SEVENS REPORT alpha

June 26, 2018

In Today's Issue

- There's something BIG happening in emerging markets. McKinsey & Company calls it "the biggest growth opportunity in the history of capitalism."
- This breakthrough includes the intersection of four powerful trends in emerging markets: favorable demographics, increasing smartphone availability, surging wireless broadband and Wifi access, and U.S. institutional capital backing local entrepreneurs.
- An ETF to invest in this opportunity. (Plus, a few alternative ETFs that provide similar exposure.)
- A $100,000 challenge if you can find a group of companies growing faster than a specific index related to this story (rules inside).

"No, Google's Not a Bird"

Last year, *The New York Times* published an article titled "No, Google's Not a Bird: Bringing the Internet to Rural India." (You can read the full article here.)

It's the story of 38-year-old Babulal Singh Neti (Mr. Neti for short) and his uncle in Taradand, India.

For some perspective on Taradand, the article reports:

In the 70 years since independence, India's government has done very little to connect Taradand, in Madhya Pradesh State, in central India, to the outside world: The first paved road appeared in 2006. There has never been a single telephone landline. Electricity is available to only half the houses. When Mr. Neti was growing up, if someone in the village needed emergency medical care, farmers tied the patient to a wooden cot and carried him five miles through the forest to the nearest hospital, a journey of four hours.

For anyone who has lived in the U.S. all of their life, this environment is tough to imagine. But, this has been a way of life for much of rural India.

There's no doubt India has its share of computer whizzes. However, the majority of its population is just now embarking on the virtual world. Only about 300 million people—or less than 25%—of the country's 1.3 billion population have smartphones. (In contrast, 77% of U.S. adults own smartphones.)

Mr. Neti is one of the lucky ones.

He's gone Google berserk with his new smartphone with internet access.

The tech newbie attempts to convince his uncle of the value of the internet by Googling the history of their native Gond tribe. His uncle's response: **"What does it mean, Google? Is it a bird?"**

This new world of communication has even opened a door for illiterate citizens of India. Cheap smartphones, inexpensive data plans, and instinctive apps allow users to bypass typing through voice activation and image communication.

As Facebook founder Mark Zuckerberg said during a trip to India a couple years ago, "For every 10 people who get online, one person gets lifted out of poverty and one new job gets created."

The expansion of the digital age (smartphones and internet access) in India is a *big* growth opportunity. However, India is just one piece of the puzzle.

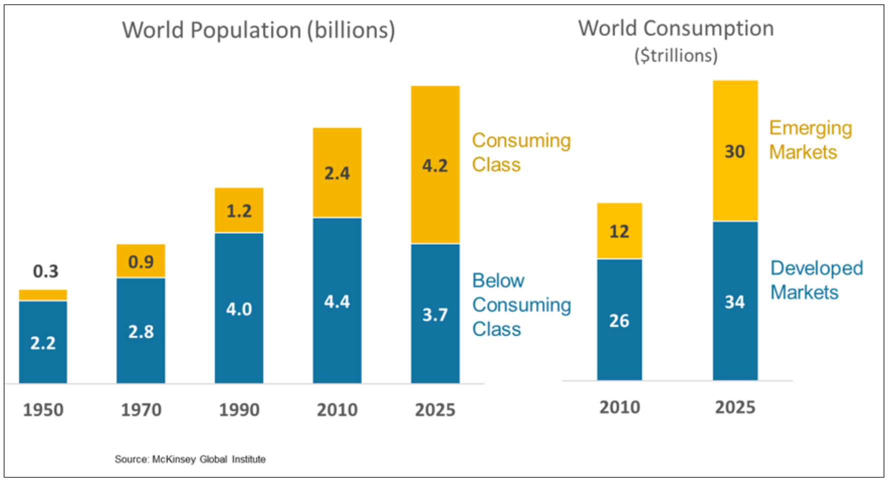
The *bigger* growth opportunity is that this transformation is happening throughout the developing world.

