SEVENS REPORT *alpha*

March 20, 2018

In Today's Issue

- The "information advantage" and the "index rebalance effect" go hand in hand.
- A massive amount of assets will be forced to follow the inclusion of China A-shares into broad MSCI indexes.
- KBA is an inventive ETF designed to track the progressive inclusion of A-shares in the MSCI Emerging Markets Index over time. (Plus, we provide several alternative fund options.)

Three Paths to Finding Value in Stocks

A couple of years ago, my analyst attended "The Micro-Cap Conference" in Philadelphia, PA via a special invitation from the co-founder of the conference.

A couple hundred attendees consisted of institutional investors, private investors, venture capitalists, small-cap and micro-cap portfolio managers, buy-side analysts, and micro-cap bloggers.

While there, he listened to presentations from over 60 micro-cap companies and had one-on-one meetings with numerous CEOs and CFOs.

But, my analyst still vividly recalls one non-company related session that stood out. It was a presentation from John Huber (Founder & Portfolio Manager of Saber Capital Management).

Huber, a steadfast value investor, who also writes the BHI blog ("Base Hit Investing"), lectured on three paths to finding value in the stock market.

1) **Information advantage**. Find information that others don't have. For example: spinoffs, special situations, and underfollowed small-cap stocks ("hidden gems"). This was Warren Buffett's advantage in his early days. He found bargains looking in places where others weren't. Buffett found Western Insurance trading at a P/E ratio of less than 1! Today, it's more difficult to uncover information that everyone else doesn't already have.

2) **Analytical advantage.** Basically, taking the same information, but interpreting it differently. Anyone can look at various valuation metrics for a particular stock. For instance, Amazon, Home Depot, Fastenal, Starbucks, and Walmart all remained undervalued for a decade or more in the past, but have compounded at 20% annually for decades. Some investors get scared off thinking the market has priced great compounders cheap for a good reason and take a pass. Yet, others accept they have great competitive positions, high ROCs, long runways for growth, and invest at abnormal discounts.

3) **Time arbitrage.** Most financial advisors try their darndest to employ this strategy for their clients (including many "keep calm and carry on" conversations). While most analysts and investors are constantly fretting over the next quarter, it generally pays to take a longer-term approach (i.e., three years, five years, or longer). Despite suffering seven bear markets of at least a 20% decline over the last 50 years (1968-2017), the S&P 500 has gained an average of 10.1% per year (total return). Patient investors are rewarded over the long term.

These three paths make sense in theory, but are obviously difficult to implement in practice.

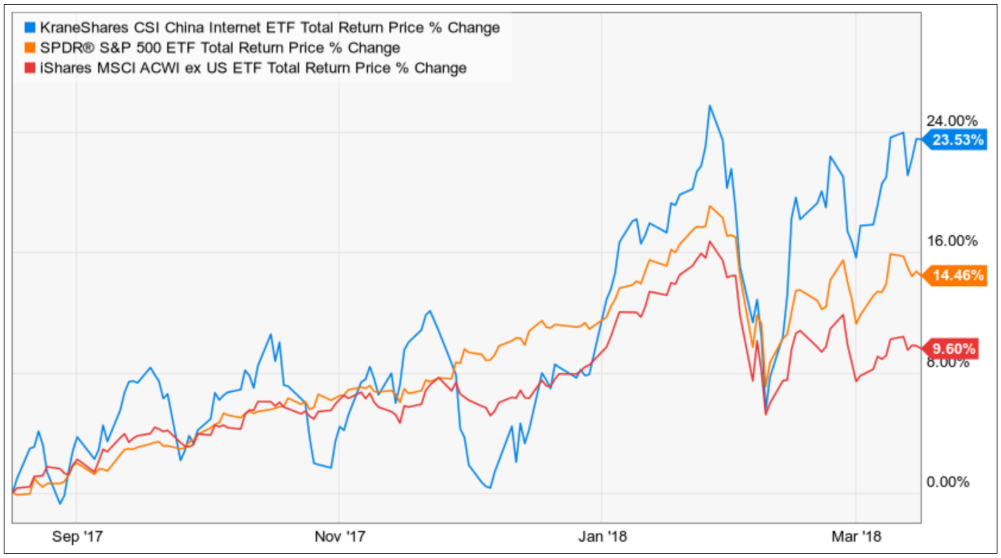
Information advantage is the path that most investors focus on, which makes it the most competitive. However, we've identified a rare opportunity that can be exploited by using this path.

