

# SEVENS REPORT



## alpha

May 15, 2018

### In Today's Issue

- Idea #1: A modernistic ETF that seeks big profits from disruptive innovation.
- Idea #2: A unique opportunity that could provide a 10-bagger return—or more—in single-digit months, the chance to cross off a bucket-list item, or the potential to endear yourself to a client for life.

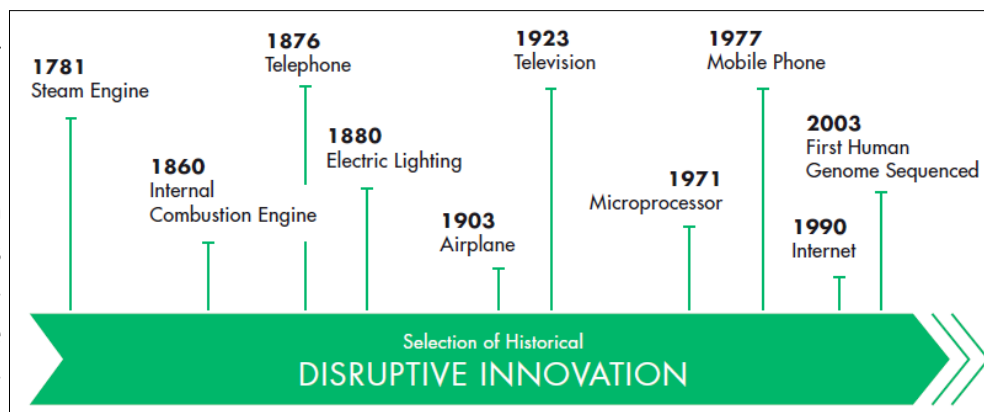
### Idea #1: A Key to Landing Multiple Baggers

Capturing disruptive innovation—and its potential for exponential growth—in your portfolio can be instrumental to achieving market-beating returns.

See the timeline of some disruptive innovations of the past couple centuries...

From an investment standpoint, you don't have to pick the bottom to participate in the huge gains from stocks associated with these types of innovations.

If you're able to get in on companies responsible for aggressive breakthroughs in the early stages, those investments can shoot your portfolio returns through the roof.



Even older companies like Coca-Cola, Johnson & Johnson, McDonald's, Microsoft, and Walt Disney have changed the world with their disruptive innovation decades ago.

For instance...

Tech giant Apple offers iEverything: iPhones, iPads, iPods, iTunes, etc. Today, Apple is the largest company in terms of market cap. Morgan Stanley reports 91% of people keep their smartphone within three feet of themselves 24 hours a day, 365 days per year! But, it wasn't always that way. The stock's IPO was back in December 1980. Since Apple released its first iPhone in June 2007, AAPL is up 1,120% vs. the S&P 500's 126%.

Netflix has changed the landscape of entertainment by offering streaming media and video-on-demand online. Services are accessible through a smart TV, game console, mobile device, PC, tablet, and more. Today, customers from every country in the world are enjoying over 140 million hours of TV shows and movies per day. While the stock's IPO was more than 15 years ago, NFLX is up 966% in the past five years vs. the S&P 500's 85%.

Amazon debuted as the "Earth's Biggest Bookstore" in July 1995 (May 1997 IPO). Today, it's much more than an online bookstore. Amazon is putting brick-and-mortar locations out of business ("clicks over bricks"). The company is a threat to the whole retail spectrum. Amazon is now the 2nd largest company by market cap. AMZN is up 5,090% in the last 15 years vs. the S&P 500's 291%.

Those are just three companies that have handsomely rewarded investors. But there are many others that fit the bill: Activision Blizzard, Biogen, Celgene, Gilead Sciences, Illumina, LendingTree, Monster Beverage, Nvidia, Starbucks, and Tesla.

The point is all these stocks have experienced massive price moves at some point. Yet, an investor didn't have to catch them at the very bottom to get rich. You had to

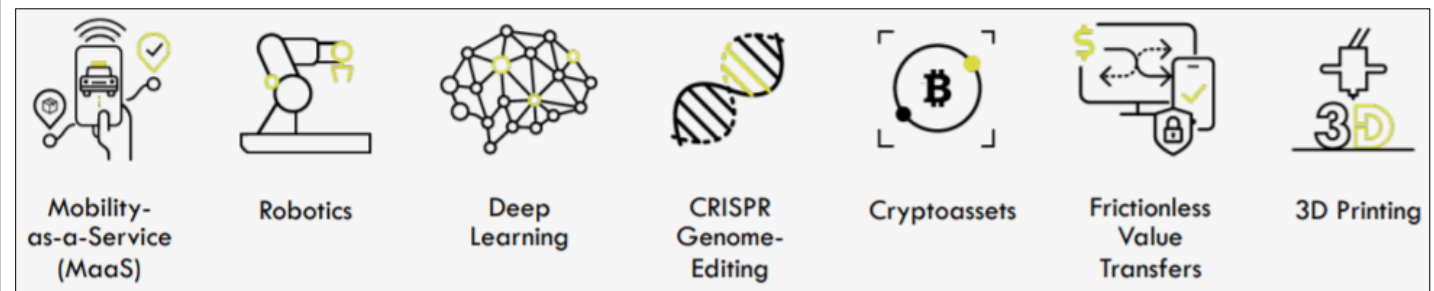
envision an overarching theme... imagine the possibilities... and be willing to take a flier with a long-term mindset.

