SEVENS REPORT *alpha*

February 26, 2019

In Today's Issue

- Today's Alpha issue is focused on cybersecurity and privacy and we think the opportunities in cybersecurity and privacy are two-fold.
- **First, an investment opportunity.** Cybersecurity and privacy are two growth areas of tech.
- HACK and CIBR—two "pure play" cybersecurity ETFs that have returned over 80% over the past three years (and outperformed XLK).
- FTNT (Fortinet) and CyberArk (CYBR) - Two cybersecurity stocks that are on the leading edge of the growth curve.
- Mega Cap Tech Stock Review—Which names clients might already own that have cybersecurity exposure (plus which ones to avoid).
- **Second, a practice management opportunity.** We detail best practices you can implement to proactively show your clients you're protecting them (and their assets) in an online world.

Cybersecurity: Threats and Opportunities

"It's easier to implement cybersecurity than to deal with cyber-adversity."

—Stéphane Nappo, Société Générale

For the past two decades, a select group of companies have created transformational societal change through data aggregation. The biggest and richest corporate entities aren't those with the most-advanced, cutting-edge technology. Rather, today they are companies that were able to gather vast warehouses of data and leverage it to sell billions in goods and services.

Companies such as Facebook, Google, Amazon, Apple, and Microsoft have transformed into gargantuan beings that infiltrate nearly every aspect of our daily lives. I am willing to wager that you don't go more than an hour without interacting with one of these five companies in some capacity, be it in your work life and/or your personal life.

These companies have become masters of big-data manipulation by delivering something we all want, and that is to make our lives easier through automation or analyzing our habits to deliver us what we've already told them we want.

Now, despite all of the good these companies do, and all of the tremendous wealth they've created, there's a dark side to the benevolence.

That dark side is that with all of the data out there, and so much of our daily lives conducted in cyberspace, the digital domain has become a virtual breeding ground for diabolic forces looking to exploit everyone.

While the "Fab Five" companies mentioned above are prime examples of the data warehousing phenomenon, they are by no means the only targets of dark-side vandals. Indeed, there are far smaller and far more vulnerable data players out there susceptible to attacks that, if successful, could do significant damage to society.

Entities such as hospitals, real estate service companies, utility providers, and (yes) financial institutions, which have access to private information all are potential targets of cybercriminals, malicious

Table 1: Privacy market size

	Market Size 2018 (US$bn)	Market Size 2022 (US$bn)	CAGR
Data Security	3.3	5.7	14.3%
Identity Access Management	6.0	8.7	9.8%
Integrated Risk Management	4.6	6.5	8.7%
Cybersecurity	106.6	147.7	8.5%
Cloud Security	1.6	4.6	30.8%
Payment Security	13.3	24.6	16.7%
Data Governance	1.3	2.9	21.9%
Total	**136.8**	**200.7**	**10.1%**

Source: BofAML Global Research, Gartner, MarketsandMarkets 2017, 2018

hackers and even state-sponsored electronic warriors. At risk, is nothing short of every Social Security number, birth record, phone number, medical history, account balance, private communication, password, private digital image (ask Jeff Bezos)—just about everything that makes us, us, is susceptible to cyber-attack.

The way I see it, the next true tech growth story of the 21st century is probably not going to be about chasing the biggest social media or technology titans. Rather, **the next growth story will be the development of tools and tactics that safeguard our data, ensure our privacy and enhance our cybersecurity.**

And, that makes sense if we think about. Typically, when a new technology is invented, adoption is widespread as the benefit of the new technology far outweighs any downside. But, once that technology matures and becomes widespread, focus turns to ensuring that technology is safe and beneficial for the longer term. We've seen it in every big technological advance, from cars, to air travel, TV broadcasting and communications, and now, the internet.

