SEVENS REPORT *alpha*

December 31, 2019

In Today's Issue

- **Contrarian Ideas for 2020.** This is our annual contrarian investing issue, where we identify sectors and/or themes that have underperformed (either on a relative or absolute basis) but that have potential positive catalysts looming in the new year, and as such offer attractive risk/reward for investors with the appropriate risk appetite.
- We produce this annual issue for two reasons: First, we think these ideas can outperform in 2020. Second, we want to provide interesting ideas with compelling stories to show clients at meetings in the new year.
- **Contrarian Idea: Cannabis Sector. MJ (ETFMG Alternative Harvest ETF).** Cannabis stocks got crushed in 2019, but underlying demand for medical cannabis, along with public acceptance of the idea, continued to grow. There are few sectors in the markets today that offer as much long term growth potential as the cannabis sector, and with the 2019 collapse in prices, risks are now reduced.
- **Contrarian Idea: Energy. XOP (SPDR S&P Oil & Gas Exploration & Production ETF).** The energy sector lagged in 2019, but if there is a rebound in growth, combined with a protracted dollar decline, energy could handily outperform in 2020.
- **Contrarian Idea: Rising Rates. LQDH (iShares Interest Rate Hedged Corporate Bond ETF).** Bonds surged in 2019 and the broad consensus is for perma-low rates. But the Fed is now targeting higher inflation, and if growth rebounds, rates could easily move higher.

Three Contrarian Ideas for 2020

The stock market is closing out the decade of the 2010s with confidence and composure.

In the final weeks of 2019, the major indices notched multiple new, all-time highs with traders cheering the holiday rally and most investors sitting on double-digit year-to-date percentage returns in their retirement accounts.

Now, it goes without saying that in a year the S&P 500 has put up a total return of more than 31%, there are going to be some huge winners in the mix. You've no doubt been inundated with statistics such as Apple Inc. (AAPL) and its 86% romp, Facebook (FB) and its 59% jump, and Roku soaring an astounding 355% year-to-date spike (as of Dec. 27).

The technology sector really hit it out of the park this year with a gain north of 50% in the Technology Select Sector SPDR (XLK). That's roughly double the returns of any other major S&P sector.

Now, we understand that it's easy to assume the technology sector will continue to experience those gains indefinitely and consistently lead the bullish herd's run. However, astute investors are keenly aware of the recency bias that results from any big year, and also to be wary of assuming the status quo will follow.

In this publication, we want to be on the leading edge of the next big trend, and not simply putting all our eggs in the momentum of year's past. There is certainly the opportunity (and historical precedent) for the stock market to continue its uptrend with the likely caveat of shifting sector or industry leaders.

Rather than focusing our attention on the areas of significant strength and ultimately stretched valuations, we prefer to take a contrarian approach to highlighting areas of potential value.

We took this same tactic in last year's contrarian issue by highlighting three key themes: homebuilders, emerging markets, and small-cap European stocks—all of which have experienced positive net returns in 2019 and continue to demonstrate meaningful relative value within their intended portfolio slots.

We are furthering that agenda by highlighting the areas of the market that fell flat this year and where you may want to consider having conversations for upcoming portfolio changes in 2020.

This mindset is contrarian investing at its finest, and it is the notion that volatility is a feature of the markets that must be exploited rather than a pernicious bug that should be avoided.

With that mandate in mind, I sent my research team out to identify several unpopular areas of the market that have lagged over the last 12 months. In my opinion, these maligned investments have an excellent shot at turning into solid long-term uptrends as we head into 2020, and the risk/reward equation also is skewed in the favor of those with the consideration to take on new holdings or even add to existing positions.

Contrarian Idea: Marijuana and Cannabis Stocks

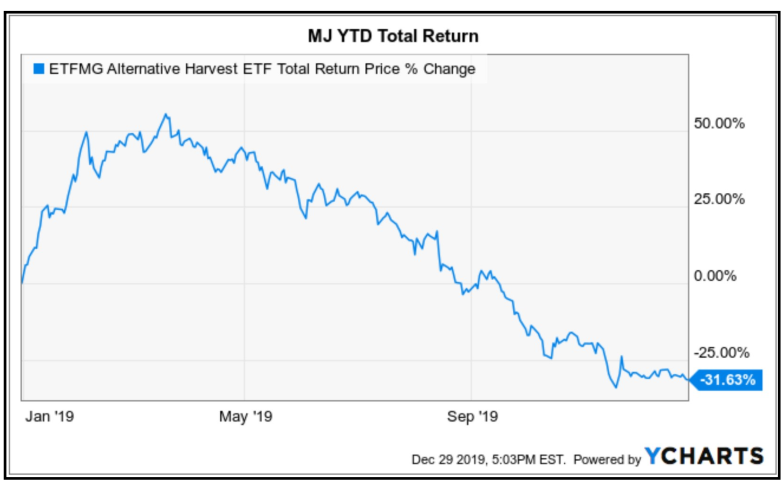
Virtually any screen for underperformance in the stock market for 2019 is going to turn up a host of medical marijuana names.

