SEVENS REPORT *alpha*

April 9, 2019

In Today's Issue

- Hedged-Equity ETFs—Providing upside exposure and protection from an October-type correction.
- As we've covered in the *Sevens Report*, we are concerned stocks are at a valuation ceiling and lack a discernable positive catalyst. As such, we're worried about another pullback.
- Hedged-Equity ETFs can help protect against that pullback, and the past six months provides the perfect real-world sample for us to identify the hedged equity ETFs that 1) Protected accounts to the downside and 2) Didn't miss too much of the rebound. **It's the best time to review these ETFs in 3+ years.**
- **DMRL: DeltaShares S&P 500 Managed Risk ETF.** This hedged-equity ETF shifts exposure between stocks, 5 year Treasury Notes and T-Bills. It avoided much of the correction but impressively has participated in the rebound also.
- **CCOR: Cambria Core Equity ETF.** This ETF uses an options strategy to compliment long equity exposure, and CCOR never experienced a large drawdown during the correction. This ETF was up 4% in 2018!
- **JHEQX: JPMorgan Hedged Equity Fund Class I.** A $4 billion, 5-Star rated mutual fund that owns a similar long basket to the S&P 500 while using options and hedges to mitigate downside risk.

How to Use Hedged-Equity ETFs

"Don't Buy The Same Lesson Twice."

That was one of the first, and best, pieces of advice I received when I started in this business (thank you, Dad).

Today's Alpha issue is all about ensuring we don't but the same lesson twice. What I mean by that is I want to make sure you know about the tools we can use to ensure our clients <u>don't get blindsided</u> by another October-like correction, all while ensuring we still capture continued upside if the rally can keep going.

As you've been reading in the daily *Sevens Report*, I'm finding it difficult to avoid that nagging feeling in the back of my mind.

The feeling I'm referring to is that uncomfortable sense that the U.S. stock market is headed for another correction in the not too distant future. I say that in part because of the slew of economic indicators that are flashing worrisome warnings.

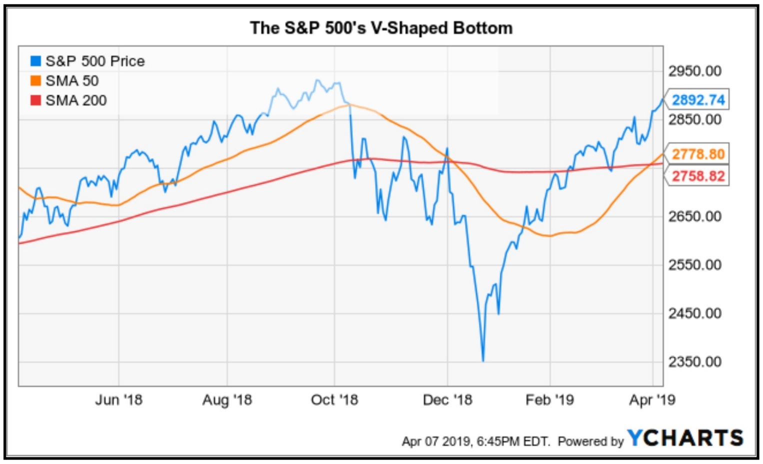
The latest in the long stream of indicators to flash a caution sign is the inversion of the yield curve. Inversion of the curve has been a precursor to an economic downturn and a market pullback in the past, although the exact timing of an equity pullback after inversion varies historically.

And though there hasn't been an inversion in the all-important 10's-2's yield spread, the compression in the metric, and throughout the belly of the curve, is troublesome.

This ominous signal combined with lackluster U.S. and global economic metrics, European political uncertainty over Brexit, a persistently high U.S. dollar, and ironically, the huge surge in equity prices in Q1 has set the stage for a lot of potentially volatile price action over the next 12-18 months, especially if this upcoming earnings season disappoints. Again, it was <u>earnings disappointment</u> that started the Q4 correction in stocks.

