SEVENS REPORT *alpha*

December 17, 2019

In Today's Issue

- **Generating Alpha Though Effective Cash Management.**
- Last week, the Fed effectively promised that it won't raise rates in 2020 and (likely) 2021, so that means most money market funds will continue to pay next to nothing in interest. **But, even with the Fed anchoring the short end of the curve, cash can be an important incremental source of portfolio alpha, especially if 2020 turns out to be more volatile than 2019.**
- In this issue, we identify three funds that provide market-beating returns on cash with very low duration and good liquidity, and we rank them depending on preference: More aggressive (and higher yield), Conservative, and "In Between."
- **The More Aggressive Fund: FPNIX.** A short-term bond fund (average duration of 1.8 years) that has never had a negative year in 34 years! It has massively outperformed BIL since our initial March 28 recommendation, rising 5.86% vs. 3.32% for BIL.
- **The Conservative Fund: MINT.** An ultra-short-term bond ETF that handily outperformed BIL since our initial October 2018 recommendation (3.24% vs. 2.25%) and yet has an effective duration of just 0.40 years.
- **The In-Between Fund: BBBIX.** A short-term bond fund with a 20-year track record, no down year in the last decade, and a 30-day SEC yield of 2.18% and a five star Morningstar rating.

Using Cash to Achieve Alpha

Showing you how to maximize alpha across all aspects of your portfolio is what we consistently strive to achieve with our newsletter services.

Our research primarily focuses on the traditional methods of investment selection, timing, and sound allocation principles in both stocks and bonds. However, there is one key area that often is overlooked when it comes to generating total return—the yield on cash and money market assets.

Cash often makes up a significant portion of a client's total net worth even if it's not under your control.

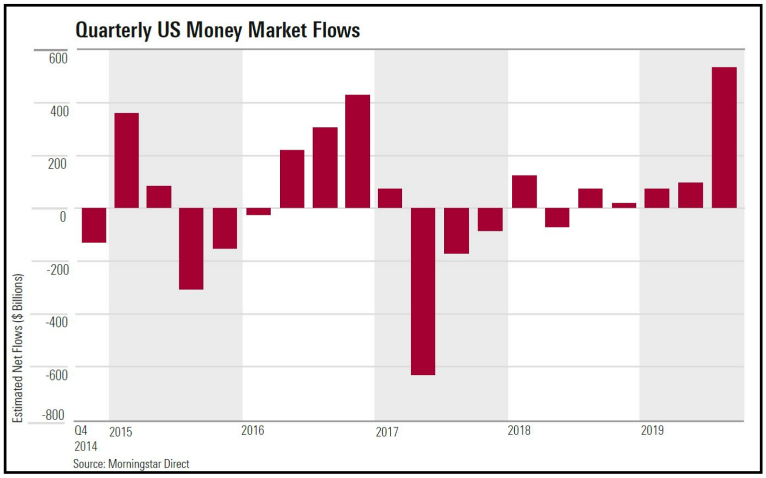
Consider the following recent statistics:

- The Capgemini World Wealth report recently estimated that High Net Worth Individuals ($1mm or more in investable assets) had 28% of their portfolios in cash as of Q1 2019. (source)
- UBS, the world's largest wealth manager, reported that 26% of their account balances were in cash as of their latest quarterly sentiment survey.
- In the third quarter, investors poured a whopping $225.2 billion into money market funds—the strongest quarterly inflows since the 2008-09 financial crisis. (source)

None of this should be surprising given demographics. As Baby Boomers age and become more risk-averse in retirement, the desire to have capital in cash or cash alternatives will rise! And, with the Fed promising to keep rates low for the foreseeable future, generating a good return on that cash, while managing risk, will be an increasingly important service for clients both from a return and security standpoint.