This industry was thoroughly pummeled this year as the cannabis growers invested heavily in expansion and continue to fight regulatory headwinds. Disappointing financial results centered around a lack of revenue generation, increased competition, and dwindling cash stockpiles at many of the big names such as Aurora Cannabis (ACB) and Canopy Growth (CGC), and those negatives kept stocks in the segment way down.

The easy-to-use benchmark for this industry is the **ETFMG Alternative Harvest ETF (MJ)**, which we highlighted in this service in March. This fund owns 35 stocks designated by the Prime Alternative Harvest Index.

The fund includes exposure to publicly traded cannabis growers as well as traditional tobacco stocks, pharmaceutical companies and agricultural firms. The result is a diversified portfolio of cannabis-related stocks with a truly global footprint.

To say the performance of MJ has been subpar would be an understatement in a year that the S&P 500 has risen more than 31%. This cannabis-focused ETF has dropped virtually the same amount over that time frame with a net return of negative 31% for investors.



What's a most concerning aspect of the MJ year-to-date price chart is the continued technical downtrend that has yet to find a consolidated base of support. MJ has traded below its 50- and 200-day moving averages since the middle of May, and it has remained mired in a sharp downtrend ever since. It's likely that this downtrend has been exacerbated by investors giving up on the growth story in favor of mega-cap tech names that never seem to go down.

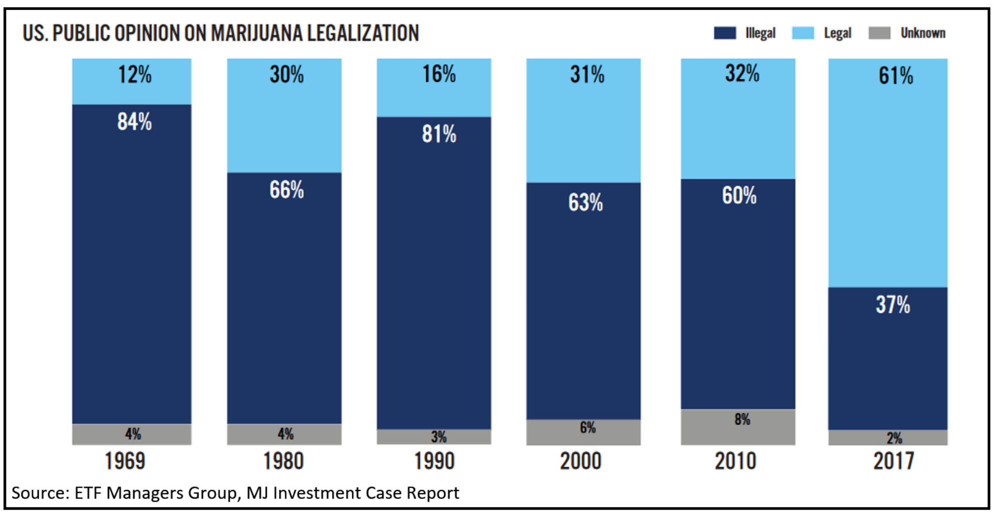
- A total of 13 state markets will pass the $1 billion mark in total annual legal cannabis spending by the end of 2024.

Nevertheless, there is still significant opportunity for this sector to experience a turnaround in 2020 and ignite a fire under these stocks. One such glimmer of optimism comes from the shifting sentiment in Congress towards the federal legalization of marijuana.

ETFMG Alternative Harvest ETF (MJ)	
Inception Date:	12/3/2015
Assets:	$680M
Avg Daily Volume:	831K
Expense Ratio:	0.75%
# of Holdings:	41
YTD Return:	-31.63%
3-Yr Return:	-26.98%
Mstar Rating:	N/A

The House Judiciary Committee [recently approved a bill](#) that legalizes marijuana on the federal level, removing it from Schedule 1 of the Controlled Substances Act. This bill still needs the approval of the full House of Representatives and Senate, but it offers insight into a more structured path for the industry as a whole. It's going to become more difficult for lawmakers to run against public sentiment on this issue.

Furthermore, there is a growing sense of optimism in the future of cannabis spending. Consider these statistics [recently published](#) by Arcview Market Research and BDS Analytics in "The State of Legal Cannabis Markets."



