SEVENS REPORT alpha

June 2, 2020

In Today's Issue

- **Finding Sustainable Dividends**
- Today's Alpha issue is all about finding sustainable dividends that income investors can count on in all market conditions, because the simple reality is that most bond yields just aren't high enough to generate the required income for clients.
- That means identifying companies that have sound balance sheets, track records of methodical dividend growth, and business models that are likely to survive even the worst pandemic scenarios.
- Pairing these with our recent recommendations in sensible fixed-income funds will assist in creating a well-rounded income portfolio for clients who demand stability in these uncertain times.
- **Idea 1: Broad, consistent dividend ETFs. NOBL (ProShares S&P 500 Dividend Aristocrats ETF) & DGRO (iShares Core Dividend Growth ETF).** Two diversified ETFs that target proven dividend payers and growers, and sport yield of 2.7% and 2.9%, with good sector diversification.
- **Idea 2: Tech Dividends. TDIV (First Trust NASDAQ Technology Dividend ETF).** A smart-beta ETF with a yield of 3% that is comprised of 80+ tech stocks that have a history of consistent dividend payments. TDIV has outperformed the S&P 500 over the past 5 years.
- **Idea 3: Six, solid large-cap dividend payers. JNJ/BLK/INTC/MCD/HON/PEP.** We identify six large-cap stocks with yields between 2% and 3% that have high payout ratios and that we believe are sustainable dividend payers.

Rethinking Sustainable Dividends

No one knows how this unparalleled experiment in economic stoppage, government-backed stimulus, and social upheaval is going to end.

There are simply too many variables to calculate, and little in the way of historical precedent to compare against. We are truly living through an extraordinary environment that is going to test even the most battle-hardened market veterans.

And during these extraordinary times, if you're like many of the advisors I speak to, what you are likely hearing from clients, is a mixture of fear in maintaining their account values alongside frustrations that the low-interest rate landscape has created. The search for yield has many considering jumping ship on quality assets in order to make up for disappearing income streams. We made the case in our last *Sevens Report Alpha* issue that you should be searching for the sweet spot between yield, duration, and credit quality in your fixed-income allocations. Sometimes that means forgoing a little bit of extra yield in order to proactively protect principal and maintain a practical income strategy.

That same mentality also should be directed towards dividend-paying stocks. The upheaval in the market has created new dynamics for equity income investors to consider. Namely, that the highest debt-laden dividend payers such as energy stocks, REITs, and telecoms may be under considerable duress for the foreseeable future. Furthermore, index funds that tout themselves as "high dividend" methodologies are going to be crowding even further into the riskiest and most downtrodden areas of the market.

Think about how this is playing out in the world of index funds. You purchase an ETF designed to search out something along the lines of the 100 highest dividend-paying stocks and weigh them according to yield. A market crash then depresses share prices and shoots yields up for the riskiest companies.

The index doesn't care about fundamentals, it just does what its creators told it to do. That means it's going to be unintentionally dumpster diving into sectors that are ripe for dividend cuts, bankruptcies, or other financial consequences.

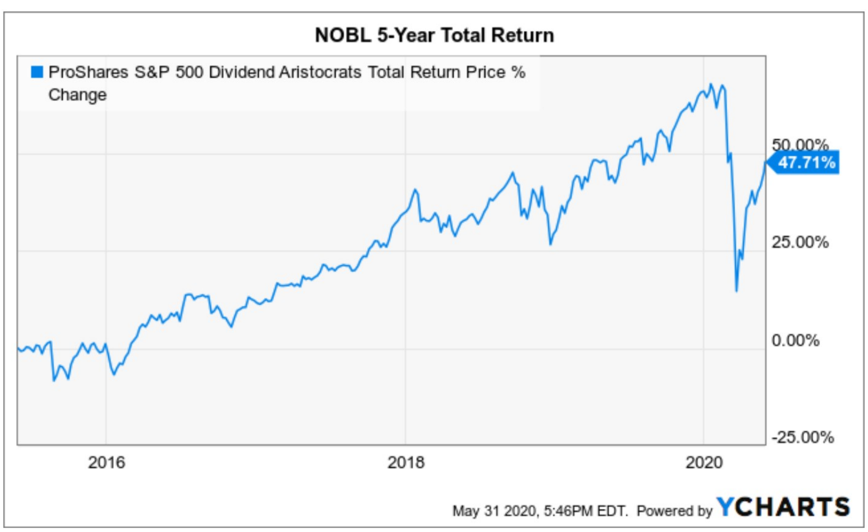
That's a risk you want to be carefully considering when allocating the stock portion of your income portfolio for more conservative clients. Is it worth gaining an extra percentage point or two of yield in exchange for lackluster returns or uncertain fundamentals? You already know the answer to that question, but it's one you may not have thought about in this context.