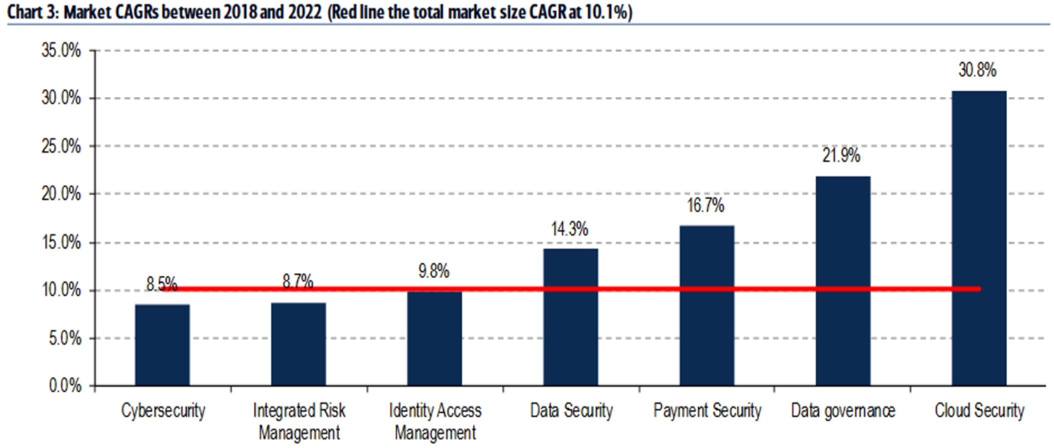
Last week, I spent an afternoon combing through the recently released Bank of America Merrill Lynch (BAML) 106-page manifesto on this theme, titled: "Heading towards 1984 – Global Privacy Primer."

This document is a frightening exposition of the globally interconnected world and the very real privacy risks we all face right now, and the dangers we will increasingly face in the years to come. While reading it, I was shocked by some of the following facts and expectations:

- By 2025, we will interact with an online device every 18 seconds, vs. 6.5 minutes today.
- There will likely be 200 billion connectable devices and more than 300 million smart speakers by 2025.
- 43% of companies sell data and the median app shares data with 10 third parties.
- Cybercrime could cost US $6 trillion per annum by 2021(E) (7% of global GDP).
- The privacy market is expected to grow by 10% per annum and reach US $200 billion by 2022.

It's also interesting to

Chart 3: Market CAGRs between 2018 and 2022 (Red line the total market size CAGR at 10.1%)

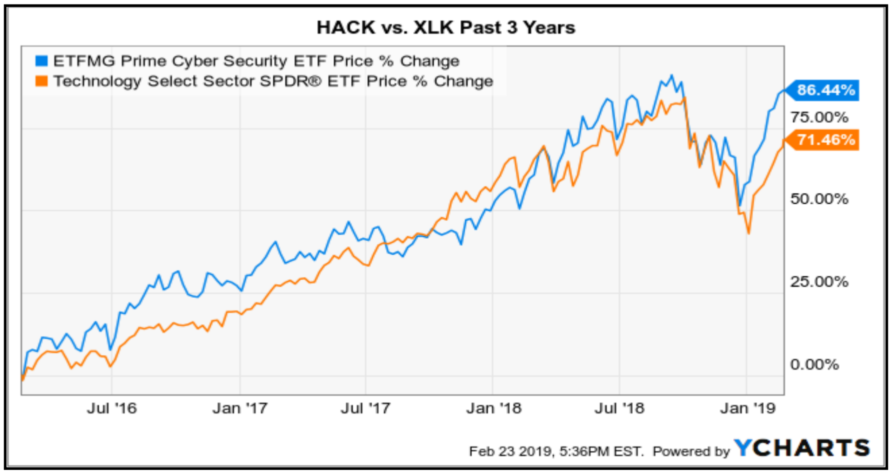


Source: BofAML Global Research, Gartner, MarketsandMarkets 2017, 2018 note that the market research conducted by the authors unveiled what they call a "privacy paradox." What their surveys revealed is that consumers are truly concerned about online privacy and gave it a very high score in their worry rankings. Nevertheless, those same consumers are still willing to give up their personal data to receive the marginal benefits. In other words, the patient wants to be thinner, but she doesn't want to stop eating ice cream and cake.

Why This Matters To You The Advisor

Now, let's take the wider issue of cybersecurity and its challenges and make it a little more personal for you, the advisor. Last year, The Investment Adviser Association polled a large pool of participants regarding what their top challenges were. Cybersecurity came in at the top of that list, with 81% of advisors listing this worry as their chief concern. That's the fifth straight year this topic has held the top spot, and that concern is likely to continue.

Moreover, clients and prospective clients are probably going to be asking you, or have already asked you, one or both of the following questions: 1) How do we take advantage of the need for increased cybersecurity for our economic benefit, and/or 2) What are you doing to safeguard my personal data?



Well, in today's issue we have you covered on both fronts, and the ability to speak to clients and prospective clients proactively about these topics will be key to your value-add as an advisor.

