SEVENS REPORT alpha

February 25, 2020

In Today's Issue

- **How Opportunity Zones Can Help Your Clients**
- Today we are investigating Opportunity Zones and Opportunity Funds, which are relatively new, and not that well-known vehicles where clients can invest their non-qualified assets without generating a significant tax burden, while helping revitalize underprivileged areas.
- Overall, there are multiple benefits to investing in Opportunity Zones via an Opportunity Fund:
- **Tax Deferral:** Realized gains from an investment can be re-invested in an Opportunity Fund and the taxes due can be deferred for five years (payable in 2027).
- **Tax Discount:** If an investment in an Opportunity Fund is held for five years, it received a 10% discount on the initial taxes owed from the original realized gain.
- **Tax Avoidance:** If the investment in an Opportunity Fund lasts for 10 years, the gains from the investment are tax free, similar to gains in a Roth IRA.
- **Social Good:** Opportunity Zones were created so that private capital could be invested to help revitalize areas of the country that have fallen behind economically, so in addition to the potential tax and investment benefits, there also is the opportunity to do social good and provide a lasting legacy of helping a city or town revitalize.
- While not appropriate for every client, we think knowing about Opportunity Zones is important for advisors, because they are becoming more and more popular among wealthy investors.

Investing in Opportunity Zones

In this special edition of *Sevens Report Alpha*, we are doing another one of our periodic "change of pace" issues and this issue serves as a written companion piece to the latest *Sevens Report Alpha* webinar, as the two delve deeper into an issue we think could be of great value to you and your high-net-worth clients.

We know that growing client relationships is the single most important factor in creating a successful practice. We also know that those client relationships will, at times, go well beyond the performance of a particular portfolio of stocks or exchange-traded funds (ETFs). **Stated differently, it's important the client knows his/her advisor is looking out for their *entire* financial well-being, and not just the portion of assets the advisor manages.**

That perspective was the inspiration for this issue, as well as the accompanying webinar, because we're going to take an in-depth look at a little-known and little-followed vehicle that can help clients invest their non-qualified assets without generating a significant tax burden. That investment is in **Qualified Opportunity Zones** via an **Opportunity Fund**.

Interestingly, one of the investment themes that advisors are often asked about by some of their top clients is how to effectively invest their non-qualified nest egg without generating a significant tax burden. We all know how difficult it can be to put up stellar returns in the form of dividends and capital gains, only to have Uncle Sam swoop in and take an unreasonable share of the profits. <u>It can even sour the relationship for clients who are solely fixated on taxes as their primary risk paradigm.</u>

It's likely that you have several clients who have accumulated a meaningful share of their assets in trusts, partnerships, private business, real estate, and other taxable forms of ownership. These clients can mitigate the effects of taxes to some extent by investing in municipal bonds or utilizing the age-old 1035 exchange when appropriate. Both strategies are effective within a certain framework to keep

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profits where they belong, i.e. with the asset owners. However, those solutions may not offer enough flexibility to those who want further diversification and opportunity without the detrimental effects of a massive tax bill.

It is to the latter group of high-net worth individuals that the Qualified Opportunity Zone was created by the 2017 Tax Cuts and Jobs Act.

This little-known section of the tax code was designed to help defer taxes on capital gains for willing investors and simultaneously spur development in underprivileged communities.

> The IRS website describes an opportunity zone as the following:
>
> *An opportunity zone is an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as opportunity zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service.*

To be nominated as an Opportunity Zone, governors of all U.S. states and territories were given the chance to submit census tracts that met certain low-income requirements. These included minimum poverty rates, restrictions on median family income, and other local economic factors. Since the passage of this law, Opportunity Zones have been designated in all 50 U.S. states, Puerto Rico, and other surrounding territories. A complete list of all 8,700 Opportunity Zones along with a map can be found here.

Why were these zones created?

It's estimated that over $6 trillion in private capital is locked up in assets that would generate significant capital gains when sold or exchanged by traditional methods (source). Even a small fraction of this market can benefit from the creation of opportunity zones where investors can defer or potentially eliminate their tax burden through long-term investments in distressed communities.

