SEVENS REPORT *alpha*

October 22, 2019

In Today's Issue

- **Investing in the Water Industry.**
- We are continuing the theme from last issue of 1) Making money (generating alpha) and 2) Doing good (appealing to clients focused on the environment).
- The water industry remains a quasi-niche, but it shouldn't, as water industry investment can: **1) Generate alpha as major water industry ETFs have outperformed the S&P 500 over the past several years and 2) Can strengthen client relationships as water investment is closely tied to ESG investing, and water demand is a concept clients can easily relate to.**
- **The Biggest Water ETF: PHO (Invesco Water Resources ETF).** This is the oldest and largest water ETF with over $1 billion in AUM, and it's outperformed the S&P 500 by more than 7% over the past three years.
- **The Best Water ETF: FIW (First Trust Water ETF).** FIW has outperformed both PHO and the S&P 500 over a three year and five-year time frame.
- **The Newcomer Water ETF: TBLU (Tortoise Global Water ESG Fund).** This new, small fund has taken a more modern approach to water industry investment and deserves consideration in appropriate client portfolios.

Investing in H2O

Helping advisors invest with "environmental awareness" is a theme we have spent a fair amount of time on this year.

Recall that in our last issue, "How to Invest in Green Energy," we covered the best investable opportunities in the solar, wind power and diversified green energy funds with exposure to the segment.

We've done this not only because it has been a persistent narrative in the mainstream and financial media, but also due to the tangible evidence that this segment adds meaningful investment alpha.

The pursuit of profits is what we are most interested in, and it's where we let the evidence lead us as we pursue new avenues of research.

It's with that mindset and backstory that we dove headfirst into this issue's environmental-related topic—investing in H2O.

The efficacy of investing in the water resources industry is something that advisors need to be aware of, as it is quickly emerging as a way to gain "environmental, social and corporate governance, or ESG," exposure for your clients.

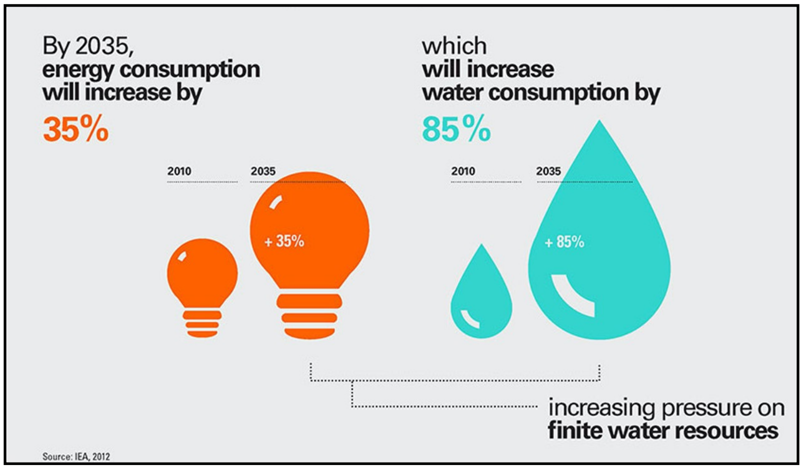
Now, what most people initially believe this sector to be focused on is the "utilities" aspect of pumping water to homes and businesses that require its use. That subgroup is certainly an important function of sustaining life in developed nations. However, it's not the type of growth story that warrants excitement from an investment standpoint.

Where the real opportunities in this sector lie are in the overlooked aspects of industrial development, health care, science, technology, sanitation, and global supply/demand imbalances.

Water is such an easily accessible resource in America that we almost take it for granted. Yet in many parts of the world, there are significant concerns from having too little potable water.

Then there is the flipside worry, which is the significant concerns from natural events that cause excessive water build-up, including flooding, crop destruction, property destruction, etc.

The causes of these imbalances span the gamut from climate change to population growth and a host of other factors. Cape Town, South Africa, found itself facing the very real possibility of running out of water just last year. The region was able to narrowly avert that crisis through a system of extreme rationing, and a just-in-time rainy season.



If you don't think the issue of water as a critical and precious natural resource is one you need to be aware from an investment opportunity standpoint, then a few statistics from the group World Vision should disabuse you of that notion quite rapidly.

