# SEVENS REPORT *alpha*

***July 24, 2018***

## In Today's Issue

- Capitalizing On the Future of Consumer Spending (All Three ETFs Have Massively Outperformed the S&P 500 in 2017 and YTD).
- IBUY: A Retail ETF Focused on the Growth in On-Line Retail (And it's not just AMZN). Up 29.98% YTD.
- FINX & IPAY: ETFs With Targeted Exposure to the Growing Cashless Society. FINX up 26.65% YTD, IPAY up 18.23% YTD.

## Profiting from the 21st Century Consumer: A Case of Clicks Over Bricks

I've found in my investing career that sometimes I have to get figuratively "smacked in the face" to truly recognize the potential of a tectonic change in an investment industry, combined with the potential of new technology. And as I referenced in my email last Thursday, that happened earlier this month while I was on vacation in the Bahamas.

And, I came home champing at the bit to do an Alpha issue on the opportunities that will come from the tectonic shift in consumer spending and technology changes impacting the way we use money.

Let me explain:

Last month, I took my family to the Bahamas for vacation. On one of our excursions, we went to a remote island to do some diving and snorkeling. On that island there was a man who collected conch shells.

My family and I liked the shells, so we asked him how much they cost, and if he wanted American or Bahamian dollars.

He then told us he preferred Visa or Mastercard (but not American Express—seriously).

Now, the stunning part about this transaction is that all of us, my family and the conch vendor, were standing in about six inches of warm Atlantic Ocean while negotiating which type of electronic payment we were going to use.

So, I gave him my Mastercard, and he used the Square to run the card, and I signed with my finger.

That experience was the proverbial "smack in the face" I needed to recognize the truly tectonic changes that are occurring in the consumer and payment sectors.

You see, when it comes to the economy and markets, the real value of embracing change lies in the identification of the very big, transformational trends poised to disrupt the world as we know it.

And, if that world happens to be the world of the American consumer, well, then you have a change that clients will easily understand.

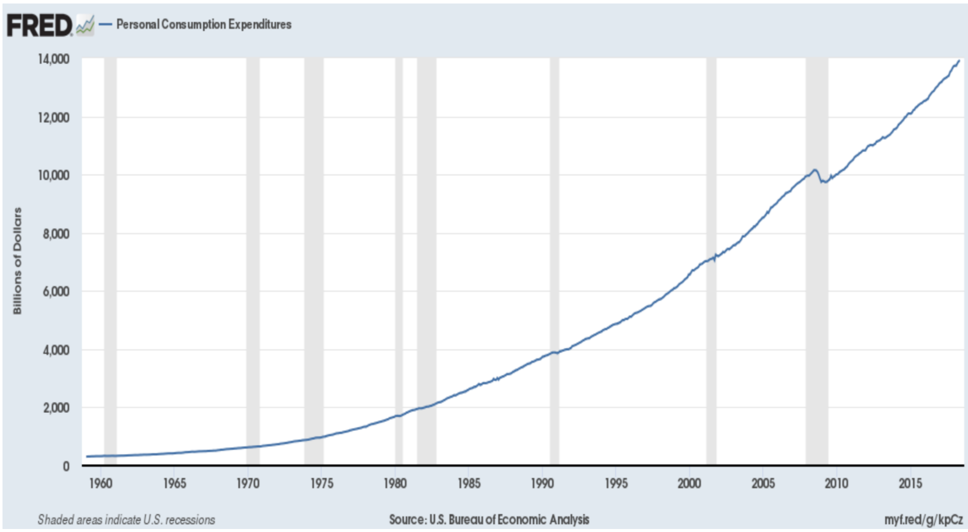
It is this kind of anecdotal evidence of a transformation from a cash-based economy to a cashless, i.e. electronic payment, economy that's going to continue transforming the already rapidly changing retail sector for years, if not decades, to come.

## Hey, Big Spenders

When I started on the Street I was told by multiple people to "Never Bet Against the American Consumer" and I can say several decades later, that advice was correct.

To that point, we don't need to look far to know that consumer spending offers significant opportunity and growth potential.