Although everyone has access to this information, the problem—or benefit in our case—is the vast majority of investors don't take advantage of this specific setup.

The reasons are simple: You have to know that the opportunity actually exists... You need to know where to look... You must conduct due diligence on index methodologies... And you have to read and interpret thousands of index announcements.

Now, select hedge funds and experienced prop desks, with dedicated teams and resources, have successfully profited off this unique strategy for many years.

It's called the "index rebalance effect."



Information Advantage: "Index Rebalance Effect"

Mainly, the index rebalance effect involves trading off various index anomalies that pop up from time to time. It can be very lucrative to selectively trade based on these anomalies because millions, billions and trillions of index fund dollars must follow index changes to a T.

By getting ahead of big fund moves, astute investors can legally front-run the Vanguards, iShares, and State Streets of the fund world.

You should recall the *index rebalance effect* phrase from our very first Alpha issue—and first recommendation—based on this exact strategy.

In that issue, we dissected changes FTSE Russell would be making to its emerging market indices. In short, FTSE Russell announced it was adding China N-shares and China S-chips to various FTSE global indices over a four-step inclusion process (September 2017, December 2017, March 2018, and June 2018).

We concentrated on China N-shares. (Chinese companies—like Alibaba, Baidu, Weibo, and others—listed on U.S. exchanges, but with business operations in China.)

The KraneShares CSI China Internet ETF (KWEB) was our conduit to play this index rebalance. 70% of KWEB's assets would see "forced buying," as emerging market index funds would have to add its stocks to match the index rebalance.

So far, it's worked beautifully.

Since 8/17/17, KWEB is up 23.5%, while SPY and ACWX (foreign developed and emerging markets) are up 14.5% and 9.6%, respectively.

To put some more numbers behind this, several U.S.-listed Chinese companies saw increases in volume and sizable trades into last Friday's close due to FTSE Russell's 3rd inclusion step:

- Alibaba: 8.3 million share trade accounted for 1/3 of day's volume. Traded 26 million shares versus 18 million average daily volume (ADV).
- 58.com: 1.1 million share trade accounted for nearly half of day's 2.5 million shares traded. 2X ADV.
- Tal Education Group: 2.2 million shares traded at the close. Traded 7.5 million shares versus 4.6 million ADV.
- JD.com: Traded nearly 50% of the day's 13.9 million at the close.
- NetEase: Traded 700K shares at the close versus 1.5 million for the day.

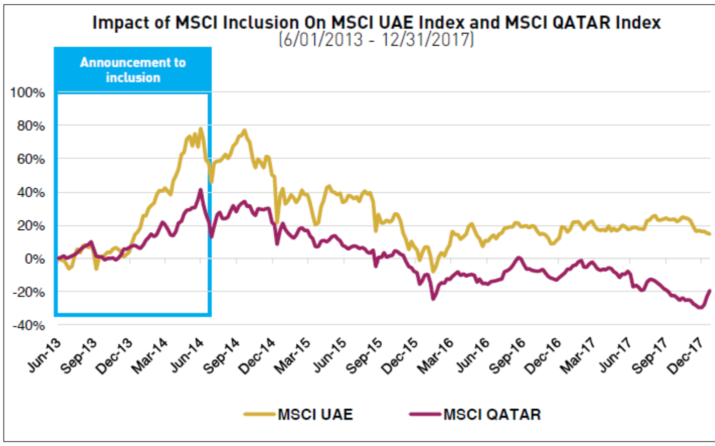
Many other names (CTRP, SINA, ATHM, YY, WB, etc.) saw similar trading.