It's conceivable that it could be the *biggest* growth opportunity of our lifetime...

"The Biggest Growth Opportunity in the History of Capitalism"

Emerging markets, once thought of as a commodity concept, are really a consumer concept going forward.

Billions of people are moving from subsistence income levels to more comfortable consumption levels.



This metamorphosis allows them to consume more and better food, clothing, appliances, cars, technology, and so on.

This humongous growth story is the rise of the developing world's consumer class and the consumption growth that will follow.

Numerous studies published by investment banks, consulting firms, and asset management companies have researched this theme...

- *By 2022, the middle class could be consuming about $10 trillion more than in 2016; $8 trillion of this incremental spending will be in Asia. By 2030, global middle-class consumption could be $29 trillion more than in 2015.*—Brookings Institution, "The Unprecedented Expansion of the Global Middle Class," February 2017

- *The number of middle class consumers in EM has more than doubled in the last 10 years; importantly, the number of EM consumers is set to grow another 40% through 2017.*—Morgan Stanley, "On the Markets," May 2013

- *The twin drivers of economic and demographic growth are leading to rapid increases in consumer expenditure… Emerging market growth is forecast to be three times that of developed markets between 2013 and 2020.*—EuroMonitor International, "Reaching the Emerging Middle Class Beyond BRIC," March 2014

The crown jewel of research is the McKinsey & Company 168-page report published in 2012 that arrived at the following conclusion:

- *By 2025, annual consumption in emerging markets will reach $30 trillion—the biggest growth opportunity in the history of capitalism.*—McKinsey & Company, "Winning the $30 Trillion Decathlon: Going for Gold in Emerging Markets," August 2012

Notice that quote reads not a big opportunity… not a great opportunity... but, "<u>the biggest growth story in the history of capitalism."</u>

McKinsey & Company went on to say:

By 2025, more than half the world's population will have joined the consuming classes, driving annual consumption in emerging markets to $30 trillion. CEOs recognize that winning in emerging markets, which represent 36% of global GDP, is the key to long-term growth. Yet the largest companies headquartered in developed economies derive only 17% of revenues from emerging markets. Despite their advantages with regard to scale, technology, and access to capital, multinationals often lose out to upstart competitors.

Furthermore, there are major forces at work that could make this one of the greatest investment setups in history...

The Great Convergence

We had a call with Kevin Carter and Burton Malkiel on this subject.

Kevin is an index industry veteran with a specialty in developing markets. He founded AlphaShares (partnered with Guggenheim in 2009), Active Index Advisors (acquired by Natixis in 2005), and eInvesting (acquired by ETRADE in 2000). Now, Kevin serves as the Founder of Big Tree Capital (an investment manager focused on emerging and frontier markets), The Emerging Markets

Internet & Ecommerce Index, and The Emerging Markets Internet & Ecommerce ETF (EMQQ).

Surely, you recognize Burton Malkiel's name. He's most famous for his book "A Random Walk Down Wall Street." Dr. Malkiel is a also a long time professor of economics at Princeton University, CIO of Wealthfront, and an advisor to the EMQQ Index Committee.

As Kevin elaborated on during our call:

Several powerful trends are coming together in a great confluence with staggering results. Just as the massive population wave in emerging markets is joining the consumer class, the tools, methods, and models of consumption are undergoing a once in a lifetime transformation as four major trends take hold.

Trend #1: Demographics edge.

At the end of 2017, the United Nations Statistics Division reported China's population at 1.4 billion, India's population at 1.3 billion, and the U.S.'s population at 322 million (figures are rounded).

