type of pullback as the underlying commodities themselves. That's not surprising given the level of correlation that is to be expected from this asset class. The fund has had a big run higher over the last two years and is now consolidating those gains.

Like PDBC, the reasons to own GNR are its highly diverse nature alongside a streamline investment index with a high degree of transparency.

With this ETF, you know exactly what you own, why you own it, and you don't have to worry about picking individual stocks along the way.

A tactical allocation to GNR would pair well with PDBC for those more-aggressive investors who are seeking inflation-linked assets with significant upside potential.

SPDR SSGA Multi-Asset Real Return ETF (RLY)

I know what you're thinking at this point. You've bought into the commodities theme and the segment seems sound, but selecting, sizing, trading, and rebalancing multiple positions can be a beast to handle in some portfolios (particularly those with smaller balances).

Additionally, you may want to broaden your scope even further to include other inflationary hedges such as TIPS or real estate for those older clients that love these legacy themes. Unfortunately, that just makes the whole thing even more cumbersome to manage.

Well, say no more. We've got that problem covered. For those that want the whole package in one simple investment vehicle, meet the **SPDR SSGA Multi-Asset Real Return ETF (RLY).**

SPDR SSgA Multi Asset Real Return ETF (RLY)	
Inception Date:	04/25/2012
Assets:	$144.5M
Avg Daily Volume:	N/A
Expense Ratio:	0.50%
# of Holdings:	12
YTD Return:	-0.54%
3-Yr Return:	6.05%
Mstar Rating:	1 Star

This ETF is based on the tried-and-true "fund of funds" structure whereby it owns other ETFs to meet its investment guidelines. According to the fund company website, those assets include: Exposure to inflation-protected securities issued domestically and internationally, domestic and international real estate securities, commodities, and publicly traded companies in the natural resources and/or commodity businesses. These companies may include agriculture, energy, and metals and mining companies.

RLY doesn't follow a strict index, rather, it is quantitatively managed by a group of portfolio advisers that help direct its security selection and asset positioning. Right now, that positioning lines up quite well with the ETFs we've chosen above.

GNR and PDBC account for nearly 50% of the total allocation in RLY. Those two standouts are followed by a 15% allocation to SPDR Bloomberg Barclays TIPS ETF (IPE), 8% in SPDR S&P Global Infrastructure ETF (GII), and 6% allocation in SPDR Dow Jones International Real Estate ETF (RWX). The remaining basket is a mix of small positions in energy, agriculture, and resources stocks.

RLY charges a gross expense ratio of 0.50%, which was just recently lowered from a heftier 0.70% rate.

State Street Global Advisors is clearly not resting on its laurels, as they recognize the shift in investor sentiment towards funds with the lowest possible expenses. They also are hoping this move attracts more assets to the current $145 million parked in RLY. It's likely that additional pickup in inflationary tailwinds will help this movement as well.

The upside of using a fund like RLY is that you own virtually all inflation-linked assets in a single fund. This enhanced diversification will create smoother performance over long cycles as the varying components offset each other.

The downside is that a pure play in just commodities or TIPS may show stronger performance over short time periods, as momentum for each asset class takes hold. A fund such as RLY may be more appropriate for more conservative investors with longer time horizons.

In Conclusion

Most investors are focused on the short-term game of trying to catch the next 10% move in oil or gold as their primary commodity play.

Yet history has shown that commodity cycles can last far longer than many people anticipate, particularly when economic forces have suppressed inflationary metrics for an extended period and the risk/reward is skewed so distinctly toward one side.

We believe that taking a wider slice of the commodity asset class will have a beneficial aspect to diversified portfolio construction techniques, and it will help generate alpha—especially during the late-cycle phase of this economic expansion.