In today's world, disruptive innovation centers around artificial intelligence, big data, Bitcoin/blockchain, cloud, energy storage, genome sequencing, machine learning, and robotics/automation.

In our opinion, there's one specific ETF firm that researches—and invests in—the gamut of disruptive innovation better than everyone else.

## Introducing ARK

Ark Investment Management was founded in January 2014 by Catherine Wood.



Prior to serving as CEO/CIO of ARK, Wood held several prominent positions at leading investment shops:

- CIO of Global Thematic Strategies at AllianceBernstein (managed over \$5 billion)
- Co-Founder and Portfolio Manager at Tupelo Capital Management (largest woman-run hedge fund, 2000)
- Chief Economist, Portfolio Manager, and Director at Jennison Associates
- Assistant Economist at Capital Group

ARK aims to identify large-scale investment opportunities resulting from technological change. More specifically, the team at ARK focuses solely on offering solutions to capture disruptive innovation in the public markets.

The firm sees three core innovation platforms that will enable attractive long-term investment opportunities:

**Industrial innovation.** Advancements in autonomous

vehicles, 3D printing, robotics, battery technology, space exploration, mobility-as-a-service, and innovative materials are transforming manufacturing in the U.S. and across the globe.

**Genomic innovation.** Genomic sequencing is revolutionizing the way biological information is being collected, processed, and applied. Gene therapy/stem cells, DNA, cancer treatments, diagnostics, bioinformatics, therapeutics, and agricultural biology are enhancing quality of life.

**Internet innovation.** The digital world is changing how we manage data, purchase goods, and communicate. Cloud computing, big data, artificial intelligence, mobile/IoT, digital media, Bitcoin/cryptoassets, and fintech have the potential to impact every sector of the economy.

For more color, ARK has selected specific innovations that will accelerate the future pace of change. Here are ARK's seven "Big Ideas" for 2018:

**1) Mobility-as-a-Service.** Drones, electric vehicles, and autonomous vehicles. In 2017, large automakers began making commitments to phase out fossil fuel cars and Waymo started testing autonomous cars on public roads without safety drivers.

*Autonomous Mobility-as-a-Service should reach \$10 trillion in gross sales by the early 2030s.—Ark Research (2017)*

**2) Robotics.** Robot use cases are expanding, costs are dropping, and demand is rising. Last year, Amazon had over 100,000 robots in its warehouses. (The company had roughly 1,000 robots at the end of 2013).

*By 2035, automation is projected to replace 47% of American jobs and to generate \$12 trillion in additional GDP.—Ark Research (2017), University of Oxford (2013)*

**3) Deep Learning.** Deep learning, a subset of artificial intelligence, is a type of machine learning modeled after the biological brain. In 2017, iPhone X used AI powered facial recognition, Miso Robotics launched an AI powered burger flipping robot, and every cloud provider (Amazon, Google, Alibaba, etc.) launched AI as a service.

*Deep learning should approach a \$17 trillion market cap in 20 years.—Ark Research (2017)*

**4) CRISPR Genome-Editing.** Clustered Regularly Interspaced Short Palindromic Repeats (CRISPR) is a genome editing platform that could address the world's most salient health issues. It's been called a "molecular swiss army knife" because of its number of tools that perform different functions. Last year, CRISPR corrected disease in human embryos, helped build the world's smallest tape recording device, and reversed hearing loss in mice.

*Human genomic sequencing alone is projected to grow at a 200%-plus annual growth rate over the next five years. Plants, animals, tumors, viruses, and bacteria will also be sequenced.—Ark Research (2017)*

**5) Cryptoassets.** In 1988, *The Economist* predicted there would be a new world currency in 2018. They called it the "Phoenix" and projected it as a golden coin. Bitcoin, also depicted as a golden coin, is more about electrons and ledgers. However, Bitcoin/cryptoassets is an emerging asset class. For example, [CoinMarketCap](#) lists over 1,600 cryptocurrencies with a combined market of close to \$400 billion.

*Cryptoassets present a unique utility and value proposition. Cryptocurrencies: a store of value, a means of payment, and a reserve currency. Cryptocommodities: computing power, storage, bandwidth, and other digital commodities become securitized products that trade on financial exchanges. Cryptotokens: claims on the utilization of assets become part of corporate capital structures.—ARK Research (2017).*

**6) Frictionless Value Transfers.** Old school: Bank ATMs, Western Union, and Visa/Mastercard. New school: PayPal, Apple Pay, Venmo, Amazon 1-Click, and blockchain. China accounted for 94% of mobile transactions in 2016, but is expected to comprise only 65% in 2022.

