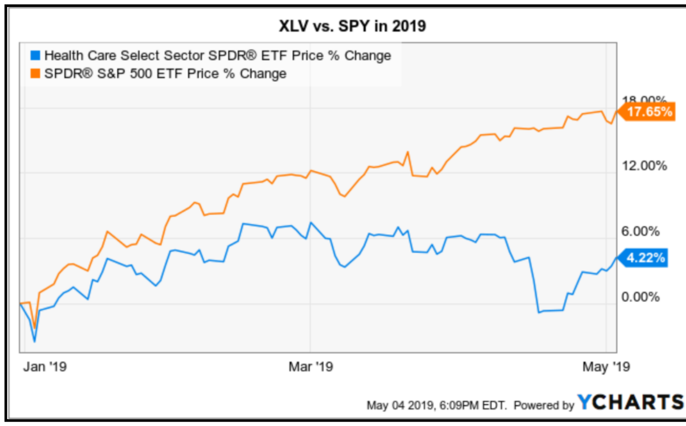
SEVENS REPORT *alpha*



May 7, 2019

In Today's Issue

- The healthcare sector has badly lagged the S&P 500 thanks to political concerns (Medicare for all). But, future political risks aside, fundamentals for the healthcare industry are compelling.
- We covered this broadly in the *Sevens Report* two weeks ago, but in today's Alpha issue we wanted to do a "deep dive" into the space and provide a broader healthcare sector primer, as opportunities to invest in healthcare at the relative value to the market don't come along very often.
- **Medical Device Exposure:** IHI (iShares Medical Device ETF). This broad-based healthcare ETF has handily outperformed the more widely held XLV, rising 138% over the past three years.
- **Bio-Tech Exposure:** XBI, SBIO and ARKG: Three ETFs to get quality biotech stock exposure (at reasonable fees).
- **The Healthcare Value Play—Healthcare Providers:** IHF (iShares U.S. Healthcare Providers ETF). This healthcare sub-sector is more at risk from Medicare for all, but if political risks are unfounded, this sector is trading at a historic discount.

The Alpha Opportunity in Health Care

It's said that politics makes for strange bedfellows.

Well, in markets, politics can be either a cozy bedfellow or a crushing companion for specific companies and industries, one that either helps vault them from restful slumber—or one that kicks specific companies and industries right off the bed and straight to a hard and unwelcomed floor.

So far this year, stocks in the health care industry have fallen victim of the rhetorical political bedfellow emanating from a chorus of Democratic presidential candidates, many of whom are proposing some version of "Medicare for all."

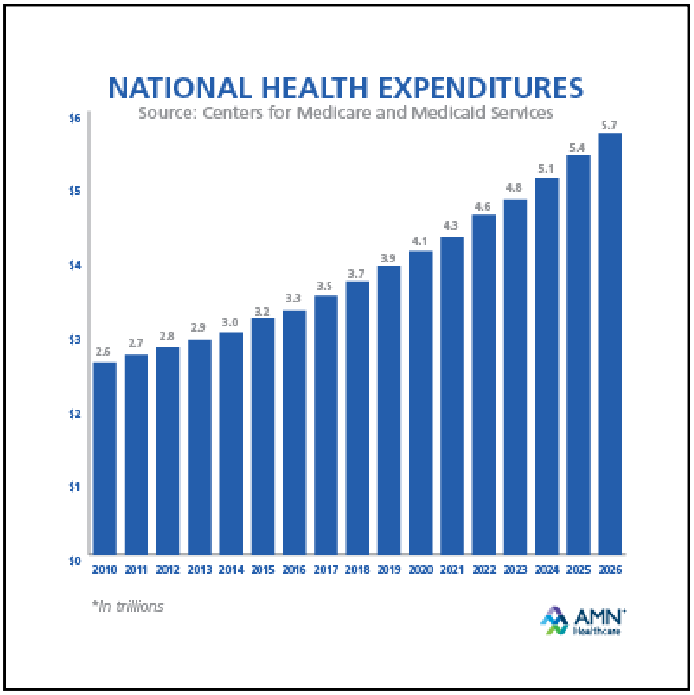
This chorus has been led by Vermont Senator and one of the current presidential frontrunners, Bernie Sanders, and his proposals are polling well not only with Democrats, but with the public at large.