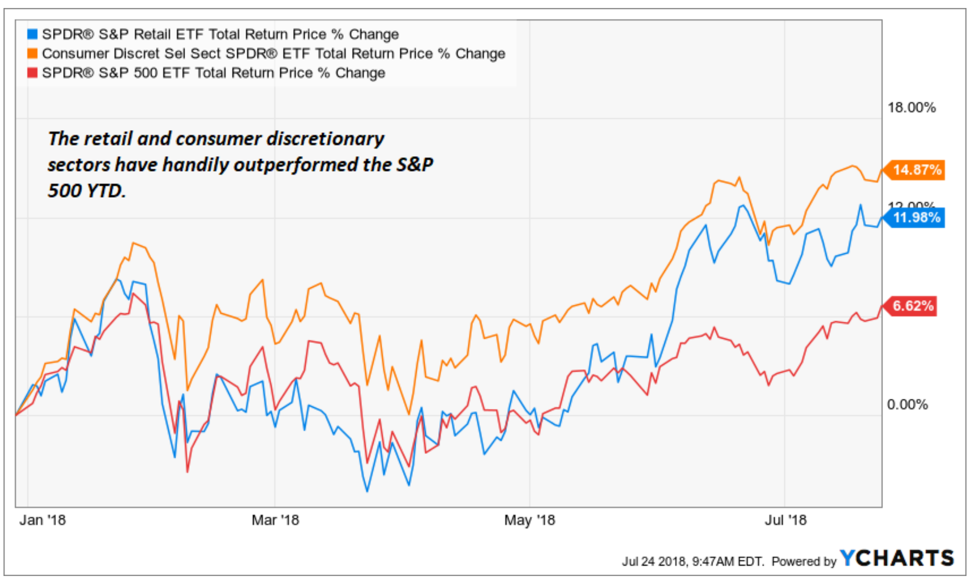
According to the Bureau of Economic Analysis, in 2017 personal consumption, i.e. consumer spending, made up 70% of the total U.S. GDP. Meanwhile, business investment made up 17%, government spending made up 17% and there was a negative 4% on net exports.




That 70% figure translates into $11.89 trillion dollars! That's a very, very big pie, and it's only slated to get bigger in 2018.

So, we are spending, and spending big!

That said, the opportunity lies not in just in how much we are spending as consumers **but instead *how* we are spending as consumers.**




The reason why is because investing in the "how" has the potential to provide investors, i.e. you and your clients, with another precision instrument in the alpha tool kit.

## Tradition and Retail Stock Exposure

Retail spending is, of course, a big part of that Personal Consumption Expenditures picture. According to the data aggregation site Statista, in 2017 retail sales in the U.S. came in at $4.99 trillion. That figure is expected to surge to $5.48 trillion by 2020, or nearly $500 billion in additional retail spending!

Traditionally, investors have participated in the retail spending wave by getting exposure to many of the biggest names in the retail space.

Stocks like Walmart (WMT), Amazon.com (AMZN) and Best Buy (BBY) are usually thought of as go-to plays, especially from the average client perspective.

And, we suspect many of you have clients exposed to retail via an exchange-traded fund (ETF) such as the largest and most well-established fund in this category being the **SPDR S&P Retail ETF (XRT)**.

Yet as you already know, the problem with traditional diversified investment funds in this category is that **they are heavily weighted towards legacy retail stocks with little emphasis on emerging consumer trends.**

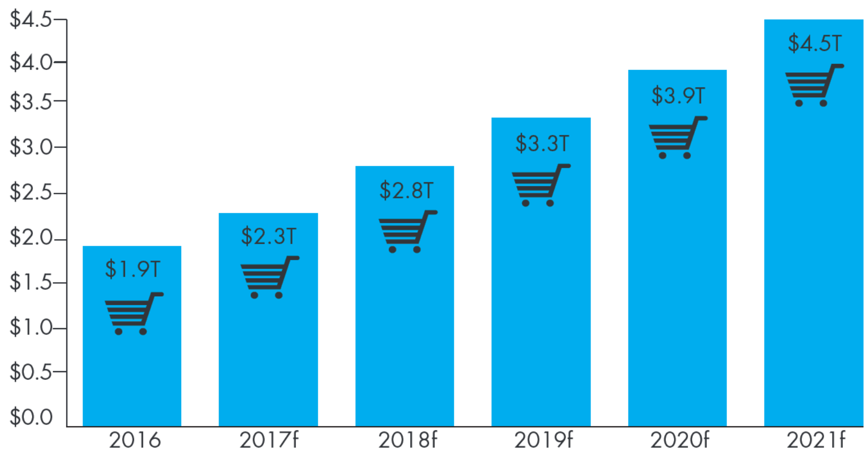
As we've covered in the regular *Sevens Report*, XRT has $550 million dedicated to the retail industry segment of the S&P Total Market Index. That translates to 90 companies spread amongst apparel, internet retail, automotive, department store, and other specialty categories.