*Financial service spend on mobility, cloud, big data, and analytics, should increase 75% cumulatively over five years and cross \$200 billion per annum by 2020.—Ark Research (2017), IDC Financial Perspective: Worldwide Financial Services 3rd Platform IT Spending (2014-2019).*

**7) 3D Printing.** In the manufacturing process, 3D printing allows for multiple efficiencies: cost savings, reduced time, better accuracy, less waste, more design capabilities, and more customization options. Food, clothes, body parts, and houses are being 3D printed today.

*3D printing took 20 years to reach a market value of \$1 billion, only five years to reach \$2 billion, and analysts project it will grow 400% over the next 10 years.—Siemens, Additive Manufacturing, 3D Printing: Facts & Forecasts (2014).*

That's a ton of information to cover in ever-evolving areas of the market. To combat those challenges, Wood has been instrumental in organizing analyst teams by cross-sector innovation themes. She has also implemented a proprietary open research ecosystem (combining top-down and bottom-up research).

As ARK says, "We seek to capture long-term exponential growth and capital appreciation created by disruptive innovation."

The firm itself has been piggybacking off disruptive innovation and experiencing its own exponential growth. Today, ARK has \$4.4 billion in AUM and six unique ETFs. (The first four are actively-managed and the last two are index-based.):

- ARK Innovation ETF (ARKK)
- ARK Web x.O ETF (ARKW)
- ARK Industrial innovation ETF (ARKQ)
- ARK Genomic Revolution Multi-Sector ETF (ARKG)
- The 3D Printing ETF (PRNT)
- The Israel Innovation Technology ETF (IZRL)

While the firm isn't widely known in the investment community yet, the path to increased recognition looks promising.

ARK has already collected some impressive awards. Fund Action named ARK Web x.0 ETF “ETF Innovative Product of the Year” for 2016. Fund Intelligence rendered ARK “ETF Provider of the Year” for 2017. And ETF.com awarded ARK “Most Innovative ETF Issuer of the Year” for 2017.

Recently, one of ARK’s ETFs hauled in two prestigious awards. The ARK Innovation ETF was named “ETF of the

Year” (2017) by ETF.com and “Active ETF of the Year” (2017) by Fund Intelligence.

While ARK has a cutting-edge line-up of ETFs, ARKK is our recommendation today because it’s a compilation of ARK’s best research and ideas on wide-spread innovation.

## An ETF Awash with “Cornerstone Themes of Disruptive Innovation”

Launched on 10/31/14, the **ARK Innovation ETF (ARKK)** comprises the investments that present the best risk-reward opportunities from ARK’s innovation-based themes.

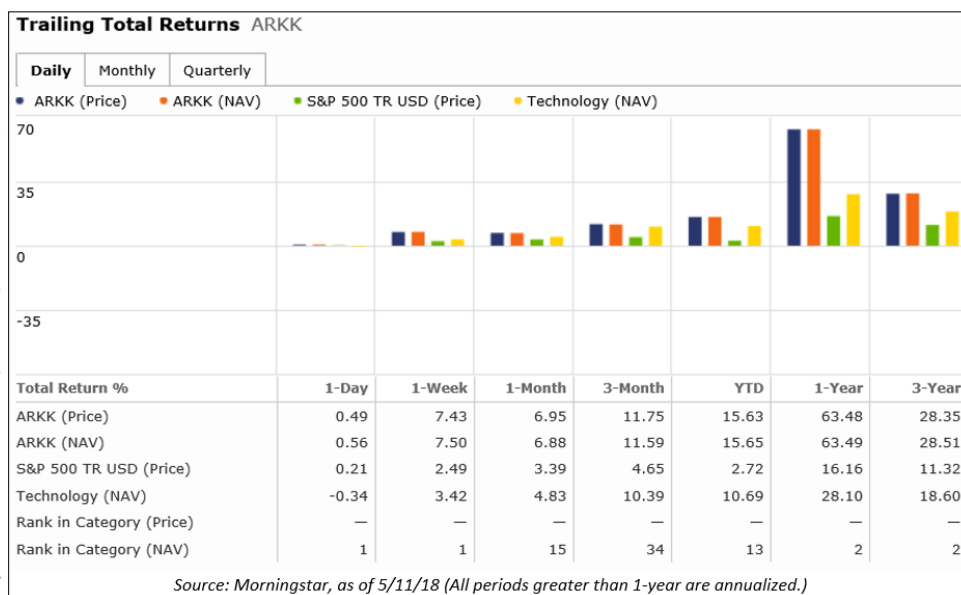
The latest accolades ARKK received were mainly a result of it being the best performing ETF in 2017 (excluding leveraged and inverse ETFs). ARKK was up a staggering 87.34% last year!

How did it blow away the other 2,000 ETFs? By investing in disruptive innovation.