President Donald Trump recently spoke on Economic Opportunity Zones at the North Carolina Economic Summit on Feb. 7. The president praised the revitalization of underprivileged communities, the devotion to fellow citizens, and the increase of employment statistics in minority demographics.

One company that has been a leader in education of the Opportunity Zone investing is Fund Rise. They succinctly summed up why this investment structure is so novel and different than previous tax-credit strategies that have attempted to lure capital in the past.

> *Unlike tax credit programs designed to stimulate private investment in low-income communities, Opportunity Funds can self-certify without the need for approval from the U.S. Treasury Department. This means that Opportunity Funds are managed entirely in the private market with the administration of the funds falling solely on the shoulders of fund managers rather than government agencies or investors.*
>
> *Most importantly, there is no cap on the amount of capital that can be invested into qualified Opportunity Zones, and hence no arbitrary limit on the extent to which Opportunity Zones and Opportunity Funds may help reshape downtrodden communities.*

As this passage suggests, investors don't arbitrarily invest in Opportunity Zones themselves, but rather seek out privately managed Opportunity Funds that are specifically created for this purpose.

What Are Opportunity Funds and How Do They Work?

Opportunity Funds are pools of capital created in the private market that invest at least 90% of their assets in Qualified Opportunity Zones. Think of it

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like a hedge fund or limited partnership that high-net-worth investors can utilize to receive tax incentives.

In order to realize the tax benefits of the Opportunity Fund, investors must invest the gains on the sale of a prior investment such as stocks, bonds, real estate, or a privately held company. These gains must be committed to the Opportunity Fund within 180 days of the original investment sale.

However, only the gains (profits) themselves are eligible for investment in the fund, not the original principal amount. This allows the investors to defer paying capital gains tax until they sell their stake in the fund or until December 31, 2026, whichever comes first.

There are also restrictions on what the Opportunity Funds can invest in so as to stimulate positive growth within the Opportunity Zone. These include three areas:

- Partnerships in businesses that operate in the Opportunity Zone.
- Stock ownership in businesses that conduct most of their operations in the Opportunity Zone.
- Real estate that is located within the Opportunity Zone.

It's important to point out that there are specific IRS designations for the allowances under each category. For example, real estate can include the construction of new buildings or the substantial improvement of existing buildings that is greater than the amount paid to purchase the building. These rules ensure that capital is being properly funded to projects that are stimulating the Opportunity Zone economic area.

Since the tax act passed, 130 qualified Opportunity Zone funds have opened, according to the National Council of State Housing Agencies. The funds, which range in asset size from less than $1 million to $3 billion, are run mostly by money management firms and real estate developers. (source).

Fees typically mimic that of hedge funds. Investors pay an ongoing management fee of 1.5%-2.0% annually with 20% of excess returns withheld when they sell. This compensation structure will be familiar to accredited investors that have experience with private equity-type funds.

<u>A Real World Example of The Tax Benefits</u>

Based on a realized investment gain of $1,000,000.

- Immediate deferral of 238k in taxes (based on a 23.8% cap gains rate). So, clients can invest the full $1MM in an Opportunity Fund, instead of just $762k after tax.
- <u>Discount on Taxes Owed.</u> If the investment is held for five years, client receives a 10% discount on the initial taxes owed, so a savings of $23,800.
- <u>No Tax on the Gains.</u> If the investment in the Opportunity Fund is held for 10 years, then all the gains on the investment in the Opportunity Fund are tax free. So, if the fund has a total return of 30% (so $300k) over ten years, the client pays zero taxes on those $300k gains.
- So, with the investment, the client saves $23,800 in taxes and defers $214,200 in taxes for five years.
- The client also makes an additional $71,400 in investment returns based on a 30% return on $1MM investment, vs. $762k after taxes.