The unique part of XRT is that it's equal weighted, meaning every stock within the index is given the same allocation of capital regardless of other fundamental or technical factors.

This means that giants like Amazon and Walmart are given a similar exposure profile as Kroger (KR) or Wayfair (W). According to S&P data, XRT has just 17% of its portfolio dedicated specifically to online retail stocks.

## ABSOLUTE GLOBAL INDUSTRY GROWTH

Global online retail sales continue to rise, and that trend is expected to continue. Consider that global online sales were $1.9 trillion in 2016 and are projected to be $4.5 trillion in 2021.

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Source[3]: eMarketer, July 2017

To be certain, XRT has been a fair way to play the retail sector as a liquid, relatively cheap (35bps expense ratio), and well-diversified portfolio.

Certainly, allocating to XRT is much easier than the hit-or-miss style of selecting individual businesses within the finicky industry.

Yet as consumer spending trends evolve, this fund is clearly stuck in the past with little hope of imminent evolution.

There are also retail ETF alternatives for those that can't, or won't, own XRT but are still interested in the S&P sector group. The combination of **Consumer Discretionary Select Sector SPDR (XLY)** and **Consumer Staples Select Sector SPDR (XLP)** encapsulates most of the same large-cap stocks, albeit in a market-cap weighted fashion.

These two funds are the deepest of the deep in terms of liquidity (trading over 1mm share/day on average) in addition to having some of the longest track records in the industry. Each charges an expense ratio of 0.13%.

The problem with XRT, XLY and XLP is that none of them will set you apart as an advisor.

In fact, most of them are ideas clients are probably already exposed to in some form or another.

So, what are the ideas in this space that will set you apart from the crowd?

## IBUY: A Pure Play on Online Retail Growth

The presence of online retailers isn't really a new phenomenon. In fact, Amazon.com has been around since the late 1990s. Yet it's just been in recent years that the confluence of positives – growth of online retailer sellers, burgeoning mobile platforms, and the consumer embrace of electronic payments – have made online retail spending the next massive investable wave.

Let's look first at the growth data of the online retail sector, as it will give us a great sense of just how powerful this wave really is.

According the Department of Commerce, the compound annual growth rate of U.S. online retail sales from 1999 to Q4, 2017 was 20%.

That translates to a 2,572% total growth of U.S. online retail sales over the same time frame.

Data from research firm eMarketer estimates that the worldwide growth rate of online buyers will explode by 53% over the next four years (through 2021).

In 2016 there was an estimated 1.5 billion online buyers. In 2021, there will be an estimated 2.3 billion. Talk about growth!

Not surprisingly, online retail sales are also estimated to rise along with the number of users.

According to eMarketer, the online retail sales industry recorded $1.9 trillion in global online sales in 2016. That number is expected to rise to $4.5 trillion by 2021.

There's no doubt that online retail is the future of retail, but how do you take advantage of this future for your clients?

The fund leading this charge is the **Amplify Online Retail ETF (IBUY)**.

IBUY was released over two years ago, and since then it has rapidly become the go-to spot for investors that want to play the online retail trend.

The fund has amassed an impressive $450 million in assets and currently trades more than 100,000 shares per day on average. That liquidity is important for those who need to trade in size and want to be confident in both entry and exit strategies.


| **Amplify Online Retail ETF (IBUY)** | |
|---|---|
| Inception Date: | 4/20/16 |
| Assets: | $506M |
| Avg Daily Volume: | 111K |
| Expense Ratio: | 0.65% |
| # of Holdings: | 39 |
| YTD Return: | 29.89% |
| 2017 Return: | 50.27% |
| Mstar Rating: | N/A |

The real strength of this fund is its underlying portfolio, which contains a modified equal-weighted mix of 39 holdings that are rebalanced on a semi-annual basis.

The standouts in this group include growth leaders such as Netflix Inc (NFLX), PayPal (PYPL), Amazon (AMZN), Trip Advisor (TRIP) and more. To be eligible for inclusion in the IBUY portfolio, a publicly traded company must derive more than 70% of their revenue from online retail sales.