Technically speaking, the V-shaped bottom that was established in December is the type of pattern that market watchers love to see.

That high-volume penetration to the downside exhausted all the sellers and ultimately launched us back into an intermediate-term uptrend that remains intact today.



Yet as we warily approach the prior highs, it's becoming more difficult to foresee how the broad market will extend itself another 15-30% higher without hitting a few rough pockets of turbulence.

The question then becomes how to protect yourself on the downside without meaningfully diverging from your basic asset allocation scheme.

Anyone can shift a significant portion to cash, bonds, or even short positions to mitigate volatility. However, those more drastic moves often involve a whole lot of luck to get the timing right, and you get absolutely crucified if those positions don't pay off. In my experience, clients can understand losing money in a down market, but they seldom forgive not making money in a rising market. So, the risk to reward is skewed in the wrong direction for most advisors that want to maintain a semblance of correlation with stocks.

The bright side, however, is that you do have alternatives. Namely, the type of funds that offer baskets of equity holdings with embedded hedges to reduce their full correlation to the market.

These funds allow you to continue participating in the upside or sideways movement of stocks, but also to proactively address the downside risk that is becoming a much more prevalent issue at current market levels.

The Hedged Equity Landscape

The landscape of hedged-equity ETFs is not without a fair amount of detail, and even controversy, surrounding their effectiveness.

For the uninitiated, these funds typically own a traditional basket of stocks with embedded risk-reducing allocations to one of the following categories:

1) Short positions 2) Put options 3) Cash/fixed income and 4) Volatility futures.

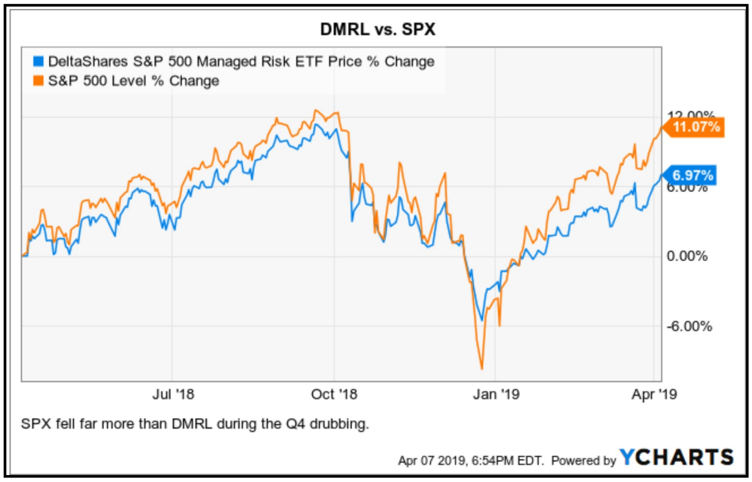
Furthermore, it is common to see a mix of both systemic smart-beta indexes and active management within the vehicles themselves. This leads to an interesting mix of funds in an alternative category that requires a fine-tooth comb to properly evaluate.

Fortunately, we have an excellent real-world benchmark in the last six months to determine just how effective these funds perform in their intended environment. In fact, this is the best six-month sample size from which to review the real world performance of these ETFs, and that's exactly what we've done here.

The 2018 correction is a perfect opportunity to measure how deep these hedged-equity funds fell versus the market, and subsequently, how much they were able to recover.

One of the shining stars in this test is the relatively new **DeltaShares S&P 500 Managed Risk ETF (DMRL)**.

This ETF is nearing its two-year anniversary and has managed to accumulate over $400 million in assets through the use of a quantitative index methodology to mitigate risk. DMRL dynamically adjusts between three different asset categories: The S&P 500 Index, 5-Year Treasury Notes, and 0-3-month Treasury Bills (or cash).



SPX fell far more than DMRL during the Q4 drubbing.