ARKK was the first ETF to invest in Bitcoin (via GBTC). That certainly helped tremendously last year, as GBTC was up 1,557.21%. But, ARK wasn’t greedy with its GBTC allocation. Management rebalanced the position every time it went over a 5% portfolio weight.

ARKK also had exposure to the FAANG stocks (Facebook, Amazon, Apple, Netflix, and Google’s Alphabet), which aided performance in 2017. Last year, FB was up 53.38%,... AMZN was up 55.96%... AAPL was up 48.24%... NFLX was up 55.06%... And GOOGL was up 32.93%.

But, this ETF is a far cry from your typical broad-based index...



ARKK has high “active share.” Active share is a measure of the percentage of stock holdings in a manager’s portfolio that differ from the benchmark index. ARKK has 92% active share when compared to the S&P 500 Index, 91% active share when compared to the Russell 3000 Index, and 94% active share when compared to the MSCI World Index.

For instance, ARKK owns off-the-beaten-track stocks such as Alibaba, Bluebird Bio, Cerus, Editas Medicine, Intellia Therapeutics, MGT Capital Investments, Splunk, Square, Taiwan Semiconductor, and Twitter. All 10 of these stocks—among others in ARKK’s portfolio—have recently produced big returns. Additionally, none are S&P 500 Index constituents.

Managers with a high active share have a better shot of outperforming their benchmark indexes. That’s been the case with ARKK.

Since inception, ARKK has tripled the performance of the S&P 500 (109.7% vs. 36.64%).

Last year, as the #1 performing standard ETF of 2017, ARKK beat SPY by 4X (87.34% vs. 21.70%).

This year, through four-and-a-half months, ARKK still has its pedal to the metal. It’s up 15.08% vs. SPY’s 2.34%

(6.5X higher).

Again, the massive outperformance has been due to ARKK's widespread investments in disruptive innovation.

#### PORTFOLIO COMPOSITION

3D Printing	10.7%
Gene Therapy	9.1%
Bioinformatics	7.9%
Big Data & Machine Learning	7.5%
Instrumentation	7.5%
Autonomous Vehicles	7.0%
E-Commerce	6.2%
Cloud Computing	6.1%
Social Platforms	4.8%
Robotics	4.7%
Beyond DNA	4.4%
Digital Media	3.8%
Internet of Things	3.7%
Targeted Therapeutics	3.6%
Molecular Diagnostics	3.0%
Mobile	2.8%
Blockchain & P2P	2.4%
Energy Storage	2.0%
Stem Cells	1.0%
Next Generation Oncology	<1%
Development of Infrastructure	<1%
Alternate Energy Sources	<1%

ARKK is an all-cap fund with a market capitalization breakdown of 14.3% mega (\$100B+), 34% large (\$10 to \$100B), 13% mid (\$2 to \$10B), 30% small (\$300M to \$2B), and 9% micro (\$50M to \$300M).

The ETF is fairly concentrated by sector. Technology makes up 40%... Health care accounts for 37%... And consumer discretionary constitutes 17%. ARKK has small single-digit percentage allocations to financials, industrials, and real estate.

#### ARKK Facts

Inception Date:	10/31/14
Assets:	\$780M
Avg Daily Volume:	335K
Expense Ratio:	0.75%
# of Holdings:	43
YTD Return:	15.08%
Mstar Category:	Technology
Mstar Rating:	4-Star

## How to Use ARKK and/or Benefit from ARK's Research

Do you have a client who is a millennial? How about a client who lives in Silicon Valley? What about a client who works in the technology field? Or how about a client who is always pressing you on performance or finding new ideas?

The ARKK ETF could be a great solution—and story—for any of those types of clients. By putting this ETF in their accounts, it shows you're a plugged-in advisor.

ARKK could also serve as an allocation for model portfolios, too...

It's a differentiator (very little overlap with standard indexes)... It's a hyper-growth strategy (unquestionably, sexier than the Vanguard Growth ETF (VUG))... It's an all-cap fund (could fit in more than one style box)... And, last but not least, it has serious momentum.

If you pass on adding it to any client portfolios, there's another way to utilize ARK's research and insights. Go to [ARK's website](#) and subscribe to their research. You can insert your email address in a box on the right-hand side of the home page where it says "Subscribe to ARK Research."

#### Subscribe to ARK Research

SUBSCRIBE



ARK Original Research

For the record, this is far from an amateur blog post. All of ARK's posted research is vetted by their Director of Research Brett Winton. And CEO/CIO Catherine Wood reviews every published article herself.

My analyst signed up for ARK's research a while ago and told me he receives an email from ARK every Sunday. On occasion, ARK sends something else when appropriate. The justification for subscribing to their newsfeed is it will keep you up to date on important innovations re-



garding all the themes ARK is covering. And it's not an overwhelming amount of emails.

Generally, I think it's good to be "in the know" on this kind of stuff.