<u>What Are The Tax Benefits?</u>

The underlying tax benefits of investing in Opportunity Funds are threefold:

- Investors are able to defer paying capital gains on those earnings until April 2027 for investments held through December 31, 2026.
- Those who have held their Opportunity Fund investments for at least five years prior to the sale of these holdings are able to reduce the liability of their capital gain by 10%.
- Those who hold their Opportunity Fund investment for 10 years or more can expect to pay no

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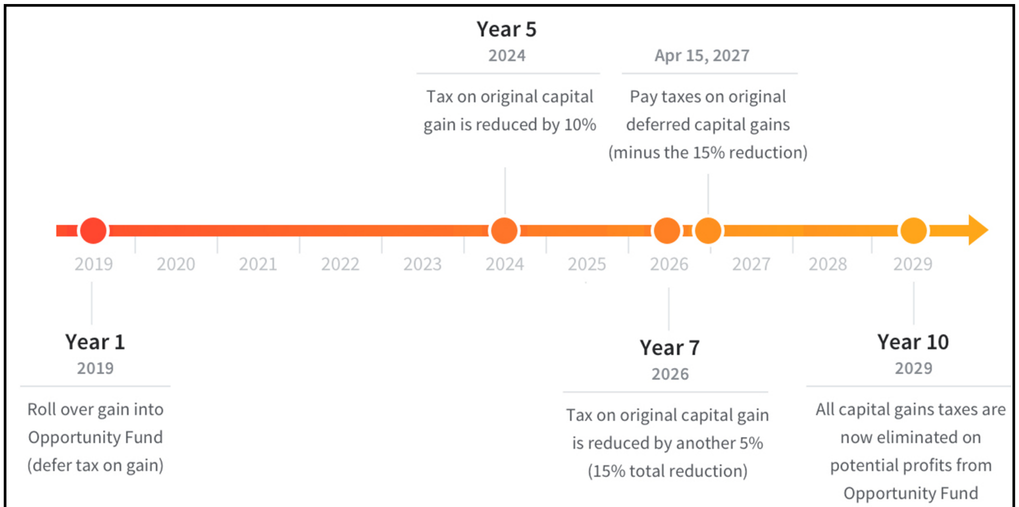
capital gains taxes on any appreciation of their investment dollars in the fund.

The graphic here shows the timeline sequence of these events and how the tax benefits mature the longer you hold the Opportunity Fund.



(Source: Fundrise.com)

What Type of Investor Is This Suitable For?

Investing in Opportunity Funds is admittedly not for everyone. Most of the funds themselves are restricted to accredited investors who fit the profile of high-net-worth families with significant taxable gains to shield. It's reasonable to assume that most people that consider these types of vehicles are going to have a household net worth in excess of $5 million.

Additionally, investors who consider this type of structure must be willing to forgo liquidity of their assets for five-to-10 years in order for the tax breaks to have a meaningful impact.

Opportunity Zone Useful Links

Fund Rise Opportunity Fund: A good general resource to learn about Opportunity Zones. Link here.

Develop LLC: Advisor Firm for Opportunity Zone Funds. CEO Steve Glickman was our webinar guest. Link here.

The Opportunity Zone Index: A proprietary ranking of Opportunity Zones on the Develop LLC site. It also includes an interactive map so you can see Opportunity Zones near you. Link here.

Government Information on Opportunity Zones (Including a List of All Opportunity Zones). Link Here.

From a psychological standpoint, prospective clients are likely going to be excited about utilizing Opportunity Funds because of these three factors:

- Wealth Shield - Tax deferral and reduction of their capital gains liability.
- Alternative Investment - Diversification outside of a conventional stock/bond portfolio.
- Patriotism - Ability to elevate and reinvigorate downtrodden sections of the country.

I also know that many advisors will see this as conflicting with their own investment/business strategies. Why would you want to suggest a client take money away from your management to place it elsewhere? It could disrupt your client relationship and hurt your own pocketbook. The answer is that it would be rare to see this used as an alternative to a modern diversified portfolio of stocks and bonds.

An Opportunity Fund investment is more aligned with a family that has owned a highly appreciated piece of commercial real estate that they just sold and are looking to diversify the proceeds.

Another scenario would be a business owner that has recently sold his/her company and doesn't want to take a significant tax hit on the windfall. It may also be appropriate for an executive of a publicly traded company who wants to sell down this concentrated stake of stock and diversify elsewhere.

