SEVENS REPORT *alpha*

February 12, 2019

In Today's Issue

- Our focus on safety and income continues this week as we show why "boring" utilities are poised to offer substantial outperformance.
- Utilities outperformed during the October-December correction in stocks, rising 1% to the S&P 500's 14% decline.
- Based on recent history, allocating to utilities doesn't mean giving up long term upside. Over the past five years, XLU has the same total return as the S&P 500!
- The dovish shift in the Fed has sent Treasury yields plunging. Utilities offer nearly double the yield of the S&P 500 with generally recession-proof business models.
- VPU: We profile our preferred utilities ETF (better than XLU).
- NRG & CNP: Two individual utilities we think can outperform the ETFs.

Utility Stocks for Equity Income

In our last *Sevens Report Alpha* issue, we delved into the world of preferred stocks and the potential opportunities for equity income via this alternative investment class.

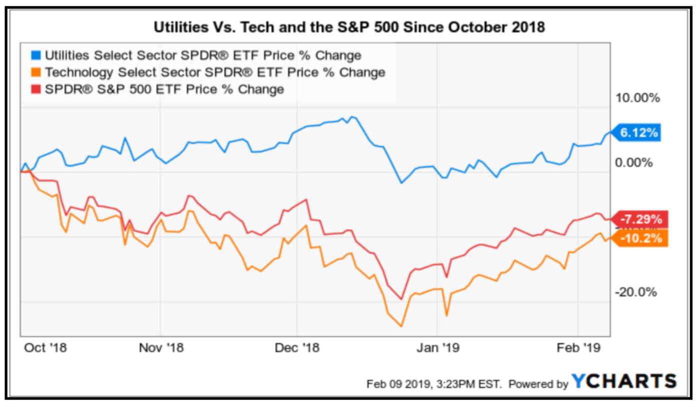
That research led us to closely examine one of the more stalwart sectors within the S&P 500 Index: utilities.

Specifically, we set out to identify whether there is any juice to be found in these traditionally "boring" stocks, and how you can benefit from a comprehensive analysis of the opportunities in the space.

But why is it important to cover utilities right now?

Well, because since the sharp breakdown in the equity markets began in October one of the biggest concerns for advisors has been how do you continue to generate income for clients—while also keeping their principal as safe as possible.

One look at the chart here of the benchmark **SPDR Utilities ETF (XLU)** with the **Technology SPDR (XLK)**



and the **SPDR S&P 500 (SPY)** shows that stark outperformance in utilities since the October meltdown. Here alone, the more than 6% move to the upside vs. the S&P's more than 7% drop and technology's 10%-plus dive is reason enough to embrace the utility space for both safety and income.

Still, it is true that in terms of the macro environment for utility stocks over the past several years, things have been anything but ideal.

The sector's heavy inverse sensitivity to interest rate fluctuations has acted as a headwind for its performance. The connection being that utility companies rely heavily on debt and collateral obligations to fund growth and ongoing business operations. They also tend to feel the pinch of rising

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Treasury bond yields in a similar fashion as investment-grade bonds.

Furthermore, utility stocks are potentially susceptible to liability from unforeseen natural events. Look no further than the fallout from the California wild fires that hammered **PG&E Corp (PGE)** has an example of this phenomenon (more on this later).

Changing global weather patterns and other naturally occurring cycles can impact utility companies and their ability to operate their core businesses. And, many utilities are operating in a murky and litigious legal environment.

Yet despite these perceived roadblocks, utility stocks have remained amazingly resilient in both relative and absolute terms. The chart on Pg. 1 of utilities vs. tech and the S&P 500 tells us all we need to know about the safety characteristics of utilities. This is particularly true as we saw a massive dive in the S&P 500 Index to close out 2018. This move proves the old adage that utilities are the ultimate "flight-to-quality" segment. And, the sector continues to act as a safe haven during periods of stress in the global marketplace, and there is no reason to think this won't continue well into the future.

Looking beyond the near term performance, the numbers show us that allocating to utilities does not mean giving up significant upside, either. **Despite multi-year outperformance from the tech sector, utilities have the same five year total return as the S&P 500! (more on that later).**

Additionally, it's worth noting that the Fed has shifted its cues in the most-recent FOMC meeting to a more dovish tone on interest rates.