Source: ETF Managers Group, MJ Investment Case Report

- Total legal cannabis spending in regulated dispensaries in the U.S. topped $9.8 billion in 2018 and is projected to grow to $30 billion in 2024, a CAGR of 20%.

- Canadian spending on adult-use cannabis is expected to grow from just under $113 million in the partial year of reported sales in 2018 to $4.8 billion in 2024.

- Growth in markets beyond North America is characterized by expanding access both through liberalization of existing medical markets and legalization of medical cannabis in new markets. Global growth in legal cannabis spending is accelerating, forecasted to swell from $517 million in 2018 to $5.4 billion in 2024.

- Money is flowing ever more freely into the cannabis industry. Investment capital raised by cannabis companies quadrupled to $14 billion in 2018, according to Viridian Capital Advisers. The five largest Canadian licensed producers—Canopy Growth, Tilray, Aurora, Cronos and Aphria, closed out the first quarter of 2019 at a combined market capitalization of $48 billion.

Most of that legal spending will go towards expanded medical research, consumer wellness products, animal healthcare benefits, and other positive societal trends. The most-important aspect you should convey to those who ask about substantial growth in the marijuana industry is that it's far more about relieving joint pain than smoking a joint.

There are legitimate companies engaged in the battle to cure cancer through the study of these plants rather than merely proliferate it for recreational use. Put simply, the money is in the science (or selling the base product to the scientists).

What's also exciting about this industry is the growth of diversified investment opportunities. MJ was the first mover on the scene and quickly accumulated over $1 billion in assets at its peak. Additionally, in just the last nine months, we have seen four more cannabis-related ETFs launch with eased securities regulatory approval. These include:

- Amplify Seymour Cannabis ETF (CNBS) - $4.5mm AUM, 0.75% exp ratio.
- The Cannabis ETF (THCX) - $15.6mm AUM, 0.70% exp ratio.
- Cambria Cannabis ETF (TOKE) - $10.35mm AUM, 0.42% exp ratio.
- Global X Cannabis ETF (POTX) - $5.84mm, 0.50% exp ratio.

MJ is still our top pick based solely on its size and tradability; however, these other funds are going to be important to watch as we see increased activity and public acceptance throughout the industry as a whole. A spike of momentum reversal in this category will see a big uptick in trading volume, asset flows, and ultimately returns in your portfolio.

Utilizing a fund such as MJ or any others on this list is more designated for those portfolios and risk types that are on the aggressive end of the spectrum. Think of it like owning an option, where a small exposure footprint can potentially result in a big win for the portfolio as a whole. The first step in gaining some confidence in this sector would be a move back above the 50-day moving average as a starting point for those who are considering an allocation.

We realize this sector is not for everyone, but this is the biggest bombed out segment of the market. For clients that are comfortable with assuming a little more risk for the prospect of potentially sizeable rewards, then this sector could be a very good way to do it.

Contrarian Idea: Energy and Oil Services Stocks

Energy stocks were the worst major sector in the S&P 500 Index this year with the Energy Select Sector SPDR (XLE) generating a paltry 11.5% return, about one-third of the total gains in the broad U.S. stock index. While that gain may seem satisfactory in any other year, it has been a relative underperformer with pockets of even worse returns in oil services, MLPs and exploration companies.

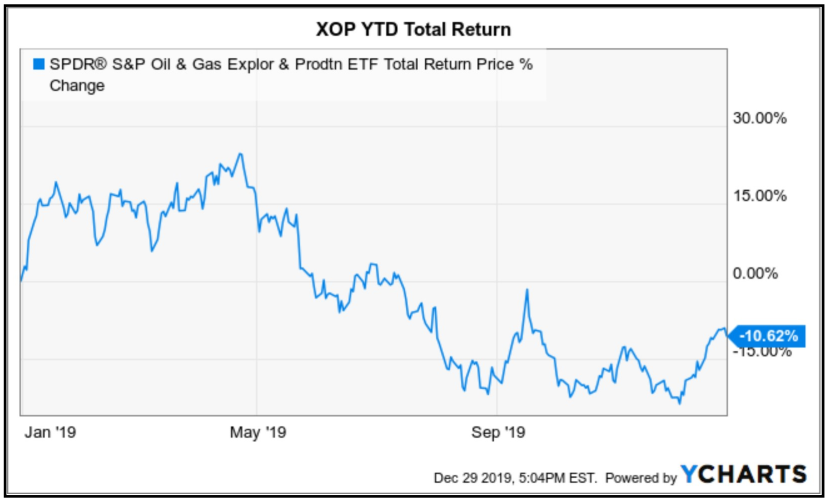
Those declines have been driven by a number of systemic factors unique to the energy sector that include the strength of the U.S. dollar, lackluster trend in crude oil, and a dismal slide in natural gas prices. The lack of any true inflationary statistics outside of stocks and real estate made for a difficult year in commodity-linked business operations. There also appears to be growing negative public sentiment towards legacy fossil fuels as climate change makes bigger headlines.