Consider that:

- 844 million people lack basic drinking water access, more than one of every 10 people on the planet.
- Every day, more than 800 children under age 5 die from diarrhea attributed to poor water and sanitation.
- 2.3 billion people live without access to basic sanitation.
- 90 percent of all natural disasters are water related.

What also is not considered is how inextricably linked the energy sector is to the water industry.

World Bank estimates that by 2035, the world's energy consumption will increase by 35 percent, which in turn will increase water use by 85 percent according to the International Energy Agency.

Overcoming these challenges will mean integrating water and energy planning, reducing water dependency, and enhancing the efficiency of existing systems.

No matter how you look at this issue, it's going to take a global coordinated effort by companies dedicated to the water industry to roll out significant solutions. Additionally, the social fabric shift towards greater environmental consciousness will help drive demand for sustainable goods and services.

There is a core group of stocks that are uniquely positioned to benefit from this trend, and in this issue, we will show you some of the best ways to invest in this sector at large.

We also drill down deeper into the water table and present two individual stock ideas that can be used to gain large-cap exposure to the space.

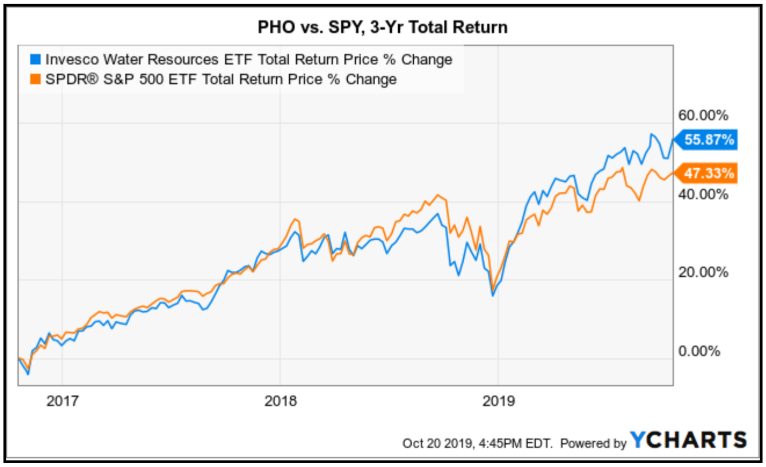
The Landscape

One of the unforeseen benefits of the exchange-traded fund (ETF) marketplace is access to a treasure trove of sector and industry groups. The ETF creators have done the heavy lifting in identifying the best-of-breed companies in their respective categories and created investable baskets of securities for easy access.

The water industry is no exception, as there are a wide-ranging selection of ETFs with excellent attributes for you to consider in client portfolios.

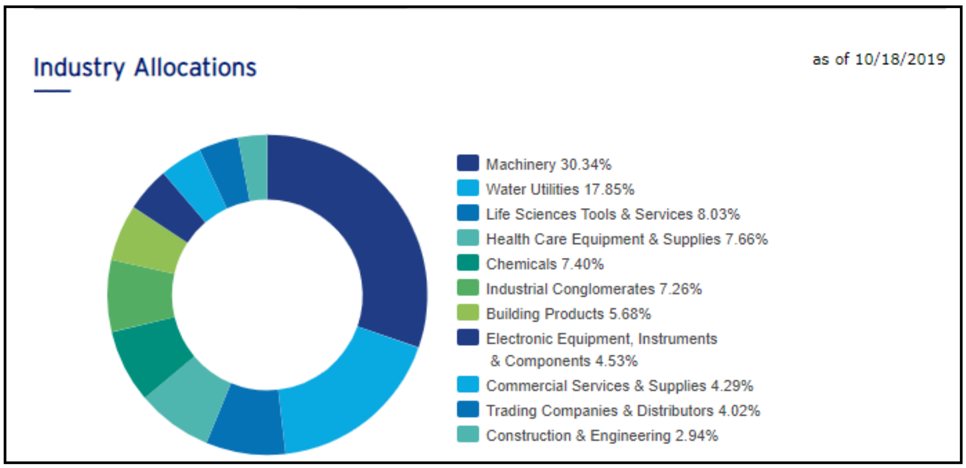
The largest and most well-established benchmark in this field is the **Invesco Water Resources ETF (PHO)**.