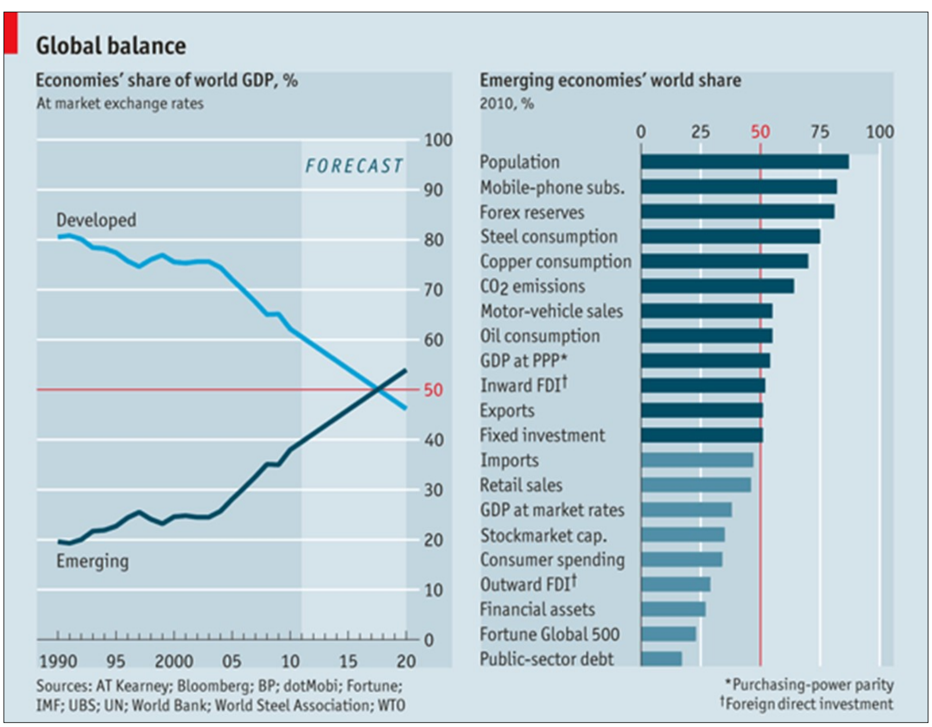
Within the top 20 countries ranked by population size, there are only three developed market countries (U.S., Japan, and Germany). The other 17 countries represent emerging markets, frontier markets, and beyond.

Emerging markets make up 50% of global GDP, 85% of the global population, and 90% of the global population under age 30.

Simplified, people in emerging markets are the future.

Trend #2: Smartphones are becoming affordable and ubiquitous.

Could you imagine not having a smartphone today? I couldn't.



Yet, not everyone has one. Especially, those in the developing world.

Not that long ago, *The Economist* called the smartphone "the defining technology of the age." The magazine also predicted that 80% of all adults will have a supercomputer in their pocket by the end of the decade (close to 2 billion today, but on pace for over 4 billion by 2020).

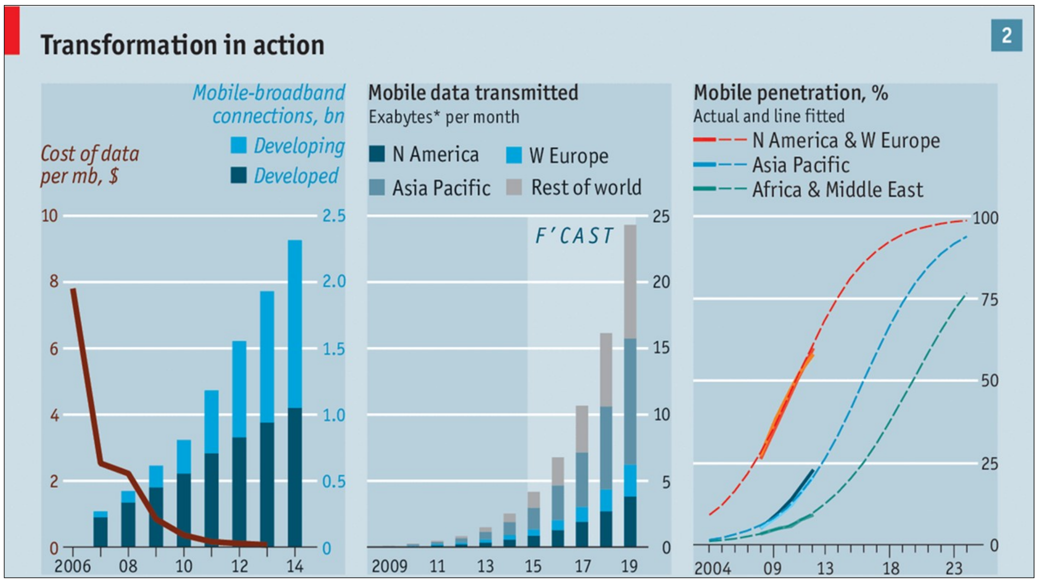
Shipments have flattened somewhat recently, but the overall long-term trend line is still up and to the right. (See Mary Meeker's 2018 Internet Trends Report for a more recent look at smartphone shipments.) It's undeniable… Smartphones are sweeping the world.