The exact allocations of each asset class are determined by a systematic formula that continually evaluates market volatility and reacts swiftly to damper downside price action. It then subsequently moves the portfolio back into the market as conditions begin to improve.

In the current environment, this fund is 88% S&P 500 and 12% cash. It's worth noting that the fund got all the way to 60% in 5-Year Treasuries near the end of 2018 when the market was at its lowest point.

DeltaShares S&P 500 Managed Risk ETF (DMRL)	
Inception Date:	7/31/2017
Assets:	$414.9M
Avg Daily Volume:	8,030
Expense Ratio:	0.35%
# of Holdings:	508
YTD Return:	10.05%
3-Yr Return:	N/A
Mstar Rating:	N/A

The comparison chart on this page shows how this meaningfully reduced downside price movement during that time frame.

Yet what I felt was even more impressive, is how quickly this fund let up on the brakes and got back on the gas when the market started to rebound to the upside.

It's obvious that the creators of this index didn't want to become beholden to the pernicious whipsaw effect that tends to eliminate so many competitors from this field.

A whipsaw is when a fund moves out of the market at or near an inflection point, only to have stocks race higher again and leave it in the dust.

DMRL was able to avoid this common folly and has stayed within a fair margin of the S&P 500 as we approach the prior highs.

Not only is the index efficient, it's also cheap. DMRL charges an all-in expense ratio of just 0.35%, which is extremely reasonable considering its institutional class underpinnings and quasi-active approach.

A fund of this nature is designed to be used as a complement to traditional equity exposure for a portion of the portfolio that you want to have just a little bit more protection.

It provides you with a reasonable beta to the market during favorable conditions with less risk than a traditional long/short or volatility-linked fund.

I also want to stress that timing the purchase of a fund like DMRL is critical. It's best purchased at a high in the market cycle.

The thesis being that this type of fund will help guard against further downside but will also give you plenty of horsepower to still participate if things continue in an uptrend. As we re-approach that prior apex, the case for a fund like DMRL becomes easier to justify for those that are risk averse.

Another fund worthy of high praise in the hedged equity category is the **Cambria Core Equity ETF (CCOR)**.

The Cambria fund family was founded on the premise of providing quantitative strategies with proven track records using transparent investment vehicles. That approach is what drives the risk-reducing qualities behind CCOR.

CCOR hedged the market beautifully during the latest correction.

This ETF owns a core basket of high-quality stocks across numerous sectors that have been screened for their growth in earnings as well as their history of dividend appreciation. Examples include Starbucks (SBUX), Proctor & Gamble (PG) and McDonald's (MCD).

Cambria Core Equity ETF (CCOR)	
Inception Date:	5/24/2017
Assets:	$86.2M
Avg Daily Volume:	12,193
Expense Ratio:	1.05%
# of Holdings:	48
YTD Return:	1.14%
3-Yr Return:	N/A
Mstar Rating:	N/A

It then also sells exchange-traded index put and call options in an effort to reduce the fund's volatility and increase return. Lastly, it can buy index put options to protect against a significant market decline over a short period of time.

The goal is to produce a non-correlated strategy using traditional stocks and small options positions to create a smoother price pattern. The timing of the options purchases is determined by using historical risk/reward models to identify favorable trading opportunities.

As you can see on the chart on this page, that strategy has certainly worked wonders over the last nine months, as CCOR continued to produce significant alpha even as the market cratered.

The options positions helped hedge the volatility in the market at just the right time to eliminate instability.