PHO is the industry leader in large part because it was the first to debut back in 2005 and has accumulated $1 billion in assets over its tenure.



This index fund is constructed of 35 U.S. stocks spread across a broad spectrum of market capitalizations. These companies are focused on products that conserve and purify water for residential, business, and industrial purposes.

Top holdings in the PHO portfolio include stocks such as Waters Corp (WAT), Danaher Corp (DHR), IDEX Corp (IEX), and Ecolab Inc (ECL).



The underlying holdings are weighted according to a traditional market-cap allocation strategy. What's notable about the diversity of these underlying stocks is how they are dispersed among varying industry groups.

Water utility stocks only make up 18% of the total portfolio, with the remaining companies focused on machinery, life sciences, health care, chemical development, and construction applications. The fund carries an all-in expense ratio of 0.60%, which is about average for this segment.

This portfolio makeup has seen PHO best the large-cap benchmark SPDR S&P 500 ETF (SPY) by a margin of more than 7% over the last three years. Much of that performance gain has come over the last twelve months, as PHO has picked up considerable momentum following the late-2018 correction.

It's likely that this ETF would continue to demonstrate favorable relative strength if the reflation scenario develops further traction through the end of the year and into 2020.

What's unique about the water resources story is that it doesn't sit in a single definable sector. Its roots straddle the line between industrial and utility stocks, with tentacles in other sectors as well. This makes for an exciting investment opportunity for clients that are looking to establish a deeper footprint in environmentally conscious companies.

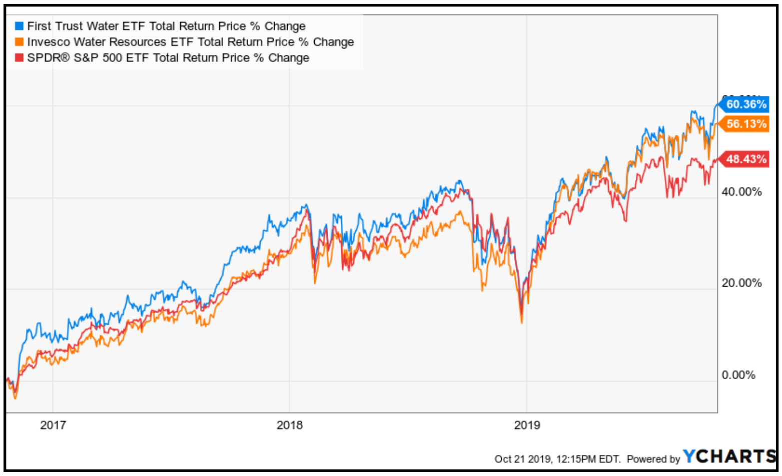
PHO would sit well as a small sector holding within the context of a diversified portfolio, and its larger size gives you confidence in its tradability both on the buy and sell-side.

Invesco Water Resources ETF (PHO)	
Inception Date:	12/6/2005
Assets:	$1.0B
Avg Daily Volume:	66K
Expense Ratio:	0.62%
# of Holdings:	35
YTD Return:	30.54%
3-Yr Return:	55.87%
Mstar Rating:	N/A

Another excellent fund to consider in this class is the **First Trust Water ETF (FIW)**.

This fund is based on the ISE Clean Edge Water Index, which is comprised of exchange-listed companies that derive a substantial portion of their revenues from the potable and wastewater industry.

The portfolio is limited to 36 U.S. stocks that meet its strict size and liquidity requirements. Holdings are then rebalanced on a semi-annual basis so that the ETF stays in line with its benchmark.



One of the fascinating aspects when comparing ETFs is that two funds can sound very similar in their index construction qualities, but the fine print leads to quite different makeup.

In the case of FIW, the top holdings are completely different than PHO with stocks such as Agilent Technologies (A), Aqua America (WTR), and A.O. Smith Corporation (AOS) leading the pack.