They're changing the way consumers shop, date, play video games, and hail a cab. Morgan Stanley reports: "91% of people keep their smartphones within three feet of themselves 24 hours a day, 365 days per year."

New competitors are driving smartphone prices down, which is making them more affordable. For example, Oppo, Vivo, and Huawei have been playing musical chairs in the #1 spot in China's smartphone market.

For most of the rest of the world, the smartphone is their first computer.

Trend #3: Mobile and Wifi broadband internet access are surging.



At year-end 2014, 78% of households in developed markets had internet access. In emerging markets, only 31% of households had internet access.

While internet penetration still has plenty of room for growth in the developing world, the spread of mobile broadband is aiding the transformation…

A little over a year ago, Google announced it would offer free Wifi hotspots in emerging markets. The launch of the "Google Station" project will help bring the next billion internet users in emerging markets online.

Trend #4: The globalization of the capital formation process.

Local entrepreneurs across the developing world are collaborating with U.S. venture capital investors to work on ecommerce startups.

What's happening is… Local entrepreneurs, most of who work for major U.S. internet companies to start, decide "I can do this myself." U.S. investors are funding these startup companies. Think back to Jerry Yang at Yahoo, who invested a billion dollars in Alibaba.

When these U.S.-backed emerging market internet companies go public, they tend to list on U.S. exchanges. They want the best opportunity for investment… the highest listings standards… and the finest accounting guidelines. "Exits" in VC terms, make big investors and institutions richer.

With a lot of U.S. institutional dollars up for grabs, Chinese startups have received most of the funding so far. For instance, venture capital investments in China hit an all-time high in 2016. More than 300 rounds of investment in 2016 attracted over $31 billion.

The trend is spreading to other emerging market countries. India, Brazil, and countries in Asia and Africa have seen large upticks in venture capital momentum…

- Flipkart… "The Alibaba of India"
- Ola… "The Uber of India"
- Go-Jek… "The Uber of Indonesia"
- Creditas… "The Lending Club of Brazil"
- Konga.com CEO Sim Shagaya… "The Steve Jobs of Africa"

Recent Major Private Investments by Tencent		
Date	**Invested In**	**Round**
Feb, 2018	Go-Jek	$1.5B / Private Equity (Lead)
Oct, 2017	Ola	$1.1B / Private Equity (Lead)
Jun, 2017	Mobike	$600M / Series E (Lead)
Apr, 2017	Flipkart	$1.4B / Private Equity (Lead)
Jun, 2016	Didi Chuxing	$4.5B / Undisclosed

* As of June 2018, Tencent has made 284 separate investments (163 were lead investments).

The smart money is recognizing online sales in emerging markets will make up a much greater proportion of retail sales in developed markets. After all, emerging markets have a comparatively underdeveloped brick-andmortar retail sector to begin with.