The Landscape

The term cybersecurity is one that encompasses a wide swath of industry specialties, including data security, identity access management, risk management, cloud security, payment security, and data governance. All told, those areas represent a $137 billion market in 2018 that is expected to balloon to more than $200 billion by 2022.

The charts on Pg. 2 demonstrate that BAML expects cloud security, payment security, and data governance to be the highest growth areas of this sector landscape.

Rather than specifically selecting individual stocks with a hit-or-miss proposition, our preferred way to access this space is through a diversified exchange-traded fund. The most famous of this is the **ETFMG Prime Cyber Security ETF (HACK)**, which has nearly $1.6 billion in assets under management.

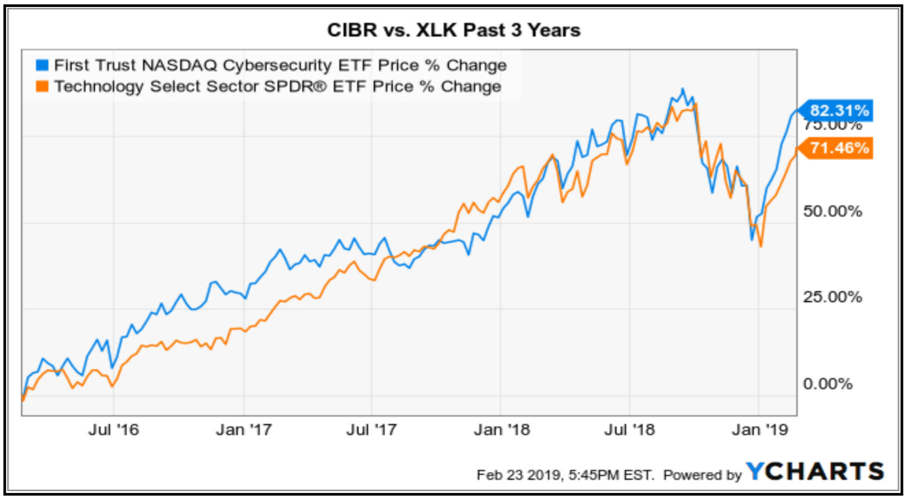
ETFMG Prime Cyber Security ETF	
Inception Date:	11/12/2014
Assets:	$1.61B
Avg Daily Volume:	335K
Expense Ratio:	0.60%
# of Holdings:	52
YTD Return:	17.05%
3-Yr Return:	89.67%
Mstar Rating:	2 star

HACK represents a diverse group of 52 stocks serving the cybersecurity industry. These include software providers, cloud services, and hardware manufacturers such as Palo Alto Networks (PANW), SailPoint

Technologies (SAIL), and CyberArk Software (CYBR).

A full 78% of the companies within HACK are headquartered in the United States, with the remaining 22% spread throughout the globe. Israel, the United Kingdom and Japan round out the top foreign countries in the portfolio that charges an expense ratio of just 0.60%.

HACK has been on a significant run to start 2019, and its three-year chart here shows that this portfolio has outperformed the Technology Select Sector SPDR (XLK) by nearly 15%.



The smaller and more agile companies in this sector, combined with the tailwinds of a rich "data breach environment" have contributed to this alpha over that time frame.

The real opportunity from our perspective, is the continued trend of legislation and accountability of companies that are most susceptible to a damaging data breach. Those vulnerable industries are going to need help, and the underlying companies that comprise HACK are the best positioned to accommodate that demand.

First Trust NASDAQ Cybersecurity ETF (CIBR)	
Inception Date:	7/6/2015
Assets:	$800M
Avg Daily Volume:	193K
Expense Ratio:	0.60%
# of Holdings:	38
YTD Return:	19.03%
3-Yr Return:	85.90%
Mstar Rating:	2 star

Another strong investment fund to consider is the **First Trust Nasdaq Cybersecurity ETF (CIBR)**.