First Trust Water ETF (FIW)	
Inception Date:	5/08/2007
Assets:	$481M
Avg Daily Volume:	41.8K
Expense Ratio:	0.55%
# of Holdings:	37
YTD Return:	30.32%
3-Yr Return:	59.30%
Mstar Rating:	N/A

The FIW index also has limited the impact of any single stock to no more than 4% of the portfolio. This creates a more even distribution of capital among the entire group and emphasizes some of the smaller market capitalization stocks. The predictable outcome is that performance has varied from its competition as well.

FIW has appreciated some 60% over the last three years and even bested SPY on a five-year lookback. The fund has appreciated more than 88% over the last half decade and asserted itself as one of the top performing funds in this class.

Performance history alone would dictate FIW to be a more attractive option than PHO, and the 0.55% expense ratio of this ETF is lower than its direct competitor as well.

The choice between the two will likely come down to prioritizing the index construction qualities of the large-cap dominated PHO or more evenly weighted FIW.

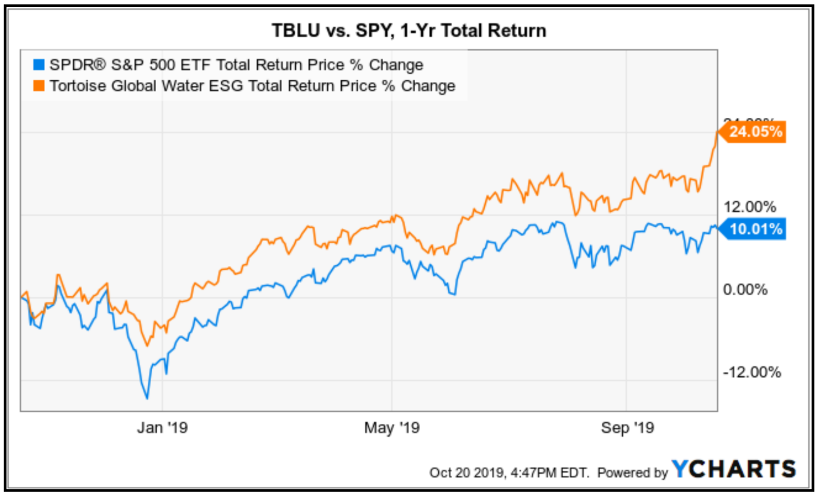
Our last featured ETF is one that you may have not even heard of yet, but it deserves a place on your radar if you are considering exposure to this industry group.

The **Tortoise Global Water ESG Fund (TBLU)** holds a very differentiated strategy from its peers.

The fund debuted a little over two years ago, but has yet to gain the traction its founders desire considering it stands at just $8 million in assets. A fund this small is not something we typically recommend you go out and buy for your clients. However, it's one that we have scoped out as having significant potential as it grows in size and notoriety.

TBLU is based on an index created by the fund sponsor to identify companies across the globe and throughout the water cycle that they believe are positioned to benefit from the pursuit of solving water's supply/demand imbalance.

To be included in the index, companies must derive at least 50% of their revenue from water-related activities AND maintain a minimum ESG score as determined by a top sustainability investment rating firm. Minimum liquidity and market capitalization requirements also are overlaid in the construction of the stock basket to ensure the underlying holdings are suitable for investment.



The result is a global portfolio of pure-play water stocks engaged in the infrastructure, management, and treatment of this finite resource.

TBLU contains 38 total holdings that are geographically allocated 46% in Europe, 47% North America, and 7% Asia-Pacific. Its holdings are also distributed 48% to equipment and services and 52% to water infrastructure.

Tortoise Global Water ESG Fund (TBLU)	
Inception Date:	2/14/2017
Assets:	$8.1M
Avg Daily Volume:	2K
Expense Ratio:	0.40%
# of Holdings:	38
YTD Return:	29.82%
Since Inception:	36.08%
Mstar Rating:	N/A

Like its peer group, TBLU has demonstrated relative strength versus the market over the last 52-weeks and just recently hit new all-time highs. The momentum behind this ETF is likely to gather additional steam in the event we see a rollover in the U.S. dollar. Its emphasis on international holdings would benefit from weakness in the greenback should that trend become a more prominent theme moving forward.