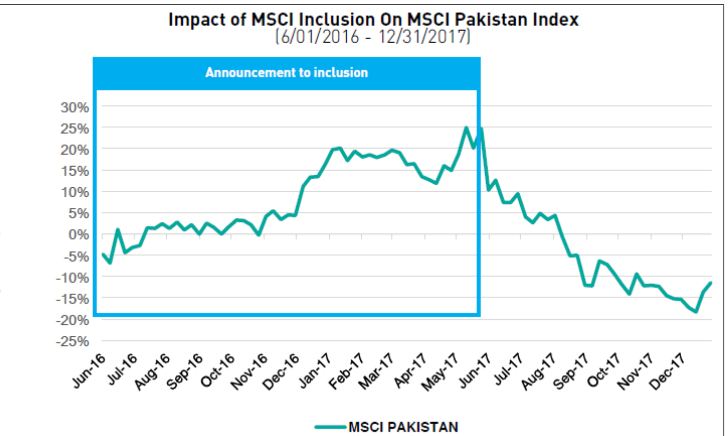
Other studies show the index rebalance effect has provided a positive catalyst for outperformance, as well...

For example, changes to MSCI's Global Standard Index definitions have had a significant impact on the affected markets due to fund flows from asset managers benchmarked to MSCI indexes.

There are previous full country inclusions to observe.

Take the case of UAE (United Arab Emirates) and Qatar. Between announcement to inclusion (6/1/13 to 6/1/14), the MSCI UAE Index and MSCI Qatar Index soared 85.6% and 49.1%, respectively.

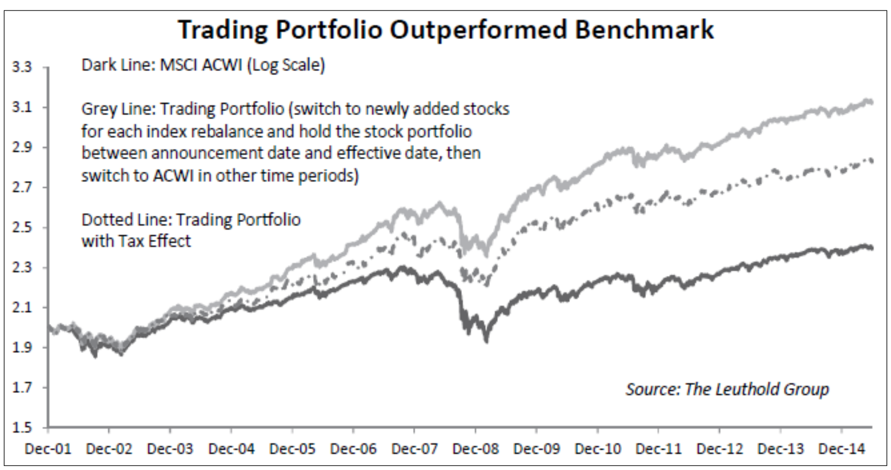




Then, there was Pakistan. During the period between announcement and inclusion (6/1/16 to 6/1/17), the MSCI Pakistan Index rose 32.3%.

The Leuthold Group also completed an exclusive study on the performance of stock additions to the MSCI ACWI Index.

From 2001 to 2015, Leuthold used a hypothetical trading strategy centered on each MSCI ACWI Index rebalance. They simply bought stocks based on inclusion announcements and held them until effective date (the day they officially went into the index). In down times, Leuthold moved 'paper capital' into the MSCI ACWI Index and added a 0.5% trading cost for each switch.



Trading Strategy Investing In ACWI New Additions Outperform

	Before Tax		After Tax	
	Buy & Hold ACWI	Trading Strategy	Buy & Hold ACWI	Trading Strategy
Annualized Returns	6.90%	21.10%	5.90%	15.20%
Standard Deviation	17%	18%	17%	18%
Return to Risk	0.41	1.17	0.35	0.84