Our main focus in this issue is in taking a sensible approach to finding *sustainable dividends* that income investors can count on in all market conditions.

That means identifying companies that have sound balance sheets, track records of methodical dividend growth, and business models that are likely to survive even the worst pandemic scenarios. Pairing these with our recent recommendations in sensible fixed-income funds will assist in creating a well-rounded income portfolio for clients who demand stability in these uncertain times.

Investment Idea 1: Dividend Aristocrats

Returning earnings to shareholders in the form of dividends is one of the longest-held traditions in publicly traded stock markets. This is a foundational cornerstone that successful companies have staked their reputations on and it continues to deliver impressive results to this day. That is particularly true when consistent growth in earnings coincide with growth in the dividend payout ratio.



One of our favorite ways to invest in these long-term appreciating payout stocks is through the **ProShares S&P 500 Dividend Aristocrats ETF (NOBL)**.

This fund tracks the S&P 500 Dividend Aristocrats Index, which identifies companies in the benchmark that have consistently grown their annual dividends for more than 25 years. Only 16% of holdings (roughly 64 stocks) in the S&P 500 are able to lay claim to these criteria. That makes for an exclusive club with stable earnings and quality fundamentals wrapped up in a fund with over $5 billion in assets.

Twenty-five years sounds like a lifetime, but the truth is that many of these stocks have demonstrated year-over-year dividend increases for more than five decades. The following eight stocks have now surpassed 57 years of consistency in this regard: 3M, Coca-Cola, Colgate-Palmolive, Dover Corp, Emerson Electric, Genuine Parts Co, Johnson & Johnson, and Procter & Gamble.

What's impressive about the NOBL strategy is its long-term staying power through both bull and bear markets. The fundamental strength of its 64 holdings creates a naturally lower volatility strategy through distressed periods and functionally similar upside during bountiful uptrends.
Between 5.2.2005 and 3.31.20, the Dividend Aristocrats Index realized just 79.88% of the S&P 500 downside and 91.44% of its upside.

That translated to 9.09% annualized returns in the dividend strategy versus 7.76% in the broad U.S. benchmark.

A look at the more recent chart pattern demonstrates that NOBL has followed the path of the major domestic benchmarks in carving out a deep V-pattern in its share price over the last six months. Its recovery phase has not been quite as sharp due to its underweight exposure to technology companies that have been high-momentum winners of late. However, it's likely that a longer sample size will moderate these variances and return favor to the dividend aristocrat stocks.

Analyzing the sector weights of this index paints quite a different picture compared to the large-cap benchmark. Technology and healthcare make up the bulk of the S&P 500 with massive allocations to mega-cap stocks in these realms. NOBL tends to lean towards industrial, consumer staples, and materials stocks as the larger part of its makeup. It also tilts more towards stocks on the smaller end of the large-cap spectrum. The weighted average market cap of this ETF is $60 billion compared to $348 billion in the S&P 500 Index.

A unique aspect of the underlying NOBL portfolio is that the fund is equal-weighted, with rebalancing activity occurring each quarter. Furthermore, its eligible constituents are only re-evaluated on an annual basis. The strength of this system is that each holding has a similar impact on the overall performance of the fund and turnover or pivoting to new stocks is minimal. The majority of these companies have committed to their dividend strategy for decades and are therefore expected to remain in the basket for quite some time.

ProShares S&P 500 Dividend Aristocrats ETF (NOBL)	
Inception Date:	10/9/2013
Assets:	$5.8B
Avg Daily Volume:	1.6M
Expense Ratio:	0.35%
# of Holdings:	64
YTD Return:	-10.91%
3-Yr Return:	24.63%
Mstar Rating:	3 Star

The fund is currently sporting a 30-day SEC yield of 2.77% with income paid quarterly to shareholders.

A comparison of top high-dividend ETFs would see this fund pale in comparison to yields that are one or two percent higher in several cases. Nevertheless, those indexes often are concentrated in a very small number of high-payout stocks with less-than-stellar fundamental and technical characteristics.