TBLU benefits from the differentiation of its underlying portfolio versus its competition. The active share of this ETF is significant enough that it can easily be paired alongside a more conventional vehicle such as PHO or FIW.

It also benefits from the lowest expense ratio of its peer group at just 0.40%. Furthermore, the resources and brains behind its underlying index will look for ways to further enhance its profile as one of the standout options in the water investment case.

Two Key H2O Equity Plays: Danaher Corp, Ecolab Inc

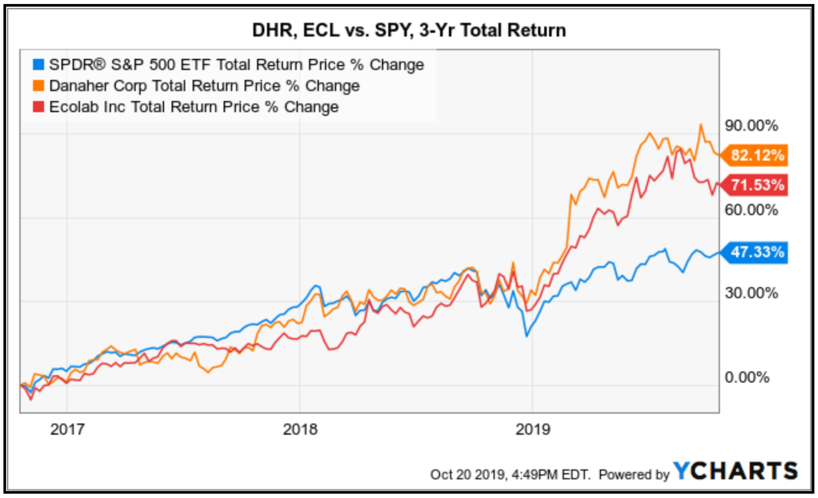
There are two individual stocks that standout as ways for clients who prefer the individual equity route to gain exposure to the water investment theme.

The first is **Danaher Corp (DHR)**. This is one of the top water stocks in virtually any exchange-traded fund on the market.

Its core business is centered around the medical devices market, which includes life sciences, diagnostics, dental, environmental and applied solutions. Its production of research tools and instruments for these segments are vital to the search for scientific knowledge and safe water solutions.

For instance, Trojan Technologies, a subsidiary of Danaher, produces UV disinfection and UV oxidation systems for municipal and wastewater treatment. The company's solutions are deployed in over 100 countries and treat more than 2 billion gallons a day for New York City alone.

Danaher is one of the largest companies in this segment with a $99 billion total market capitalization and nearly $20 billion in sales last year. In 2018, the company generated a healthy $2.6 billion in profits and it has demonstrated a trend of steady financial stewardship over the last half-decade.



This is also indicated in the vigorous price appreciation of the stock, which has gained 35% over the last year and 160% over the last five years—or more than double that of the S&P 500.

The influence of Danaher stock on the industry as a whole will be felt broadly as a bellwether indicator of strength or weakness.

Another industry influencer is **Ecolab Inc (ECL)**, a maker of products and services in the field of water, hygiene, and energy.

Its water treatment applications include cleaning and sanitizing solutions that primarily serve large industrial customers in manufacturing, beverage processing, transportation, chemical, and pharmaceutical industries.

The company also produces chemicals and water treatment needs for global petroleum and petrochemical industries.

One thing Ecolab is highly focused on is sustainability. Its tools and services help corporations save energy and water costs by reducing waste through smart strategies or technology.

For instance, a recent partnership with Ford Motor Co helped the auto giant reduce freshwater use by 23 million gallons in just four months. That's equivalent to the annual drinking water needs of more than 79,000 people.

Ecolab accounts for nearly $15 billion in annual sales and sports a total market capitalization of $55 billion at today's prices.

Similar to Danaher, the business has demonstrated positive cash flow and net income last year of $1.43 billion. That has helped propel the stock to new highs, and a 52-week gain of 34%. Furthermore, the stock is up nearly 96% on a five-year basis.

Conclusion

Investing in the water resources industry will be applicable to two groups of clients: 1) Those looking to invest for environmentally conscious causes, and 2) Those who are heavily aligned with energy, utility, and industrial holdings.