Source: The Leuthold Group

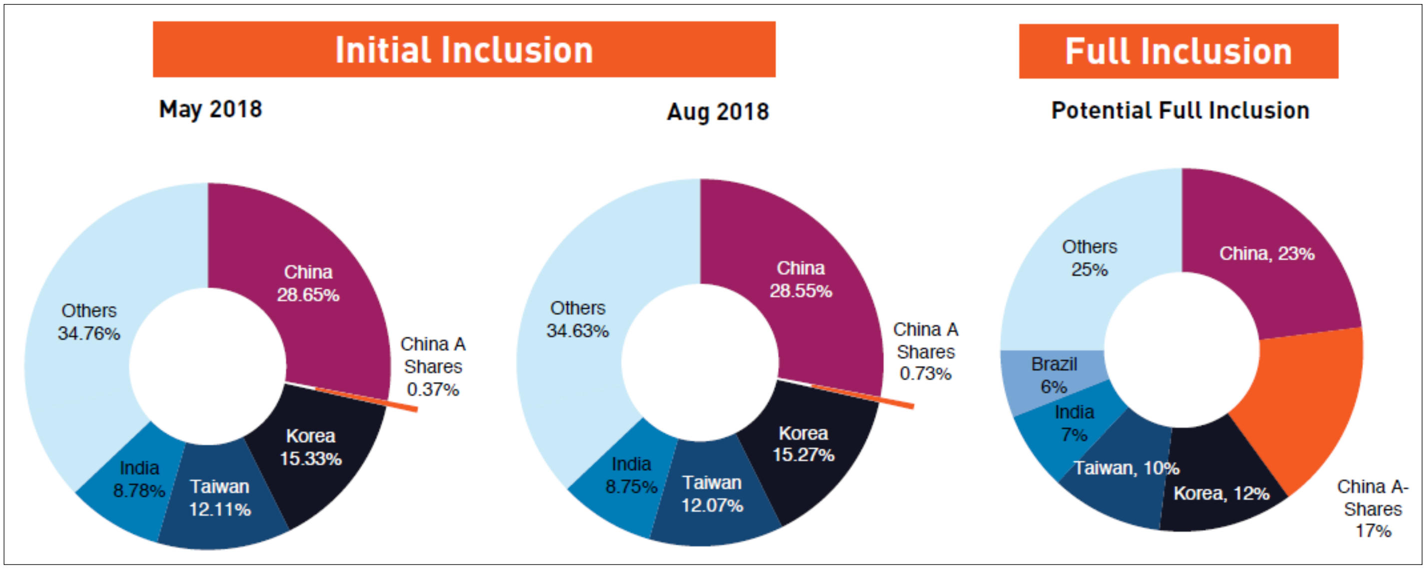
Over that period, the results were phenomenal. Their trading portfolio generated annualized returns of 21%, which was 3X better than the MSCI ACWI Index's 7% annualized returns!

Today, we're going back to the index rebalance effect strategy—and ironically, China—again.

The difference is we're switching from FTSE to MSCI. Even though index changes from both providers move a lot of money (even more so today with the massive movement to passive), MSCI is 2X the size of FTSE by benchmarked assets. For instance, FTSE has approximately $6 trillion benchmarked to its indexes (The Russell part of FTSE Russell has $9 trillion.) MSCI, on the other hand, has $12.4 trillion benchmarked to its indexes.

MSCI Roadmap for China A-shares

Last June, MSCI decided that the Mainland Chinese equity market (China A-shares) was too big to ignore. The leading index provider announced China A-shares would be included into MSCI Glob-



al Standard Indexes in 2018. These indexes include MSCI Emerging Markets, MSCI Asia ex-Japan, MSCI ACWI, MSCI ACWI ex-U.S., etc.

Since last June, MSCI declared the first two inclusion steps will take place on June 1st and September 1st of this year. After this initial inclusion, China A-shares will have a total weight of 0.73%. But, the potential full inclusion is projected to be 17%.

My analyst talked to his colleague Brendan Ahern, CIO of KraneShares ("The China Index and ETF authorities") who said:

Some folks are being a little dismissive on the real significance of what this really means. They're seeing the 0.73% initial rebalance and thinking that's not much. But take a step back and look at the bigger picture…

MSCI has over $12 trillion benchmarked to it. Of that, $2 trillion is benchmarked to MSCI Emerging Markets. Within MSCI Emerging Markets, China is roughly 30%. The MSCI China A-shares will add another 17% to China.