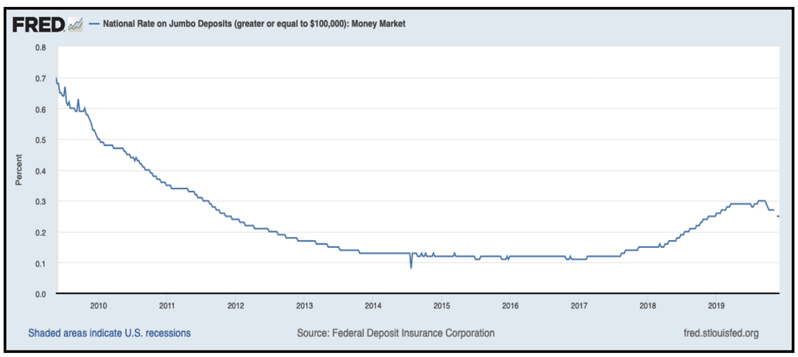
Those big cash balances represent an extremely underutilized aspect of compounded growth that, for most, are earning next to nothing. Furthermore, retail money market funds are seeing an absolute explosion in new assets.

For the week ended Dec. 4, $2.37 billion of inflows had gone into money market funds, taking total holdings to nearly $3.6 trillion, data from the Investment Company Institute shows (source).



We've been entrenched over the last decade to disregard the return on cash because there is so little yield to be had in money market funds, savings accounts, and short-term CDs.

FRED Economic data shows that the national rate on non-jumbo deposits (less than $100,000) is just 0.15%. National average interest rates on jumbo accounts with more than $100,000 are a paltry 0.25%. That's a pathetic return on deposits for those who aren't proactively monitoring the returns on their cash.



Part of the problem is that brokerages have done a fantastic job of turning billions of dollars stuffed under the mattress into an unspoken revenue stream that rivals trading commissions.

Consider why Charles Schwab, TD Ameritrade, Fidelity, and others have completely eliminated these transaction costs for clients. They make more revenue on your cash balances every single day than the paltry $5-$7 in trading commissions you may stack up every couple of months.

The default money market fund option for many of these brokerages is what's known as a "cash sweep" vehicle. Essentially, it's a savings account that is yielding pretty close to the national averages we pointed out above. What many advisors and investors don't take the time to research is that there may be a better alternative right in their own back yard.

Money Market Funds

All the major brokerage houses offer an attractive menu of money market options that are tailored to taxable, tax-free, and institutional clients. These can range anywhere from 0.80% to 1.80% annual yield depending on the type of account and preference that you designate.

They also work the same as a cash sweep vehicle, i.e. they are the default settlement option when you sell any investment. That means your clients are instantly generating more monthly income with little work on your part other than selecting the fund and directing your brokerage to make the change.

Below are links to the current money market rates and fund choices for some of the top brokerage companies. We included one of the most popular options at each shop for your consideration, but there are many others available if you click through.

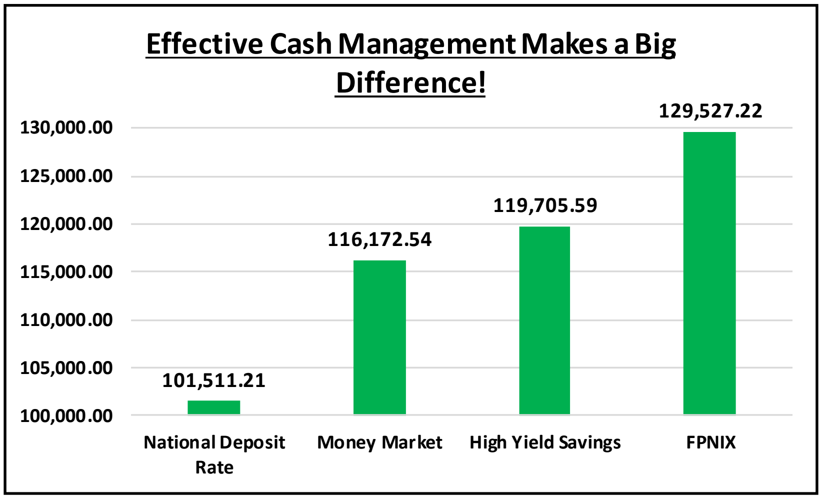
- Fidelity Investments – Fidelity Money Market Fund (SPRXX) earning 1.50%
- Charles Schwab - Schwab Value Advantage Money Fund (SWVXX) earning 1.54%
- Vanguard – Vanguard Prime Money Market Fund (VMMXX) earning 1.72%
- JP Morgan – JP Morgan US Treasury Liquidity (JSLUZ) earning 1.51%

- [Morgan Stanley](#) – Morgan Stanley US Gov Money Market (DWGXX) earning 1.36%

It shouldn't surprise anyone that Vanguard has one of the highest yields on this list. Not because they are doing anything special in terms of generating income in their money market portfolio, but rather because they have the lowest embedded fees.