While a switch to climate-friendly fuels and systems is laudable, the reality is that the world still needs oil and gas well into the foreseeable future. Society's infrastructure is too heavily reliant on this commodity and the services that major energy conglomerates provide to think that it will fall into irrelevancy. One of the biggest contrarian value opportunities that we have identified is in the exploration and production stocks.

The **SPDR S&P Oil & Gas Exploration & Production ETF (XOP)** is a top-tier option for investors interested in this segment. XOP tracks a modified equal weighted basket of 60 energy stocks and charges a net expense ratio of just 0.35%.

The equal-weighted nature of the XOP portfolio means that each of the underlying holdings can contribute similarly to the returns of the fund rather than having the largest stocks make up the lion's share of the performance.

Some of the biggest names in the XOP portfolio include Valero Energy Corporation, Marathon Petroleum Corp, Phillips 66, and Murphy Oil Corp. The weighted market cap of the basket of holdings is right around $22 billion, which means the makeup of this fund straddles the line between mid- and large-cap exposure.



From a fundamental standpoint, the underlying holdings in XOP are trading at an attractive price/earnings ratio of 11.85. That's less than half the valuation of the S&P 500 Index and demonstrates the significant discount this sector is trading at relative to conventional equity benchmarks.

A more conservative option for those who are wary about the volatility in the energy space is to consider a more traditional sector play such as the **Vanguard Energy ETF (VDE)**.
This index fund owns a diversified basket of 140 energy stocks with the largest holdings being high quality names such as Exxon, Chevron, and ConocoPhillips. It also charges a miserly 0.10% expense ratio, which makes it palatable for clients who are extremely cost conscious.

SPDR S&P Oil & Gas Exploration & Production ETF (XOP)	
Inception Date:	6/19/2006
Assets:	$2.7B
Avg Daily Volume:	27.5M
Expense Ratio:	0.35%
# of Holdings:	60
YTD Return:	-10.62%
3-Yr Return:	-42.54%
Mstar Rating:	2 Stars

Bank of America Merrill Lynch recently published a note naming Exxon Mobil their top U.S. major oil stock pick for 2020. Their expectation is the stock could soar as much as 47% next year on the back of production and growth acceleration. Exxon makes up nearly 23% of the VDE portfolio because of its massive market capitalization size.

Mega-cap stocks also are currently some of the largest dividend payers in the market, which is why VDE sports a current 30-day SEC yield of 3.85%. Income is paid quarterly to shareholders and is an opportunity to bolster your portfolio dividend streams for those clients who prefer it.

A fund such as XOP or VDE can be utilized as a standalone sector position for those who are looking to rotate into a more value-oriented area of the market. It's also likely that the energy sector will take up larger allocation space within traditional factor ETFs that seek out value characteristics.

Contrarian Idea: Rising Rates

The bond market had a fantastic 2019 with many of the major diversified indexes marking equity-like returns over the last twelve months. This came largely on the back of Federal Reserve interest rate easing and general skepticism of continued economic expansion. The performance of several major domestic bond indexes includes:

- The iShares Core U.S. Aggregate Bond ETF (AGG) rose 8.45% this year.
- The iShares 20+ U.S. Treasury Bond ETF (TLT) gained 14.36%.
- The iShares iBoxx High Yield Corporate Bond ETF (HYG) jumped 13.90%.
- The iShares iBoxx Investment Grade Corp Bond ETF (LQD) gained 17.32%.
- The iShares National Municipal Bond ETF (MUB) lifted 7.11%.

It's also telling that 51% of the $271 billion that flowed into ETFs this year went towards bonds. Not many people would forecast that type of inflow in a year that stocks are soaring some 31%. This speaks to a disconcerting trend that investors are putting most of their nest eggs in the bond basket near historical lows in interest rates and high conviction in credit quality.

Critics of quantitative easing and monetary stimulus have been calling for interest rates to explode higher for a decade now with very little to show for their forecasts. There have been some moderate swings to the upside, the last being in 2016-2018 when we saw the 10-Year U.S. Treasury Note Yield soar from a low of 1.4% to a high of 3.2%.

Most bond managers were able to weather that storm by shortening duration and moving to higher-yielding credits to offset the interest rate headwinds. Yet the real perfect storm for the bond market would be a significant discount in credit quality combined with rising U.S. Treasury yields.