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Those are the types of situations that are generally outside your sphere of influence and represent capital you wouldn't necessarily manage or retain anyways. Yet the ability to enhance your value add to the client is in educating them about Opportunity Funds and even help vet prospective firms to work with. It elevates you in the client's eyes as being a trusted advisor with a wide range of options available to serve their needs.

Where Can You Learn More?

Describing all the benefits and risks of a strategic investment like Opportunity Zones is challenging in an editorial format. Nevertheless, we are confident that many advisors like you will find these investments worthy of further research and education on behalf of your clients. We want to take that to the next level by offering an outlet for professional development with a trusted resource in this field.

To that end, we have partnered with Steve Glickman, CEO of Develop LLC, for the accompanying webinar on this topic. Steve's resume in the Opportunity Zone field is impressive. He founded Develop LLC as a way to build and support Opportunity Zone funds after working for decades in Washington, D.C. championing legislation of this nature. His work includes marketplace intelligence, structure and strategy for Opportunity Zone funds, guidance on investment placement, regulatory clarity, and much more.

Steve also is an Adjunct Professor at Georgetown University, where he teaches on economic diplomacy and international trade in the School of Foreign Service. He also previously served in the Obama Administration from 2008-2013 as a senior economic advisor at the White House, where he managed trade and investment issues, manufacturing, and small business issues for the National Security Council and the National Economic Council.

Steve received his B.A. and M.A. from Georgetown University, J.D. from Columbia Law School, and LL.M. from the London School of Economics and Political Science.

Clearly, he is a very smart guy with one of the strongest backgrounds in this arena I have come across. **I highly recommend you listen to our conversation in order to further develop your knowledge on this topic. A Link to our conversation is here.**

Conclusion

Opportunity Funds are a bonified alternative investment product with significant tax benefits for the right kind of client. Yet it's likely that many people have never heard of these products and the initial education curve could be steep when it comes to understanding how they can help shield a substantial portion of non-qualified assets.

If you are like me, you probably recognize the benefits of understanding these investments as another tool in your workshop to speak intelligently with your most valuable clients. Winning their trust and respect can mean the difference between a mediocre practice, and a truly successful practice that adds value for clients for many years to come.

Best,

Tom

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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:** **31.53%**	**SPY:** **42.24%**
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:** **26.90%** **ROBO:** **7.10%** **AMBA:** **42.18%** **QCOM:** **23.20% (closed)**	**SPY:** **42.18%** **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:** **-11.79%** **ALB:** **-31.04%**	**SPY:** **42.18%**
Dividend Growth **DIVY (Reality Shares DIVS ETF)** **REGL (ProShares S&P MidCap 400 Dividend Aristocrats ETF)** **SMDV (ProShares Russell 2000 Dividend Growers ETF)**	*Historically, dividends are responsible for half of the market's total return. They are an essential component of long-term outperformance. While most investors choose high-yielding dividend stocks, our research shows dividend growth stocks can generate better long-term returns.* *DIVY is the only ETF that isolates pure dividend growth. This ETF is a fixed income alternative that should provide steady single-digit returns with low volatility and true diversification. REGL and SMDV are ETFs that provide exposure to the "Dividend Aristocrats" of tomorrow.* ***What to do now: Buy.***	**Issue 4:** **10/4/17**	**DIVY:** **4.87%** **REGL:** **17.38%** **SMDV:** **10.50%**	**AGG:** **11.95%** **MDY:** **15.43%** **IWM:** **11.45%**
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:** **6.18%** **MNA:** **7.11%**	**AGG:** **11.73%**

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Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Special Dividends **List of 24 stocks**	*Screened 17,070 stocks to arrive at 24 stocks that have consistently paid large special dividends. Investors can't see the true yields on these stocks because they're missing from financial websites. Our elite list has yields ranging from 50% to 600% higher than the S&P 500's yield.* ***What to do now: Buy (multiple ways to implement in issue).***	Issue 6: 10/31/17	Basket of stocks (avg.): 7.37%	50% SPY/50% AGG: 3.77%
Insider Sentiment **KNOW (Direxion All Cap Insider Sentiment Shares ETF)**	*Numerous academic studies prove following corporate insider buying is a strategy that can outperform. KNOW—and its underlying index—have been consistent outperformers.* ***What to do now: Buy.***	Issue 7: 11/14/17	KNOW: 4.77%	SPY: 30.94%
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: -5.40%	ACWX: 0.74%
"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: 11.43% EMLC: -2.16% EBND: 0.17% AGEYX: 11.59%	AGG: 12.24%
"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: -2.82% BLCN: 8.80%	SPY: 21.38%
"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: 14.28% TOTL: 11.22% FTSL: 7.76%	AGG: 14.11%