If your brokerage platform is not on this list, I would advise you to contact them immediately for an up-to-date list of the available options at your disposal and their concurrent yields.

Don't make the mistake of assuming they are going to actively switch your clients to the best possible earning money fund on your behalf. They would much rather you stay in a cash sweep option because that's where they benefit the most.



The impact of these changes can be immense when you consider $100,000 in cash earning 0.15% annually is a paltry $150 of interest.

The same account earning 1.50% is going to generate $1,500 in risk-free cash flow or 10x the return. This helps offset your management fee and can make a significant impact on net long-term results.

Another way to look at this is over time. Consider the following comparisons:

- National Deposit Rate: $100,000 @ 0.15% interest grows to $101,511.21 over 10 years (paid monthly)

- Money Market Fund: $100,000 @ 1.50% interest grows to $116,172.54 over 10 years (paid monthly)

- High Yield Savings: $100,000 @ 1.80% interest grows to $119,705.59 over 10 years (paid monthly)

- FPA New Income Fund (FPNIX): $100,000 @ 2.59% interest grows to $129,527.22 over 10 years (paid monthly)

As you can see, cash in the higher-yielding accounts deliver far more alpha for your clients (as well as higher AUM for you), especially over longer time frames. Indeed, allocating to higher-yielding funds is especially important if you are a fee-based advisor that charges a percentage of AUM, so don't leave money on the table just because your clients want to be in cash.

It's also important to designate default money market funds according to taxable versus tax-deferred account status. Clients who live in high-tax states such as California or New York are going to benefit from the taxable equivalent yields of municipal money funds.

High-Yield Savings Accounts

Another avenue to address with clients during your annual or quarterly reviews are the yields on their personal savings and checking accounts. Many have opted to utilize national brick-and-mortar brands such as Bank of America, Chase, or Wells Fargo for their transactional banking needs.

Let's face it, the convenience of having an ATM on every corner and the confidence of trillions in deposits is why these banks pay next to nothing for their clients. For example, Bank of America is paying 0.03% on their advantage savings account. Chase is paying just 0.01%! That's another lost opportunity for those that keep extra cash on hand for emergencies or prefer having additional liquidity outside of their advisor-managed portfolio.

Two great resources to direct your clients to for comparing savings account yields are Bankrate.com and Nerdwallet.com.

Both websites categorically rank savings, CD, mortgage and other loan rates so that you can see who is paying the most to savers or has the lowest financing terms. They also rate the convenience, service, and features of these banks as part of their independent 5-star review process.

You might believe that the best high-yield savings accounts are going to be tiny regional credit unions that you have never heard of in far-flung states. But the truth is that many powerhouse financial institutions are putting a bigger emphasis on winning this business.

Bankrate currently has savings accounts by Capital One and Marcus by Goldman Sachs at 1.80% and 1.70%, respectively. Those come with zero-dollar minimums on deposits and no fees as well.

The benefit to the client is that they still achieve ready-made liquidity similar to their current banking relationship with the added bonus of real returns. This can help improve their account balances over time to keep pace with inflation and other purchase-eroding effects of holding too much cash. It won't take more than five minutes for them to sign up for an FDIC insured high-yield savings account and transfer their balances soon after.

There are other critical ways you can bolster your clients' income by designating a portion of their cash as eligible for taking slightly more risk. What I'm talking about here is taking the money you know will be on the shelf for six-to-12 months and putting it in a fund to generate higher net returns.