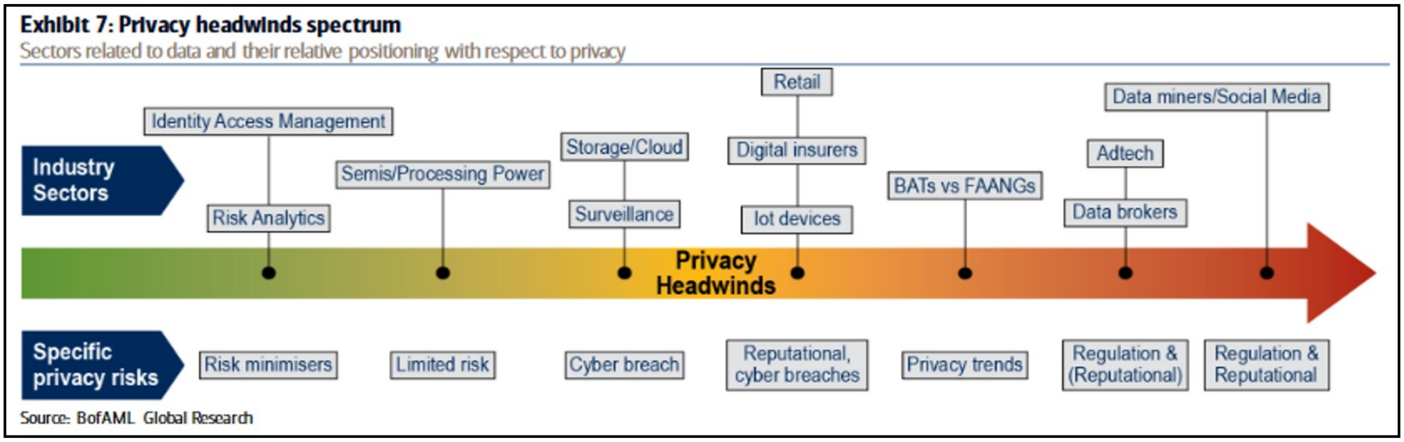
This ETF owns a narrower group of just 38 stocks compiled using the Nasdaq CTA Cybersecurity Index. The index uses a rules-based construction methodology to identify cybersecurity stocks with minimum market cap, liquidity, and industry classifications. The result is a similar portfolio of stocks with greater weighting towards companies with larger free float and trading volume such as PANW and Splunk Inc. (SPLK).

CIBR charges a similar expense ratio of 0.60% and has managed to accumulate $800 million in just over three years since its introduction. The combined asset size of these two ETFs shows just how much interest is involved in the space, interest we think is really just getting started.

Either ETF can be used interchangeably, depending on your preference of fund provider or makeup of the underlying portfolio. These tools can be used independently as a thematic way to access the cybersecurity space or as a replacement for legacy tech stock exposure.

The sector is likely going to be more volatile than a traditional fund such as XLK; however, if your clients are already used to that type of allocation, then they are probably not going to see it as a meaningful transformation.

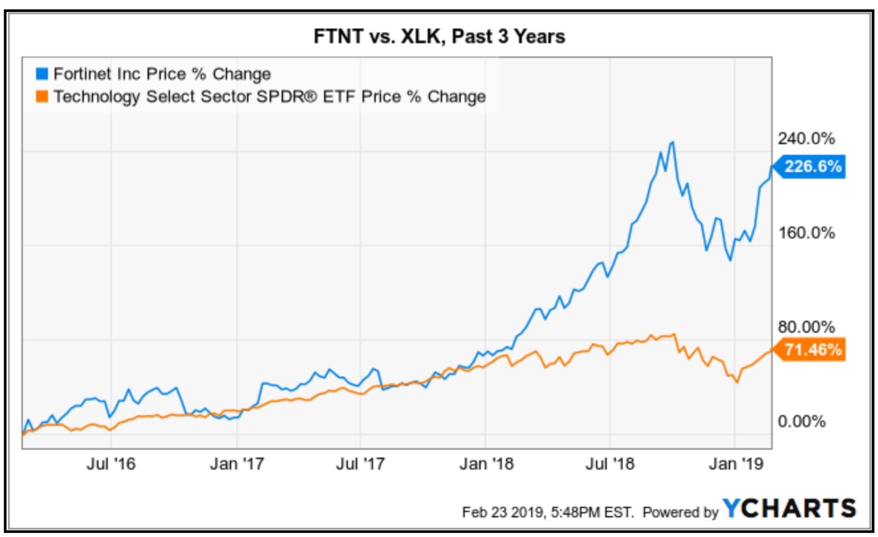
Tech Mega Caps—What Names Have Cyber Security Exposure, and What Should We Avoid



One trend that we have identified as an outlier opportunity, is the migration of legacy systems to the cloud in order to shore up security. Think about it, if you are a regional healthcare, investment, or real estate operator with troves of ultra-private data, do you want to be liable for the safekeeping of that information?

Do you really know what your IT department is up to? Do you want to sign off on penetration testing and user rights management in this environment? Probably not.