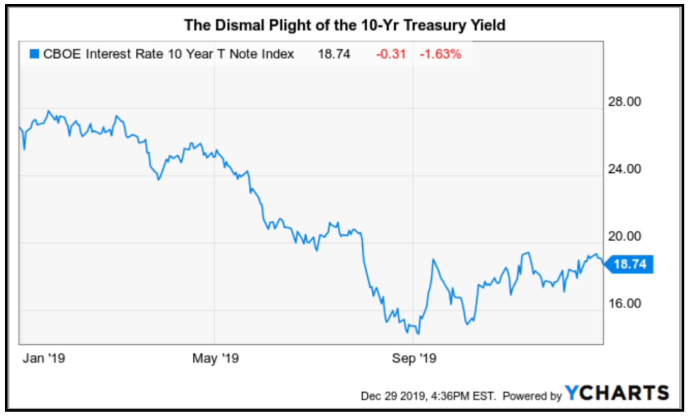
We saw this type of destructive power back in the 2008-2009 financial crisis and it wasn't easy to experience. The scary part is that advisors have put even more of their faith in bonds today than we saw back then. An unwinding of that trade would very much be a contrarian opportunity to hedge against.

A chart of the 10-Year Treasury Note Yield shows that this indicator has already bottomed in early September and has been stair-stepping higher ever since. An extension of the current trend back above the 200-day moving average may start to crack some of the bond market confidence and start a self-fulfilling reversal of those 2019 fund flows.

Bond investors have three options when it comes to combating rising interest rates:

- Shorten duration.
- Add a rising rates fund that is inversely correlated to bond prices.
- Switch to a hybrid fund with embedded interest rate hedges.

Two of the most heavily traded rising rate bond ETFs are the **ProShares Short 20+ Year Treasury ETF (TBF)** and the **ProShares Short 7-10 Year Treasury ETF (TBX)**. Think of these tactical funds as -1x correlated to the popular iShares 20+ U.S. Treasury Bond ETF (TLT) and iShares 7-10 Year Treasury Bond ETF (IEF) that are favored by bond investors.



The difference between the two funds comes down to a measure of duration, or sensitivity to changes in interest rates. TBF has a duration of 18 years, which is more than twice as sensitive as the TBX duration of eight years.

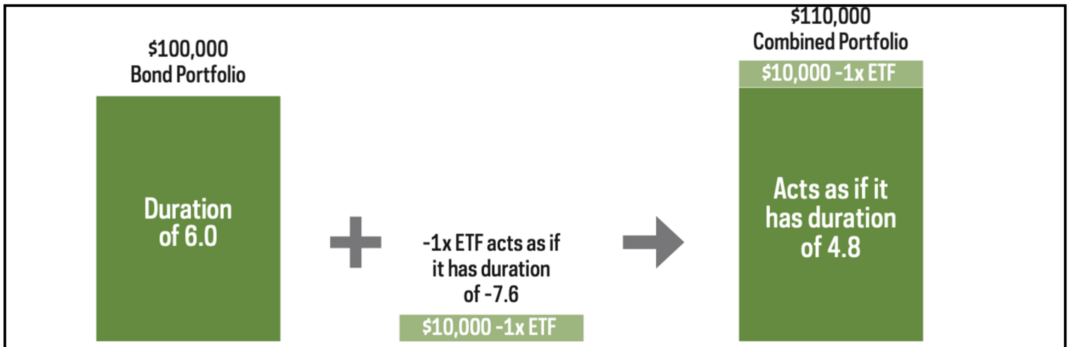
The graphic on Pg. 7 (excerpted from ProShares website) shows how a -1x hedge can meaningfully impact the duration of your total bond portfolio. These funds are designed to be utilized in small doses to offset the impact of rising Treasury Yields on existing bond positions or as a way to directionally play interest rates themselves.

Shorting any type of market is difficult under the best of circumstances, which is why we generally shy away from 2x or leveraged exposure. Many of those funds are designed solely for short-term trades and experience significant tracking errors over long time frames. It is by far preferable to take a modest stake in a 1x levered fund than trying to overextend your reach in an aggressive fund.

Another option to consider is an interest-rate hedged fund such as the **iShares Interest Rate Hedged Corporate Bond ETF (LQDH)**.

This hybrid ETF essentially owns the same basket of high-quality corporate bonds as the iShares iBoxx

Investment Grade Corp Bond ETF (LQD), with additional short positions in interest rate swaps. The net effect is to mitigate interest rate fluctuations while simultaneously allowing investors the capacity to collect income from the bonds themselves.