The former category will identify with the humanitarian need for clean water alongside the growth opportunities for water infrastructure in developing nations.

The latter group will understand the heavy industrial need for water as a utility and the burden society faces in allocating this resource sufficiently over the next several decades.

The ETFs and stocks discussed in this issue are a perfect complement to those narratives, and they are positioned in an industry with demographic and economic tailwinds.

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:** **21.27%**	**SPY:** **27.10%**
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:** **14.37%** **ROBO:** **1.93%** **AMBA:** **18.07%** **QCOM:** **23.20% (closed)**	**SPY:** **25.20%** **SPY:** **19.93%** **(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:** **-31.41%** **ALB:** **-48.58%**	**SPY:** **25.20%**
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:** **3.75%** **REGL:** **15.68%** **SMDV:** **10.20%**	**AGG:** **8.35%** **MDY:** **10.36%** **IWM:** **5.56%**
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:** **4.14%** **MNA:** **4.82%**	**AGG:** **8.13%**

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:** **4.06%**	**SPY:** **21.12%**
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:** **-2.10%**	**ACWX:** **0.39%**
"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:** **6.32%** **EMLC:** **-1.98%** **EBND:** **-0.42%** **AGEYX:** **5.32%**	**AGG:** **8.63%**
"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:** **-9.35%** **BLCN:** **0.24%**	**SPY:** **12.17%**
"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:** **10.22%** **TOTL:** **8.55%** **FTSL:** **5.25%**	**AGG:** **10.44%**

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:** **5.52%**	**BIL:** **3.28%**
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:** **-11.39%**	**ACWX:** **-2.00%**
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:** **-5.41%**	**SPY:** **14.53%**
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:** **-8.20%** **DLS:** **-8.16%**	**EFA:** **-0.46%**
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:** **-0.54%**	**SPY:** **14.14%**
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:** **15.53%**	**SPY:** **15.02%**
"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:** **-13.32%**	**EEM:** **0.32%**

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: -16.54%	IWM: -7.03%
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: -5.62% FINX: 2.22% IPAY: 14.01%	SPY: 9.39%
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: 3.45% USFR: 2.40% SRLN: 4.02% EFR: -0.90%	AGG: 9.61%
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: 0.42% IEME: 3.33% XLC: 5.22% DIS: 20.65%	SPY: 7.84%
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: -19.40% SBIO: -10.12% FXG: 1.74%	SPY: 1.74%

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: -11.72% GNR: -8.72% RLY: -2.09%	DBC: -11.03%
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: 2.95% LDUR: 3.69% MINT: 2.18%	BIL: 2.21%
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: 19.94% DYLS: —15.13% PTLC: 9.50%	SH: —11.42%
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: -2.71% MLPA: 0.26% DCP: -26.93% SHLX: 13.79%	SPY: 13.47% AMLP: -3.20%

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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: 15.48% DVP: 0.36%	VTV: 15.97%
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: 8.93%/5.71% ITB/VNQ: 49.34%/33.70% DFE: 14.78%	SPY: 21.82%
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: 6.83%	SPY: 17.09%
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: 8.72% VRP: 10.77% PFXF: 12.48%	PFF: 9.21%
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: 17.72% NRG: -4.66% CNP: -3.64%	XLU: 17.38%

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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: -5.32% CIBR: 0.22% FTNT: -11.68% CYBR: -5.44%	QQQ: 12.42%
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: -44.35% ACB: -54.40% CGC: -56.46% APHA: -50.05%	SPY: 9.02%
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: 8.68%	SPY: 7.87%
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: 3.31% CCOR: 0.93% JHEQX: 4.41%	SPY: 5.55%