The MSCI China A Inclusion Index is MSCI's definition of Shanghai/Shenzhen securities that flows upward into broader indices. It's comprised of 235 stocks.

MSCI's plan conveys that if MSCI Emerging Markets has $2 trillion benchmarked against it (both active and passive assets), you can't just put in hundreds of billions of dollars in one shot. You have to slowly dial it up. MSCI does semi-annual rebalances and quarterly share adjustments. MSCI China A Inclusion Index is the end result, but it's going to be a gradual process to get there.

KraneShares thinks it's a 3- to 5-year process for MSCI to get to the full inclusion weight of 17%. MSCI has said that they'd prefer to have the inclusions happen faster than other large inclusions in the past (i.e., South Korea and Taiwan, which were added in the 1990s and took five years).

MSCI's decision is a big deal on several accounts. (China A-shares also carry attractive investment qualities.):

- **It's been a long time coming.** China A-shares were up for inclusion three times prior and turned down each time. So, "fourth time's a charm."
- **Massive assets track MSCI indexes.** 99 of the top 100 global investment managers are MSCI clients. Over 950 ETFs are based on MSCI indexes (more than any other index provider). 94% of U.S. pension fund assets invested in global equities are benchmarked to MSCI indexes. In total, MSCI has $12.4 trillion in active and passive assets benchmarked against their indexes. MSCI Emerging Markets represents roughly $2 trillion of that total. China easily holds the top spot—with an approximate 30% weight—in emerging markets.
- **China is on the rise.** Exposure in the MSCI Emerging Markets Index is slated to go from around 30% to more than 40% over time. Right now, Mainland China A-shares make up 0% of the MSCI Emerging Markets Index. That's absurd!

- **The rationale for a bigger global equity weighting is evident.** The U.S. is the #1 economy in the world and accounts for 53% of the MSCI ACWI Index. China is the #2 economy in the world, yet accounts for less than 4% of the MSCI ACWI Index. U.S. market cap to GDP is roughly 150%, while China market cap to GDP is more like 50%. And Shanghai and Shenzhen are the 4th and 7th largest stock exchanges in the world.

- **Wake-up call for global investors.** Investors are under-allocated to emerging markets. A September 2017 report from Janus Henderson concluded that the average advisor had a 22% allocation to international equities. In terms of emerging markets, the average advisor—and investor—is most likely in the range of 2% to 4% in terms of their overall equity allocation.

- **Mainland Chinese equities are relatively cheap.** Trailing P/E ratio comparison: S&P 500... 25.01, MSCI EAFE... 17.52, MSCI World... 21.03, MSCI ACWI... 20.15, Shanghai Composite... 16.76. (Roughly, 70% of China A-share stocks are listed on the Shanghai Composite). Basically, China A-shares are the value trade, whereas China N-shares are the growth trade.

- **Low correlations to other asset classes.** Mainland China A-share equities exhibit very low correlations to other global markets. Remarkably, China A-shares have even lower correlations to the U.S., foreign developed countries, and emerging markets than frontier markets.

MSCI Indexes Correlation to MSCI China A Index

	ACWI	EAFE	EM	USA	China	Frontier	China A
ACWI	1.00						
EAFE	0.96	1.00					
EM	0.82	0.79	1.00				
USA	0.95	0.84	0.67	1.00			
China	0.72	0.70	0.85	0.59	1.00		
Frontier	0.46	0.47	0.40	0.39	0.39	1.00	
China A	0.19	0.19	0.35	0.13	0.50	0.19	1.00

Basically, MSCI's decision on China A-shares recognizes China's importance to the global economy… It validates China A-shares… And it provides market access.

The opportunity at hand is that market accessibility is already available due to a handful of innovative ETF issuers.

We'll start with our favorite choice. Then, we'll list some alternatives later.

The KraneShares Bosera MSCI China A Share ETF (KBA)

KBA Facts	
Inception:	3/4/14
Assets:	$366M
Avg Daily Volume:	126K
Expense Ratio:	0.64%
# of Holdings:	257
2017 Return:	30.05%

KraneShares built its entire platform with a deep understanding of index methodologies.