In a recent issue of *Sevens Report*, we outlined the emerging divergence between health care stocks and the broader market, as it is one that warrants a deeper level of scrutiny for advisors in search of alpha opportunities.

Often, political rhetoric can have a negative short-term effect on stocks and sectors, but that short-term negative often is a precursor to strategic alpha opportunities of the sort we love to pounce on.

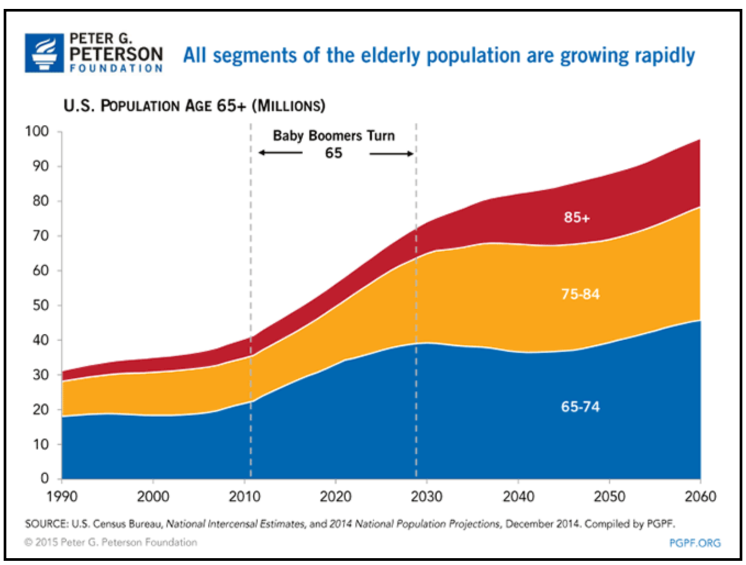
The current Medicare-for-all discussion is being read by the market as a serious negative for future profits of many health care companies. This fear has manifested itself in the Healthcare Select Sector SPDR (XLV) trailing the SPDR S&P 500 ETF (SPY) by a margin of more than 13% since the start of 2019 (see chart on Pg. 1).

This looming threat has wafted like a pernicious bearish pall over health care as a whole, but specifically insurance providers, medical device manufacturers, and pharmaceutical companies. This bearish cloud persists even as the most-recent quarterly earnings results from health care bellwethers continue to signal positive fundamentals in the space.



Johnson & Johnson (JNJ), UnitedHealth Group (UNH), and Abbott Laboratories (ABT) all beat expectations last month. Yet despite the good results, each has seen its share price decline.

As history has proven time and again, the stock market is a forward-looking mechanism that abhors uncertainty in areas that can be influenced by political power moves.



And, we've seen this before, specifically in the health care space. In the early 1990s, and again in the late 2000s and early 2010s, healthcare companies lagged the S&P 500 on policy concerns regarding "Hillary care" (which never became law) and "Obama care" (which did).

But, both instances of policy-driven uncertainty turned out to be fantastic long-term buying opportunities. Consider, from late-2008 through 2013 the health care sector slightly lagged the S&P 500 (62% total return to 71%).

But, from 2013-2015, when policy uncertainty subsided, XLV nearly doubled the performance of the S&P 500, rising 100% from January 2013 through July 2015, compared to 56% for the S&P 500.

In both instances, the policy-concern related selloffs were long-term buying opportunities, and that was when the outlook for the health care sector, from a pure business standpoint, wasn't nearly as positive.