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

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
<u>ARK Invest Family of ETFs</u> **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: -8.03% ARKG: -11.39% XITK: -5.93%	QQQ: 2.40%
<u>The Alpha Opportunity in Healthcare</u> **IHI (iShares Medical Device ETF)** **XBI/SBIO/ARKG (The Quality Bio-tech ETFs)** **IHF (iShares U.S. Healthcare Providers ETF)**	***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.***	5/7/19	IHI: 9.93% XBI: -3.75% IHF: 3.69%	XLV: 4.94%
<u>Minimum Volatility ETFs</u> **USMV (iShares Total Return MSCI USA Minimum Volatility ETF)** **SPLV (S&P 500 Low Volatility Index ETF)** **EEMV (iShares MSCI Minimum Volatility Emerging Markets ETF)** **EFAV (iShares Edge MSCI Minimum Volatility EAFE ETF)**	***Minimum volatility ETFs have proven effective alternatives for core market holdings over both the short and long term, and will help ensure investors don't give back YTD gains in the event of a correction while still maintaining upside exposure.***	5/21/19	USMV: 7.86% SPLV: 7.98% EEMV: 4.22% EFAV: 5.67%	SPY: 5.84%
<u>Ageing of America Primer</u> **WELL (Welltower Inc)** **OHI (Omega Healthcare Investors)** **SCI (Service Corp International)**	***There is a coming massive demographic shift in the U.S. as within the next 20 years one in every five Americans will reach retirement age, and that aging of Americans will have profound impacts on different market sectors.***	6/4/19	WELL: 16.96% OHI: 26.87% SCI: 5.18%	SPY: 8.10%

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Rate Cut Playbook **We wanted to provide both an asset class and stock market sector "playbook" so advisors will know what outperformed, and what underperformed during the last two rate cut cycles.** **The important part of our research is that we let the numbers, not our assumptions, do the talking and the results were surprising!**	***Inside the issue you'll find:*** • ***Return tables that show the performance of the major S&P 500 sectors over the last two rate cut cycles. (Returns 12 months following the first cut, and Returns from the first cut to the last cut).*** • ***Return tables for the major bond market segments over the last two rate cut cycles.*** • ***We identify the sectors and bond segments that lagged in both cutting cycles (again, the results were surprising) and the sectors that outright outperformed and that relatively outperformed.*** • ***Finally, we also identified the sectors and segments that were the biggest "losers" during the last two rate cut cycles.***	**6/18/19**		
How to Responsibly Allocate to Gold **GLD (SPDR Gold Trust)** **SGOL (Aberdeen Standard Physical Gold ETF)** **GDX (VanEck Vectors Gold Miners ETF)** **KL (Kirkland Lake)** **FNV (Franco Nevada Corp)**	***Gold was one of the top performers in our "Rate Cut Playbook" and it recently just hit a six year high.*** ***So, in this issue, we wanted to focus on how advisors can responsibly allocate to gold, because again If this trend continues, gold will continue to outperform the S&P 500, and undoubtedly you will field questions from clients about owning gold.*** ***Beyond servicing clients, from an alpha standpoint, gold trends incredibly well, and if we are at the start of a multi-year uptrend, the returns can be substantial (gold returned more than 800% from 2001-2011 and outperformed stocks during the last two rate cutting cycles).***	**7/2/19**	**GLD:** **5.15%** **SGOL:** **5.20%** **GDX:** **4.58%** **KL:** **2.81%** **FNV:** **8.42%**	
Momentum Factor Investing **MTUM (IShares Edge MSCI USA Momentum Factor ETF)** **SPMO (Invesco S&P 500 Momentum ETF)** **FDMO (Fidelity Momentum Factor ETF)**	***Factor investing has proven to be an effective strategy for medium and long term investors. One of the strategic factors that consistently rises to the upper half of the performance matrix is "momentum" as a driver of outsized returns.*** ***Momentum factor ETFs have provided positive excess returns in seven of the last 11 years.***	**7/16/19**	**MTUM** **-2.39%** **SPMO:** **-2.91%** **FDMO:** **-4.09%**	**SPY:** **-0.23%**