That's why it's likely these systems get migrated to the major cloud computing platforms in the not-too-distant future. Why not let a company such as Amazon AWS or Microsoft Azure handle the bulk of the security concerns while management focuses on the interface between the brand and its clients?



These two companies (AMZN and MSFT) are the biggest players in the cloud computing space and have put significant resources behind security, data retention and reliability. And though, both operate their cloud services as peripheral businesses, both are likely to see sustainable growth in these platforms over the next decade as revenue increases and costs fall even further.

It would not be surprising for both companies to scoop up emerging cloud security stocks in the public and private sectors along the way.

On the flip side, I would not want to be heavily positioned in stocks that are significantly involved in data mining (social media), data brokers (credit providers), and advertising technology firms. These are going to be heavily targeted by criminals looking for illicit profits, lawmakers looking to legislate, and social backlash from any meaningful lapse in security (just ask Mark Zuckerberg). The privacy headwinds spectrum graphic on Pg. 5 illustrates this point well.

Two Cybersecurity Names We Like

While many advisor subscribers like ETFs for broad exposure to a sector, other advisors also like to have individual stock ideas for clients and prospects. We are fully aware of this, and while we aren't "stock pickers" per se, we do like to identify what we think constitute the strongest individual companies in a given sector.

In the cybersecurity space, there are two standout companies to point out: Fortinet, Inc. (FTNT) and CyberArk Software Ltd. (CYBR). Let's take a closer look at each.

Fortinet Inc. (FTNT)

FTNT is one of the key cybersecurity software providers we've identified as having both strong fundamental and technical characteristics. The company aims to provide dynamic security threat protection while simplifying IT infrastructure for enterprise and government agencies. FTNT had revenue of $1.8 billion in 2018 with 20.8% sales growth, and positive net income over the last five consecutive years.

From a technical perspective, this stock has undergone a similar correction as the broad market in the latter stages of 2018. That move culminated with a consolidation near its 200-day moving average and a subsequent launch higher to start 2019. The stock has yet to eclipse its prior high, but it is building steady momentum and appears poised to have another breakout year. It's also notable that 8% of the stock float is currently short, which could create a squeeze opportunity to the upside.

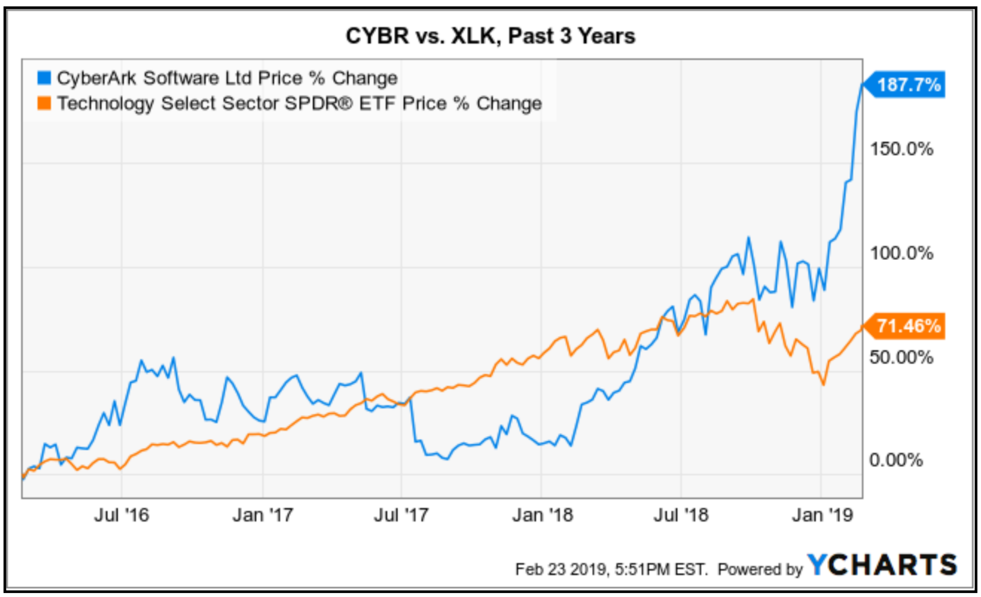
This stock has gained 76% on a one-year basis and is one of the standout stars in the cybersecurity industry. It stands to reason that further growth in this sector would continue to bolster the performance of FTNT over the next several years.