Best,

Tom

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Index Rebal **KWEB (KraneShares CSI China Internet ETF)**	*KWEB is an index rebalance play based on major Chinese internet and ecommerce companies (China N-shares) being added to FTSE Emerging Market Indices between Sep 2017 and June 2018. KWEB is our conduit to front-run huge index funds that will be forced to buy its underlying holdings.* ***What to do now: We closed KWEB on June 15th (last leg of rebal). It's still viable as a long-term holding.***	Issue 1: 8/17/17 8/24/17	KWEB: 21.46% (closed)	ACWX: 6.93% (through KWEB close date)
Smart Beta Pioneer **RSP (Invesco S&P 500 Equal Weight ETF)**	*From an index standpoint, S&P 500 Equal Weight has massively outperformed S&P 500 (cap weight) over the long term (392% vs. 158% over the last 18 years). RSP has lagged recently due to tech sector outperformance. That presents a short-term dislocation and opportunity to buy RSP at a discount to SPY.* ***What to do now: Buy.***	Issue 2: 9/7/17	RSP: 17.33%	SPY: 19.67%
Self-Driving Car Basket **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.* ***What to do now: Buy the ETFs. We closed QCOM a month and a half after the Broadcom takeover announcement for a quick, sizable gain.***	Issue 3: 9/21/17	SNSR: 7.60% ROBO: 9.11% AMBA: -20.90% QCOM: 23.20% (closed)	SPY: 17.87% SPY: 3.72% (through QCOM close date)
Electric Car Battery Plays **LIT (Global X Lithium & Battery Tech ETF)** **ALB (Albemarle)**	*The trend towards the widespread adoption of electric cars is accelerating, with U.S. auto companies planning massive roll outs and several countries putting end dates on the internal combustion engine.* *From an investment angle, the key here is better technology, specifically lithium. LIT is a lithium ETF. ALB is one of the leading lithium plays in the market.* ***What to do now: Long-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 sold off since. The growth opportunity is years, if not decades, ahead.***	Issue 3: 9/21/17	LIT: -12.3% ALB: -22.9%	SPY: 17.87%
Dividend Growth **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.* ***What to do now: Buy.***	Issue 4: 10/4/17	DIVY: 6.21% REGL: 11.9% SMDV: 6.84%	AGG: -1.34% MDY: 13.48% IWM: 14.59%
Merger Arbitrage **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.* ***What to do now: Buy.***	Issue 5: 10/17/17	GABCX: 1.88% MNA: 2.95%	AGG: -1.53%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Special Dividends List of 24 stocks	*Screened 17,070 stocks to arrive at 24 stocks that have consistently paid large special dividends. Investors can't see the true yields on these stocks because they're missing from financial websites. Our elite list has yields ranging from 50% to 600% higher than the S&P 500's yield.* ***What to do now: Buy (multiple ways to implement in issue).***	Issue 6: 10/31/17	Basket of stocks (avg.): 7.37%	50% SPY/50% AGG: 3.77%
Insider Sentiment KNOW (Direxion All Cap Insider Sentiment Shares ETF)	*Numerous academic studies prove following corporate insider buying is a strategy that can outperform. KNOW—and its underlying index—have been consistent outperformers.* ***What to do now: Buy.***	Issue 7: 11/14/17	KNOW: 10.4%	SPY: 14.05%
Global Value GVAL (Cambria Global Value ETF)	*A fundamentally-focused deep value strategy that uses a cyclically-adjusted valuation composite to evaluate 45 global countries for investment. GVAL captures the cheapest countries and the cheapest stocks in those specific countries, too.* ***What to do now: Buy.***	Issue 9: 12/12/17	GVAL: -5.16%	ACWX: -2.73%
"Backdoor" Hedge Fund Investing List of 10 stocks	*It's almost impossible for investors to access the world's best hedge fund managers. Either their funds are closed, the minimums are too steep (in the millions), or the fees are outrageously high ('2 & 20'). We found 10 little-known ways to access ace managers who have produced Buffett-like returns.* ***What to do now: Buy (multiple ways to implement in issue).***	Issue 10: 12/27/17	Basket of stocks (avg.): -5.09%	50% SPY/50% AGG: 1.30%