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Profit from the Sharing Economy **MILN (The Global X Funds/Millennials Thematic ETF)** **GIGE (The SoFi Gig Economy ETF)**	*Inspiration for the issue came from this comment, which I believe is a profound statement on the next evolution of the economy.* *"Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate. Something interesting is happening." Tim Goodwin The Batter Is For The Consumer Interface.* *Each of those companies are part of the new "sharing economy."* *In addition to profiling two ETFs, we also created our own "Watch List" of sharing economy companies that describes 1) What they do and 2) How they make money, so you have a clear view of the entire "Sharing Economy" universe.*	**7/30/19**	**MILN:** **-2.54%** **GIGE:** **-9.38%**	**SPY:** **-0.06%**
The Case for REITS **VNQ (Vanguard Real Estate ETF)** **VNQI (Vanguard Global ex-U.S. Real Estate ETF)** **REZ (iShares Residential Real Estate ETF)** **REM (Ishares Mortgage Real Estate ETF)**	*Over the past month, only one sector SPDR had a positive return,* ***and it was Real Estate (XLRE) as it rose 1.75%.*** *And, that underscores what has been a great year for the sector, as XLRE has gained more than 22% YTD and only trails tech (XLK) on a YTD performance basis.* *This strong performance shouldn't come as a surprise.* *The current environment is very positive for REITs, given we're likely looking at 1) More Fed rate cuts and 2) A potentially slowing economy.* *More directly, with greater than 3% yields, positive correlation to rising inflation, and a very solid historical track record through growth slowdowns (with one glaring exception), REITs remain an attractive destination for capital in the current environment.*	**8/16/19**	**VNQ:** **4.38%** **VNQI:** **6.68%** **REZ:** **4.61%** **REM:** **2.80%**	**SPY:** **4.04%**
Seizing Opportunity in the Defense Industry **ITA (IShares U.S. Aerospace & Defense ETF)** **PPA (Invesco Aerospace & Defense ETF)** **UFO (The Procure Space ETF)**	*The defense sector has been one of the best performing market sectors for over a decade. Consider* ***Over the past 10 years the defense stock sector has posted an 18.57% annualized return and a 446% cumulative return*** *That compares to a 12.96% annualized return for the S&P 500 and a cumulative return of 238%.* *That's significant outperformance that should impress any client.* *But, right now, we think there's even more opportunity in this sector due to the presence of a potentially major growth catalyst—the space industry.*	**8/27/19**	**ITA:** **-0.12%** **PPA:** **-0.02%** **UFO:** **6.76%**	**SPY:** **4.78%**

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Japanization Playbook **PTCIX (PIMCO Long Term Credit Bond Fund)** **VYM (Vanguard High Dividend Yield ETF)** **PDI (PIMCO Dynamic Income Fund)**	Given the slowing of the global economy, we are now at a fork in the road, where global economic stimulus will either work, like it did in 2016 and spur a big rally, or it will not, like what happened in Japan in the 1990s. We spent an entire *Alpha* issue detailing a what will outperform and underperform in that scenario, so that if it happens, we know what to do.	**9/10/19**	**PTCIX:** **0.50%** **VYM:** **0.84%** **PDI:** **3.54%**	**SPY:** **1.29%**
Reflation Playbook **Reflation Strategy 1: A better tech ETF.** **Reflation Strategy 2: Momentum Factor.** **Reflation Strategy 3: The Consumer.** **Reflation Strategy 4: Emerging Markets.** **Reflation Strategy 5: Floating Rate Funds.**	This issue is the final piece of our four-part series on the longer-term outcome for this market: **Japanization or Reflation?** Reflation issue goes **deeper into the sectors and assets that will** outperform if we get another successfully engineered economic reflation – driven in part by a weaker dollar – like we did in 2016-2018.	**9/24/19**	**Various ETFs listed in the Issue**	
Investing in Green Energy **TAN (Invesco Solar ETF)** **FAN (First Trust Global Wind Energy ETF)** **ICLN (IShares Global Clean Energy ETF)** **PBW (Invesco Wilderhill Clean Energy ETF)**	So, advisors today need to know funds and ETFs that can help clients invest for a greener future, **as doing so will align client investments with their interests and build more trust between the advisor and client.** In this *Alpha* issue, we cover some of the best ETFs for direct alternative energy exposure, and the results may surprise you as some of the best alternative energy ETFs share a lot of characteristics with tech ETFs and multinational industrial ETFs.	**10/8/19**	**TAN:** **0.55%** **FAN:** **3.94%** **ICLN:** **1.19%** **PBW:** **4.01%**	**SPY:** **4.15%**