My research team has scoured the marketplace for the best opportunities in highly conservative investment vehicles with better returns than your conventional money market fund.

Short-Term Bonds

In March 2018, we highlighted a special short-term bond fund known as the **FPA New Income Fund (FPNIX)** that is still one of the best-in-class cash alternatives to consider.

This investor class, open-ended mutual fund has been in existence since 1984 and has a healthy $7.3 billion in assets under management today. The bulk of those assets have likely been drawn to the combination of active management, risk aversion, and market-leading returns in the short-term bond category. It doesn't hurt that the fund is 4-Star rated by Morningstar and carries a Bronze Morningstar analyst rating.

FPNIX leans on three core factors as part of its investment philosophy:

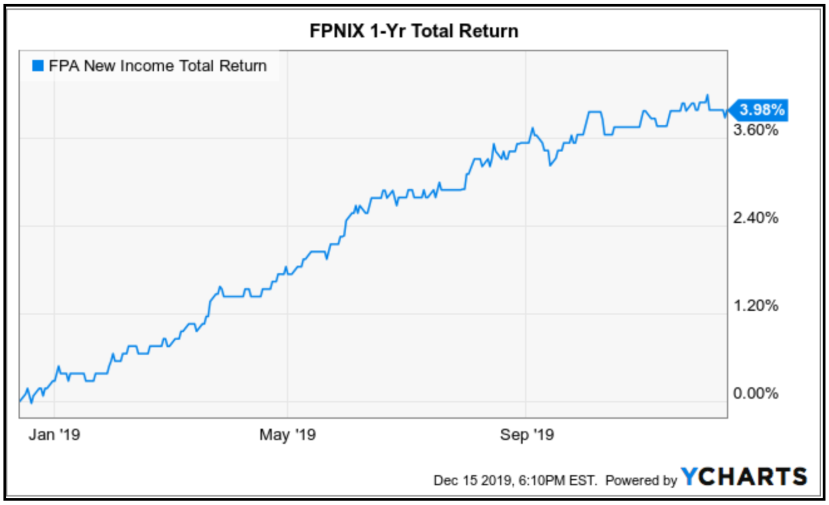
- Absolute Return Focus. The fund seeks to provide positive net returns in a 12-month period regardless of benchmark performance.
- Opportunistic Allocation. The fund can invest up to 25% of its allocation in credit-sensitive securities to bolster income.
- Deep Research. The investment team at FPA undertakes a bottom-up approach that identifies cash as a residual of investment opportunities.

These factors coalesce to generate one of the strongest track records in the industry.

Since 1993, FPNIX has had positive net returns in every calendar year. The best year being +14.36% and the worst year being +0.15%. The underlying portfolio is primarily composed of mortgage and asset-backed securities with a highly diversified basket of 450 issues. Over 90% of its underlying holdings are rated "A" credit quality or better. The minimum required to invest is a reasonable $1,500 and the expense ratio is listed at 0.50%.

Being that FPNIX is so keen on a short-term conservative portfolio, it's no surprise that the effective duration is currently pegged at 1.80 years. That duration can be controlled internally by the fund management team as they target specific maturities or convex strategies to reduce risk versus a traditional benchmark.

What's attractive about owning FPNIX in addition to its strong track record is the current 30-day SEC yield of 2.59% with income paid monthly to shareholders. That equates to an approximate 72% boost in comparable yield compared to a conventional money fund paying 1.50%.



It's important to point out that FPNIX isn't a replacement for a true money market account with a $1.00 NAV that doesn't fluctuate. This fund is going to be affected to some extent by the whims of the credit and interest rate markets.

Nevertheless, the portfolio management team has demonstrated a consistent ability to harness these hazards and use them to their advantage. That's the differentiation factor, and it's why this fund stands out versus its peer group or a traditional index alternative.

FPA New Income Fund (FPNIX)	
Inception Date:	7/11/1984
Assets:	$7.5B
Avg Daily Volume:	N/A
Expense Ratio:	0.50%
# of Holdings:	446
YTD Return:	3.69%
3-Yr Return:	9.28%
Mstar Rating:	4 Stars

Utilizing a fund such as FPNIX in client portfolios is slightly different than a money market fund because you can't designate it as a "core" or "default" settlement option. You must purchase it just like any other mutual fund and hold it for an intermediate period of time for it to achieve desirable results.