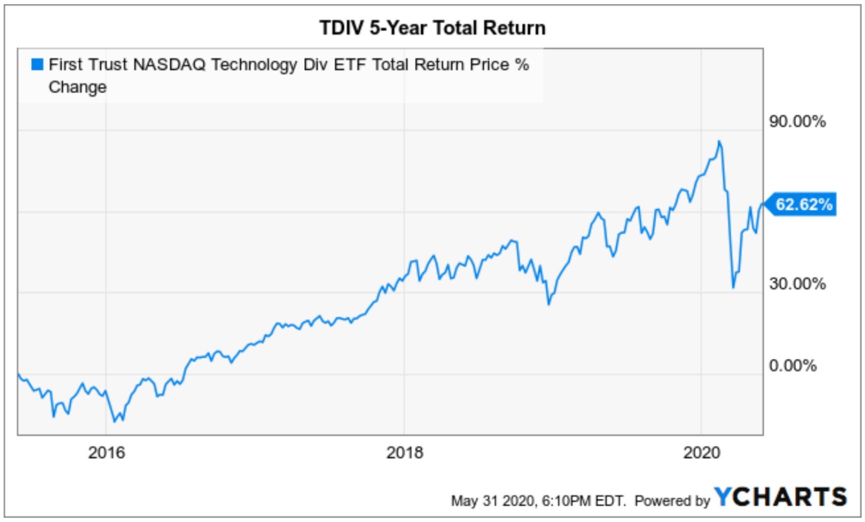
One such example is the iShares Core High Dividend ETF (HDV), which boasts a yield of over 4% with more than 25% of its assets in Exxon Mobil, AT&T, and Chevron. Not exactly a haven for high-quality balance sheets or attractive share price return at the moment. This is where you can see the advantage of not chasing current yield for the prospect of healthier and sustainable total return.

NOBL charges an expense ratio of 0.35%, which is modest in the realm of smart-beta ETFs. This makes it reasonable as a long-term core holding that can integrate well in virtually any income-oriented portfolio. It's diversified enough and has demonstrated beta characteristics that make it suitable as a core equity holding as well. You may even want to consider utilizing NOBL as a replacement or supplement to any index funds with "value" or "quality" factor tilts. It is likely going to enhance your dividend income streams in this regard and is likely to achieve similar or better long-term results.

We know there also are those that are going to look at NOBL as being too narrowly focused or sector divergent versus the benchmark to use as a viable tool. For those advisors, I would point you towards the **iShares Core Dividend Growth ETF (DGRO)**. It utilizes a similar year-over-year dividend growth screen that captures a wider array of 400+ stocks across the market cap spectrum. With a 0.08% expense ratio, 2.90% yield, and $9 billion in assets, this fund makes for a very solid (if somewhat vanilla) index fund to utilize in all portfolio types.

Investment Idea 2: Technology Dividends

Technology companies have always been known as growth engines that continually reinvest profits into new cutting-edge features, products, or services that will increase value for shareholders. However, a trend has emerged over the last decade among several large-cap tech stocks that reward stakeholders through share buybacks and returning cash in the form of dividends. This strategy has been led by the likes of Apple, Microsoft, Cisco, and Intel as they seek to enhance their value proposition in the minds of long-term investors.



Furthermore, this sector continues to be one of the areas that consistently sees high momentum and follow through on every recovery in the last 20 years. It's hard to think of reasons NOT to jump on the train of tech stocks with solid fundamentals that are keeping pace with the market and paying you a consistent income stream along the way.

This is the motivation behind the well-constructed **First Trust NASDAQ Technology Dividend ETF (TDIV)**. This exchange-traded fund is a smart-beta basket of dividend tech stocks that must meet strict index criteria in order to be considered for inclusion. This includes minimum trading volume, market-cap size, dividend history, and dividend stability to be eligible for inclusion.

First Trust NASDAQ Technology Dividend ETF (TIDV)	
Inception Date:	8/13/2012
Assets:	$1.1B
Avg Daily Volume:	182.8K
Expense Ratio:	0.50%
# of Holdings:	91
YTD Return:	-6.08%
3-Yr Return:	34.89%
Mstar Rating:	2 Star

The underlying holdings are structured according to a modified dividend value weighting methodology that accounts for the payout ratios of each security. The end result is a diversified basket of 80-plus technology and communications stocks with above-average dividend yields and quality fundamentals. This includes everything from Apple and Intel, to Qualcomm, Texas Instruments, Taiwan Semiconductor, and more.