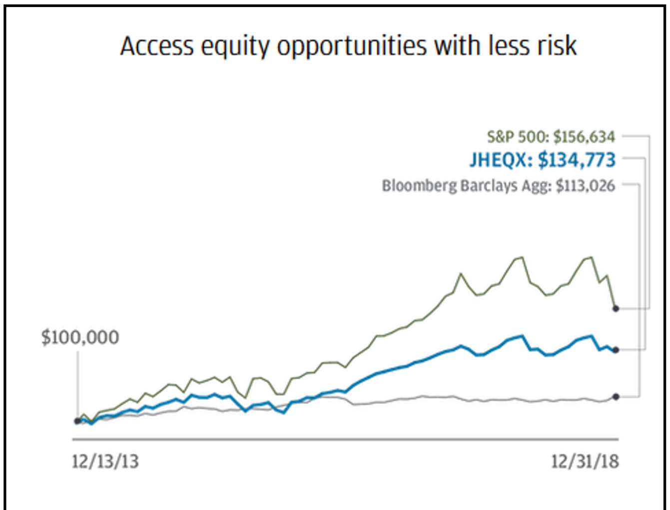
Admittedly, this short sample size was an extremely favorable opportunity for CCOR to shine.

There is no doubt that this ETF will experience periods of underperformance versus the market under conditions that bolster traditional index-based funds. Still, there is a lot of evidence that CCOR can mitigate the worst effects of a correction while keeping your clients 80% or more invested in stocks—and that protection element is the ultimate goal of any hedged-equity ETF.

If there is a knock on this fund, it may be the outsized expense ratio of 1.05%. That is on the high side for an ETF.

It's likely that this fee is up there because of the more complicated nature of the portfolio and active management that it requires to implement.

However, I don't think anyone is going to complain about expenses during a volatile period where CCOR is given the chance to demonstrate its prowess.



*Source: JP Morgan Asset Management, as of 12/31/18

A fund such as CCOR may best be used as a risk-reducing replacement for a dividend growth or high-dividend fund in client portfolios. Its similar stock selection criteria will likely appeal to those who value this investment style, and with the added benefit of the options to damper volatility.

Like DMRL, this fund should be paired with traditional index exposure to create a well-rounded asset allocation scheme.

Sticking with the active management theme, there is a third option to consider for clients that prefer a mutual fund alternative.

The **JPMorgan Hedged Equity Fund Class I (JHEQX)** is a 5-star rated Morningstar fund with more than $4 billion in total assets and a five-year track record.

JPMorgan Hedged Equity Fund	
Inception Date:	12/13/2013
Assets:	$4.3B
Avg Daily Volume:	N/A
Expense Ratio:	0.60%
# of Holdings:	191
YTD Return:	5.02%
3-Yr Return:	8.86%
Mstar Rating:	5 Star

This institutional-class fund carries an expense ratio of just 0.60% and has managed to create an impressive risk profile over its lifespan.

JHEQX uses fundamental analysis to identify large-cap stocks with undervalued qualities while maintaining characteristics similar to the S&P 500 Index. Its top holdings include well-known names such as Microsoft (MSFT), Apple (AAPL), and Amazon.com (AMZN).

It then uses both options and small short positions to hedge its downside risk. The result is a solid balance between keeping correlation with the stock market and forgoing the dynamics of cash or bonds.

The long-term growth chart on this page demonstrates how this fund has ridden the middle line between the two asset classes over the last five years.

JHEQX experienced just a fraction of the volatility the all-stock benchmark underwent during the most-recent correction and has demonstrated similar low-volatility patterns in past circumstances.

This mutual fund may be appropriate for clients that are more comfortable with the mutual fund wrapper versus an ETF or that prefer an active-management approach.

The ability to purchase the institutional class fund is likely within the capability of your advisor platform so that you can get the most favorable expense ratio and no sales or back-end loads.

Implementation & Conclusion

The defining characteristic of hedged-equity funds is to reduce risk during volatile periods. The double-edged sword of that dynamic is reduced upside when the market is in a seemingly unstoppable uptrend. *This is an important expectation to set with clients prior to implementing in their accounts.*

As a general rule, these tools are best used to generate relative alpha versus the market during periods when the reward of further upside seems limited.

It's also a safer bet to pair these types of holdings with more traditional index or beta-like exposure to ensure your asset allocation doesn't become overly "alternative" and difficult to navigate.