Federal Reserve Chairman Jerome Powell noted that, "I would want to see a need for further rate increases, and for me, a big part of that would be inflation. It wouldn't be the only thing, but it would certainly be important."

The Fed's official statement also went on to say: "In light of global economic and financial developments and muted inflation pressures, the FOMC will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes."

Many Wall Street analysts took this to mean it's not guaranteed that the next move in interest rates will be higher and that the Fed will be accommodating to the market if needed. That environment certainly bodes well for interest-rate sensitive stocks such as utilities in the near-term.

Lastly, it's important to note that one of the more attractive features of utility stocks are their above-average dividend yields.

One of the ways that these companies attract shareholders is by keeping these income streams quite steady and abundant. Seeking out a sector of the market with high income, low volatility, and an attractive fundamental story may be just what the doctor ordered for 2019.

No.	Name	Market Cap	▲P/E	Fwd P/E
1	Financial	8443.65B	13.24	13.23
2	Consumer Goods	4607.09B	14.50	14.55
3	Basic Materials	4952.66B	15.70	13.37
4	Utilities	1189.34B	16.80	17.07
5	Technology	9283.61B	20.17	18.38
6	Industrial Goods	2224.07B	20.27	15.62
7	Services	6354.32B	22.84	19.12
8	Healthcare	4817.67B	26.71	16.94
9	Conglomerates	40.13B	124.04	51.31

A few years ago, utilities traded with very high valuations. But, that issue has largely been corrected and utilities currently trade at fair value. Source: FinViz

One final factor arguing in favor of utilities here is the sector's relative valuation. Utility stocks are currently sporting a price-to-earnings (P/E) ratio of 17, while the S&P 500 Index is hovering around 18.50.

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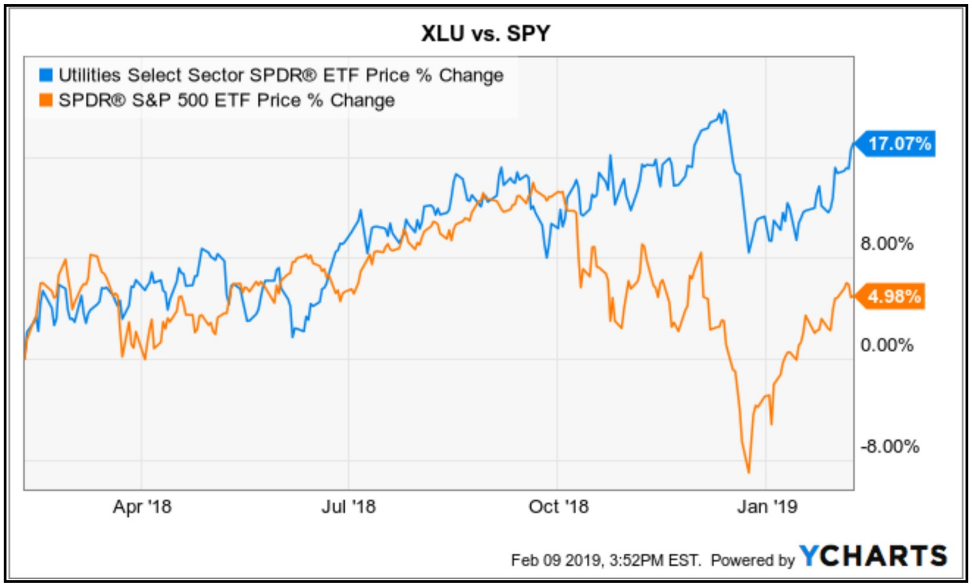
What this tells us is that while the sector is not overwhelmingly cheap on a relative basis, it also is far from being overbought.

According to research firm Finviz and its Sector Valuation rankings, Utilities as a segment are right in the middle in terms of P/E and Forward P/E ratios.

The Utility ETF Landscape



The largest and most commonly known ETF to track this sector is the previously mentioned **Utilities Select Sector SPDR Fund (XLU)**.

It's an $8.4 billion juggernaut that tracks just 27 large-cap stocks culled from the S&P 500 Index with exclusive emphasis on electric utility, gas utility, multi-utility, and independent power producer and energy trader industries.