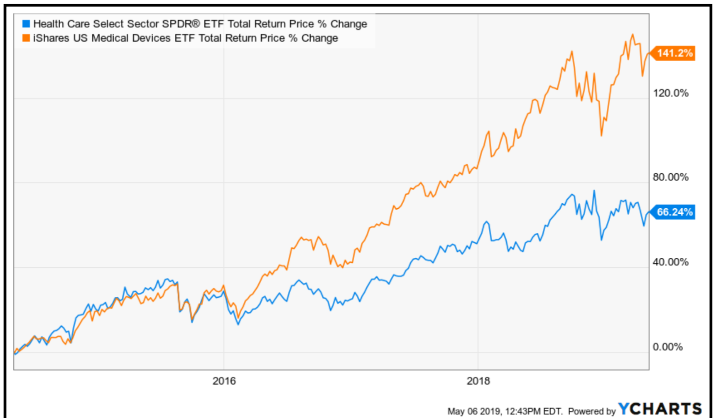
Now, if you set aside the political pressure on the sector here for a moment and focus on the fundamental drivers of health care, it's not hard to come to an understanding that there is real opportunity here for you and your clients.

In our opinion, the bullish tailwinds of global age dynamics, human longevity, and technology innovation overrides the nascent, and still-uncertain political risks weighing on the sector.

Moreover, even if the political climate results in greater government involvement in the health care space, the government per se can't begin to tackle health care by itself.

The fact is that government needs health care companies to do what they do best: cure diseases, treat patients, and maintain the medical system infrastructure.

Now, regarding the bullish health care tailwinds, consider a recent Deloitte report on global health care spending that was an eye-opener on several levels. The research firm is forecasting the following trends for the space:



IHI has handily outperformed XLV over the past several years, and we think it offers more targeted health care exposure.

- Total global health care spending to reach $10.06 trillion by 2022.
- Annual growth rate of health care spending to average 5.4% between 2018-2022, up from 2.9% in 2013-2017.
- Number of people over age 65 globally is 668 million, or 11.6% of total global population.
- When compared to 10 developed countries, the United States ranks last in overall health care performance, highlighted by per capita spending that is 50% greater than the next country.
- Life expectancy appears to continue to climb. It is projected to increase from 73.5 years in 2018 to 74.4 in 2022.

iShares U.S. Medical Devices ETF (IHI)	
Inception Date:	5/1/2006
Assets:	$3.39B
Avg Daily Volume:	191K
Expense Ratio:	0.43%
# of Holdings:	56
YTD Return:	13.89%
3-Yr Return:	76.41%
Mstar Rating:	5 Star

That's just a few short years away, and the longer-term picture is even more daunting.

As we mentioned in *Sevens Report*, it's projected that the number of individuals over age 65 in the US will increase by 73% between 2010 and 2030.

That means that one in five Americans will be a senior citizen. Put in real money terms, health care spending in the US is expected to grow from $3.6 trillion in 2018 to $6.0 trillion by 2027, according to the Centers for Medicare and Medicaid Services.

The consolidation of health care stocks near these levels smells far more like upside than risk to me over the next 10 years.

In fact, I wish I had a business in an industry where, over the next 10 years, the number of individuals needing my service will rise (conservatively) by 70% and the expected total spending on the services I provide will nearly double!

The question for advisors now becomes where best to position your clients' money so as to prosper, as there are numerous places within this sector that offer outstanding alpha.

Health Care Landscape: Medical Devices

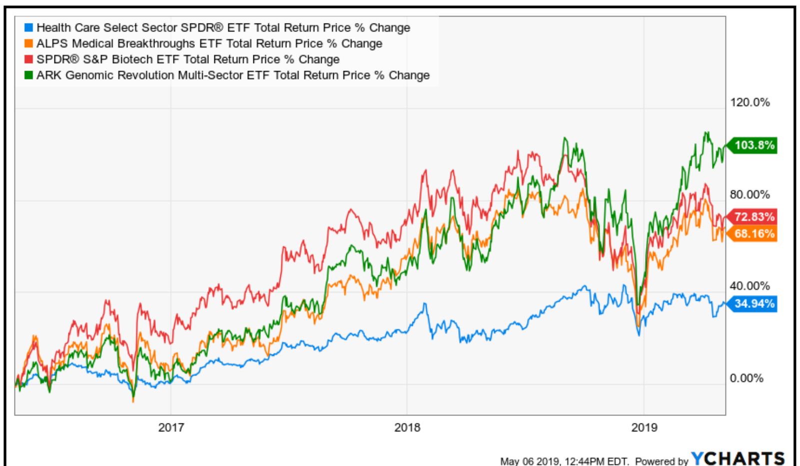
The 800lb gorilla in the financial markets when it comes to health care investing is the aforementioned XLV, which has more than $18 billion dedicated to a group of 63 large-cap stocks. Its top holdings include Johnson & Johnson (JNJ), UnitedHealth Group (UNH) and Pfizer (PFE).