As the pioneer of China-focused ETFs, KraneShares provides investors with solutions to capture China's importance as a necessary element of a well-rounded investment portfolio.

This ETF issuer didn't want to assume what happened in the past would happen in the future. So, they set out to skate to where the puck was going, not where it had been.

The team at KraneShares launched the **KraneShares Bosera MSCI China A Share ETF (KBA)** in March 2014. Bosera Asset Management is the mutual fund arm of China Merchants Bank, which is the 5th largest bank in China and largest non-SOE bank.

KBA features access to Shanghai and Shenzhen Stock Exchanges—which are traditionally not available to U.S. investors—via RQFII (Renminbi Qualified Foreign Institutional Investor—a daily liquidity quota program) and

Stock Connect Programs. Today, KBA is deploying new money through Connect instead of RQFII.

As Ahern also told my analyst:

The KraneShares Bosera MSCI China A Shares ETF (KBA) is benchmarked to the MSCI China A Inclusion Index because we always wanted to have the exact definition of Shanghai/Shenzhen that ETFs and index funds benchmarked to MSCI indices would have to buy.

Importantly, no other ETF is benchmarked to that exact index.

Some of those U.S.-listed ETFs that will be forced to buy China A-Shares (KBA's holdings) are: EEM ($44 billion in assets), IEMG ($50 billion in assets), ACWI ($9 billion in assets), ACWX ($3 billion in assets), and so on. Plus, there's another $4 trillion in U.S. index funds, CITs, and variable annuity assets that are passive. Ultimately, we know MSCI has $2 trillion directly benchmarked to emerging markets.

Again, the immense movement from active to passive benefits KBA because more and more dollars will have to flow into KBA's holdings.

What's the margin of safety owning all the KBA names? Everyone tracking MSCI global indexes <u>must</u> buy them!

What about the China trade war?

- KBA's steel exposure is less than 1.9%.
- Bottom-up analysis (Bloomberg and FactSet): 8.5% of KBA's companies derive revenues from foreign sources (non-China).
- Headline risk is probably a lot worse than the actual economic impact.

What about SOE exposure?

- KBA has meaningful exposure to SOEs.
- SOE reforms are taking place in China: Private ownership, players merging to take advantage of economies of scale, and deleveraging.
- One of the biggest objectives in China is to get SOEs operating more efficiently.

In addition, there's a good chance certain institutions (pension plans, endowments, hedge funds, etc.) and wealth management firms will be getting into this trade before then. To illustrate, we inspected KBA's SEC Form 13F. There are several custodians and liquidity/providers/market makers with substantial positions. But, one firm caught our eye… Hunting Hill Global Capital is a smaller hedge fund with a specialty in index arbitrage. This hedge fund is already ahead of the game. It owns more than 95,000 shares—over $3 million worth—of KBA.

We expect more of these types of allocations to occur over the next several weeks.

But, you can get ahead of all the others...

<u>Front-Running the "Dog and Pony" Shows</u>

We're not just front-running all the massive ETFs and index mutual funds that will have to buy China A-shares in the next few months and years…

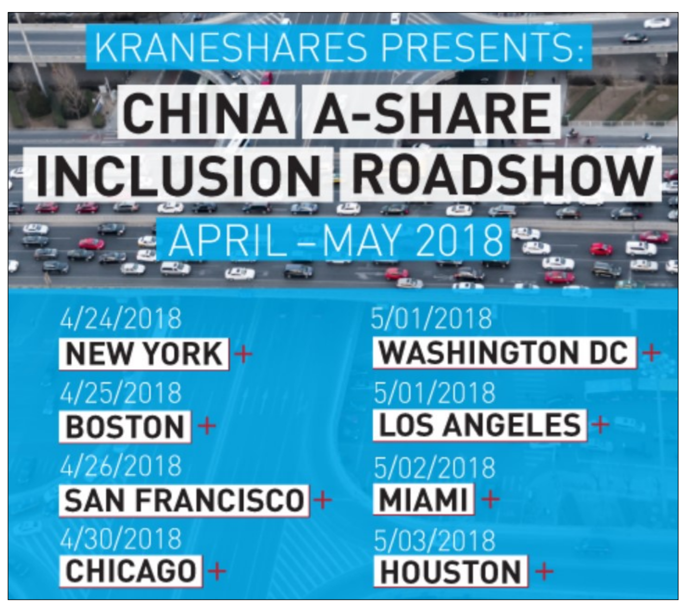
Actively-managed mutual funds and hedge funds will be putting this trade on, too.

