SEVENS REPORT *alpha*

December 1, 2020

In Today's Issue

- **Bitcoin: Everything you should know about Bitcoin if/when your clients ask.**
- Our goal with this issue isn't to sway you one way or the other to invest in Bitcoin. Instead, we want to help you guide responsible conversations about 1) What it is, 2) Who it's for, and 3) How you can potentially own it within a conventional portfolio.
- **What is Bitcoin and Who Invests In It?** Bitcoin enthusiasts imply that Bitcoin is important in overall portfolio diversification, but due to its nature and volatility, it's likely only appropriate for a specific sub-set of clients.
- **Is Bitcoin a Safe Haven?** Proponents of the digital currency say "Yes" but the actual data implies something different.
- **Does Bitcoin fight inflation?** Again, proponents of Bitcoin say "yes," but is it any better of an inflation hedge than stocks or hard assets?
- What is the Best Way to Own Bitcoin? **Grayscale Bitcoin Trust (GBTC)**. GBTC is to Bitcoin as GLD is to gold—it's the most liquid and stable ETF that offers "pure" Bitcoin price exposure, and like the price of Bitcoin, the GBTC is up over 100% YTD.
- Other ETFs with Bitcoin Exposure: **Amplify Transformational Data Sharing ETF (BLOK)**. **ARK Next Generation Internet ETF (ARKW)**.

The Bitcoin Answers You Want

An advisor we know well, someone who has been a close reader of ours for years, recently related an important anecdote to us. He said that while recently giving a talk to an investment club, he fielded a slew of questions about the election and its influence on markets; Fed policy, the yield curve, the rotation from growth to value, and the future outlook for gold.

He told us that thanks to our research, he was able to impress his audience with clear and concise responses that showed his command of these subjects. Then he said he received multiple questions about one of the hottest topics in financial markets today: Bitcoin.

Now, this advisor is of a decidedly libertarian political bent, so he knew some general things about Bitcoin, cryptocurrencies, and the blockchain technology that undergirds them. However, when it came down to the details about what Bitcoin actually is, what investors really wanted to know about it, and how clients can best get exposure to this very interesting, yet very specialized, asset class, well, as he put it, "I didn't have the answers I wanted."

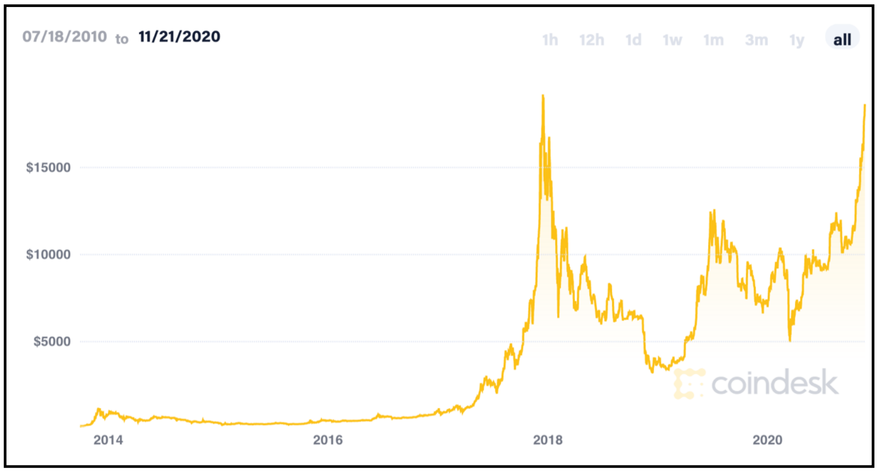
It is in the spirit of this anecdote that we decided to devote this issue to everything you need to know about Bitcoin but were afraid to ask. Or another way to put it, everything you should know about Bitcoin if/when your clients ask. Because we know that if one of our long-time advisor/subscribers didn't have the answers he wanted, then it's a pretty safe bet that he's not the only one.

In this wild pandemic year, cryptocurrency has made a comeback. Bitcoin in particular has gained tremendous notoriety in just the last few months as its price has rocketed back near all-time highs.

CoinDesk, one of the premier cryptocurrency research websites, has Bitcoin net year-to-date return at 161%. If you bought it at the March 2020 lows, you are sitting on a gain of 280%. The market capitalization of this virtual currency now is sitting close to $350 billion.

Perhaps more importantly, Bitcoin is becoming more of a household name every day. It's also becoming an asset class that investment professionals will soon need to address with their clients (just like our advisor/subscriber told us).

Known as the benchmark of the virtual currency marketplace, Bitcoin's most admirable achievement may well be its surging market share and widespread acceptance throughout traditional financial mediums.



Companies such as PayPal, Square, and even Fidelity Investments are backing Bitcoin investment funds or transactions in a play to serve their diverse customer base. Why? Because they understand that this trend of unconventional assets is not going to disappear into the ether, and they need to be capable of speaking the language or risk losing client capital.

As the chart here reveals, the price momentum in Bitcoin is enough to generate eye-catching headlines. Furthermore, many money managers and analysts now are touting Bitcoin as a way to reduce portfolio volatility, fight inflation, enhance diversification, and apportion risk.

There is going to be a point in time where you are going to have to explain these dynamics with evidence-based criteria as a guideline for making sound investment decisions. Our goal with this issue isn't to sway you one way or the other to invest in Bitcoin.

Instead, we want to help you guide responsible conversations about what it is, who it's for, and how you can potentially own it within a conventional portfolio.