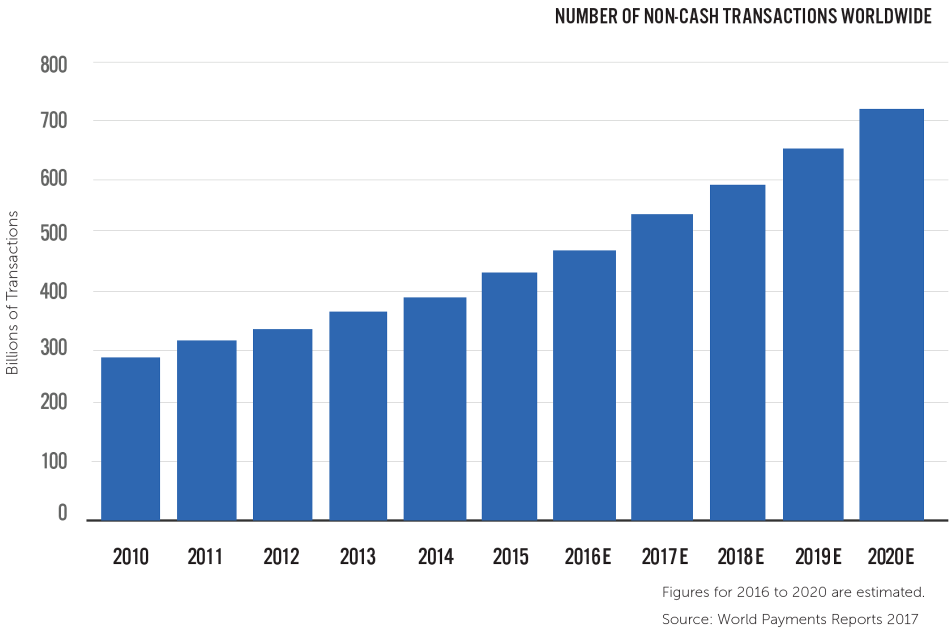
Top five holdings in IBUY are Carvana (CVNA), 4.97%, Wayfair (W), 4.49%, TripAdvisor (TRIP), 4.46%, Land's End (LE), 4.26% and Etsy (ETSY), 4.18%.

It's interesting to note that the market cap makeup of this fund is fairly diversified as well, as 41% of the holdings are categorized as large cap, 40% as mid cap, and 19% as small cap. In addition, roughly 76% of the holdings are domiciled in the U.S. with the remaining 24% spread overseas, according to the most recent fact sheet.

Buying any growth theme is all about performance, and IBUY has certainly delivered there, too.

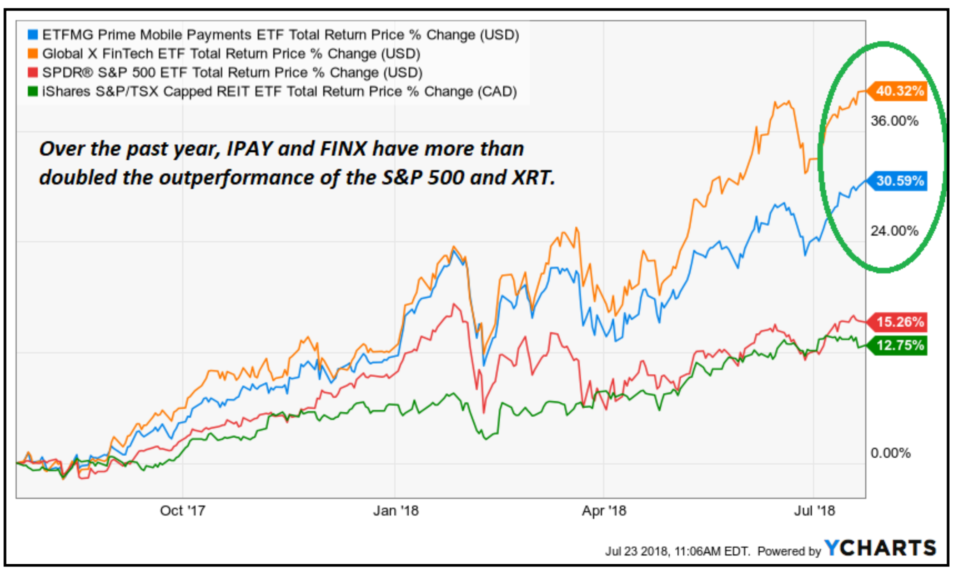
The fund has appreciated 44% over the last year, and 111% over the last three years. For comparison purposes, XRT has jumped 25% over the last year and the **SPDR S&P 500 ETF (SPY)** has risen 13.4%.