CyberArk Software Ltd. (CYBR)

CYBR is headquartered in Israel but has a global footprint that spans both developed and emerging markets. Its products and services focus on access control, threat identification, and prevention of data theft.

While not as large a company as FTNT, CYBR has already demonstrated formidable financial strength with 2018 revenue of $343 million, sales growth of 30%, and positive net income. It also just reported blowout earnings in the most-recent fiscal quarter that sent the stock soaring to all-time highs.

This stock has been a top performer over the last 52-weeks, and posted a net gain of nearly 113%. While that may seem extended in the near-term, the relatively small $3 billion market cap and potential for continued revenue expansion, sets the stage for an attractive long-term uptrend.



We like CYBR as one of the rising stars in the cybersecurity industry, and believe any pullback in the shares can be viewed as a buying opportunity.

Risk Management

Many of our advisor subscribers rightly view themselves as risk managers in one form or another.

That mentality is traditionally applied to the investment arena, but it also has meaningful application in your own business practices as well.

Clients will likely increase the scrutiny on you, when it comes to the physical and internet-based safeguards you have on their personal information. That's perfect timing, too, because the SEC and FINRA is making this topic one of their top priorities in oversight of the financial advisor community. Here's an example of the kind of questions the SEC will ask you about your cybersecurity safeguards.

Also, having a written cybersecurity plan should be on the top of your to-do list for 2019. You can find templates and examples of these on the internet fairly easily, but it should also be discussed with your compliance counsel as well.

Once you have evaluated and adopted these kinds of cybersecurity policies, it's a great idea to test portions of it at least annually and share it with clients for their own peace of mind.

That may ultimately require you to upgrade some legacy systems or do away with lax security practices such as forgetting to change your password for the last couple of years.

The benefit is that, you will be far less likely to succumb to a cyber-attack, and far better prepared if one does take place. It was recently estimated that the average breach costs about $221 per client to remedy. That would be a staggering cost for many firms.

Clients also will be asking about the safety of their custodian, whether that is in-house or with an independent third party. Make sure you inquire about security procedures for things such as two-factor authentication that can be proactively rolled out to your clients.

This helps ensure that a single password won't be the broken link in their website access that allows a malicious user to wreak havoc. It also can't hurt to bone up on your knowledge of FDIC and SIPC coverage so you can explain how those insurance procedures help protect client assets.

I also highly recommend that you evaluate the need for business cyber liability insurance. I was recently speaking with an advisor friend who took out a policy from Liftman Insurance with broad coverage for less than $2,000 annually. It gives him reassurance that his business and his managers would survive a potentially crippling cybersecurity incident on a number of different fronts. **NOTE: Kinsale Trading and *Sevens Report Research* is not affiliated with Liftman Insurance, and the mention here does not constitute an endorsement or recommendation. The link here is for informational purposes only. You should speak with your current insurance provider or search the internet for a quote on how this can be added as a separate line of coverage.**

Be aware that this cyber coverage is not typically included in your general liability policy, yet adding such as a policy in your total insurance profile can definitely help you sleep better at night.

Conclusion

The combination of opportunity and risk in the cybersecurity world are quite frankly terrifying at this stage of the game.

I can't stress enough the importance of protecting your clients now and simultaneously seeking out ways for them to profit from this in their investment accounts over the next several years. The two themes should really go hand-in-hand as we continue to move towards a more digitally connected, and digitally dependent world.

Best,

Tom

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Index Rebal **KWEB (KraneShares CSI China Internet ETF)**	*KWEB is an index rebalance play 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: 15.24%	SPY: 16.28%
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: 4.27% ROBO: 2.50% AMBA: 9.71% QCOM: 23.20% (closed)	SPY: 14.54% 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: -17.22% ALB: -30.99%	SPY: 14.54%
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: 2.97% REGL: 11.77% SMDV: 8.22%	AGG: 1.49% MDY: 8.52% IWM: 7.11%
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: 4.38% MNA: 2.54%	AGG: 1.28%

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.):** **7.37%**	**50% SPY/50% AGG:** **3.77%**
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:** **6.10%**	**SPY:** **10.24%**
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:** **-3.40%**
"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.):** **-5.09%**	**50% SPY/50% AGG:** **1.30%**
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:** **-0.85%** **EMLC:** **-4.62%** **EBND:** **-3.99%** **AGEYX:** **0.35%**	**AGG:** **1.75%**
"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:** **-12.27%** **BLCN:** **-5.90%**	**SPY:** **2.64%**
"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:** **3.77%** **TOTL:** **3.57%** **FTSL:** **3.02%**	**AGG:** **3.45%**