## **Idea #2: 'A Tradition Unlike Any Other'**

Former Fidelity Magellan Fund manager Peter Lynch, who averaged 29% annual returns from 1977 to 1990, coined the term "10-bagger" in his book "One Up On Wall Street."

He associated the term with baseball because he was an avid fan. "Bag" is an informal term for base; thus, 10-bagger represents two home runs and a double or the stock equivalent of a hugely successful baseball play. In

Lynch's case, these were stocks with explosive growth potential.

Technically, a 10-bagger can describe any investment that appreciates 10-fold or more in value.

So, instead of talking stocks or baseball, let's talk golf (We think Lynch, a former caddy, would approve of this method.)

There's a timely 10-bagger opportunity available in the *golf market* right now!

I'm telling you about this opportunity because my analyst brought it to my attention earlier this year. He's a savvy veteran of participating in this contest (more on that shortly).

It's a catchphrase all golf fans are familiar with... Hearing Jim Nantz say, "A tradition unlike any other." The Masters is recognized as one of the toughest tickets in sports.

Are you interested in attending the Masters or making a

mint if you're lucky enough to win the Masters ticket lottery?

Read on...

Now is the time to apply for Masters practice round tickets and daily tournament round tickets in the annual lottery system.

Per the Masters.com,

*This is not a sweepstakes or "give-away," but rather, a pre-qualification drawing from those persons wishing to purchase tickets to the Masters Tournament. No purchase is necessary to submit your request online; however, should you be notified that your name has been selected to purchase tickets, you will be required to make your payment in full.*

## **2019 Masters Ticket Information**

The Masters Tournament is pleased to announce that the 2019 ticket application for Practice Rounds and Daily Tournament tickets is now available at [masters.com](https://www.masters.com). These tickets will be awarded by random selection after the designated deadline date.

As in the past, only one application per person or address will be accepted (one per household) and all applicants must be 21 years of age or older.

I absolutely loved this idea the minute my analyst told me about it. (He has participated in the Masters tickets lottery for several years.)

Truthfully, we've had this targeted as a bonus Alpha idea ever since we launched the product last August.

In my mind, it's a **genius idea for three key reasons...**

First, it's a **legitimate 10-bagger opportunity**. My analyst won the opportunity to purchase 2016 Wednesday practice round tickets in 2015. He bought them, ended up not being able to go, and sold his four tickets for a 10-bagger on StubHub. (StubHub fees included in the 10-bagger calculation.) Technically, he tells me it was closer to an 11-bagger, but 10-bagger sounded good enough to me. He's had multiple friends who have sold tickets for anywhere from 8X to 15X their face value. If you hit on tickets and are in for the profits over the experience, you can use a site like StubHub or just google "sell Masters tickets" and you'll find plenty of options (check with friends and family, too).

Second, it's a **potential bucket-list experience** to cross

off. If you're a golf fan, this is serious stuff. You won't forget seeing Magnolia Lane, walking on the hallowed grounds ("Amen Corner," "Rae's Creek," perfectly-manicured grass, etc.) of Augusta National, peering up at the huge Masters scoreboard, standing feet from the world's best golfers and random celebrities, eating a pimento cheese sandwich, buying a Masters keepsake (hat, golf shirt, sweater, ball mark, etc.), and so on.

My analyst attended the 2007 Masters (when Zach Johnson won) on a Saturday and told me it was an unforgettable experience. Here's a framed picture with his badge and a generic Masters flag that he has proudly hanging at home.



[Don't forget to keep your Masters Series Badge if you go. It's one of golf's Golden Tickets.]

And third, if you share this idea with a few of your best clients (those who don't know about the opportunity), you could **endear yourself to clients for life**. Imagine being responsible for informing a top client of this opportunity and he/she wins the right to buy tickets... If that client is a golf fan, they will most likely be eternally grateful. Meaning, that relationship bond may be cemented indefinitely. Heck, that client would even offer to take you along!

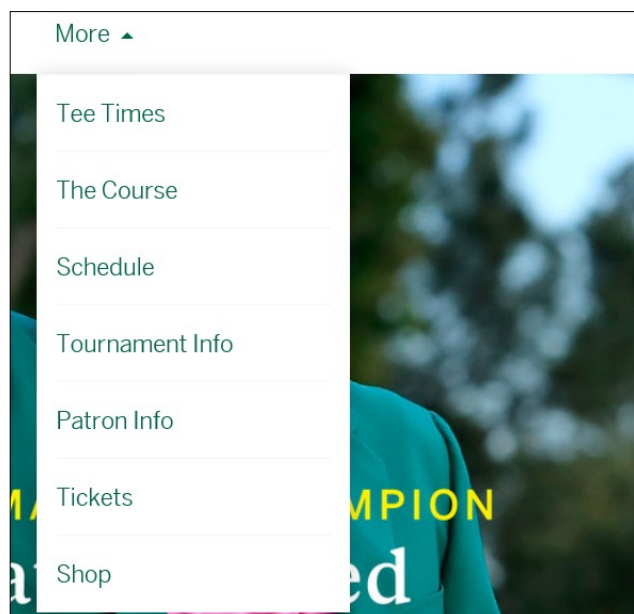
Next, let's walk through the most important part of this process: Signing up for the Masters ticket application...