XLU trades an average of over 15 million shares/day and is one of the lower cost funds in this sector with an expense ratio of just 0.13%. Top holdings include companies such as **NextEra Energy Inc. (NEE)**, **Duke Energy Corp (DUK)**, and **Dominion Energy Inc (D)**.

Utilities Select Sector SPDR ETF	
Inception Date:	12/16/1998
Assets:	$8.70B
Avg Daily Volume:	15.1M
Expense Ratio:	0.13%
# of Holdings:	29
YTD Return:	5.25%
3-Yr Return:	31.90%
Mstar Rating:	3 star

Since topping out in mid-December, XLU tumbled just 10% from high to low and has since recovered about half of that drop. What I feel is most notable about the price pattern of this index versus the S&P 500 is how it continued higher even as the broader market was selling off back in October 2018. This created a far shallower correction and ultimately a better setup for a breakout to new highs this year.

One of the biggest concerns about allocating to utilities is that investors might "miss out" on upside in a bull market. But, that fear hasn't been realized and I was surprised to find **that XLU has demonstrated a virtually identical five-year performance track record as the SPDR S&P 500 ETF (SPY), with a +66.99% cumulative return over that period.**

While the price traveled a slightly different path to reach the same endpoint, it's worth observing that the low volatility of this ETF is comparable to the fable of "The Tortoise and the Hare." Slow and steady can truly win the race (or at least finish in a tie).

XLU also currently sports a dividend yield of 3.29%, which is nearly double that of SPY. Income is paid quarterly to shareholders like many equity-oriented funds in this class. The XLU dividend yield is about what you would get with an aggregate bond index fund, yet the

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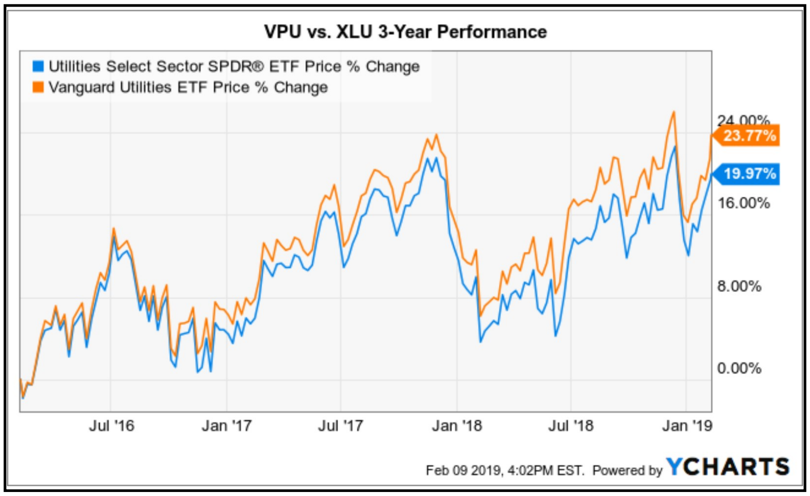
bond fund has far less upside potential.

This type of fund can be used in a variety of ways within the context a diversified portfolio.

It can be implemented as a tactical opportunity to tilt your stock exposure towards the utility sector with the added benefit of boosting overall portfolio yield. It may also serve as a method of replacing some underperforming income-generating assets for those clients that want to move away from an overabundance of traditional bonds.



While XLU is a fine way to access this sector, it's not my all-time favorite fund in this class.

That crown belongs to the **Vanguard Utilities ETF (VPU)**.

Vanguard took everything that is good about XLU and made it a little better by lowering fees, broadening the portfolio exposure, and ultimately generating a better total return profile.

VPU contains a portfolio of 70 total stocks with a modest allocation to small and mid-cap utility companies. This more diversified approach helps capture a larger share of the market and, in my opinion, allows for better long-term growth potential.

The same three stocks in XLU, headline the top holdings of the market-cap weighted VPU. However, the top 10 companies only make up 50% of the portfolio with the remaining 60 stocks rounding out the latter half.

And as an anecdotal note, **NextEra Energy Inc. (NEE)** is a company I'm very familiar with, as it's located right in my own backyard in Florida. One aspect of NEE's business that it like to emphasize is its green energy power sources.