While this ETF has been a "go to" for industry professionals for decades because of its size and liquidity, it has become more of a consumer staple-type holding rather than a true driver of growth-oriented holdings.

Companies selling Band-Aids, Tylenol, and insurance don't typically move the needle in terms of impressive technological innovation. These are safe business models with predictable cash flow, dividends, and quarterly share buybacks.

This makes me hesitant to recommend it as an exciting sector holding, if for no other reason than there is no alpha to be had in its makeup. XLV is also missing out on a significant quantity of small- and mid-cap stocks with the potential for more relative growth over the next several years.

One fund that has meaningfully more upside potential according to our research is **the iShares U.S. Medical Devices ETF (IHI)**.



Biotech remains the "high growth" area of healthcare as it combines the benefits of tech and healthcare. Biotech has outperformed broad-based healthcare allocations.

This ETF has $3.2 billion dedicated to a group of 55 stocks that manufacture and distribute medical equipment across the health care field.

This includes large, well-known companies such as Abbott Laboratories (ABT), Medtronic PLC (MDT), and Thermo Fisher Scientific (TMO).

Additionally, the bottom half of the portfolio has a wide array of smaller companies to bolster diversification across the industry.

From a performance standpoint, IHI has smoked XLV over one, three, and five-year time frames. The chart here shows how this fund has achieved more than double the performance of the sector benchmark over the last half decade.

According to a recent study released by ResearchAndMarkets.com, the global medical device market is expected to reach $409.5 billion by 2023, increasing at a compound annual growth rate of 4.5%.

A more focused approach to accessing this industry trend using IHI may ultimately prove to be an advantageous path for investors with a higher tolerance for risk.

Pullbacks such as the one we recently experienced in IHI should be looked at as buying opportunities rather than developing a sense of dread over an economic downturn, especially given the long-term sector tailwinds are so favorable.

This fund can be used as a direct replacement for a benchmark such as XLV, or in tandem with that fund if need be. Pairing the two together will allow a portfolio to participate in the broader health care theme while overweighting towards a traditionally higher-momentum investment area.

If you prefer fund companies, indexes, or simply want another fund to evaluate in this group, the SPDR S&P Health Care Equipment ETF (XHE) is worth consideration.

It contains 67 stocks in the medical devices category and uses an equal weighted construction methodology so that the largest stocks don't dominate the fund's performance.

With an expense ratio of 0.35%, it's a praiseworthy contender to IHI and has nearly $600 million in total assets. The two funds are neck-and-neck in terms of their three-year performance metrics.

SPDR S&P Biotech ETF (XBI)	
Inception Date:	1/31/2006
Assets:	$4.30B
Avg Daily Volume:	3.8MM
Expense Ratio:	0.35%
# of Holdings:	120
YTD Return:	22.71%
3-Yr Return:	71.89%
Mstar Rating:	2 Star

Health Care Landscape: Biotechnology

We have weaved biotechnology themes into other *Sevens Report Alpha* issues, in large part because it has been such a tremendous outperformer over the years.

There is really no reason to reinvent the wheel here because our two favorite funds continue to be stellar performers in this category. Those being the **ARK Genomic Revolution Multi-Sector ETF (ARKG)** and the **ALPS Medical Breakthrough ETF (SBIO)**.

To refresh your memory, ARKG is focused on companies expected to substantially benefit from extending and enhancing the quality of human life by incorporating technological and scientific advancements in genomics into their business.