And so will various institutions and financial advisors who opt to listen to upcoming promotional campaigns.

By buying China A-shares now, investors can get their money there before the masses.

Here's what I'm referring to...

Less than two weeks ago, my analyst got an email from KraneShares titled "Save the Date: China A-share Inclusion Roadshow."



KraneShares is traveling to eight major cities in the U.S. from late April through early May to put on educational events geared towards institutions and financial advisors. Specialists from Bosera, CICC (China International Capital Corporation—China's largest investment bank purchased a 50.1% majority stake in KraneShares last year), and MSCI will be participating in presentations.

Reports are early interest has been strong. Supposedly, there were 50-plus firms signed up for the New York event a week after the initial email blast.

KraneShares is leading the advertising crusade, but it won't be alone. Other fund families with China A-share funds will also be throwing their hats into the ring.

For example, last week my analyst received an email from Deutsche Asset Management. The subject line on this email was "Webcast—Investing in China."

Deutsche Asset Management has an ETF in the China A-share inclusion theme, too. (We'll tell you about this ETF in a moment.) The email noted:

This is the year that China goes mainstream. With the impending inclusion of China A-shares into MSCI Indexes, we must recognize that the world's second largest economy, and second largest equity market, is simply too important to ignore.

We expect more fund companies will be circulating marketing materials to engage institutional investors. And they should. There's a good story and investment case on China A-shares to present to investors.

Point is, there should be some other big allocations coming to China A-share funds/stocks before the first inclusion step a couple months from now.

Ways to Execute this Strategy

Shorter-term, tactical trade. Buy KBA and hold it through September 1st of 2018. By going this route, you get the benefits of two sets of money flows. First, the initial two inclusion steps will be completed. So, all active and passive strategies following the affected MSCI indexes will have bought KBA's holdings. And second, everyone who is playing the index rebalance effect trade or general investment case to own China A-shares will be in these names, as well.

Just like with KWEB, you could also watch major ownership of China A-share stocks. As big fund families (i.e., BlackRock, Fidelity, etc.) start to move up the ranks, the shorter-term opportunity will dissipate.

And by September 1st, we should have a clearer picture of the MSCI's plans for full inclusion of China A-shares.

Longer-term, strategic holding. Buy KBA and hold for the longer haul (three years, five years, or longer). Once more, MSCI has said it wants to speed up the inclusion process. (Some larger emerging market country inclusions of the past took five years.)

Keep in mind, if you own a fund like EEM, it will be buying China A-shares (KBA's stocks) as MSCI inclusion steps take place. Therefore, if you take a passive approach, you'll want to cut back KBA or EEM along the way to make sure you're not overweighting China A-shares.

And if you own a Vanguard fund like VWO, there's a unique circumstance. Vanguard follows an adjusted FTSE benchmark for emerging markets, which already has a 5% allocation to China A-shares. Otherwise, the classic FTSE Emerging Markets Index has no allocation to China A-shares.

If you decide to go either of these routes, the logical allocation to KBA would result in a small satellite position for any model portfolio.

Alternatives to KBA

KBA is certainly our top choice. KraneShares is all over MSCI's every move when it comes to China (including using the exact benchmark for the China A-share inclusion).

KBA owns the exact basket of Chinese A-shares that will see massive inflows of billions of dollars.

But, if it's not available on your specific platform, we want to cover some viable alternatives.

As for the big wirehouses, KraneShares tells us that KBA is available at Morgan Stanley, Merrill Lynch, and UBS. Unfortunately, it's not currently available at Wells Fargo Advisors.