This example is hypothetical, and there can be no guarantee an actual investment product or strategy will perform as shown.

LQDH is going to perform best during periods of rising interest rates and stable credit conditions. Conversely, it's going to experience a drag effect of the embedded hedges when interest rates are aggressively falling. This is exemplified in the 9.27% LQDH gained this year compared to a jump of 17.64% in the traditional LQD.

This type of fund is still quite cost effective with a net expense ratio of 0.25%. It also pays a similar 30-day SEC yield of 3.23% with income paid monthly to shareholders.

This fund could easily supplant existing aggregate or investment-grade corporate bond positions in your portfolio in a rising-rate environment. The benefit is that you still receive a similar income stream without having to worry about the dynamic of Treasury yields stifling gains.

Conclusion

One final contrarian idea we have also happens to be one of the highest-profile corporate stories out there today, and it is aerospace giant Boeing (BA). In the final weeks of 2019, there were two very big Boeing stories, and the combination of the two might just mean the bottom is in for the stock.

First, it was made clear that despite hints that the 737 Max would be flying again soon, Boeing admitted that there's a much longer timetable than expected, and thus halted production. Markets had long expected Boeing's timetable was too aggressive, so this becoming reality, while negative for the share price, was somewhat cathartic as it removes any potential for an upside surprise.

Second, Boeing fired CEO Muilenburg, which will provide a needed managerial and public relations "reset" for the company.

Now, Boeing enters 2020 with 1) Virtually no expectations about when the 737 will come back online (increasing the possibility for an upside surprise), and 2) New leadership at the CEO position.

Whether this means we've seen the bottom in Boeing stock is a question I'm not qualified to answer—because I'm not a Boeing analyst. Longer term, do I think buying Boeing in an IRA or other long-term vehicle makes sense here? Yes, personally I do, but again, I'm not a Boeing analyst.

However, an ancillary beneficiary of this potential clarity with Boeing is to the **iShares U.S. Aerospace & Defense ETF (ITA)**. Boeing is 20% of this ETF, and even with that drag, the fund is up 31.5% YTD.

So, we've got an ETF looking at several potential positive catalysts in 2020:

- With the exception of Warren and Sanders, none of the credible presidential candidates are for reducing the defense budget. Trump, Biden and Buttigieg are for increase defense spending, which is obviously good for ITA.

- After a relative lull in tensions, it appears North Korea is readying another missile test, which historically has been good for defense stocks. In fact, with the exception of the summer U.S.-Iran drama, 2019 was quiet on the geopolitical/military front. History implies that was the anomaly, not the rule.

- Finally, recent headlines imply the Boeing headwind on ITA may finally be easing, and that's a positive for the ETF more broadly.

iShares Interest Rate Hedged Corporate Bond ETF (LQDH)	
Inception Date:	5/27/2014
Assets:	$105.5M
Avg Daily Volume:	9,253
Expense Ratio:	0.25%
# of Holdings:	1
YTD Return:	9.27%
3-Yr Return:	13.21%
Mstar Rating:	1 Star

While the Boeing saga likely has a few more twists and turns, the positive offshoot of the reduction in Boeing expectations may be another year of outperformance for ITA.

Finally, remember that contrarian investing is not only about identifying pockets of value or misses from prior years, but also about recognizing the investment case in future years.

Many of the themes we outlined in this issue have solid foundations for a comeback in 2020 as market trends shift and new momentum takes hold.

Have a Happy New Year,

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:** **29.39%**	**SPY:** **36.37%**
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:** **28.54%** **ROBO:** **9.80%** **AMBA:** **32.13%** **QCOM:** **23.20% (closed)**	**SPY:** **34.33%** **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:** **-23.22%** **ALB:** **-44.67%**	**SPY:** **34.33%**
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:** **6.48%** **REGL:** **19.26%** **SMDV:** **13.74%**	**AGG:** **9.49%** **MDY:** **17.18%** **IWM:** **13.65%**
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:** **9.27%** **MNA:** **5.36%**	**AGG:** **7.72%**