So, for those clients who have expressed an interest in the much-talked about green energy sector, owning VPU is a way of providing at least a modicum of indirect exposure to the segment.

VPU also comes in with an attractive expense ratio of just 0.10%, which is only 3 basis points less than XLU, but hey, why spend more money than you live in an era where your clients have become ever more fee conscious?

Lastly, the 30-day SEC yield of this fund is slightly enhanced at 3.37%. The combination of these factors has allowed VPU to modestly outperform the industry benchmark over a one, three, and five-year time horizon.

Vanguard Utilities ETF (VPU)	
Inception Date:	1/26/2004
Assets:	$3.13B
Avg Daily Volume:	171K
Expense Ratio:	0.10%
# of Holdings:	70
YTD Return:	5.32%
3-Yr Return:	35.24%
Mstar Rating:	3 star

Another comparable fund to VPU is the **Fidelity MSCI Utilities Index ETF (FUTY)**.

This fund sports a near-identical underlying portfolio of publicly traded stocks with an ultra-low expense ratio of just 0.08%.

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FUTY would serve as an excellent option for those that can purchase Fidelity ETFs commission-free or who just aren't a fan of the Vanguard ecosphere.

The Landscape: Individual Utility Stocks

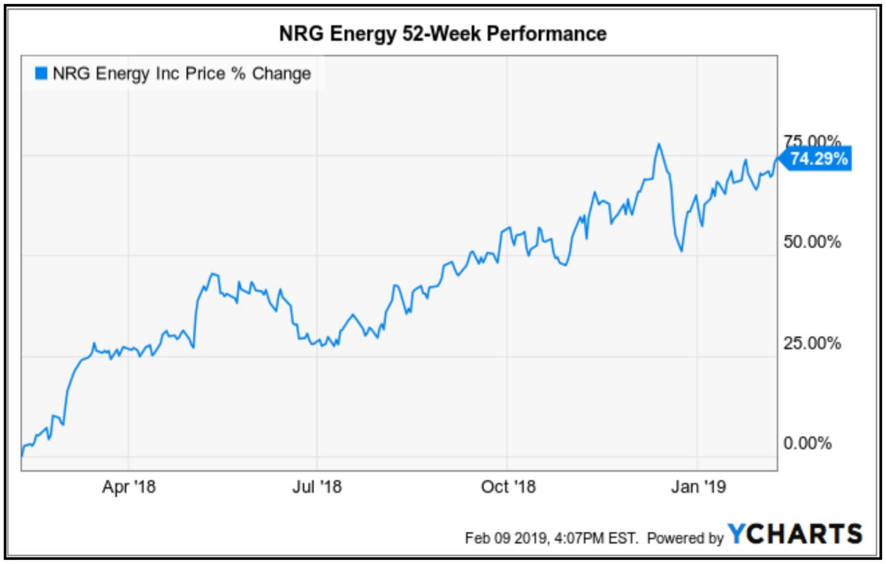
Pouring over the data of the underlying holdings of these ETFs produces some standout performers within the utility sector.

Homing in on the attributes of individual companies offers insight into interesting dynamics that may also offer attractive investment properties versus holding a broad basket of stocks in the sector.

The first stock that rose to the top in our fundamental and technical screens is **NRG Energy, Inc (NRG)**.

This company describes itself as "the power industry's leading company and we've grown from a power generator into an energy provider that powers homes and businesses throughout America."