In a perfect world, the ability to trade these tools with pinpoint precision would entail purchasing near a market top and swapping them out for an un-hedged index near a market low.

The reality is going to be more nuanced and require transitioning between the two sides when risk/reward dynamics are skewed toward favoring one strategy over the other.

Owning these types of funds over longer periods may be appropriate in some instances where a client wants to be highly conservative and abhors large drops in stocks.

A hedged-equity ETF paired with a low-volatility stock index factor fund is an attractive option that allows you to participate in the market with far less risk than a traditional large-cap equity portfolio.

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:** **18.58%**	**SPY:** **20.63%**
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:** **3.05%** **ROBO:** **6.71%** **AMBA:** **-0.76%** **QCOM:** **23.20% (closed)**	**SPY:** **18.81%** **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:** **-19.59%** **ALB:** **-34.20%**	**SPY:** **18.81%**
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:** **3.81%** **REGL:** **12.10%** **SMDV:** **6.72%**	**AGG:** **2.91%** **MDY:** **9.65%** **IWM:** **6.43%**
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:** **3.04%** **MNA:** **3.83%**	**AGG:** **2.70%**

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:** **6.67%**	**SPY:** **14.97%**
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:** **-2.08%**	**ACWX:** **-0.78%%**
"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:** **0.87%** **EMLC:** **-5.77%** **EBND:** **-4.37%** **AGEYX:** **1.45%**	**AGG:** **3.18%**
"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:** **-8.43%** **BLCN:** **-3.34%**	**SPY:** **6.45%**
"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:** **5.31%** **TOTL:** **4.75%** **FTSL:** **3.65%**	**AGG:** **4.89%**

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:** **3.16%**	**BIL:** **2.09%**
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:** **—3.12%**	**ACWX:** **-3.14%**
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:** **-7.97%**	**SPY:** **8.70%**
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:** **-8.23%** **DLS:** **-8.92%**	**EFA:** **--3.06%**
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:** **14.46%**	**SPY:** **8.31%**
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:** **10.69%**	**SPY:** **9.15%**
"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:** **-6.00%**	**EEM:** **4.61%**

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: -11.76%	IWM: -6.29%
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: -4.71% FINX: -2.91% IPAY: 6.87%	SPY: 3.79%
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: 1.74% USFR: 1.35% SRLN: 1.95% EFR: -2.61%	AGG: 4.11%
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: 5.31% IEME: 3.17% XLC: -0.18% DIS: 4.15%	SPY: 2.31%
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: -19.51% SBIO: -1.06% FXG: —2.23%	SPY: 0.85%

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: -5.36% GNR: 0.72% RLY: -0.85%	DBC: -5.19%
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: 1.30% LDUR: 1.56% MINT: 0.83%	BIL: 1.04%
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: 9.53% DYLS: -6.91% PTLC: 4.69%	SH: -7.71%
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: 1.11% MLPA: 7.13% DCP: -0.57% SHLX: 8.96%	SPY: 7.66% AMLP: 8.08%

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: 13.67% DVP: 10.80%	VTV: 11.57%
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: 12.47%/13.18% ITB/VNQ: 22.24/20.55% DFE: 13.18%	SPY: 15.58%
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: 9.05%	SPY: 11.04%
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: 3.50% VRP: 4.12% PFXF: 5.33%	PFF: 3.93%
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: 4.16% NRG: -1.08% CNP: -0.28%	XLU: 4.17%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Cybersecurity: Threats & Opportunities **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:** **1.36%** **CIBR:** **1.22%** **FTNT:** **-1.03%** **CYBR:** **9.62%**	**QQQ:** **6.40%**
Cannabis Industry Investment. **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:** **-1.68%** **ACB:** **12.19%** **CGC:** **-9.60%** **APHA:** **2.61%**	**SPY:** **3.37%**
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:** **0.39%**	**SPY:** **0.18%**