## Step-By-Step Guide to Applying for Masters Tickets

You don't need to follow our step-by-step guide, as the process is self-explanatory. But we'll run you through the instructions, nevertheless.

⇒ Go to [masters.com](https://www.masters.com).

⇒ Click on the "More" tab and select "Tickets."



⇒ Under "2019 MASTERS TICKETS," click on "LEARN MORE / CREATE AN ACCOUNT."

### 2019 MASTERS TICKETS

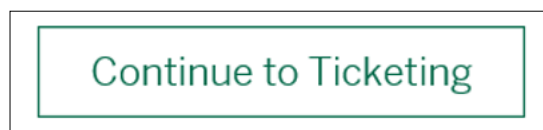
The 2019 Masters Tournament ticket application for Practice Rounds and Daily Tournament tickets is now available. All tickets will be awarded by random selection. Click on "Continue to Ticketing" to complete your application. Application deadline for Practice Rounds and Daily Tournament tickets is June 1, 2018.

[CONTINUE TO TICKETING](#)

If you have NOT previously applied/created an account, select the button below to view ticket information, create an account and complete your application.

[LEARN MORE / CREATE AN ACCOUNT](#)

⇒ Click on "Continue to Ticketing" at the bottom of the screen.



⇒ Under "Create Account," enter your email, check off that you're not a robot, and click "Continue."

A screenshot of the "Create Account" form on the Masters.com website. The form has a title "Create Account" in green. Below the title is an "Email" input field. Underneath is a checkbox labeled "I'm not a robot" next to a reCAPTCHA logo. Below the checkbox is a green "Continue" button. At the bottom, there is a note: "Do not create an account if you have a new email address or have moved. To update your information, log in using old email and password and click on 'Edit Your Information'."

⇒ You will be sent an email containing an account activation link within 24 hours. Once you receive that email, click on the activation link to complete your account registration.

### Create Account

An email containing an account activation link will be sent to [andrew.mytinger@gmail.com](mailto:andrew.mytinger@gmail.com) within 24 hours. Please check your email and click on the activation link to complete your account registration. If you do not receive an email in your inbox, please check your spam folder.

Please note: Once you access your account you will have 5 days to complete your personal information (name and address). If your personal information (name and address) is not completed and saved within the 5 days, you will need to select CREATE ACCOUNT again.

⇒ Review Account Information. Check that your name, email, phone, social security, date of birth, and address are correct.

### Review Account Information

Please review and verify your account information. Select NEXT below when you are ready to enter your ticket application.

The address shown below is the address to which your tickets will be shipped, if selected, and must match your personal credit card billing address.

Only one application per household will be accepted (i.e. one per family). Only apply from your permanent residential address. Do not apply from a student / temporary address, second home or business address. Do not apply for tickets on behalf of a friend or relative, as a gift, or to sell. By completing the application you certify these tickets are for your personal use.

### Account Information

[Edit Your Information](#)

Name:

Email:

Phone:

Last 4 Digits SSN/SIN:

Year of Birth:

Billing/Shipping Address:

Next

⇒ Account Confirmation. You must be able to check off all three boxes to qualify.

### Account Confirmation

Please confirm the following by checking each box:

- ☐ The address above is my main permanent residential address and the billing address of my personal debit / credit card.
- ☐ The address above is not a student / temporary address, second home or business address.
- ☐ No other family member who resides with me is applying for tickets.

Please note: Duplicate applications or applications which are subsequently determined to have false or misleading information will not be given consideration or may have any offer of tickets withdrawn.

Cancel

Previous

Next

⇒ 2019 Ticket Application (See to the right—This is the most important part.) It's wise to choose the max tickets for each day: four tickets for the three practice round days and two tickets for the four daily tournament days. Note: If you win, keep in mind, you'll have to pay \$75 per practice round ticket or \$115 per daily tournament ticket. The cash outlay will be well worth it in our estimation.

### 2019 Ticket Application

Please enter your ticket request below. Required fields are identified by a red asterisk \*. **Requests may be made for any and all days; however if selected, applicants are eligible to win only one day.** Please note, persons of all ages must have a ticket to enter the grounds.

The 2019 ticket application process will close on June 1, 2018. You may edit your application any time prior to this deadline.

The selection for Daily Tournament tickets will take place first, immediately followed by the selection for Practice Round tickets. All applicants will be notified in early July via email when the random selection is complete.

#### Practice Rounds Tickets (maximum 4 per day)

Monday*	Tuesday*	Wednesday*
\$75.00 each	\$75.00 each	\$75.00 each

#### Daily Tournament Tickets (maximum 2 per day)

Series Badge patrons, employees, and other related ANGC parties are not eligible to apply for Daily Tournament tickets.