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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: 6.53%	BIL: 3.79%
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: -5.01%	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: -6.14%	SPY: 23.89%
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: -6.98% DLS: -9.11%	EFA: -0.57%
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: 30.91%	SPY: 23.52%
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: 19.73%	SPY: 24.48%
"FANG and Friends" of Emerging Markets EMQQ (Emerging Markets Internet & Ecommerce ETF)	*"By 2025, annual consumption in emerging markets will reach $30 trillion—the biggest growth opportunity in the history of capitalism."—McKinsey & Company. The combination of four major forces in emerging markets make this a great investment setup: favorable demographics, increasing smartphone availability, surging wireless broadband and Wifi access, and the globalization of the capital formation process. EMQQ is the best ETF to invest in this great confluence. We also featured three alternative ETFs (ECON, KWEB, KEMQ).*	Issue 23: 6/26/18	EMQQ: -0.79%	EEM: 1.15%

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Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Micro Caps IWC (I-Shares Micro-Cap ETF)	*Small caps outperformed until this most recent pullback, but while allocations to that sector of the market are rising, micro-caps, a sub-set of small caps, remain generally overlooked.* *Micro caps remain an overlooked, under-researched, and under-allocated part of the small cap universe that can offer diversification and outperformance (micro caps are perennial takeover candidates).*	7/10/18	IWC: -10.02%	IWM: -1.78%
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: 2.72% FINX: 16.75% IPAY: 27.73%	SPY: 18.45%
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: 4.52% USFR: 3.18% SRLN: 6.69% EFR: 5.22%	AGG: 13.26%
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: 7.50% IEME: 10.51% XLC: 13.48% DIS: 21.95%	SPY: 16.78%
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: -8.99% SBIO: 8.19% FXG: 2.68%	SPY: 15.11%

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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: -15.01% GNR: -10.55% RLY: -2.45%	DBC: -13.94%
Short Duration Bond ETFs MEAR (IShares Short Maturity Municipal Bond ETF) LDUR (PIMCO Enhanced Low Duration Active ETF) MINT (PIMCO Enhanced Short Maturity Active ETF)	*The downtrend in bonds accelerated in September and October of 2018, and it was a reminder that advisors face challenges in the fixed income markets over the coming years.* *One of the best ways to protect investors in a bond bear market is by shortening duration of bond holdings, so we presented three short duration bond ETFs that have yields that are close to the 10 year Treasury, but that have much shorter average maturities.*	10/16/18	MEAR: 2.94% LDUR: 5.43% MINT: 3.98%	BIL: 2.71%
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: 28.00% DYLS: -11.44% PTLC: 18.68%	SH: -17.81%
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: -5.12% MLPA: -10.16% DCP: -37.87% SHLX: 6.06%	SPY: 22.97% AMLP: -12.90%