ALPS Medical Breakthrough ETF (SBIO)	
Inception Date:	12/30/2014
Assets:	$190.7M
Avg Daily Volume:	60K
Expense Ratio:	0.50%
# of Holdings:	68
YTD Return:	22.83%
3-Yr Return:	49.02%
Mstar Rating:	3 Star

The fund owns 30-50 stocks in an actively managed portfolio designed to be distinctive from traditional health care ETFs. Top holdings currently include: Invitae Corp (NVTA), Illumina Inc (ILMN), Intellia Therapeutics (NTLA), and Editas Medicine (EDIT).

ARKG has demonstrated a propensity for outperformance over its lifespan as well. The fund has gained 31.16% over a one-year time frame, 65.58% over the last two years. That's triple the performance of XLV over that longer time frame.

SBIO takes a more traditional approach by owning an index of approximately 70 small- and mid-cap biotech stocks using a modified capitalization-weighted methodology.

Companies must have a market capitalization between $200 million and $5 billion to be admitted into the index, and no single company can make up more than 4.5% of the fund.

Furthermore, these specialized health care stocks must also have one or more drugs in either Phase II or Phase III US Food and Drug Administration (FDA) clinical trials. This means that the stocks are well on their way to creating viable, revenue-generating products that will help quash diseases or enhance legacy health care methods.

SBIO also filters out any lagging stocks in this category by screening for holdings with at least 24 months of current operating capital based on historical balance sheet measures.

The multi-faceted approach to security screening and a savvy weighting methodology has allowed SBIO to become a performance powerhouse in the biotech industry. The fund has gained 36.77% over the last two years and continues to be one of the strongest ETFs in the category on a year-to-date basis.

It's no secret that funds such as SBIO and ARKG are achieving their significant outperformance because of their variant portfolios and smaller footprint. That also moves their profile much further out on the risk scale as well.

For those who may feel more comfortable with a traditional biotechnology fund with exposure to larger stocks, the **SPDR S&P Biotech ETF (XBI)** should be on your radar. This ETF owns a wide swath of the biotech industry with 120 stocks but does so using an equal-weighted index methodology.

It's an excellent way to get exposure to large- and mid-cap biotech businesses such as Amgen (AMGN) and Celgene (CELG) in a way that allows for each company to have a similar impact on the performance of the fund.

It also is reasonable in its fee structure by sporting a 0.35% expense ratio and has over $4 billion in assets, making it one of the more liquid health care ETFs in its class.

You will find a smattering of biotech in the more diversified health care sector ETFs. However, most investors who are seeking true growth potential will want to overweight their exposure to include a pure play on this industry.

Health Care Landscape: Health Care Providers as a Value Play

We consider biotech and medical devices to be the momentum plays in the health care industry.

On the other side of the spectrum, we have identified a value-oriented theme in health care providers. These are stocks that are more on the financial and medical support side of the sector such as insurance companies, hospital operators, laboratory services and other diagnostic care.

iShares U.S. Healthcare Providers ETF (IHF)	
Inception Date:	05/01/2006
Assets:	$840.8M
Avg Daily Volume:	106K
Expense Ratio:	0.43%
# of Holdings:	47
YTD Return:	-0.10%
3-Yr Return:	33.15%
Mstar Rating:	4 Star

Why do we consider this a value play? Well for starters, it's the most at-risk health care niche in terms of the Medicare-for-all policy proposals by the current Democratic presidential candidates.

Their aforementioned rhetoric has caused many of these stocks to undergo corrective price action, and it has brought valuations down to some of the most attractive levels in the last several years.

One of the largest funds in this space is the **iShares U.S. Healthcare Providers ETF (IHF)** with over $800 million in total assets.

This ETF owns 47 health care services stocks such as UnitedHealth Group (UNH), Anthem Inc (ANTM), and CVS Health Corp (CVS). It's worth pointing out that because of its market-cap weighted footprint, these top three stocks account for 43% of the total portfolio makeup.