TDIV represents one of the strongest track records in the dividend-focused index world over the last five years. It's been bolstered by its top holdings in Apple and Microsoft that continue to offer attractive growth and income characteristics.

On a five-year look-back, TDIV has outpaced the SPDR S&P 500 Index by a total return of 62.62% versus 59.28% for the large-cap benchmark. It is also beating the market benchmark over a 52-week timeframe.

Part of that total return differential is because TDIV boasts nearly double the yield of SPY. Its current 30-day SEC yield is a healthy 3.03% with income paid quarterly to shareholders. The fund sports an annual expense ratio of 0.50% and has over $1 billion in total assets allocated to its highly liquid group of holdings.

It's likely that this fund continues to dominate both as a momentum and dividend play as the majority of the cash-rich companies in its basket have demonstrated decades of consistent returns. A fund of this nature can be utilized as a way to tilt your equity income portfolio towards the tech sector and would pair well with a fund such as NOBL as a complementary holding. It's also a natural fit for clients who understand the quality of the stocks that make up this index as many are dominant in traditional market-cap-weighted benchmarks.

Investment Idea 3: Creating Your Own Dividend Equity Portfolio

Many income portfolios are hesitant to utilize index funds as part of their makeup because they really want to control their exposure to certain sectors or business fundamentals. This may be part of the portfolio strategy, or it may simply be a way to enhance value as an advisor involved in security selection and risk mitigation.

There also is the reality that certain stocks such as Apple and Microsoft aren't offering attractive yields right now. Both companies are paying dividends in the low-1% range because their share prices are so high. Nevertheless, they are included in almost all dividend-oriented funds because of the size of their cash payouts. Think about it this way - they are massive dividend payers on a standalone cash basis every year. However, based on a comparison of relative yields, they offer paltry income streams versus other traditional dividend stocks.

One solution is to consider building your own unique basket of stocks handpicked from a variety of sectors that offer attractive fundamentals, sustainable dividends, and long-term value. Below is a list of companies we have identified in our research as fitting this criterion. While by no means exhaustive, this group of large-cap companies represent a sample size of the dividend universe with attractive characteristics.

Ticker	Name	Sector	Mkt Cap	Div Yield	Payout Ratio	YTD Return
JNJ	Johnson & Johnson	Health Care	$ 392,449	2.70%	50%	0.29%
BLK	Blackrock Inc	Financial	$ 77,647	2.90%	55%	2.88%
INTC	Intel Corp	Technology	$ 254,040	2.20%	27%	5.12%
MCD	McDonalds Corp	Cons Discretionary	$ 138,217	2.70%	79%	-6.10%
HON	Honeywell Int'l	Industrials	$ 99,982	2.60%	45%	-20%
PEP	PepsiCo Inc	Cons Staples	$ 183,885	3.10%	70%	-3.88%
		Avg	*$ 191,037*	*2.70%*	*54.33%*	*-3.62%*

Johnson & Johnson (JNJ). This healthcare conglomerate is one of the largest stocks in its sector and the U.S. market overall. It's also represented as one of the dividend aristocrats that has increased its payout for more than 50 years. Continuing that trend, the stock just recently announced a bump in its quarterly distribution and is probable to continue that cadence well into the future.

JNJ currently sports a dividend yield of 2.80% and a reasonable payout ratio of its profits to shareholders. It's also notable that this stock has demonstrated a beta to the market of 0.67, making it a low-volatility option for more conservative investors.

Blackrock Inc (BLK). Investment management has been a staple of the Blackrock business for decades and their popularity as the world's largest ETF provider continues to this day. If you are going to use their funds, you might as well get paid a 2.90% yield on their profits. The company has increased its dividend in every year of the last 16 with the exception of 2009 and continues to demonstrate healthy revenue and net income to support that trend.

Its 55% payout ratio is quite sustainable and the P/E ratio of 19 isn't excessively overvalued. As financial companies go, this stock is right in the sweet spot of being on the cutting edge of investment trends and well capitalized to maintain industry leadership.