EM & FM Bonds EMB (iShares JPM USD Emerging Markets Bond ETF) EMLC (VanEck JPM EM Local Currency Bond ETF) EBND (SPDR Bloomberg Barclays Emerging Markets Local Bond ETF) AGEYX (American Beacon Global Evolution Frontier Markets Income Fund)	*Most investors have no allocation to fixed income outside the U.S., but we think it's worth serious consideration. Emerging and frontier debt funds have yields 2X, 3X, and 4X the yields of traditional fixed income investments... low correlations to major asset classes... and healthier fundamentals (lower debt-to-GDP ratios, faster-growing economies, and better demographics) from a country perspective.* *EMB (emerging market debt hard currency), EMLC/EBND (emerging market debt local currency), and AGEYX (actively-managed frontier market debt) are all attractive options.* ***What to do now: Buy.***	Issue 11: 1/9/18	EMB: -5.61% EMLC: -13.10% EBND: -11.30% AGEYX: -4.52%	AGG: -1.08%
"Blockchain" Investing BLOK (Amplify Transformational Data Sharing ETF) BLCN (Reality Shares Nasdaq NexGen Economy ETF)	*Blockchain, the technology behind cryptos, has the potential to change many industries. Having the right exposure to companies using or pioneering the use of blockchain, offers substantial long-term growth opportunities. Not only did we break the story on the first two blockchain ETFs (BLOK and BLCN) ahead of every financial media outlet, we also provided a sneak peek at their top holdings and a blockchain primer.* ***What to do now: Buy (multiple ways to implement in issue).***	Issue 12: 1/16/18	BLOK: -1.39% BLCN: -3.59%	SPY: 4.58%
"Active" Bond ETFs BOND (PIMCO Active Bond ETF) TOTL (SPDR DoubleLine Total Return Tactical ETF) FTSL (First Trust Senior Loan Fund)	*Studies show actively-managed fixed income funds have been much more successful at beating benchmarks than actively-managed equity funds.* *In addition, the "Agg" has changed for the worse over time: higher duration, lower yield, and less diversification. These three active bond ETFs—with better statistics and all-star portfolio management teams—stand a good chance at beating the Agg going forward.* ***What to do now: Buy.***	Issue 14: 2/20/18	BOND: 0.66% TOTL: 0.89% FTSL: 1.67%	AGG: -0.57%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Cash Alpha FPNIX (FPA New Income)	*FPNIX has generated positive returns for 33 straight years. No other non-government bond fund can boast of an equivalent track record. We also featured "MaxMyInterest," which produces 140 to 150 basis points of alpha versus traditional cash vehicles (MMAs, MMFs, and CDs). Max also increases FDIC insurance and can give advisors visibility to held-away cash.* ***What to do now: Buy (Max is also an excellent cash management solution).***	Issue 15: 3/6/18	FPNIX: 1.06%	BIL: 0.88%
Index Rebal KBA (KraneShares Bosera MSCI China A Share ETF)	*KBA is an index rebalance play based on the inclusion of Mainland Chinese equities (A-shares) into MSCI Global Standard Indexes. The first two steps will take place on June 1st and September 1st. KBA is our gateway to front-run massive index funds that will be forced to buy its underlying holdings.* ***What to do now: Buy.***	Issue 16: 3/20/18	KBA: -25.30%	ACWX: -5.04%
Anti-Trade War QABA (First Trust Nasdaq ABA Community Bank Index Fund)	*QABA is a play to protect against trade war ramifications (97% of its sales are U.S.-sourced). Additionally, it should also be a beneficiary of U.S. tax reform, in that, smaller U.S. companies should capture most of the 35% to 21% corporate tax cut. We also featured three more ETFs (AMCA, AIRR, KRE) and two exclusive stock screens—run through Cap IQ—for advisors to share with clients who have trade war concerns.* ***What to do now: Buy.***	Issue 18: 4/17/18	QABA: 3.59%	SPY: 7.78%
Foreign Small Caps VSS (Vanguard FTSE All-World ex-US Small -Cap ETF) DLS (WisdomTree International Small-Cap Dividend Fund)	*Most advisors don't allocate to international small caps. But, we think they should reconsider. This hidden asset class holds several advantages over its U.S. equivalents: cheaper valuations, less volatility, lower correlations, higher dividend yields, and past outperformance. We highlight multiple individual ETFs, ETF combinations, and actively-managed mutual funds that do the trick.* ***What to do now: Buy.***	Issue 19: 5/1/18	VSS: -5.25% DLS: -4.99%	EFA: -3.01%