Thursday*	Friday*	Saturday*	Sunday*
\$115.00 each	\$115.00 each	\$115.00 each	\$115.00 each

Cancel

Next

⇒ Review & Submit. Last chance to make sure everything is correct.

### Review & Submit

Please review and verify your account and application information. Select SUBMIT below when you are ready to submit your application for processing.

### Account Information

[Edit Your Information](#)

Name:

Email:

Phone:

Last 4 Digits SSN/SIN:

Year of Birth:

Billing/Shipping Address:

### 2019 Ticket Application

[Edit Your Application](#)

#### Practice Round Tickets:

Monday:	4
Tuesday:	4
Wednesday:	4

#### Daily Tournament Tickets:

Thursday:	2
Friday:	2
Saturday:	2
Sunday:	2

☐

I'm not a robot



⇒ Confirmation. You'll also receive an email stating that the Masters Tournament Ticket Office has received your application.

### Confirmation

Thank you for submitting your ticket application.

The random selection for Practice Rounds and Daily Tournament tickets will take place after the June 1, 2018 application deadline and all applicants will be notified in early July when the process is complete.

Confirmation and payment instructions will be posted to successful applicant accounts at that time.

You may print a copy for your records.

Logout

Print Application

Visit Masters.com

Some important things to remember:

- **Deadline #1:** Once you access your account, you



have five days to complete your personal information.

- Deadline #2: Application process closes on June 1st.
- One entry per household.
- If you win and pay for your tickets, the tickets are typically mailed in March (about five weeks before the event). If you opt to sell your tickets, you can actually list them for sale through StubHub with proof of purchase. In other words, you can sell your tickets months before you would receive them in the mail.
- Check out the [FAQ section](#) of the master.com website for more details.

After you've finished applying for tickets, it's a short wait to find out the results. You will be notified in early July if you won the right to purchase 2019 Masters tickets.

If you don't win, don't worry. You can re-apply every year, as long as this option stays open. The nice part is, after you established an account, you'll receive an annual notification email when the Masters Tournament ticket application becomes available.

I'm throwing my name into the hat for the Masters lottery this week.

I hope you'll join me. Good luck!

Best,

Tom

**Editor's Note #1:** We called StubHub to inquire about pricing for reselling Masters tickets this year (April 2018 Masters).

A specialized department advised that a Wednesday practice round ticket sold for an average of \$1,300 to \$1,700. They also reported that the a weekend daily tournament ticket sold for an average of \$2,800 to \$3,500.

With a \$75 cost for practice round tickets, Wednesday practice round tickets fetched 17X to 23X your money. And with a \$115 cost for weekend daily tournament tick-

ets, Saturday/Sunday tickets resulted in 24X to 30X your money.

This can vary due to various factors: What day's tickets you hit (Monday and Tuesday generally sell for less than Wednesday and the same goes for Thursday/Friday vs. Saturday/Sunday), when you sell (selling closer to the event typically brings in more money), Tiger/no Tiger, etc.

StubHub charges anywhere from 10% to 15% in fees.

**Editor's Note #2:** What's your chance of winning the right to buy Masters tickets? The Masters doesn't release the number of tickets for sale by lottery, but it's safe to say it's not a high probability. A sampling from my analyst's pool of friends works out to be around once every five years. However, he has friends who haven't won and friends who have won multiple times. Bottom line: It's worth a shot!

**Editor's Note #3:** The 2019 Masters dates are from Monday, April 8th to Sunday, April 14th.

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# Sevens Report Alpha Fund & Stock Ideas