Intel Corp (INTC). Intel is another company that has prioritized dividend growth or holding dividends steady in each of the last 25 years. Furthermore, the company has taken to aggressively repurchasing shares as a function of shareholder yield and smart use of corporate profits. INTC sports a 2.20% yield with only a 27% payout ratio. It's likely that this stock continues to ramp up its dividend growth well into the future and its 12 P/E ratio is an attractive fundamental position for a stock that has gained 87% in the last three years.

INTC may offer one of the lower yields on this list, but don't sleep on its growth potential in the semiconductor industry and long-term sustainability of dividend payouts.

McDonald's Corp (MCD). If this stock sounds familiar, it's because we recently touted MCD as a top stock in our "Cautious Recovery" issue of *Sevens Report Alpha*. The combination of being in the right restaurant sector to survive the pandemic alongside the healthy financial condition of this company make for an excellent consumer discretionary opportunity. Furthermore, the stock has demonstrated a beta to the market of just 0.82 over the last twelve months. That low-volatility component is just one more attractive feature that will appeal to those who are risk averse.

According to its corporate website, McDonald's has raised its dividend each and every year since paying its first dividend in 1976. Its 2.70% yield is one of the strongest in the consumer discretionary sector at present, and the share price is in the midst of a V-shaped recovery similar to the broad market.

Honeywell International (HON). Honeywell is an industrial company that operates in a wide range of consumer and manufacturing segments. HON's dividend yield is 2.60% and it has increased its dividend payouts in each of the last 10 consecutive years. Its five-year price track record virtually mirrors that of the S&P 500 Index, but shares have come under duress during this market downturn. This disparity has setup a relative value play compared to other stocks that have already bounced a considerable degree from the lows.

One thing Honeywell has going for it is the current payout ratio is quite low and therefore has quite a bit of room to continue adding to the distribution rate. Furthermore, the stock operates in a sector that many investors overlook in their canvassing of the dividend universe. Having a wider degree of sector diversification is prudent when constructing your custom equity income portfolio.

PepsiCo (PEP). Pepsi and Coca-Cola are close to interchangeable on this list as they both operate in the consumer staples sector along similar business lines. Nevertheless, Coca-Cola has fallen short in recent years in its share price, as its track record has failed to keep pace with the broader market. PepsiCo has been the better pick between the two over the last five years and currently sports a dividend yield over 3%. It also has been steadily increasing its distribution rate for 47 consecutive years according to dividend.com.

PEP benefits from an inelastic demand for its products alongside the boost in staples retailing as a result of the pandemic. It distributes a high degree of its profits to shareholders as dividends and is likely to continue boosting that income stream well into the future based on its history. The stock also is on the defensive side with a beta to the S&P 500 of just 0.75.

Security selection is one important part of the portfolio construction process. The other key ingredient is position sizing. Many will choose to equal weight all components evenly to smooth out business risk. There are also options to consider by market capitalization, dividend yield or even a combination of the two. Whatever your choice may be, make sure you have a rational and diversified approach that you can explain to clients when they ask about the methodology.

Conclusion

In a bull market the emphasis on traditional business fundamentals tends to fade in favor of technical momentum, flashy earnings, or simply abundant liquidity. A bear market requires more adept positioning that will once again shine the spotlight on substance over style.

Accentuating your clients' portfolio exposure to sustainable dividend stocks will create an attractive solution to this new dynamic—and the timing is now right to make this switch possible.

Best,

Tom

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Index Rebal KWEB (KraneShares CSI China Internet ETF)	*KWEB is an index rebalance play based on major Chinese internet and ecommerce companies (China N-shares) being added to FTSE Emerging Market Indices between Sep 2017 and June 2018. KWEB is our conduit to front-run huge index funds that will be forced to buy its underlying holdings.* ***What to do now: We closed KWEB on June 15th (last leg of rebal). It's still viable as a long-term holding.***	Issue 1: 8/17/17 8/24/17	KWEB: 21.46% (closed)	ACWX: 6.93% (through KWEB close date)
Smart Beta Pioneer RSP (Invesco S&P 500 Equal Weight ETF)	*From an index standpoint, S&P 500 Equal Weight has massively outperformed S&P 500 (cap weight) over the long term (392% vs. 158% over the last 18 years). RSP has lagged recently due to tech sector outperformance. That presents a short-term dislocation and opportunity to buy RSP at a discount to SPY.* ***What to do now: Buy.***	Issue 2: 9/7/17	RSP: 15.68%	SPY: 30.80%
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: 25.86% ROBO: 13.66% AMBA: 26.51% QCOM: 23.20% (closed)	SPY: 28.82% 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: -16.68% ALB: -40.06%	SPY: 28.82%
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: -26.78% REGL: 6.08% SMDV: -7.53%	AGG: 14.71% MDY: 2.50% IWM: -2.71%
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: 2.57% MNA: 2.37%	AGG: 14.48%