Here's a list of some other options to play the China A-share rebalance trade:

1) **Xtrackers Harvest CSI 300 China A-shares ETF (ASHR).** This ETF seeks to track the 300 largest and most liquid stocks in the China A-share market. Inception: 11/6/13… assets: $568 million… average daily volume: 865K… expenses: 0.65%... holdings: 314.

2) **iShares MSCI China ETF (CNYA).** This ETF seeks to track the MSCI China A International Index. Inception: 6/13/16… assets: $11 million… average daily volume: 5K… expenses: 0.65%... holdings: 442.

3) **MS China A Share Fund (CAF).** Want to buy a dollar for 85 cents? This closed-end fund trades at a 15% discount. Morgan Stanley portfolio managers seek capital growth by investing in A-shares of Chinese companies listed on the Shanghai and Shenzhen Stock Exchanges. Currently, CAF uses no leverage. Inception: 9/28/06… assets: $655 million… average daily volume: 155K… expenses: 1.76%... holdings: 42… distribution rate: 4.8%. (Consider using a non-taxable account if you go this route.)

4) **Direxion Daily CSI 300 China A Share Bull 2X Shares (CHAU).** Essentially, this is the 2X leveraged version of ASHR. CHAU seeks to track the daily investment results of 200% of the performance of the CSI 300 Index. Inception: 4/16/15… assets: $73 million… average daily volume: 85K… expenses: 1.04%... holdings: 442. (Per Direxion: This leveraged ETF seeks a return that is 200% the return of its benchmark index for a single day. The fund should not be expected to provide two times the return of the benchmark's cumulative return for periods greater than a day.)

While we prefer KBA, these other funds should reap similar benefits from the MSCI China A-share inclusion process, too. Just be careful to examine the advantages and drawbacks of using one of the four alternative funds.

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, where China N-shares and S-chips of major Chinese internet and ecommerce companies will be added to FTSE Emerging Market Indices between Sep 2017 and June 2018.* ***What to do now: Buy.***	**Issue 1:** **8/17/17** **8/24/17**	**KWEB:** **23.53%**	**SPY:** **14.46%**
Smart Beta Pioneer **RSP (Guggenheim S&P 500 Equal Weight ETF)**	*RSP has massively outperformed SPY over the long term (314% vs. 112% over 17 years). RSP has lagged recently due to tech sector outperformance. We view this as 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:** **11.31%**	**SPY:** **12.64%**
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. If you decided to book similar profits, that's justifiable.***	**Issue 3:** **9/21/17**	**SNSR:** **11.15%** **ROBO:** **13.02%** **AMBA:** **18.35%** **QCOM:** **23.20% (closed)**	**SPY:** **10.95%** **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: 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.***	**Issue 3:** **9/21/17**	**LIT:** **-3.42%** **ALB:** **-26.70%**	**SPY:** **10.95%**
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:** **6.79%** **REGL:** **2.75%** **SMDV:** **-3.59%**	**AGG:** **-1.67%** **MDY:** **7.26%** **IWM:** **5.70%**
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. Changed benchmark from BIL to AGG with latest issue on cash alternatives.* ***What to do now: Buy.***	**Issue 5:** **10/17/17**	**GABCX:** **0.62%** **MNA:** **-0.06%**	**AGG:** **-1.87%**

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.):** **5.61%**	**50% SPY/50% AGG:** **2.97%**
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:** **7.93%**	**SPY:** **7.36%**
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:** **7.09%**	**ACWI:** **3.42%**
"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.):** **-2.09%**	**50% SPY/50% AGG:** **0.52%**
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:** **-2.82%** **EMLC:** **1.82%** **EBND:** **0.57%** **AGEYX:** **1.06%**	**AGG:** **-1.41%**
"Blockchain" Investing **List of 25 stocks**	*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**	**Basket of stocks (avg.):** **-1.35%**	**50% SPY:** **-0.60%**
"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:** **0.07%** **TOTL:** **0.05%** **FTSL:** **0.20%**	**AGG:** **0.23%**

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Cash Alpha **FPA New Income (FPNIX)**	*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:** **0.00%**	**BIL:** **0.03%**