Now, McKinsey & Company could be wrong. But, if the growth of the emerging markets consumer is the second biggest or third biggest opportunity of all-time, it's still worth thinking about when you invest in emerging markets.

Internet companies in emerging markets have over 40% top-line growth over the last several years. You can't find that anywhere else.

Or can you?

The EMQQ $100,000 Challenge

The EMQQ team has put $100,000 on the line saying you can't.

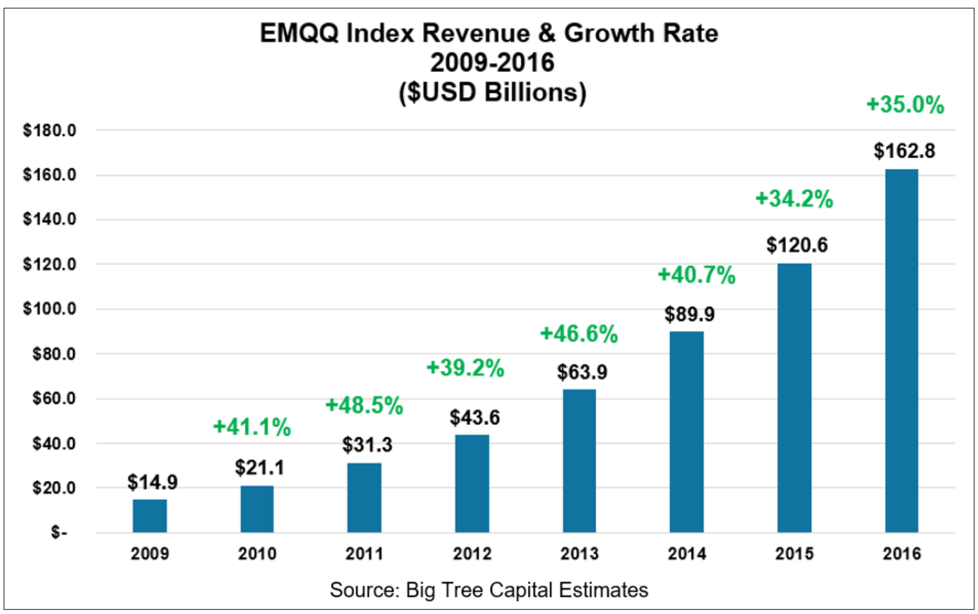
It was previously, $10,000, but they recently raised the bounty to $100,000.

The challenge: Find a group of companies that have grown faster than the constituents of the EMQQ index.

No joke… $100,000 smackaroos!

Here are the requirements for EMQQ's $100,000 challenge:

- **At least 20 publicly-traded companies**
- **All in the same sector**
- **Minimum market cap of $300 million USD (will inflation adjust if it's from a long time ago)**
- **No "cherry picking" (must be derived from a rules based index methodology, and revenue growth alone cannot be a rule)**
- **Average annual revenue growth rate (CAGR) greater than 40.7% for a 7-year period**
- **If someone beats the challenge, EMQQ would like them to direct 1/2 of the $100,000 to a charity of their choice (not required, though)**



Kevin believes there has never been a group of publicly-traded companies that have grown at this rate (40.7% average top-line growth for seven years).

That level of growth is hard to do for a single company, let alone an entire set of companies.

Look, it's not going to be easy. But, with a $100,000 reward on the line, it's worth some digging if you have some spare time.

Email Kyle Parker at kparker@emqqindex.com with any questions or your submission.

The "FANG and Friends" of Emerging Markets ETF

The Emerging Markets Internet & Ecommerce ETF (EMQQ) contains publicly-traded companies that derive a majority of their revenues from internet and ecommerce in emerging and frontier markets. Meaning, companies that serve in these capacities: search engines, online retail, social networking, online video, e-payments, online gaming, and online travel.

Many of these companies have tiny allocations—or are missing—from widely-followed emerging markets indexes and index funds. This aspect makes them even more attractive because they're under-owned.