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: -8.73%	SPY: 24.67%
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: -25.83%	ACWX: -7.47%
"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: 3.78% EMLC: -6.51% EBND: -2.40% AGEYX: -0.60%	AGG: 15.00%
"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: -0.26% BLCN: 12.82%	SPY: 15.38%
"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: 14.35% TOTL: 11.09% FTSL: 3.87%	AGG: 16.93%

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:** **5.80%**	**BIL:** **4.00%**
Index Rebal **KBA (KraneShares Bosera MSCI China A Share ETF)**	*KBA is an index rebalance play based on the inclusion of Mainland Chinese equities (A-shares) into MSCI Global Standard Indexes. The first two steps will take place on June 1st and September 1st. KBA is our gateway to front-run massive index funds that will be forced to buy its underlying holdings.* ***What to do now: Buy.***	**Issue 16:** **3/20/18**	**KBA:** **-7.18%**	**ACWX:** **-9.69%**
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:** **-30.69%**	**SPY:** **17.80%**
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:** **-15.37%** **DLS:** **-20.71%**	**EFA:** **-8.18%**
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:** **57.08%**	**SPY:** **17.36%**
Buybacks **PKW (Invesco BuyBack Achievers ETF)**	*Companies with meaningful share count reduction have outperformed over the long term with lower volatility. Currently, U.S. companies are flush with cash due to tax cuts and repatriation. In turn, share repurchases broke a new record in Q1 2018 and they're on pace to set a new record for 2018. PKW is the premier ETF to profit from buybacks (largest asset base and longest history). We also featured four alternative ETFs (SPYB, TTFS, DIVB, SYLD) and some individual stock lists.* ***What to do now: Buy.***	**Issue 21:** **5/29/18**	**PKW:** **4.32%**	**SPY:** **18.27%**
"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:** **-6.72%**	**EEM:** **13.01%**

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: -21.34%	IWM: -14.46%
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: 26.17% FINX: 19.40% IPAY: 20.86%	SPY: 12.49%
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: 3.31% USFR: 3.38% SRLN: 0.42% EFR: -8.38%	AGG: 16.05%
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: -2.16% IEME: -0.50% XLC: 14.03% DIS: 8.51%	SPY: 10.88%
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: -16.22% SBIO: 11.33% FXG: 2.41%	SPY: 9.30%

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: -29.76% GNR: -20.24% RLY: -15.12%	DBC: -29.67%
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: 3.59% LDUR: 5.95% MINT: 2.82%	BIL: 2.92%
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: 17.09% DYLS: -31.51% PTLC: -21.29%	SH: -4.90%
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: -8.01% MLPA: -33.26% DCP: -61.82% SHLX: -19.97%	SPY: 16.63% AMLP: -35.43%

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: -14.11% DVP: -26.92%	VTV: 6.64%
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: 0.53%/-4.37% ITB/VNQ: 43.46%/13.80% DFE: -4.30%	SPY: 25.16%
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: -1.11%	SPY: 20.34%
Preferred Stock ETFs **PGF (Invesco Financial Preferred ETF)** **VRP (Invesco Variable Rate Preferred ETF)** **PFXF (VanEck Vectors Preferred Securities ex Financials ETF)**	*Preferred stocks have massively outperformed the S&P 500 during the October—December correction and barely lagged bonds. With yields of 5% and higher we think preferred stock ETFs present a unique long term opportunity to generate income and reduce volatility in portfolios, while keeping upside exposure.*	1/29/19	PGF: 8.49% VRP: 4.96% PFXF: 7.03%	PFF: 5.23%
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: 11.25% NRG: -12.95% CNP: -37.66%	XLU: 13.22%

