SEVENS REPORT *alpha*

Webinar #10: Quarterly Recap and Look Ahead

Thursday, January 4th, 2018

Presenter: Tom Essaye

Disclaimer

The information contained in the Sevens Report or this Presentation is not necessarily complete and its accuracy is not guaranteed. Neither the information contained in this presentation or any opinion expressed in it constitutes a solicitation for the purchase of any future or security referred to in the presentation.

This presentation is strictly an informational publication and does not provide individual, customized investment or trading advice to its subscribers or listeners.

LISTENERS 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.

- Goals for Today’s Webinar

  - “What Do You Think About Markets?”
    - Outlook for Q1 ‘18

  - Alpha Strategy Review and Update

  - Q&A

"What Do You Think About the Market?"

- 2018 Outlook
    - The Bull's Argument
        - Accelerating Growth
            - U.S & Internationally. ADP today, ISMs this week, Auto Sales, China, etc.
        - Still Low Inflation
            - Means likely benign central bank risk initially, although the 2H 2018 could prove more interesting, especially from ECB and BOJ.
        - General macro-economic calm
            - North Korea and Iran, trade disputes (China/NAFTA) are certainly risks to monitor, but they have been for 12+ months.
    - The Bear's Argument
        - Valuations (nearly 18X this year's earnings, highest since '29 & '00)
        - Low VIX (at record lows, can't stay there)
        - Geo-political concerns (aforementioned topics)
        - Central bank policy mistake (hiking too quickly, inverting curve)
        - "This is as good as it gets"
    - Bottom line
        - The bear's points are valid, but they've been valid for over a year and stocks are 20% higher. At some point, one or all of these concerns will hit stocks. We all know that.
        - But, the reality is that right now, growth is quasi surging, central banks are not getting more aggressive, and corporate earnings have a tailwind.
        - **Net/Net we will need more proof that the aforementioned risks are getting worse to warrant reducing equity exposure.**
    - **Tactically, that means continued rotation into "value" sectors (IVE) and our reflation basket (KRE/KBE, XLI, IWM, TBT/TBF).**
    - **From a contrarian standpoint, outlook continues to brighten for commodities (DBC, GSG, HAP).**

Strategy Review

Alpha Issue & Date	Strategy	Funds/Stocks Recommended	Performance	Updated Opinion
Thematic/More Aggressive Strategies				
Issue 1: Index Rebal (8/17/17)	Long Chinese Internet Stocks on Inclusion into FTSE Emerging Market Indices.	KWEB	**12.85%** (SPY 11.68%)	Buy. Two more inclusion steps: March 2018 and June 2018.
Issue 3: Next Mega Trend: Self Driving Car Basket/Electric Car Basket (9/21/17)	Get longer term exposure to the generational growth potential of the changing car industry.	SNSR/ROBO/AMBA/QCOM LIT/ALB	**5.74%** (SPY 8.32%) **8.70%** (SPY 8.32%) **36.00%** (SPY 8.32%) **23.20%** (SPY 3.72%) **7.95%** (SPY 8.32%) **-2.25%** (SPY 8.32%)	Our best performing strategy. The average recommendation is up over 13%. We closed QCOM up 23%. Longer term thesis still valid.
Issue 7: Insider Sentiment (11/14/17)	Using corporate insider buying, combined with other overlays, as a way to outperform.	KNOW	**7.67%** (SPY 4.81%)	Buy. This ETF and strategy have outperformed consistently over several years.
Issue 9: Global Value Hunter (12/12/17)	Deep value strategy uses a cyclically-adjusted valuation composite to evaluate 45 countries for investment.	GVAL	**5.11%** (ACWI 2.18%)	Buy. A great way to beef up your international equity allocation with cheap foreign stocks.

*** Our 17 picks are beating their respective benchmarks by an average of 2.4%!**

Strategy Review

Alpha Issue & Date	Strategy	Funds/Stocks Recommended	Performance	Updated Opinion
"Core" Holdings				
Issue 2: Equal-weight (9/7/17)	Buy S&P 500 ETF, with different methodology than market cap weight, that outperforms over the long term.	RSP	**10.13%** (SPY 9.97%)	Buy. Thesis Still Valid. Recent outperformance.
Issue 4: Dividends (10/4/17)	Get exposure to dividend growth and the next generation of "Dividend Aristocrats."	DIVY/REGL/SMDV	**1.61%** (AGG 0.13%) **3.88%** (MDY 6.12%) **-2.02%** (IWM 3.09%)	Buy. We continue to prefer dividend growth over dividend yield as a longer term strategy.

*** Our 17 picks are beating their respective benchmarks by an average of 2.4%!**

Strategy Review

Alpha Issue & Date	Strategy	Funds/Stocks Recommended	Performance	Updated Opinion
Bond & Fixed Income Alternatives				
Issue 5: Merger Arbitrage (10/17/17)	An uncorrelated strategy that provides steady mid- to high-single-digit returns.	GABCX/MNA	**0.52%** (BIL 0.09%) **1.20%** (BIL 0.09%)	Buy. Uncorrelated strategy that provides bond-like returns without the market risk.

*** Our 17 picks are beating their respective benchmarks by an average of 2.4%!**

Strategy Review

Alpha Issue & Date	Strategy	Funds/Stocks Recommended	Performance	Updated Opinion
Stocks Lists & Other Ideas				
Issue 6: Special Dividend Stocks (10/31/17)	Screened 17,070 stocks down to 24 stocks that have consistently paid big special dividends (true yields hidden from investors).	24-stock list available for download	**6.58%** (50% SPY/50% AGG 2.60%)	Buy. These stocks should continue to provide strong income over time.
Issue 10: “Backdoor” Hedge Fund Investing (12/27/17)	A little-known way to access the portfolios of the world’s best hedge fund managers without the high minimums and high fees.	10-stock list available for download	**0.05%** (50% SPY/50% AGG 0.21%)	Buy. These vehicles can outperform in different market environments (especially, in down markets).
Issue 8: Conference Notes (11/28/17)	Attended 3-day AAII Investment Conference and provided “Cliff’s Notes” on the best strategies and ideas presented.	Notes available for download		Tremendous value from both a strategy and idea generation standpoint.

*** Our 17 picks are beating their respective benchmarks by an average of 2.4%!**

Q&A