The 50-plus holdings in EMQQ operate in countries like

Argentina, Brazil, China, Cyprus, Hong Kong, India, Russia, South Africa, South Korea, Taiwan, and others.

What's in EMQQ?

- The big China internet and ecommerce companies like Alibaba ("The Amazon of China"), Baidu ("The Google of China"), and Tencent ("The Facebook of China").
- Lesser-known China companies like 58.com ("The Craigslist of China"), Autohome ("The Cars.com of China"), and Weibo ("The Twitter of China").
- And non-China emerging market companies, such as MercadoLibre ("The Amazon/PayPal of Latin America"), Yandex ("The Google/Uber of Russia"), and MakeMyTrip ("The Expedia of India").

EMQQ's Top 10 Holdings (6/19/18)	
Name	**Weight**
TENCENT HOLDINGS LTD	7.60%
ALIBABA GROUP HOLDING-SP	7.41%
JD.COM INC-ADR	6.84%
BAIDU INC - SPON ADR	6.72%
NASPERS LTD-N SHS	6.53%
CTRIP.COM INTERNATIONAL-A	5.82%
NETEASE INC-ADR	5.22%
MERCADOLIBRE INC	4.37%
NAVER CORP	4.30%
YANDEX NV-A	3.91%

All of the companies in EMQQ are just like companies we have here in the States, but they're for emerging markets.

As a bonus, EMQQ provides private equity exposure, too.

Many of the companies inside EMQQ are active in the private investment market. To quantify, EMQQ delivers exposure to hundreds of private companies because many of its largest holdings are venture investors themselves.

For example:

- Tencent: 284 investments in private companies since 2008 (41 exits over that time)
- Rocket Internet: 110 investments in private companies since 2008 (19 exits over that time)
- Alibaba: 90 investments in private companies since 2009 (23 exits over that time)
- Baidu: 81 investments in private companies since 2007 (9 exits over that time)
- JD.com: 46 investments in private companies since 2013 (12 exits over that time)

EMQQ Facts	
Inception Date:	11/12/14
Assets:	$492M
Avg Daily Volume:	154K
Expense Ratio:	0.86%
# of Holdings:	59
YTD Return:	-0.39%
2017 Return:	68.20%
Mstar Rating:	5-Star

So, EMQQ isn't just an excellent play for publicly-traded internet and ecommerce companies in emerging and frontier markets… It's also an avenue to gain exposure to private equity and startup investments in developing markets. A few examples include Flipkart, Didi Chuxing, and Conga.com.

Alternative ETFs

Nothing is a perfect substitute for EMQQ, but we have a couple of viable alternatives.

First, there's the **Columbia Emerging Markets Consumer ETF (ECON)**.

The emerging markets consumer is a leading theme similar to the baby boomer generation post WWII. Companies like Procter & Gamble, Coca-Cola, and Walmart experienced strong growth following the post-WWII demographic shift.

History may not repeat itself, but it can rhyme.

200 million new consumers are entering the middle class in emerging markets each year.

ECON is a pure play on the growth of the emerging markets consumer. Its holdings derive 85% of their revenues from emerging markets.

ECON Facts	
Inception Date:	9/14/10
Assets:	$636M
Avg Daily Volume:	147K
Expense Ratio:	0.59%
# of Holdings:	29
YTD Return:	-11.38%
2017 Return:	27.46%
Mstar Rating:	1-Star

The Dow Jones Emerging Markets Consumer Titans 30 Index (ECON's benchmark) selects leading consumer goods and services companies, based on market cap. The formula: 10 EM consumer goods companies + top 10 EM consumer services companies + next 10 EM consumer goods and services companies.

It's different from EMQQ, in that, it doesn't have a technology focus. Per Morningstar, ECON has a 17% weight in technology, whereas EMQQ has a 74% weight in technology.