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Cybersecurity: Threats & Opportunities **HACK (ETFMG Primce Cyber Security ETF)** **CIBR (First Trust NASDAQ Cybersecurity ETF)** **FTNT (Fortinet)** **CYBR (CyberArk)**	***Cyber security and privacy on-line are two clearly defined growth areas of tech, as tech adoption progresses towards consumer demanding security and convenience.***	**2/26/2019**	**HACK:** **18.08%** **CIBR:** **22.02%** **FTNT:** **67.80%** **CYBR:** **-0.07%**	**QQQ:** **36.14%**
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:** **-60.04%** **ACB:** **-85.07%** **CGC:** **-53.81%** **APHA:** **-64.61%**	**SPY:** **12.12%**
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:** **14.90%**	**SPY:** **10.98%**
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:** **4.44%** **CCOR:** **10.73%** **JHEQX:** **8.60%**	**SPY:** **5.78%**

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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: 41.90% ARKG: 47.69% XITK: 26.26%	QQQ: 24.01%
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: 20.36% XBI: 23.33% IHF: 21.55%	XLV: 17.60%
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: 5.39% SPLV: -4.55% EEMV: -5.67% EFAV: -2.48%	SPY: 8.89%
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: -30.27% OHI: -4.99% SCI: -10.38%	SPY: 11.22%

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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:** **22.58%** **SGOL:** **22.89%** **GDX:** **38.43%** **KL:** **-5.64%** **FNV:** **64.60%**	
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** **2.01%** **SPMO:** **3.60%** **FDMO:** **2.86%**	**SPY:** **-0.72%**

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Profit from the Sharing Economy **MILN (The Global X Funds/Millennials Thematic ETF)** **GIGE (The SoFi Gig Economy ETF)**	*Inspiration for the issue came from this comment, which I believe is a profound statement on the next evolution of the economy.* *"Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate. Something interesting is happening." Tim Goodwin The Batter Is For The Consumer Interface.* *Each of those companies are part of the new "sharing economy."* *In addition to profiling two ETFs, we also created our own "Watch List" of sharing economy companies that describes 1) What they do and 2) How they make money, so you have a clear view of the entire "Sharing Economy" universe.*	**7/30/19**	**MILN:** **2.00%** **GIGE:** **10.36%**	**SPY:** **1.70%**
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:** **-12.71%** **VNQI:** **-18.42%** **REZ:** **-20.70%** **REM:** **-46.76%**	**SPY:** **5.86%**
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:** **-22.93%** **PPA:** **-12.86%** **UFO:** **-16.82%**	**SPY:** **6.63%**

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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:** **4.63%** **VYM:** **-7.24%** **PDI:** **-17.00%**	**SPY:** **4.20%**
<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:** **19.23%** **FAN:** **8.48%** **ICLN:** **11.81%** **PBW:** **27.92%**	**SPY:** **7.17%**
<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:** **-0.08%** **FIW:** **-2.17%** **TBLU:** **-5.20%**	**SPY:** **3.41%**

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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:** **-15.19%** **HTD:** **-23.36%** **PDI:** **-21.29%** **NZF:** **-8.81%** **FFC:** **-1.16%** **RQI:** **-21.22%**	**SPY:** **-0.11%**
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:** **-0.68%**	**BIL:** **0.48%**