It can be used for a sizeable chunk (if not all) of your clients' languishing cash as a way of bolstering portfolio yield.

This can be particularly helpful for clients that are ultra-conservative or those who are just plain worried about a near-term correction/recession that will set their account balances back significantly.

You don't want to be trading in and out of this fund all the time, but it's rock solid for its intended purpose of capital preservation and income.

Another excellent choice for yield is one that we also have highlighted in a prior issue.

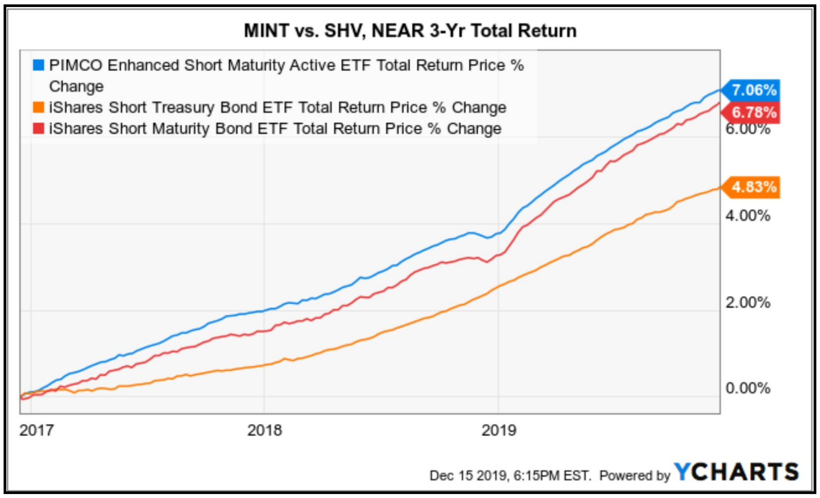
The **PIMCO Enhanced Short Maturity Active ETF (MINT)** was one of the first ETFs that the bond juggernaut introduced back in 2009. Over the last decade, it has quietly and efficiently become one of the best ultra-short bond ETFs in its category.

The combination of active management, reasonable fees, and risk aversion has catapulted this fund into our top pick in this class.

The underlying portfolio is primarily composed of short- and ultra-short duration bonds of investment-grade companies and mortgage securities.

MINT has grown to $13.7 billion in total assets, offers a 30-day SEC yield of 2.05%, and charges an expense ratio of just 0.35%. Currently, its effective duration is just 0.40 years, which from an interest rate risk standpoint is just slightly above that of a true money market fund.

Because this fund is active, its portfolio manager can modify the underlying holdings to the current market and adjust duration or sector exposure as appropriate.



That manager, Jerome M. Schneider, was named Morningstar Fixed-Income Manager of the Year in 2015 and is a high-ranking director of the Newport Beach-based firm.

This ETF has put up some impressive numbers for its category over the last several years that hold up in both relative and absolute terms. It's handily beaten Treasury-only rivals such as the iShares Short Treasury Bond ETF (SHV) as well as actively managed competitors such as the iShares Short Maturity Bond ETF (NEAR) over a three-year time frame.

MINT has also had much-less realized volatility and a similar total return profile when compared with short-term target duration index funds that are popular among income enthusiasts.

If FPNIX seems risky from the standpoint of rising interest rates, you may be more inclined to choose an even more conservative fund such as MINT for your cash alternative.

PIMCO Enhanced Short Maturity Active ETF (MINT)	
Inception Date:	11/16/2009
Assets:	$13.7B
Avg Daily Volume:	930K
Expense Ratio:	0.36%
# of Holdings:	808
YTD Return:	3.20%
3-Yr Return:	7.06%
Mstar Rating:	4 Stars

This ETF has a slightly lower real yield but is considerably less affected by the movement of Treasury rates thanks in part to its ultra-low effective duration. The bonus is that you get the opportunity for incremental income above that of conventional money market funds and the capability to also achieve some bonus capital appreciation.