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Special Dividends **List of 24 stocks**	*Screened 17,070 stocks to arrive at 24 stocks that have consistently paid large special dividends. Investors can't see the true yields on these stocks because they're missing from financial websites. Our elite list has yields ranging from 50% to 600% higher than the S&P 500's yield.* ***What to do now: Buy (multiple ways to implement in issue).***	**Issue 6:** **10/31/17**	**Basket of stocks (avg.):** **7.37%**	**50% SPY/50% AGG:** **3.77%**
Insider Sentiment **KNOW (Direxion All Cap Insider Sentiment Shares ETF)**	*Numerous academic studies prove following corporate insider buying is a strategy that can outperform. KNOW—and its underlying index—have been consistent outperformers.* ***What to do now: Buy.***	**Issue 7:** **11/14/17**	**KNOW:** **8.39%**	**SPY:** **29.97%**
Global Value **GVAL (Cambria Global Value ETF)**	*A fundamentally-focused deep value strategy that uses a cyclically-adjusted valuation composite to evaluate 45 global countries for investment. GVAL captures the cheapest countries and the cheapest stocks in those specific countries, too.* ***What to do now: Buy.***	**Issue 9:** **12/12/17**	**GVAL:** **3.49%**	**ACWX:** **5.89%**
"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:** **9.10%** **EMLC:** **-0.61%** **EBND:** **1.89%** **AGEYX:** **9.10%**	**AGG:** **9.77%**
"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:** **-4.61%** **BLCN:** **8.43%**	**SPY:** **20.32%**
"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:** **10.80%** **TOTL:** **9.45%** **FTSL:** **7.67%**	**AGG:** **11.60%**

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:** **5.88%**	**BIL:** **3.69%**
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:** **-5.16%**	**ACWX:** **3.37%**
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:** **0.71%**	**SPY:** **22.85%**
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:** **-1.69%** **DLS:** **-0.83%**	**EFA:** **4.57%**
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:** **20.59%**	**SPY:** **22.43%**
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:** **23.38%**	**SPY:** **25.08%**
"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:** **-2.36%**	**EEM:** **8.36%**

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: -7.16%	IWM: 0.04%
The Future of Consumer Spending IBUY (Amplify Online Retail ETF) FINX (Global X FinTech ETF) IPAY (ETFMG Prime Mobile Payments ETF)	*The way U.S. consumers purchase goods is changing—rapidly. And, getting "pure play" exposure to the rise to online retailers and to the growth of mobile payments could be similar to investing in credit cards back in the mid-80's. There are few other established corners of the market that offer this type of growth potential.*	7/24/18	IBUY: -1.34% FINX: 9.91% IPAY: 21.36%	SPY: 17.33%
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: 3.96% USFR: 2.80% SRLN: 6.67% EFR: 6.07%	AGG: 10.77%
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: 6.85% IEME: 13.57% XLC: 11.56% DIS: 30.89%	SPY: 15.63%
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: -11.36% SBIO: 12.94% FXG: 7.93%	SPY: 13.98%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Commodities PDBC (Invesco Optimum Yield Diversified Commodity Strategy No K-1) GNR (SPDR S&P Global Natural Resources ETF) RLY (SPDR SSGA Multi-Asset Real Return ETF)	*Commodities have typically outperformed during late expansion and early recession phases of the economic cycle. Many economic indicators imply we are entering (or are already in) the late expansion phase of the economic cycle. As such, commodities have outperformed so far this year, and we expect that to continue.*	9/18/18	PDBC: -5.90% GNR: -0.86% RLY: 1.88%	DBC: -4.74%
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: 3.24% LDUR: 3.97% MINT: 2.54%	BIL: 2.62%
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: 22.98% DYLS: -11.94% PTLC: 17.62%	SH: -17.16%
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: -2.04% MLPA: -0.25% DCP: -20.74% SHLX: 11.99%	SPY: 21.68% AMLP: -6.20%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Growth into Value Rotation **RPV (Invesco S&P 500 Pure Value ETF)** **DVP (Deep Value ETF)**	*Recognizing the switch in outperformance from value to growth in 2014 was one of the easiest ways to help clients outperform.* *Now, there are signs markets might be switching back, to an era where value outperforms growth. The ETFs included in this report serve as a "one stop shop" to add quality value exposure to client portfolios.*	12/18/18	RPV: 22.16% DVP: 9.64%	VTV: 24.03%
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: 17.21%/7.73% ITB/VNQ: 46.71%/30.84% DFE: 26.51%	SPY: 30.59%
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: 14.54%	SPY: 25.49%
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: 10.02% VRP: 13.22% PFXF: 13.12%	PFF: 10.31%
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: 17.97% NRG: -7.00% CNP: -9.12%	XLU: 18.99%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Cybersecurity: Threats & Opportunities HACK (ETFMG Primce Cyber Security ETF) CIBR (First Trust NASDAQ Cybersecurity ETF) FTNT (Fortinet) CYBR (CyberArk)	*Cyber security and privacy on-line are two clearly defined growth areas of tech, as tech adoption progresses towards consumer demanding security and convenience.*	2/26/2019	HACK: 4.74% CIBR: 7.37% FTNT: 22.96% CYBR: 8.70%	QQQ: 22.82%
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: -54.49% ACB: -76.00% CGC: -60.09% APHA: -50.68%	SPY: 16.90%
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: 17.09%	SPY: 15.71%
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: 11.09% CCOR: 3.97% JHEQX: 8.06%	SPY: 12.33%