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: 2.20%	BIL: 1.82%
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: -10.36%	ACWX: -5.70%
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: 4.82%	SPY: -3.37%
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: -10.29% DLS: -10.61%	EFA: -5.95%
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: 8.79%	SPY: 4.47%
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: 7.79%	SPY: 5.29%
"FANG and Friends" of Emerging Markets 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).* ***What to do now: Buy.***	Issue 23: 6/26/18	EMQQ: -12.11%	EEM: 1.67%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Micro Caps IWC (I-Shares Micro-Cap ETF)	*Small caps outperformed until this most recent pullback, but while allocations to that sector of the market are rising, micro-caps, a sub-set of small caps, remain generally overlooked.* *Micro caps remain an overlooked, under-researched, and under-allocated part of the small cap universe that can offer diversification and outperformance (micro caps are perennial takeover candidates).*	7/10/18	IWC: -10.19%	IWM: -5.65%
The Future of Consumer Spending IBUY (Amplify Online Retail ETF) FINX (Global X FinTech ETF) IPAY (ETFMG Prime Mobile Payments ETF)	*The way U.S. consumers purchase goods is changing—rapidly. And, getting "pure play" exposure to the rise to online retailers and to the growth of mobile payments could be similar to investing in credit cards back in the mid-80's. There are few other established corners of the market that offer this type of growth potential.*	7/24/18	IBUY: -7.56% FINX: -2.24% IPAY: 0.65%	SPY: 0.15%
Floating Rate Funds FLOT (I-Shares Floating Rate Bond ETF USFR (Wisdom Tree Floating Rate Treasury Fund) SRLN (SPDR Blackstone / GSO Senior Loan ETF EFR (Eaton Vance Floating Rate Trust)	*Despite stubbornly high bonds/low yields, bonds are still now in a longer term bear market, and there exist few non-inverse bond alternatives that can produce absolute gains in a falling bond environment.* *Floating rate ETFs rise as bond yields fall and offer absolute return potential in bond portfolios, and are an important tool in constructing client bond portfolios in a rising rate environment.*	8/6/18	FLOT: 1.10% USFR: 1.09% SRLN: 1.31% EFR: -2.05%	AGG: 2.67%
Content Is King PBS (Invesco Dynamic Media ETF) IEME (Ishares Evolved U.S. Media & Entertainment ETF) XLC (Communications services SPDR) DIS (Disney)	*How generational changes in the cable TV industry are presenting massive long-term growth potential (think NFLX's 4000% return since 2012).* *Industry Primer: How the cable industry is changing from a service-based business, to a content-based business.*	8/20/18	PBS: 1.85% IEME: -0.01% XLC: -5.02% DIS: 2.13%	SPY: -1.30%
Momentum & Value PSCH (PowerShares S&P SmallCap Health Care Portfolio) SBIO (ALPS Medical Breakthroughs ETF) FXG (First Trust Consumer Staples AlphaDex ETF)	*In our first of a recurring series, each quarter we'll profile some of the best ETFs from a momentum and value standpoint.* *Most investors and prospects can be grouped into those two investing styles, and we want to provide consistent, value-add idea generation for each type of investor, so you're always armed with compelling ideas and stories for clients and prospects, regardless of their investment style.*	9/4/18	PSCH: -15.16% SBIO: -6.37% FXG: -5.74%	SPY: -2.71%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Commodities PDBC (Invesco Optimum Yield Diversified Commodity Strategy No K-1) GNR (SPDR S&P Global Natural Resources ETF) RLY (SPDR SSGA Multi-Asset Real Return ETF)	*Commodities have typically outperformed during late expansion and early recession phases of the economic cycle. Many economic indicators imply we are entering (or are already in) the late expansion phase of the economic cycle. As such, commodities have outperformed so far this year, and we expect that to continue.*	9/18/18	PDBC: -7.92% GNR: -4.07% RLY: -3.10%	DBC: -7.99%