IBUY charges a net expense ratio of 0.65% to screen retail stocks and implement this strategy. Certainly, higher than many low-cost passive retail plays, but well worth the modest premium if these trends continue to expand at a similar rate.




Finally, it's worth pointing out one small headwinds for these companies, and that is they will need to start reporting local sales tax from online revenue.

Amazon has been doing this for the goods they sell/ship directly, but other companies will need to start updating their models to account for the recent Supreme Court ruling that affects this sector.




## Cash Is No Longer King

I opened this issue with an anecdote about my electronic payment to the conch vendor. And while I hope you were entertained by it, of far greater import is the obvious takeaway, and that is that cash in no longer king when it comes to how we pay for goods (both via brick and mortar and online).

While we are not yet at a "cashless economy," the trend is definitely headed that way.

A cashless economy is one in which all transactions are made using credit or debit cards, mobile devices, or over the Internet.

Over the past several years, the number of digital payments have increased tremendously, and the trend is expected to continue.

A study by the Roubini Thoughtlab of 100 global cities found that consumers expect to significantly reduce their usage of physical money over the next year and cash-reliant consumers expect to increase their digital payment usage by over 50%.

The chart here of the number of non-cash transactions worldwide, as per data from World Payment Reports 2017, shows the upward slope in the number of estimated transactions likely in the years ahead.

The obvious conclusion here is that cash is becoming a lesser used form of payment over the ubiquitous credit and debit cards.

Investors who believe in the growth of online consumerism should also be consequently favoring companies with heavy transactional payment volume, and companies that facilitate those payments.

## Way of the Online Payment Warriors

The old-school play on the online payment segment would be an ETF with a substantial emphasis on bank and credit card companies, such as the **iShares U.S. Financial Services ETF (IYG)**.

The fund counts Visa (V) and Mastercard (MA) in its top holdings along with Bank of America (BAC), Citigroup (C), Wells Fargo (WFC) and other "old guard" firms. This is not a bad way to play this space, but it's certainly laden with legacy Wall Street names that aren't exactly big growth themes.

The next generation of payment-focused ETFs is really where the exciting opportunities lie.

These include the **Global X Fintech ETF (FINX)** and **ETFMG Mobile Payments ETF (IPAY)**.

FINX seeks to invest in companies on the leading edge of the emerging financial technology sector, which encompasses a range of innovations helping to transform established industries such as insurance, investing, fundraising, and third-party lending through unique mobile and digital solutions.

| Global X FinTech ETF (FINX) | |
|---|---|
| Inception Date: | 9/12/16 |
| Assets: | $294M |
| Avg Daily Volume: | 113K |
| Expense Ratio: | 0.68% |
| # of Holdings: | 37 |
| YTD Return: | 26.65% |
| 2017 Return: | 49.96% |
| Mstar Rating: | N/A |

The fund launched in late 2016 and has managed to accumulate over $230 million in assets. FINX is market-cap weighted with a global emphasis that places 29% of the portfolio outside the United States.

Top holdings include well-known payment processing names such as Square Inc (SQ) and PayPal Holdings (PYPL).

FINX has gained an impressive 40.6% over the last 52-weeks, and the fund just recently hit new all-time highs. It charges an expense ratio of 0.68% to implement this strategy.

## Pay the Man His Money!

Another great ETF option for gaining exposure to a cashless economy is IPAY.

This the closest thing to a pure play of all the payment processing segment of the market.

| Global X FinTech ETF (IPAY) | |
|---|---|
| Inception Date: | 7/16/15 |
| Assets: | $394M |
| Avg Daily Volume: | 68K |
| Expense Ratio: | 0.75% |
| # of Holdings: | 37 |
| YTD Return: | 18.23% |
| 2017 Return: | 36.38% |
| Mstar Rating: | N/A |

The fund is close to celebrating its three-year anniversary and has thus far accumulated an impressive $370 million in assets distributed among 35-40 stocks.

Its top holdings include PayPal (PYPL), Mastercard (MA) Visa (V), American Express (AXP), Square Inc. (SQ) and Discover Financials Services (DFS).

IPAY's fact sheet says that it's using a modified market-cap weighted index methodology with screens for minimum liquidity to be admitted into the index.