<u>Fund/Stock</u>	<u>Strategy</u>	<u>Date</u>	<u>Total Re- turn</u>	<u>Benchmark Perfor- mance Since Issue Date</u>
<u>Index Rebal</u> <b>KWEB (KraneShares CSI China Internet ETF)</b>	<p>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.</p> <p><b>What to do now: Hold through June 2017 rebalance or buy/hold long term.</b></p>	<p>Issue 1: 8/17/17 8/24/17</p>	<p>KWEB: 14.29%</p>	<p>SPY: 13.77%</p>
<u>Smart Beta Pioneer</u> <b>RSP (PowerShares S&amp;P 500 Equal Weight ETF)</b>	<p>From an index standpoint, S&amp;P 500 Equal Weight has massively outperformed S&amp;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.</p> <p><b>What to do now: Buy.</b></p>	<p>Issue 2: 9/7/17</p>	<p>RSP: 10.55%</p>	<p>SPY: 12.03%</p>
<u>Self-Driving Car Basket</u> <b>SNSR (Global X Internet of Things ETF)</b> <b>ROBO (ROBO Global Robotics &amp; Automation Index ETF)</b> <b>AMBA (Ambarella)</b> <b>QCOM (Qualcomm)</b>	<p>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.</p> <p>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.</p> <p><b>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.</b></p>	<p>Issue 3: 9/21/17</p>	<p>SNSR: 7.60% ROBO: 9.45% AMBA: 12.87% QCOM: 23.20% (closed)</p>	<p>SPY: 10.35%    SPY: 3.72% (through QCOM close date)</p>
<u>Electric Car Battery Plays</u> <b>LIT (Global X Lithium &amp; Battery Tech ETF)</b> <b>ALB (Albemarle)</b>	<p>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.</p> <p>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.</p> <p><b>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.</b></p>	<p>Issue 3: 9/21/17</p>	<p>LIT: -7.09% ALB: -25.99%</p>	<p>SPY: 10.35%</p>
<u>Dividend Growth</u> <b>DIVY (Reality Shares DIVS ETF)</b> <b>REGL (ProShares S&amp;P MidCap 400 Dividend Aristocrats ETF)</b> <b>SMDV (ProShares Russell 2000 Dividend Growers ETF)</b>	<p>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.</p> <p>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.</p> <p><b>What to do now: Buy.</b></p>	<p>Issue 4: 10/4/17</p>	<p>DIVY: 4.73% REGL: 2.51% SMDV: -2.88%</p>	<p>AGG: -2.10% MDY: 7.47% IWM: 7.06%</p>
<u>Merger Arbitrage</u> <b>GABCX (Gabelli ABC Fund)</b> <b>MNA (IQ Merger Arbitrage ETF)</b>	<p>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.</p> <p>GABCX and MNA are the two best-performing—and cheapest—options to invest in this space.</p> <p><b>What to do now: Buy.</b></p>	<p>Issue 5: 10/17/17</p>	<p>GABCX: 0.62% MNA: -0.78%</p>	<p>AGG: -2.30%</p>

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<u>Special Dividends</u> 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.  <b>What to do now: Buy (multiple ways to implement in issue).</b>	Issue 6: 10/31/17	Basket of stocks (avg.): 4.94%	50% SPY/50% AGG: 2.47%
<u>Insider Sentiment</u> 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.  <b>What to do now: Buy.</b>	Issue 7: 11/14/17	KNOW: 6.17%	SPY: 6.78%
<u>Global Value</u> 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.  <b>What to do now: Buy.</b>	Issue 9: 12/12/17	GVAL: 3.50%	ACWI: 3.60%
<u>"Backdoor" Hedge Fund Investing</u> 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.  <b>What to do now: Buy (multiple ways to implement in issue).</b>	Issue 10: 12/27/17	Basket of stocks (avg.): -6.57%	50% SPY/50% AGG: 0.02%
<u>EM &amp; FM Bonds</u>  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.  <b>What to do now: Buy.</b>	Issue 11: 1/9/18	EMB: -4.99%  EMLC: -3.33%  EBND: -3.48%  AGEYX: 0.04%	AGG: -1.85%
<u>"Blockchain" Investing</u> 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.  <b>What to do now: Buy (multiple ways to implement in issue).</b>	Issue 12: 1/16/18	BLOK: 0.55%  BLCN: -2.56%	SPY: -2.08%
<u>"Active" Bond ETFs</u> 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.  <b>What to do now: Buy.</b>	Issue 14: 2/20/18	BOND: -0.34%  TOTL: -0.17%  FTSL: 0.74%	AGG: -0.21%

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<u>Cash Alpha</u> <b>FPNIX (FPA New In- come)</b>	<p><i>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.</i></p> <p><b>What to do now: Buy (Max is also an excellent cash management solution).</b></p>	<p><b>Issue 15:</b> <b>3/6/18</b></p>	<p><b>FPNIX:</b> <b>0.25%</b></p>	<p><b>BIL:</b> <b>0.28%</b></p>
<u>Index Rebal</u> <b>KBA (KraneShares Bosera MSCI China A Share ETF)</b>	<p><i>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.</i></p> <p><b>What to do now: Buy.</b></p>	<p><b>Issue 16:</b> <b>3/20/18</b></p>	<p><b>KBA:</b> <b>-2.90%</b></p>	<p><b>SPY:</b> <b>0.65%</b></p>
<u>Anti-Trade War</u> <b>QABA (First Trust Nasdaq ABA Commu- nity Bank Index Fund)</b>	<p><i>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.</i></p> <p><b>What to do now: Buy.</b></p>	<p><b>Issue 18:</b> <b>4/17/18</b></p>	<p><b>QABA:</b> <b>4.07%</b></p>	<p><b>SPY:</b> <b>0.93%</b></p>
<u>Foreign Small Caps</u> <b>VSS (Vanguard FTSE All-World ex-US Small- Cap ETF)</b>  <b>DLS (WisdomTree International Small- Cap Dividend Fund)</b>	<p><i>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.</i></p> <p><b>What to do now: Buy.</b></p>	<p><b>Issue 19:</b> <b>5/1/18</b></p>	<p><b>VSS:</b> <b>1.96%</b>  <b>DLS:</b> <b>2.03%</b></p>	<p><b>EFA:</b> <b>1.77%</b></p>