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
ARK Invest Family of ETFs **ARKW (ARK Next Generation Internet ETF)** **ARKG (ARK Genomic Revolution ETF)** **XITK (SPDR Fact Set Innovative Tech ETF)**	*We are re-introducing the ARK Family of ETFs. Alpha recommendation ARKK is up 26% YTD and it's outperformed the S&P 500 since our recommendation.* *ARK ETFs offer "one-stop shopping" exposure to the disruptive technologies of tomorrow—technologies that can not only produce outsized long-term returns, but that also are compelling stories for clients and prospects.*	4/23/19	ARKW: 5.94% ARKG: 3.79% XITK: 4.30%	QQQ: 11.90%
The Alpha Opportunity in Healthcare **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: 18.23% XBI: 11.79% IHF: 21.65%	XLV: 16.57%
Minimum Volatility ETFs **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: 10.73% SPLV: 9.37% EEMV: 6.21% EFAV: 8.14%	SPY: 13.52%
Ageing of America Primer **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: 3.28% OHI: 21.27% SCI: 4.47%	SPY: 15.94%

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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: 7.39% SGOL: 7.11% GDX: 16.24% KL: 2.50% FNV: 22.17%	
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 2.53% SPMO: 0.54% FDMO: 0.38%	SPY: 6.97%

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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:** **-0.81%** **GIGE:** **-5.77%**	**SPY:** **6.61%**
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:** **1.04%** **VNQI:** **2.68%** **REZ:** **-4.31%** **REM:** **6.56%**	**SPY:** **11.00%**
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:** **3.54%** **PPA:** **4.00%** **UFO:** **8.70%**	**SPY:** **11.77%**

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
<u>Japanization Playbook</u> **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:** **3.24%** **VYM:** **6.87%** **PDI:** **4.71%**	**SPY:** **8.57%**
<u>Reflation Playbook</u> **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**	
<u>Investing in Green Energy</u> **TAN (Invesco Solar ETF)** **FAN (First Trust Global Wind Energy ETF)** **ICLN (IShares Global Clean Energy ETF)** **PBW (Invesco Wilderhill Clean Energy ETF)**	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 <u>as some of the best alternative energy ETFs share a lot of characteristics with tech ETFs and multinational industrial ETFs.</u>	**10/8/19**	**TAN:** **5.13%** **FAN:** **13.46%** **ICLN:** **8.21%** **PBW:** **20.01%**	**SPY:** **11.67%**
<u>Investing in the Water Industry</u> **PHO (Invesco Water Resources ETF)** **FIW (First Trust Water ETF)** **TBLU (Tortoise Global Water ESG Fund)**	We are continuing the theme from the last issue of 1) Making money (generating alpha) and 2) Doing good (appealing to clients focused on the environment), and we're doing it by taking a deep dive into the water industry. The water industry remains a quasi-niche, but it shouldn't, as water industry investment can: Generate alpha as major water industry ETFs have outperformed the S&P 500 over the past several years and It can strengthen client relationships as water investment is closely tied to ESG investing, and water demand is a concept that clients can easily relate to.	**10/22/19**	**PHO:** **5.26%** **FIW:** **5.01%** **TBLU:** **7.06%**	**SPY:** **7.74%**

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
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**	
Closed End Funds **ETG (EV Tax Adv. Global Dividend Inc)** **HTD (JH Tax-Advantaged Dividend Inc)** **PDI (PIMCO Dynamic Income)** **NZF (Nuveen Municipal Credit Income)** **FFC (Flaherty & Crumrine Preferred & Income Sec.)** **RQI (Cohen & Steers Quality Income)**	Closed End Funds (CEFs) are under-utilized compared to ETFs (we explain why in the issue) but CEFs have advantages over ETFs both on a yield and tactical basis – and we think that CEFs can be an effective tool, when integrated into a broader portfolio strategy, that can boost yield and create opportunities to generate alpha.	**12/3/19**	**ETG:** **4.51%** **HTD:** **0.39%** **PDI:** **-0.77%** **NZF:** **1.12%** **FFC:** **1.86%** **RQI:** **0.68%**	**SPY:** **4.26%**
Cash Management **FPNIX (FPA New Income Fund)** **MINT (PIMCO Enhanced Maturity Active ETF)** **BBbIX (BBH Limited Duration I)**	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."	**12/17/19**	**BBBIX:** **0.09%**	**BIL:** **0.20%**