Importantly, most of the top holdings are well-known, large-cap names that can easily be purchased by advisors outside of the ETF wrapper as well, so if you wanted to put together your own basket of cashless economy stocks, you could do that as well.

The performance of this fund has been outstanding over the last year. IPAY is up 29.8% and has demonstrated a more consistent, lower volatility uptrend than its peers.

The fund also recently hit new all-time highs and continues to signal strong confidence in the mobile and online payment arena.

IPAY was developed by the same people that own the **ETFMG Prime Cyber Security ETF (HACK)**. This is a fund many advisors have recommended for clients who want to profit from the need for enhanced cyber security.

That ETF was a big hit a few years back, so it's no surprise that they have another strong thematic fund in their stable.

## A Targeted Way to Get Exposure to the Growth Inside Consumer Spending

All three of the ETFs we've profiled today allow advisors and individual investors the capability to access the growing demand for retailers and their payment processing partners.

Each benefit from capable fund sponsors, established track records, and a strong thematic presence at the right moment in time.

They are also flexible enough to permit the inclusion of new technologies or stocks within their makeup as these trends continue to evolve.

While certainly not a value play at this stage, these funds are likely to be market leaders on both a relative and absolute basis given the fundamental tailwinds in play over the next several years.

And of course, knowledge of this burgeoning field can not only help you gain alpha for your existing clients, that knowledge also can be used as a way to get more clients, and more AUM.

So, the next time you use your credit card, make an online purchase, or even give a Bahamian conch dealer your Mastercard… you'll be reminded of how to take advantage of these trends with your business.