Short Duration Bond ETFs MEAR (IShares Short Maturity Municipal Bond ETF) LDUR (PIMCO Enhanced Low Duration Active ETF) MINT (PIMCO Enhanced Short Maturity Active ETF)	*The downtrend in bonds accelerated in September and October of 2018, and it was a reminder that advisors face challenges in the fixed income markets over the coming years.* *One of the best ways to protect investors in a bond bear market is by shortening duration of bond holdings, so we presented three short duration bond ETFs that have yields that are close to the 10 year Treasury, but that have much shorter average maturities.*	10/16/18	MEAR: 0.84% LDUR: 1.08% MINT: 0.67%	BIL: 0.76%
Bear Market Strategies USMV (I-Shares Edge MSCI Minimum Volatility USA ETF) DYLS (Wisdom Tree Dynamic Long/Short US Equity ETF) PTLC (Pacer Trendpilot US Large Cap ETF)	*The October 2018 equity market decline sparked fears of an end to the multi-year bull market. So, we wanted to provide some suggestions on practical "bear market" strategies for advisors that wouldn't involve market timing or deviating from keeping clients in the markets over the longer term.*	10/30/18	USMV: 5.70% DYLS: -6.66% PTLC: 0.89%	SH: -4.60%
Special Dividends List of 19 stocks	*Screened 17,070 stocks to arrive at 19 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).*	11/6/18		
Momentum & Value 4th Quarter Edition WTMF (Wisdom Tree Managed Futures ETF) MLPA (Global X MLP ETF) DCP (DCP Midstream LP) SHLX (Shell Midstream Partners LP)	*In our Q4 installment of our Momentum and Value series we focused on strategies for the volatile and difficult market.* *Our momentum strategies were focused on non-correlated ETFs to provide diversification.* *Our value strategy focused on the MLP space, which had compelling yields in an environment where the oil price should stabilize.*	12/4/18	WTMF: 0.54% MLPA: 4.62% DCP: -2.77% SHLX: -3.47%	SPY: 3.88% AMLP: 5.74%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Growth into Value Rotation RPV (Invesco S&P 500 Pure Value ETF) DVP (Deep Value ETF)	*Recognizing the switch in outperformance from value to growth in 2014 was one of the easiest ways to help clients outperform.* *Now, there are signs markets might be switching back, to an era where value outperforms growth. The ETFs included in this report serve as a "one stop shop" to add quality value exposure to client portfolios.*	12/18/18	RPV: 12.91% DVP: 9.51%	VTV: 7.46%
Contrarian Ideas to Start 2019 IEMG/EEMV (Emerging Market ETFs) ITB/VNQ (Homebuilders/Real Estate ETFs) DFE (WisdomTree Europe SmallCap Dividend Fund)	*The start of a new year means new money needs to be put to work, so we wanted to provide some unique and interesting contrarian ideas that can outperform in 2019.*	1/2/19	IEMG/EEMV: 10.60%/7.19% ITB/VNQ: 17.25/15.76% DFE: 10.30%	SPY: 11.55%
Identifying High Quality Stocks COWZ (Pacer U.S. Cash Cows 100 ETF)	*Free Cash Flow Yield (FCFY) and Return On Equity (ROE) are two factors that produce long term outperformance.* *We complied a list of nearly two dozen large cap stocks that have a FCFY over 8%, along with another list of the top 10% companies with highest Return on Equity. We think the stocks on these lists present opportunities to buy quality names on market dips.* *We also identified an ETF that screens based on FCFY, and it provides outperformance with lower drawdowns.*	1/15/19	COWZ: 8.27%	SPY: 7.19%
Preferred Stock ETFs PGF (Invesco Financial Preferred ETF) VRP (Invesco Variable Rate Preferred ETF) PFXF (VanEck Vectors Preferred Securities ex Financials ETF)	*Preferred stocks have massively outperformed the S&P 500 during the October—December correction and barely lagged bonds. With yields of 5% and higher we think preferred stock ETFs present a unique long term opportunity to generate income and reduce volatility in portfolios, while keeping upside exposure.*	1/29/19	PGF: 1.33% VRP: 2.05% PFXF: 3.31%	PFF: 1.62%
Utilities For Income VPU (Vanguard Utilities ETF) NRG (NRG Energy) CNP (CenterPoint Energy)	*We continued our focus on safety and income as we show why "boring" utilities can offer substantial outperformance in a volatile market.* *Utilities outperformed during the Oct-Dec correction, and owning utilities hasn't meant giving up long term performance as XLU has the same five year total return as the S&P 500.* *If you think the markets will stay volatile, utilities are a good place for capital to weather the storm and keep upside exposure.*	2/12/19	VPU: 2.05% NRG: -1.11% CNP: 2.17%	XLU: 1.86%