And second, there's our old friend the **KraneShares CSI China Internet ETF (KWEB)**. (Again, we closed this position in our portfolio tracker on June 15th.)

KWEB invests in China-based companies whose primary business is in internet or internet-related sectors. These companies stand to benefit from increasing domestic consumption by China's growing middle class.

You can revisit our inaugural issue, which featured KWEB, right here. While the four legs of the initial FTSE rebalance are complete, KWEB still has a great long-term investment case supporting it (plenty of which was described in this issue).

KWEB Facts	
Inception Date:	7/31/13
Assets:	$1.7B
Avg Daily Volume:	547K
Expense Ratio:	0.72%
# of Holdings:	44
YTD Return:	8.09%
2017 Return:	69.74%
Mstar Rating:	5-Star

KWEB is different than EMQQ because it's 100% China focused. EMQQ has a big sleeve of its portfolio devoted to China at 62%, but it's not an all-out China play.

Technically, KWEB is a closer substitute for EMQQ than ECON.

There's also the **KraneShares Emerging Markets Consumer Technology ETF (KEMQ)**. This ETF launched less than a year ago… It's smaller than the others at $53 million in assets… And it has limited platform availability. Yet, it's even more similar to EMQQ than KWEB.

KEMQ has roughly 60% dedicated to China and the rest is allotted to other emerging markets.

We think a small allocation to one of these ETFs could make a big impact over the course of time.

Best,

Tom

Editor's Note #1: Trade war effects are on everyone's mind. None of these ETFs are immune. Although each one has been negatively affected by heightened trade tariff developments, the "real" numbers dictate they should have been in the clear.

According to Bloomberg, EMQQ's foreign revenue is 11%, ECON's foreign revenue is 16%, KWEB's foreign revenue is 3%, and KEMQ's foreign revenue is 14%. Since all the companies in these ETFs are in emerging or frontier markets, "foreign revenue" means revenue outside of each company's country of domicile. In turn, the U.S. exposure—on a revenue basis—is less than all the aforementioned %s. For example, the EMQQ team estimates their ETF has U.S. revenue exposure of less than 1%.

If you—or your clients—are nervous about the trade war, be sure to revisit our anti-trade war investing playbook issue. The four ETFs we highlighted have all significantly outperformed SPY to date. (Plus, we presented two exclusive stock screens for you to use or share.)

Editor's Note #2: Since we're now tracking over 30 wide-ranging recommendations, we've made a few appropriate changes to our portfolio tracker. We replaced three ETF benchmarks with different ETF benchmarks that are clearly more representative of our actual ETF picks. ACWX is now the benchmark for KWEB, GVAL, and KBA.

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: 12.61%	SPY: 13.37%
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: 6.59% ROBO: 5.67% AMBA: -5.65% QCOM: 23.20% (closed)	SPY: 11.67% 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: -10.09% ALB: -30.09%	SPY: 11.67%
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: 4.74% REGL: 5.58% SMDV: 3.47%	AGG: -1.70% MDY: 10.65% IWM: 12.68%
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: 1.10% MNA: 0.00%	AGG: -1.89%

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.): 8.35%	50% SPY/50% AGG: 3.31%
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: 9.48%	SPY: 8.06%
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: -2.95%	ACWX: -0.80%
"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.): -4.02%	50% SPY/50% AGG: 0.83%
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: -5.95% EMLC: -8.24% EBND: -7.89% AGEYX: -1.55%	AGG: -1.44%
"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: -0.45% BLCN: -4.55%	SPY: -0.90%
"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: -0.05% TOTL: 0.48% FTSL: 0.74%	AGG: 0.20%

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: 0.66%	BIL: 0.46%
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: -12.59%	ACWX: -3.16%
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: 7.10%	SPY: 2.14%
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: -1.13% DLS: -2.13%	EFA: -1.91%
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: 9.08%	SPY: 1.80%
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: 4.36%	SPY: 2.59%