Best,

Tom

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Index Rebal**<br><br>**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.*<br><br>***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:**<br>**8/17/17**<br>**8/24/17** | **KWEB:**<br>**21.46%**<br>**(closed)** | **ACWX:**<br>**6.93%**<br>**(through KWEB close date)** |
| **Smart Beta Pioneer**<br><br>**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.*<br><br>***What to do now: Buy.*** | **Issue 2:**<br>**9/7/17** | **RSP:**<br>**13.40%** | **SPY:**<br>**15.41%** |
| **Self-Driving Car Basket**<br><br>**SNSR (Global X Internet of Things ETF)**<br><br>**ROBO (ROBO Global Robotics & Automation Index ETF)**<br><br>**AMBA (Ambarella)**<br><br>**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.*<br><br>*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.*<br><br>***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:**<br>**9/21/17** | **SNSR:**<br>**5.21%**<br>**ROBO:**<br>**4.95%**<br>**AMBA:**<br>**-16.80%**<br>**QCOM:**<br>**23.20% (closed)** | **SPY:**<br>**13.67%**<br><br>**SPY:**<br>**3.72%**<br>**(through QCOM close date)** |
| **Electric Car Battery Plays**<br><br>**LIT (Global X Lithium & Battery Tech ETF)**<br><br>**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.*<br><br>*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.*<br><br>***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:**<br>**9/21/17** | **LIT:**<br>**-13.4%**<br>**ALB:**<br>**-31.6%** | **SPY:**<br>**13.66%** |
| **Dividend Growth**<br><br>**DIVY (Reality Shares DIVS ETF)**<br><br>**REGL (ProShares S&P MidCap 400 Dividend Aristocrats ETF)**<br><br>**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.*<br><br>*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.*<br><br>***What to do now: Buy.*** | **Issue 4:**<br>**10/4/17** | **DIVY:**<br>**5.49%**<br>**REGL:**<br>**6.72%**<br>**SMDV:**<br>**4.38%** | **AGG:**<br>**-1.18%**<br>**MDY:**<br>**11.18%**<br>**IWM:**<br>**13.53%** |
| **Merger Arbitrage**<br><br>**GABCX (Gabelli ABC Fund)**<br><br>**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.*<br><br>*GABCX and MNA are the two best-performing—and cheapest—options to invest in this space.*<br><br>***What to do now: Buy.*** | **Issue 5:**<br>**10/17/17** | **GABCX:**<br>**1.39%**<br>**MNA:**<br>**0.78%** | **AGG:**<br>**-1.66%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| Special Dividends<br>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.*<br>***What to do now: Buy (multiple ways to implement in issue).*** | Issue 6:<br>10/31/17 | Basket of stocks (avg.):<br>7.37% | 50% SPY/50% AGG:<br>3.77% |
| Insider Sentiment<br>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.*<br>***What to do now: Buy.*** | Issue 7:<br>11/14/17 | KNOW:<br>9.27% | SPY:<br>10.02% |
| Global Value<br>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.*<br>***What to do now: Buy.*** | Issue 9:<br>12/12/17 | GVAL:<br>-1.66% | ACWX:<br>-0.43% |
| "Backdoor" Hedge Fund Investing<br>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.*<br>***What to do now: Buy (multiple ways to implement in issue).*** | Issue 10:<br>12/27/17 | Basket of stocks (avg.):<br>-5.09% | 50% SPY/50% AGG:<br>1.30% |
| EM & FM Bonds<br>EMB (iShares JPM USD Emerging Markets Bond ETF)<br>EMLC (VanEck JPM EM Local Currency Bond ETF)<br>EBND (SPDR Bloomberg Barclays Emerging Markets Local Bond ETF)<br>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.*<br>*EMB (emerging market debt hard currency), EMLC/EBND (emerging market debt local currency), and AGEYX (actively-managed frontier market debt) are all attractive options.*<br>***What to do now: Buy.*** | Issue 11:<br>1/9/18 | EMB:<br>-4.68%<br>EMLC:<br>-8.08%<br>EBND:<br>-7.66%<br>AGEYX:<br>-0.93% | AGG:<br>-1.22% |
| "Blockchain" Investing<br>BLOK (Amplify Transformational Data Sharing ETF)<br>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.*<br>***What to do now: Buy (multiple ways to implement in issue).*** | Issue 12:<br>1/16/18 | BLOK:<br>-0.59%<br>BLCN:<br>-4.0% | SPY:<br>-0.92% |
| "Active" Bond ETFs<br>BOND (PIMCO Active Bond ETF)<br>TOTL (SPDR DoubleLine Total Return Tactical ETF)<br>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.*<br>*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.*<br>***What to do now: Buy.*** | Issue 14:<br>2/20/18 | BOND:<br>0.46%<br>TOTL:<br>0.49%<br>FTSL:<br>0.78% | AGG:<br>0.43% |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| Cash Alpha<br>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.*<br>***What to do now: Buy (Max is also an excellent cash management solution).*** | Issue 15:<br>3/6/18 | FPNIX:<br>0.86% | BIL:<br>0.61% |
| Index Rebal<br>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.*<br>***What to do now: Buy.*** | Issue 16:<br>3/20/18 | KBA:<br>-18.20% | ACWX:<br>-2.79% |
| Anti-Trade War<br>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.*<br>***What to do now: Buy.*** | Issue 18:<br>4/17/18 | QABA:<br>6.58% | SPY:<br>4.02% |
| Foreign Small Caps<br>VSS (Vanguard FTSE All-World ex-US Small-Cap ETF)<br>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.*<br>***What to do now: Buy.*** | Issue 19:<br>5/1/18 | VSS:<br>-3.07%<br>DLS:<br>-4.21% | EFA:<br>-1.54% |
| Disruptive Innovation<br>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%!*<br>***What to do now: Buy.*** | Issue 20:<br>5/15/18 | ARKK:<br>10.34% | SPY:<br>3.67% |
| Buybacks<br>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.*<br>***What to do now: Buy.*** | Issue 21:<br>5/29/18 | PKW:<br>4.47% | SPY:<br>3.99% |
| "FANG and Friends" of Emerging Markets<br>EMQQ (Emerging Markets Internet & Ecommerce ETF) | *"By 2025, annual consumption in emerging markets will reach $30 trillion—the biggest growth opportunity in the history of capitalism."—McKinsey & Company. The combination of four major forces in emerging markets make this a great investment setup: favorable demographics, increasing smartphone availability, surging wireless broadband and Wifi access, and the globalization of the capital formation process. EMQQ is the best ETF to invest in this great confluence. We also featured three alternative ETFs (ECON, KWEB, KEMQ).*<br>***What to do now: Buy.*** | Issue 23:<br>6/26/18 | EMQQ:<br>-.025% | EEM:<br>1.07% |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Micro Caps**<br>IWC (I-Shares Micro-Cap ETF) | *Small caps have outperformed YTD, but while allocations to that sector of the market are rising, micro-caps, a sub-set of small caps, remain generally overlooked.*<br>*Micro caps remain an overlooked, under-researched, and under-allocated part of the small cap universe that can offer diversification and outperformance (micro caps perennial takeover candidates).* | 7/10/18 | IWC:<br>-0.56% | IWM:<br>0.21% |