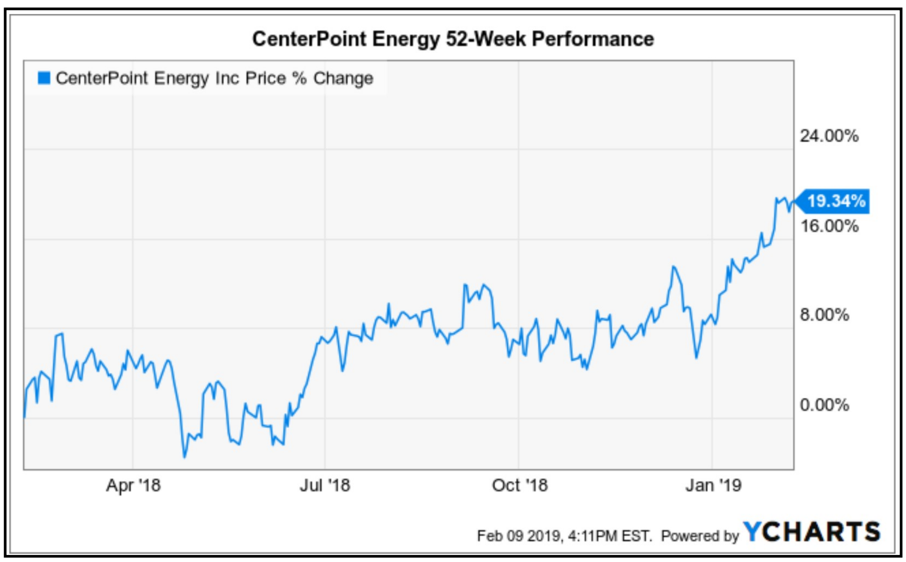
From a fundamental perspective, NRG sports a market cap of nearly $12 billion and strong cash flow generation. What's also exciting is the forward price-to-earnings of this stock is still a modest 11.26. That makes for an attractive value proposition that also is demonstrating strong price momentum.



The stock has soared nearly 75% over the last 52-weeks, and it continues to be one of the most dominant plays in the sector.

It's also encouraging that the price has remained above its 200-day moving average despite the disruption throughout the global markets during the last four or five months.

One notable aspect of this stock is that it has paid a very minimal dividend yield of just $0.03/share over the last four quarters. That indicates to me they are clearly in growth-mode rather than keeping with the mainstream "value" reputation of most utility providers.



Another similar company with an attractive profile is **CenterPoint Energy Inc (CNP)**, which is a holding company that engages in power generation and distribution.

CNP has a market cap of $15 billion and generated a return on equity of 34% over the last 12 months.

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Its forward price-to-earnings ratio is a healthy 18.14.

CNP just recently touched 52-week highs and continues to demonstrate formidable strength amid its competition.

The stock has appreciated more than 19% over the last year with most of that move coming in the last several weeks, as you can see in the CNP chart.

The stock also sports a current dividend yield of 3.61%, which has been demarcated by steady quarterly income over the most-recent 52 weeks.

CNP embodies the factors that investors love about the utility sector with its strong operating fundamentals, steady price action, and a consistent income stream.

Pacific Gas & Electric (PCG) Distressed Preferreds

So this is a totally out of the box idea, but one that I wanted to share for those interested in these types of big risk/big reward plays.

I mentioned embattled utility company **Pacific Gas & Electric (PCG)** at the outset of this issue, and the reason why is because despite the company's official bankruptcy filing in late January, there is what I suspect a tremendous opportunity for some investors via this utility giant's preferred stock.

In fact, the recent debacle surrounding that bankruptcy filing due to the damage and losses sustained by the devastating California wildfires brought to my attention the severe discounting of its equity assets.

The company's bankruptcy proceedings will allow it to restructure its debt obligations, and it's likely to emerge under a new structure at some point in the future.

Of course, PGE certainly isn't going to fully cease operations of one of the largest utility companies in the state no matter what the results of their legal responsibilities.

In a recent note to clients, Guggenheim's Shahriar Pourreza wrote:

"PCG has indicated in a press release that they will still be pursuing bankruptcy filing due to the company view of potential liabilities associated with damage claims.

"While we see the potential liabilities reduced from our prior estimates and cash flows remaining solvent, we admit that there are unknowns remaining related to both liquidity and future liabilities, so PCG bankruptcy remains a tangible possibility."

Well, that "tangible possibility" of bankruptcy is now a "tangible reality," as we found out recently. And what that means is a potential opportunity for distressed debt such as PCG preferreds. But which preferreds offer the best opportunity for clients?

This question prompted my research into the company's preferred stock offerings and what potential strategies there may be to ride these investments out of the abyss.

The one security that looks most interesting is the **Pacific Gas & Electric Co., 5.50% First Preferred Stock, Cumulative, par value $25 per share, Nonredeemable.** Ticker Symbol: PCG-B (CUSIP: 694308305) Exchange: AMEX.