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Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
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: -18.07% XOP: -40.73% LQDH: -6.78%	SPY: -4.41%
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: -10.43% VIGI: -9.64% GSIE: -12.90%	ACWX: -13.95%
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%
Finding Actionable Opportunities in the Biotech Sector IBB (iShares Biotechnology ETF) SBIO (ALPS Medical Breakthroughs ETF) XBI (SPDR S&P Biotech ETF)	What outperforms during a global health emergency like the Wuhan virus? Historically, the biotech sector does, **which rose 40% compared to 25% for the SPY following SARS in the early 2000s.** But, investing in biotech is tough for an advisor. So, our goal for this Alpha issue was clear: **Find the best biotech ETFs that today's advisors can actually allocate to.**	2/11/2020	IBB: -9.29% SBIO: -15.80% XBI: -13.54%	SPY: -15.46%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Hedged Equity ETFs **DMRL: DeltaShares S&P 500 Managed Risk ETF.** **CCOR: Cambria Core Equity ETF.** **JHEQX: JPMorgan Hedged Equity Fund Class I.**	We want to highlight hedged ETF strategies that can help advisors protect gains if we are at the start of a 2018 style correction, or worse, our first bear market in over a decade, while at the same time maintaining long exposure if/when the correction ends. Hedged ETFs outperformed the S&P 500 in 2018, and if this current correction turns into a lengthy	**3/10/2020**	**DMRL:** **-5.85%** **CCOR:** **-8.33%** **JHEQX:** **-11.87%**	**SPY:** **-18.06%**
Sector Opportunities from the Coronavirus Decline **Tech Sector (Three ETFs)** **Financials (Three ETFs)** **Energy (Three ETFs)**	This will be the first part of a two-part series that addresses potential longer-term opportunities from this crisis. For today's issue, we selected three sectors: **Tech, Financials and Energy, and we provided three ETF options in each sector depending on whether you are looking for broad-based exposure (and diversification) or want a more targeted strategy (higher**	**3/24/2020**	**Multiple ETFs selected for each sector depending on risk tolerance.**	
Longer Term Industry Opportunities from the Coronavirus **Health & Wellness (Three ETFs)** **Mobility As A Service (IBUY: Amplify Online Retail ETF)** **Cord Cutting (JHCS: John Hancock Multifactor Media and Communications ETF).** **Stay At Home (XITK: SPDR FactSet Innovative Technology ETF)**	In this issue, **we build on the theme of a return to optimism by identifying specific stocks, ETFs, and industries likely to experience long-term tailwinds from this historic coronavirus pandemic black swan.** This trend will shift the spending and habits of millions of Americans over the course of the next decade.	**4/7/2020**	**PTH:** **18.39%** **IBUY:** **17.70%** **JHCS:** **6.42%** **XITK:** **13.34%**	**SPY:** **3.99%**
Three Industries That Will Benefit from Changes in Corporate Behavior **Cloud Computing (SKYY: First Trust Cloud Computing ETF)** **E-Commerce (SHOP: Shopify & GDDY (GoDaddy)** **Online Payment Processing (IPAY: ETFMG Prime Mobile Payments ETF)**	Each part of our "What To Buy" series have become more granular, and that trend is continuing today with the final installment of the series. Part One focused on broad sectors. Part Two identified larger industries that should benefit over the longer term from changes in consumer behavior from the coronavirus experience. **Now, Part Three will go even deeper and rely on our own anecdotal experiences to identify sub-indices that should benefit over the longer term from changes in business**	**4/21/2020**	**SKYY:** **4.13%** **SHOP:** **14.87%** **GDDY:** **3.73%** **IPAY:** **8.37%**	**SPY:** **4.92%**

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Three Strategies for a "U" Shaped Recovery **Preferreds: PGF (Invesco Financial Preferred ETF)** **Dollar Stores/Fast Food: DG: (Dollar General), DLTR: (Dollar Tree), MCD: McDonalds** **Consumer Staples: RHS (Invesco S&P 500 Equal Weight Consumer Staples ETF).**	Markets are pricing in a pretty high chance of a "V-shaped" economic recovery, but we think it's prudent to have a playbook for a less optimistic, "U-shaped" economic recovery that has the U.S. economy mired in slow growth for some time. So, in this issue, we wanted to identify proven sectors and stocks that are likely to thrive if the economic recovery is more restrained, i.e. U-shaped. The following research achieves that goal by identifying areas that have proven resilient under previous recessions and periods of slow growth, and are likely to continue to thrive in that environment.	**5/5/2020**	**PGF:** -1.12% **DG:** **5.35%** **DLTR:** **3.84%** **MCD:** **-0.26%** **RHS:** **0.91%**	**SPY:** **2.86%**
Finding the Sweet Spot of Yield, Duration and Quality in Today's Bond Market **JPST (J.P. Morgan Ultra-Short Income ETF)** **FTSD (Franklin Liberty Short Duration U.S. Government ETF)** **IGSB (iShares Short-Term Corporate Bond ETF)**	Global bond yields have collapsed since the coronavirus crisis began in earnest in mid-February, and that leaves advisors with a difficult situation of **where to find adequate yield without taking on too much duration risk.** Case in point, the 10-year yield is yielding about 0.70%. A .70% annual coupon for locking up money for 10 years! Absolute yield levels are obviously historically low, but we've still got to do the best we can in this environment, and that means finding the best yield possible while limiting duration risk and credit quality risk.	**5/19/2020**	**JPST:** **0.39%** **FTSD:** **0.16%** **IGSB:** **0.89%**	**SHY:** **-0.09%**