It's a great way to have a position in the portfolio outside of cash if you aren't seeing any opportunities in stocks or bonds due to timing or valuation concerns. MINT takes the preservation of capital to the ultimate level and has achieved a positive total return in every year since its inception.

The last ultra-short-term bond option that deserves your consideration is **BBH Limited Duration I (BBBIX)**.

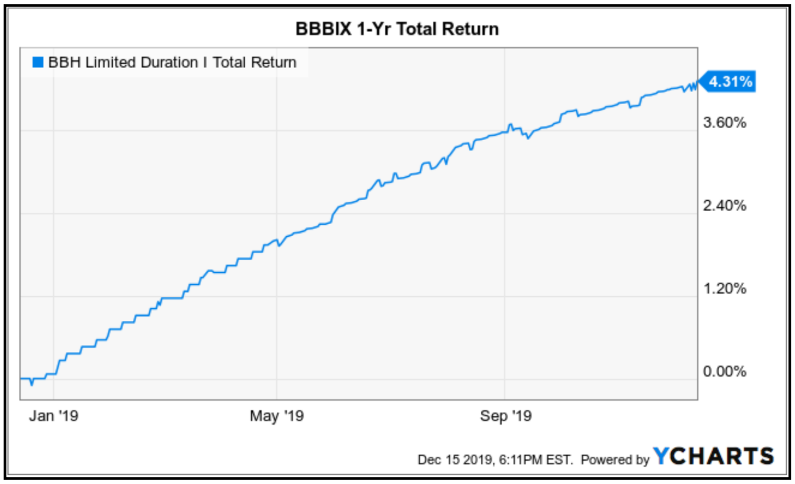
This actively managed cash alternative strikes a keen balance between risk and reward through its conservative credit mandates and effective duration sizing.

BBBIX is on the cusp of celebrating its 20th anniversary and has been a market leader for the majority of that tenure. The fund is 5-Star Morningstar rated, carries a lean expense ratio of 0.27%, and sports a 30-day SEC yield of 2.18%.

The underlying BBBIX portfolio is comprised of a mix of corporate debt, mortgage, and asset-backed securities. It also has strict prospectus limits on the amount of below-investment-grade and emerging-market holdings it can carry.

Currently, the BBBIX basket of 291 securities is composed with an effective duration of 0.95 years and 80% or more of the holdings carrying an "A" credit quality rating or better. The end result is a diversified short-term bond portfolio with capital preservation and income agenda.

The net returns of BBBIX have been extremely consistent over the last decade. The fund has accumulated 3, 5, and 10-year annualized returns of 2.98%, 2.23%, and 2.28%, respectively. Additionally, there have been no down years in the last decade for this income tool.



In terms of the risk scale, BBBIX straddles the line between the ultra-conservative MINT and the more progressive FPNIX. The effective duration and yield of the BBBIX portfolio support this analysis as well.

It's reasonable that a combination of all three bond funds can be utilized to support greater diversification and a ladder of duration exposure on the short end of the yield curve. This combination strategy may provide enhanced confidence for clients who are wary about placing too much faith in a single vehicle as a cash-like alternative.

BBH Limited Duration I (BBBIX)	
Inception Date:	12/3/2002
Assets:	$7.5B
Avg Daily Volume:	N/A
Expense Ratio:	0.27%
# of Holdings:	291
YTD Return:	4.14%
3-Yr Return:	9.08%
Mstar Rating:	5 Stars

Conclusion

The impact of enhancing underperforming assets can't be understated in the long-term relationship of retaining client trust.

Cash management is often overlooked for the bigger impact of equity positioning that tends to drive real returns.

Nevertheless, the ability to communicate these options to clients (even for assets not under your control) will build upon your value as an advisor in their minds.