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Growth into Value Rotation RPV (Invesco S&P 500 Pure Value ETF) DVP (Deep Value ETF)	*Recognizing the switch in outperformance from value to growth in 2014 was one of the easiest ways to help clients outperform.* *Now, there are signs markets might be switching back, to an era where value outperforms growth. The ETFs included in this report serve as a "one stop shop" to add quality value exposure to client portfolios.*	12/18/18	RPV: 14.27% DVP: 7.50%	VTV: 21.47%
Contrarian Ideas to Start 2019 IEMG/EEMV (Emerging Market ETFs) ITB/VNQ (Homebuilders/Real Estate ETFs) DFE (WisdomTree Europe SmallCap Dividend Fund)	*The start of a new year means new money needs to be put to work, so we wanted to provide some unique and interesting contrarian ideas that can outperform in 2019.*	1/2/19	IEMG/EEMV: 9.76%/0.81% ITB/VNQ: 63.52%/39.70% DFE: 18.75%	SPY: 39.70%
Identifying High Quality Stocks COWZ (Pacer U.S. Cash Cows 100 ETF)	*Free Cash Flow Yield (FCFY) and Return On Equity (ROE) are two factors that produce long term outperformance.* *We complied a list of nearly two dozen large cap stocks that have a FCFY over 8%, along with another list of the top 10% companies with highest Return on Equity. We think the stocks on these lists present opportunities to buy quality names on market dips.* *We also identified an ETF that screens based on FCFY, and it provides outperformance with lower drawdowns.*	1/15/19	COWZ: 9.60%	SPY: 26.96%
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: 10.19% VRP: 14.29% PFXF: 15.21%	PFF: 11.68%
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: 27.53% NRG: -8..24% CNP: -14.11%	XLU: 29.22%

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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: 7.74% CIBR: 10.60% FTNT: 25.58% CYBR: 7.76%	QQQ: 29.66%
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: -55.30% ACB: -80.40% CGC: -56.12% APHA: -59.02%	SPY: 18.43%
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: 19.39%	SPY: 17.32%
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: 15.05% CCOR: 2.49% JHEQX: 10.91%	SPY: 14.72%

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ARK Invest Family of ETFs ARKW (ARK Next Generation Internet ETF) ARKG (ARK Genomic Revolution ETF) XITK (SPDR Fact Set Innovative Tech ETF)	*We are re-introducing the ARK Family of ETFs. Alpha recommendation ARKK is up 26% YTD and it's outperformed the S&P 500 since our recommendation.* *ARK ETFs offer "one-stop shopping" exposure to the disruptive technologies of tomorrow—technologies that can not only produce outsized long-term returns, but that also are compelling stories for clients and prospects.*	4/23/19	ARKW: 23.88% ARKG: 8.76% XITK: 11.08%	QQQ: 18.29%
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: 19.50% XBI: 11.39% IHF: 21.10%	XLV: 15.66%
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: 15.45% SPLV: 14.45% EEMV: -0.55% EFAV: 5.72%	SPY: 15.12%
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: 12.19% OHI: 32.85% SCI: 17.98%	SPY: 17.52%

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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: 16.75% SGOL: 17.02% GDX: 20.35% KL: -15.00% FNV: 40.17%	
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 8.69% SPMO: 4.18% FDMO: 3.35%	SPY: 8.39%

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Profit from the Sharing Economy **MILN (The Global X Funds/Millennials Thematic ETF)** **GIGE (The SoFi Gig Economy ETF)**	*Inspiration for the issue came from this comment, which I believe is a profound statement on the next evolution of the economy.* *"Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate. Something interesting is happening." Tim Goodwin The Batter Is For The Consumer Interface.* *Each of those companies are part of the new "sharing economy."* *In addition to profiling two ETFs, we also created our own "Watch List" of sharing economy companies that describes 1) What they do and 2) How they make money, so you have a clear view of the entire "Sharing Economy" universe.*	**7/30/19**	**MILN:** **2.85%** **GIGE:** **2.41%**	**SPY:** **7.94%**
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:** **7.89%** **VNQI:** **0.19%** **REZ:** **4.18%** **REM:** **13.14%**	**SPY:** **12.98%**
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:** **5.48%** **PPA:** **7.98%** **UFO:** **11.73%**	**SPY:** **13.15%**