The P/E ratio of this exchange-traded fund currently stands at 19.17, although many of the stocks in the top 10 holdings are trading at fundamentals well below that baseline.

Collectively, this is one of the more undervalued areas of the health care sector that is still trading well below its 2018 peak as noted on the chart.

IHF remains one of the outliers, with the capability of its constituents to post market-beating returns given the qualifier that universal Medicare doesn't supplant the public health insurance markets.

Investors who want to own IHF should be prepared for near-term volatility through the 2020 election with clearer positioning thereafter.

Furthermore, the makeup of this ETF is more adjacent to financial sector-type revenue and regulations as they are applied in the health care field. Investors who want to position themselves with a value-oriented approach to health care should certainly add this fund to their watch list as it has significant appeal as a longer-term resurrection play.

Conclusion

The ability to break down the health care field in so many dynamic facets demonstrates one of the strongest arguments for owning ETFs rather than the hit-or-miss style of individual stocks.

Using ETFs you are able to home in on specific industries and sub-groups, while still retaining the diversification and low cost that so many investors identify with.

On the fundamental side, we have an established tailwind of an aging population combined with the golden age of technological advancements that should produce significant returns for shareholders in the years to come.

This theme is one that we will continue to revisit as it is likely to remain a high-profile talking point as election coverage ramps up into a fever pitch between now and 2020.

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:** **19.11%**	**SPY:** **21.56%**
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:** **7.16%** **ROBO:** **7.26%** **AMBA:** **8.77%** **QCOM:** **23.20%** **(closed)**	**SPY:** **19.73%** **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:** **-24.10%** **ALB:** **-41.68%**	**SPY:** **19.73%**
Dividend Growth **DIVY (Reality Shares DIVS ETF)** **REGL (ProShares S&P MidCap 400 Dividend Aristocrats ETF)** **SMDV (ProShares Russell 2000 Dividend Growers ETF)**	*Historically, dividends are responsible for half of the market's total return. They are an essential component of long-term outperformance. While most investors choose high-yielding dividend stocks, our research shows dividend growth stocks can generate better long-term returns.* *DIVY is the only ETF that isolates pure dividend growth. This ETF is a fixed income alternative that should provide steady single-digit returns with low volatility and true diversification. REGL and SMDV are ETFs that provide exposure to the "Dividend Aristocrats" of tomorrow.* ***What to do now: Buy.***	**Issue 4:** **10/4/17**	**DIVY:** **4.99%** **REGL:** **15.56%** **SMDV:** **9.43%**	**AGG:** **3.29%** **MDY:** **10.26%** **IWM:** **8.29%**
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:** **3.24%** **MNA:** **3.41%**	**AGG:** **3.08%**

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:** **8.79%**	**SPY:** **15.84%**
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:** **-4.46%**	**ACWX:** **-1.39%**
"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:** **1.45%** **EMLC:** **-7.00%** **EBND:** **-6.09%** **AGEYX:** **1.74%**	**AGG:** **3.56%**
"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:** **-10.73%** **BLCN:** **-2.38%**	**SPY:** **7.18%**
"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:** **5.92%** **TOTL:** **5.21%** **FTSL:** **4.67%**	**AGG:** **5.28%**

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:** **3.58%**	**BIL:** **2.28%**
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:** **-11.53%**	**ACWX:** **-3.73%**
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:** **-4.00%**	**SPY:** **9.37%**
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:** **-9.20%** **DLS:** **-9.51%**	**EFA:** **--3.73%**
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:** **14.49%**	**SPY:** **9.10%**
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:** **13.94%**	**SPY:** **9.95%**
"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).*	**Issue 23:** **6/26/18**	**EMQQ:** **-6.55%**	**EEM:** **0.70%**

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: -10.16%	IWM: -4.68%
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: -1.29% FINX: 4.08% IPAY: 9.21%	SPY: 4.52%
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: 2.03% USFR: 1.61% SRLN: 3.18% EFR: -0.42%	AGG: 4.49%
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: 10.12% IEME: 6.84% XLC: 3.51% DIS: 21.84%	SPY: 3.05%
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: -17.25% SBIO: -5.64% FXG: 0.05%	SPY: 1.58%