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: 28.25%	SPY: 35.15%
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: 27.87% ROBO: 11.31% AMBA: 23.46% QCOM: 23.20% (closed)	SPY: 33.13% 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: -24.18% ALB: -49.09%	SPY: 33.13%
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: 7.53% REGL: 18.79% SMDV: 12.83%	AGG: 8.91% MDY: 15.82% IWM: 12.26%
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: 5.14% MNA: 7.43%	AGG: 8.69%

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:** **6.72%**	**SPY:** **28.82%**
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:** **1.74%**	**ACWX:** **4.05%**
"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:** **8.04%** **EMLC:** **-1.23%** **EBND:** **1.09%** **AGEYX:** **7.86%**	**AGG:** **9.20%**
"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:** **-4.12%** **BLCN:** **8.14%**	**SPY:** **19.26%**
"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:** **11.00%** **TOTL:** **8.98%** **FTSL:** **7.48%**	**AGG:** **11.02%**

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: 5.75%	BIL: 3.51%
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: -7.31%	ACWX: 1.58%
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: 0.96%	SPY: 21.77%
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: -2.55% DLS: -0.47%	EFA: 4.13%
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: 17.75%	SPY: 21.36%
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: 24.47%	SPY: 22.30%
"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: -4.09%	EEM: 6.28%

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: -8.94%	IWM: -1.16%
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: -2.64% FINX: 10.76% IPAY: 21.71%	SPY: 16.31%
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: 3.84% USFR: 2.67% SRLN: 6.14% EFR: 2.40%	AGG: 10.19%
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: 3.46% IEME: 2.92% XLC: 10.40% DIS: 35.36%	SPY: 14.65%
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: -11.22% SBIO: 15.90% FXG: 5.77%	SPY: 13.01%

Sevens Report Alpha Fund & Stock Ideas

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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: -7.87% GNR: -1.93% RLY: -0.24%	DBC: -6.65%
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: 3.34% LDUR: 4.06% MINT: 2.52%	BIL: 2.44%
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: 20.93% DYLS: -13.36% PTLC: 16.51%	SH: -16.46%
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: -2.13% MLPA: -1.65% DCP: -22.14% SHLX: 13.00%	SPY: 20.65% AMLP: -7.75%

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: 21.52% DVP: 10.50%	VTV: 23.33%
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: 12.27%/4.68% ITB/VNQ: 49.24%/27.86% DFE: 26.16%	SPY: 29.57%
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: 14.39%	SPY: 24.51%
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: 9.11% VRP: 12.75% PFXF: 13.01%	PFF: 9.68%
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: 16.00% NRG: -5.18% CNP: -11.01%	XLU: 17.72%

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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: 4.69% CIBR: 7.34% FTNT: 23.33% CYBR: 15.97%	QQQ: 21.23%
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: -51.00% ACB: -68.34% CGC: -56.44% APHA: -44.63%	SPY: 15.98%
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: 15.98%	SPY: 14.80%
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: 8.83% CCOR: 3.91% JHEQX: 7.65%	SPY: 12.33%

Sevens Report Alpha Fund & Stock Ideas

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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:** **4.24%** **SGOL:** **4.39%** **GDX:** **7.16%** **KL:** **-3.06%** **FNV:** **14.98%**	
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** **1.69%** **SPMO:** **-0.27%** **FDMO:** **-0.03%**	**SPY:** **6.67%**

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Outperforming in A Declining Dollar Environment **VGT (Vanguard Information Technology ETF)** **IHI (IShares U.S. Medical Devices ETF)** **EMLC (VanEck Vectors J.P. Morgan EM Local Currency Bond ETF)** **PDBC (Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF)**	If there's going to be a global reflation, then it will likely come with a weaker U.S. Dollar. From early 2017 through early 2018 the dollar declined from over 100 to below 90 (so more than 10%) and that had a significant impact on stocks: The 2017 decline in the dollar resulted in **a 31% gain for the S&P 500** from December 2016 through January 2018. But, the dollar decline also created opportunities for specific sectors and assets classes to handily outperform the S&P 500, and we want to identify those opportunities in three strategies: • Targeted sector exposure via a focus on U.S. Exporters • International ETF Exposure • Commodities Allocations.	**11/5/19**	**Various ETFs Listed in the Issue**	