As a result of PCG situation, the dividend of this preferred has been suspended indefinitely, as we'd expect.

That makes it less than stellar in the short-term for those who have held on. However, its "cumulative" feature means that if/when it emerges from its legal restructuring, assuming this preferred is still honored, all prior backlog dividends will be paid to shareholders.

That could potentially mean a huge cash payment

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for those investors who purchase it during this uncertain period.

Furthermore, the price of PCG-B has now fallen nearly 50% over the last year. This makes it one of the most beaten-down areas of the preferred stock marketplace with the potential for a massive equity-like rebound in the future.

There is certainly a high degree of risk in this strategy that the capital structure of this company is completely changed over the course of this bankruptcy.

Purchasing a security such as PCG-B is not for the faint of heart. Nevertheless, there is significant potential for aggressive investors with access to long-term capital to dive headfirst into the preferred stock sector.

Conclusion

Many income investors love the attractive yields that the utilities sector provides in comparison to other growth-focused industries. Yet that same dynamic is also why utility stocks can diverge from the beta or momentum of the broader market.

Stocks in the sector can often assume characteristics of bonds as risk appetites shift along varying cycles.

One of the best times to purchase utility stocks is during a spike in Treasury bond yields that sends investors chasing “growthier” sectors such as tech, health care, or consumer discretionary stocks.

Those dips often create dislocations in the market that can be used to put new cash to work or enhance existing allocations.

So, if you are looking for safety and income for your clients during this volatile period, then you should definitely look at utilities and the ETFs, individual stocks and outlier cumulative preferreds we recommend in this issue.

Best,

Tom

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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: 11.56%	SPY: 13.61%
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: -1.26% ROBO: -4.58% AMBA: -16.20% QCOM: 23.20% (closed)	SPY: 11.91% 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: -23.0% ALB: -39.6%	SPY: 11.91%
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: 2.04% REGL: 8.43% SMDV: 4.58%	AGG: 1.35% MDY: 4.60% IWM: 3.04%
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: 4.19% MNA: 2.13%	AGG: 1.15%

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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:** **2.72%**	**SPY:** **8.29%**
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:** **-3.16%**	**ACWX:** **-6.92%**
"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:** **-1.90%** **EMLC:** **-5.54%** **EBND:** **-4.55%** **AGEYX:** **-0.34%**	**AGG:** **1.62%**
"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:** **-16.60%** **BLCN:** **-10.70%**	**SPY:** **-0.25%**
"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:** **3.43%** **TOTL:** **3.24%** **FTSL:** **1.93%**	**AGG:** **3.31%**

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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: 1.73%
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: -21.10%	ACWX: -9.13%
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: -7.08%	SPY: 2.35%
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: -13.80% DLS: -13.90%	EFA: -8.68%
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: 1.82%	SPY: 2.00%
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: 4.01%	SPY: 2.79%
"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: -18.20%	EEM: -0.29%

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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: -14.70%	IWM: 9.27%
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: -10.90% FINX: -7.47% IPAY: -2.94%	SPY: -2.24%
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: 1.00% USFR: 0.99% SRLN: -0.21% EFR: -5.71%	AGG: 2.53%
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: -0.76% IEME: -2.71% XLC: -6.79% DIS: -0.74%	SPY: -3.62%
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: -18.10% SBIO: -12.30% FXG: -5.17%	SPY: -5.00%

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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: -10.60% GNR: -8.25% RLY: -5.61%	DBC: -10.00%
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: 0.64% LDUR: 0.78% MINT: 0.74%	BIL: 0.42%
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: 3.61% DYLS: -8.92% PTLC: 0.47%	SH: -2.42%
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: 0.24% MLPA: -0.28% DCP: -6.79% SHLX: -1.20%	SPY: 1.41% AMLP: 0.94%

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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: 8.46% DVP: 4.30%	VTV: 5.81%
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: 6.92%/4.81% ITB/VNQ: 11.06/15.63% DFE: 6.21%	SPY: 8.91%
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: 4.86%	SPY: 4.63%
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: 0.17% VRP: 0.92% PFXF: 0.17%	PFF: -0.01%

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