Disruptive Innovation ARKK (ARK Innovation ETF)	*Investing in the "cornerstone themes of disruptive innovation" has resulted in huge profits over time (think Amazon, Apple, and Netflix). ARK sees current investment opportunities in innovation platforms, such as automation, energy storage, DNA sequencing, next generation internet, blockchain technology, etc. ARK's top innovation-based themes are all represented in ARKK. In 2017, ARKK was the #1 performing ETF (excluding leveraged and inverse ETFs) with a return of 87%!* ***What to do now: Buy.***	Issue 20: 5/15/18	ARKK: 11.40%	SPY: 7.41%
Buybacks PKW (Invesco BuyBack Achievers ETF)	*Companies with meaningful share count reduction have outperformed over the long term with lower volatility. Currently, U.S. companies are flush with cash due to tax cuts and repatriation. In turn, share repurchases broke a new record in Q1 2018 and they're on pace to set a new record for 2018. PKW is the premier ETF to profit from buybacks (largest asset base and longest history). We also featured four alternative ETFs (SPYB, TTFS, DIVB, SYLD) and some individual stock lists.* ***What to do now: Buy.***	Issue 21: 5/29/18	PKW: 8.55%	SPY: 8.25%
"FANG and Friends" of Emerging Markets EMQQ (Emerging Markets Internet & Ecommerce ETF)	*"By 2025, annual consumption in emerging markets will reach $30 trillion—the biggest growth opportunity in the history of capitalism."—McKinsey & Company. The combination of four major forces in emerging markets make this a great investment setup: favorable demographics, increasing smartphone availability, surging wireless broadband and Wifi access, and the globalization of the capital formation process. EMQQ is the best ETF to invest in this great confluence. We also featured three alternative ETFs (ECON, KWEB, KEMQ).* ***What to do now: Buy.***	Issue 23: 6/26/18	EMQQ: -14.4%	EEM: -3.45%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Micro Caps IWC (I-Shares Micro-Cap ETF)	*Small caps have outperformed YTD, but while allocations to that sector of the market are rising, micro-caps, a sub-set of small caps, remain generally overlooked.* *Micro caps remain an overlooked, under-researched, and under-allocated part of the small cap universe that can offer diversification and outperformance (micro caps perennial takeover candidates).*	7/10/18	IWC: -2.11%	IWM: 0.84%
The Future of Consumer Spending IBUY (Amplify Online Retail ETF) FINX (Global X FinTech ETF) IPAY (ETFMG Prime Mobile Payments ETF)	*The way U.S. consumers purchase goods is changing—rapidly. And, getting "pure play" exposure to the rise to on-line retailers and to the growth of mobile payments could be similar to investing in credit cards back in the mid-80's. There are few other established corners of the market that offer this type of growth potential.*	7/24/18	IBUY: 1.30% FINX: 4.10% IPAY: 3.86%	SPY: 2.93%
Floating Rate Funds FLOT (I-Shares Floating Rate Bond ETF USFR (Wisdom Tree Floating Rate Treasury Fund) SRLN (SPDR Blackstone / GSO Senior Loan ETF EFR (Eaton Vance Floating Rate Trust)	*Despite stubbornly high bonds/low yields, bonds are still now in a longer term bear market, and there exist few non-inverse bond alternatives that can produce absolute gains in a falling bond environment.* *Floating rate ETFs rise as bond yields fall and offer absolute return potential in bond portfolios, and are an important tool in constructing client bond portfolios in a rising rate environment.*	8/6/18	FLOT: 0.32% USFR: 0.19% SRLN: 0.68% EFR: -0.63%	AGG: -0.19%
Momentum & Value PSCH (PowerShares S&P SmallCap Health Care Portfolio) SBIO (ALPS Medical Breakthroughs ETF) FXG (First Trust Consumer Staples AlphaDex ETF)	*In our first of a recurring series, each quarter we'll profile some of the best ETFs from a momentum and value standpoint.* *Most investors and prospects can be grouped into those two investing styles, and we want to provide consistent, value-add idea generation for each type of investor, so you're always armed with compelling ideas and stories for clients and prospects, regardless of their investment style.*	9/4/18	PSCH SBIO FXG	SPY