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Japanization Playbook **PTCIX (PIMCO Long Term Credit Bond Fund)** **VYM (Vanguard High Dividend Yield ETF)** **PDI (PIMCO Dynamic Income Fund)**	Given the slowing of the global economy, we are now at a fork in the road, where global economic stimulus will either work, like it did in 2016 and spur a big rally, or it will not, like what happened in Japan in the 1990s. We spent an entire *Alpha* issue detailing a what will outperform and underperform in that scenario, so that if it happens, we know what to do.	**9/10/19**	**PTCIX:** **9.03%** **VYM:** **4.59%** **PDI:** **7.44%**	**SPY:** **9.89%**
Reflation Playbook **Reflation Strategy 1: A better tech ETF.** **Reflation Strategy 2: Momentum Factor.** **Reflation Strategy 3: The Consumer.** **Reflation Strategy 4: Emerging Markets.** **Reflation Strategy 5: Floating Rate Funds.**	This issue is the final piece of our four-part series on the longer-term outcome for this market: **Japanization or Reflation?** Reflation issue goes **deeper into the sectors and assets that will** outperform if we get another successfully engineered economic reflation – driven in part by a weaker dollar – like we did in 2016-2018.	**9/24/19**	**Various ETFs listed in the Issue**	
Investing in Green Energy **TAN (Invesco Solar ETF)** **FAN (First Trust Global Wind Energy ETF)** **ICLN (IShares Global Clean Energy ETF)** **PBW (Invesco Wilderhill Clean Energy ETF)**	Advisors today need to know funds and ETFs that can help clients invest for a greener future, **as doing so will align client investments with their interests and build more trust between the advisor and client.** In this *Alpha* issue, we cover some of the best ETFs for direct alternative energy exposure, and the results may surprise you as some of the best alternative energy ETFs share a lot of characteristics with tech ETFs and multinational industrial ETFs.	**10/8/19**	**TAN:** **35.67%** **FAN:** **17.93%** **ICLN:** **26.23%** **PBW:** **48.73%**	**SPY:** **13.02%**
Investing in the Water Industry **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:** **8.39%** **FIW:** **8.40%** **TBLU:** **14.70%**	**SPY:** **8.98%**

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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**	
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:** **5.07%** **HTD:** **2.42%** **PDI:** **1.88%** **NZF:** **3.81%** **FFC:** **4.92%** **RQI:** **-3.06%**	**SPY:** **5.26%**
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:** **0.76%**	**BIL:** **0.28%**

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Contrarian Ideas 2020 **MJ (ETFMG Alternative Harvest ETF)** **XOP (SPDR S&P Oil & Gas Exploration and Production ETF)** **LQDH (iShares Interest Rate Hedged Corporate Bond ETF)**	**Contrarian Idea: Cannabis Sector.** Cannabis stocks got crushed in 2019, but underlying demand for medical cannabis, along with public acceptance of the idea, continued to grow. **Contrarian Idea: Energy.** 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.** 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.	**12/31/19**	**MJ:** **-8.47%** **XOP:** **-25.11%** **LQDH:** **-1.22%**	**SPY:** **0.74%**
International Exposure **IQLT - iShares Edge MSCI International Quality Factor ETF.** **VIGI - Vanguard International Dividend Appreciation ETF** **GSIE - Goldman Sachs ActiveBeta International Equity ETF**	We all know that **proper diversification is essential to both risk management and long-term outperformance,** and while the outlook for the U.S. markets remains strong, proper diversification must be maintained for investors with long-term time horizons. So, we've done a deep dive into the very overpopulated world of international ETFs and selected the few ETFs that we believe offer a superior combination of 1) Exposure to quality international companies, 2) Focus on developed economies (so this isn't about emerging markets) and 3) Are trading at an attractive valuation.	**1/14/2020**	**IQLT:** **-4.94%** **VIGI:** **-4.47%** **GSIE:** **-6.22%**	**ACWX:** **-5.29%**
Opportunities in Small Caps **IJR: iShares Core S&P Small-Cap ETF** **VBK: Vanguard Small-Cap Growth ETF** **XSLV: Invesco S&P SmallCap Low Volatility ETF**	The stock market has become extremely "top-heavy" with a few mega-cap tech stocks like AAPL, AMZN, MSFT, GOOGL largely driving market performance and being the difference maker in annual performance. While that's been a good thing for the last several years for many investors, the reality is that now they are also not as diversified as they should be on a market-cap basis. Proper diversification across multiple criteria (including market cap) is essential to long term outperformance and portfolio optimization, so it's always something we need to be focused on. But, to get a bit more tactical, after years of underperformance, there's a credible macro set up where small-caps can outperform in 2020.	**1/28/2020**	**IJR:** **-0.59%** **VBK:** **1.05%** **XSLV:** **0.30%**	**IWM:** **1.10%**

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