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: -7.25% GNR: -5.83% RLY: -2.90%	DBC: -7.00%
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: 1.59% LDUR: 1.98% MINT: 1.08%	BIL: 1.22%
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: 10.42% DYLS: -6.97% PTLC: 6.05%	SH: -8.12%
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: 2.20% MLPA: 4.14% DCP: -7.24% SHLX: 6.69%	SPY: 8.46% AMLP: 5.10%

Sevens Report Alpha Fund & Stock Ideas

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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: 14.33% DVP: 5.91%	VTV: 12.54%
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: 9.16%/6.12% ITB/VNQ: 27.02/20.14% DFE: 12.57%	SPY: 16.58%
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: 7.59%	SPY: 12.06%
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: 3.65% VRP: 5.03% PFXF: 5.15%	PFF: 3.71%
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: 4.76% NRG: -9.62% CNP: 1.62%	XLU: 4.48%

<u>Sevens Report Alpha Fund & Stock Ideas</u>

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<u>Cybersecurity: Threats & Opportunities</u> HACK (ETFMG Primce Cyber Security ETF) CIBR (First Trust NASDAQ Cybersecurity ETF) FTNT (Fortinet) CYBR (CyberArk)	*Cyber security and privacy on-line are two clearly defined growth areas of tech, as tech adoption progresses towards consumer demanding security and convenience.*	2/26/2019	HACK: 4.26% CIBR: 4.26% FTNT: -3.90% CYBR: 20.28%	QQQ: 8.56%
<u>Cannabis Industry Investment.</u> MJ (ETFMG Alternative Harvest ETF) ACB (Aurora Cannabis) CGC (Canopy Growth Corporation) APHA (Aphria)	*Through March of 2019, the cannabis sector was the best performing sector in the market, as that performance reflected the growing adoption of medical cannabis, as well as the unrivaled growth potential.* *Investors and clients are asking about this industry, so we wanted to present a "Cannabis Primer" along with three different investment strategies to get responsible exposure to this market segment.*	3/12/19	MJ: -2.20% ACB: 9.92% CGC: 4.00% APHA: -29.41%	SPY: 4.37%
Socially Responsible Investing ESGV (Vanguard ESG US Stock ETF)	*Studies and AUM trends have shown that while clients still care about the bottom line (returns) there is growing popularity among investors to not only generate a solid return, but also for their investments to reflect their core beliefs and values.* *So, we've updated our research to focus on a few core ESG areas that have seen AUM explode over the past two years. These stylistic ETFs can not only outperform, but also help strengthen the client/advisor bond, via directing some investments to issues important to your client.*	3/26/19	ESGV: 4.99%	SPY: 3.31%
Hedged Equity ETFs DMRL (DeltaShares S&P 500 Managed Risk ETF) CCOR (Cambria Core Equity ETF) JHEQX (JP Morgan Hedged Equity Fund Class)	*Stocks have started 2019 with a bang, rising sharply in Q1. But, major macro risks remain present and there is undeniable proof the economy is late cycle.* *Hedged equity ETFs can help advisors and investors maintain long exposure while also providing protection from another 2018 style correction.*	4/9/19	DMRL: 2.03% CCOR: -0.28% JHEQX: 0.96%	SPY: 1.18%

Sevens Report Alpha Fund & Stock Ideas

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ARK Invest Family of ETFs ARKW (ARK Next Generation Internet ETF) ARKG (ARK Genomic Revolution ETF) XITK (SPDR Fact Set Innovative Tech ETF)	*We are re-introducing the ARK Family of ETFs. Alpha recommendation ARKK is up 26% YTD and it's outperformed the S&P 500 since our recommendation.* *ARK ETFs offer "one-stop shopping" exposure to the disruptive technologies of tomorrow—technologies that can not only produce outsized long-term returns, but that also are compelling stories for clients and prospects.*	4/23/19	ARKW: -0.66% ARKG: 1.42% XITK: 0.98%	QQQ: -1.07%