What is Bitcoin and Who is it For?

The mechanics and structure of Bitcoin can fill volumes of digital ink if you drill down to the granularities of how it all works. Rather than getting into the weeds, the following bullets give a high-level overview of its history.

- Bitcoin was launched in 2009 and is the largest virtual currency by market cap.
- Unlike fiat currency, Bitcoin is created, distributed, traded, and stored with the use of a decentralized ledger system known as a blockchain.
- Bitcoin's price as a store of value has been volatile. The digital currency often sees tremendous swings in value and is traded 24 hours/day. The highest volume of trading has traditionally come from East Asia.
- Only 1% of all Bitcoin transactions are actually used for buying or selling goods or services. The vast majority of Bitcoin transactions are unrelated to traditional currency utilization and function more like investor trading.
- Bitcoin has a supply cap of 21 million units. There are a finite number of coins that can be created (or mined) before the supply is tapped out.
- Bitcoins can be stored online in a digital wallet or offline in a secure physical unit (flash drive or similar device). There are risks with each method that can leave the door open for coins to be forever lost or stolen.

The end result is that Bitcoin is unlike a conventional stock, bond, commodity, or fiat currency. In fact, the decentralized and non-traditional nature of Bitcoin is what draws many people to its siren's call. These investors want to own something that isn't tied to the whims of government or to some shady corporate oversight.

As we have seen with the 2020 election, there is a subset of society with a growing mistrust in many aspects of these cornerstone institutions. That distrust is likely driving a great deal of the recent momentum in Bitcoin as its price has exploded in conjunction with the election fervor.

One analogy to the Bitcoin thesis is how people view Tesla. Many are enamored with the rogue style of its leader, its unconventional business practices, and future technical opportunities. Those factors have propelled Tesla's stock price to stratospheric heights, and they are many of the same factors that Bitcoin advocates often cite as alluring qualities. The psychological parallels between the two are striking.

The type of investor that would be drawn to Bitcoin is likely to be on the aggressive, risk-taking end of the spectrum. These people often meet the profile of entrepreneurs or those with an outsized disposition for emerging technologies. They must be able to look past short-term price volatility with a laser-like focus on the intrinsic qualities of why they purchased the asset to begin with. Some may even fit the label of being disenfranchised with conventional investments and want to diversify away from stocks, bonds, or cash.

Any investors with a short-term time horizon, risk-averse mentality, or simply an "old school" focus on traditional assets would be well served to avoid the cryptocurrency marketplace. These investors are going to be highly susceptible to chasing momentum at the wrong times and likely selling during adverse conditions. Explaining the extreme degree of volatility and potential losses to these investors would likely lead them out of the path of self-destruction.

Is Bitcoin a Safe Haven?

Bitcoin advocates often prey on investor fears of stock market crashes and global debt implosions as a method of converting followers. Similar to the advertisements for gold IRAs we hear on the radio, they often make it sound like Bitcoin is a store of value that acts as a safe haven during all periods of financial turbulence.

The reality is that Bitcoin's price has beat to its own drum over its short history. The Kansas City Federal Reserve recently released a study of price behavior for 10-Year Treasuries, gold, and Bitcoin during periods of stress and no-stress between January 1995 and February 2020. The table here shows the correlations of these assets during these periods.

Asset	Correlation: No stress	Correlation: Stress
10-year Treasury	−0.1114***	−0.3932***
Gold	−0.0297*	−0.0549**
Bitcoin	−0.0102	0.1180**

* Significant at the 10 percent level
** Significant at the 5 percent level
*** Significant at the 1 percent level

Source: Bloomberg

The analysis revealed that Bitcoin demonstrated a positive price correlation with the S&P 500 during periods of financial stress. That data supports the notion that Bitcoin behaves far more like a risk-asset than a safe haven since its inception.

The conclusions of the report included the following statement:

Overall, our results suggest that the 10-year Treasury has generally exhibited safe-haven behavior, gold has occasionally exhibited safe-haven behavior, and Bitcoin has never exhibited safe-haven behavior since its introduction. Moreover, the introduction of Bitcoin does not appear to have materially changed the safe-haven properties of government bonds or gold. Instead, Bitcoin at times appears to have behaved more like a risk asset than a safe haven.

It's clear to see on the Bitcoin price chart that its most recent test in March 2020 upheld the same standard. Investor fears provoked widespread selling in stocks, commodities, credit-linked securities, and cryptocurrencies of which Bitcoin was not spared. This supports the conclusion that while Bitcoin may not be linked to traditional financial regulations and standards, it still swings to the whims of investor psychology.

Does Bitcoin fight inflation?

We've established that Bitcoin hasn't acted as a defensive asset, but can it fight inflation? Paul Tudor Jones recently made headlines when he claimed that Bitcoin was an inflation-fighting tool similar to owning gold, copper, or being long the yield curve. The founder of Tudor Investment Group recently revealed he has invested approximately 2% of his assets in Bitcoin and believes the trade is in the "first innings." (source)

The fundamental structure of the blockchain necessitates that there are a finite number of Bitcoins in the world, which makes them similar to inflation-linked commodities such as precious metals. The economic cornerstone of supply and demand would therefore takeover once the full complement of units have been mined and/or demand remains extraordinarily high. The counter argument to this is that Bitcoins are a "thing," but they may not be a thing that people value as a means of exchanging tangible goods or services.

The true inflationary factors that would likely influence Bitcoin include the expansion of fiat currency reserves and devaluation of the U.S. dollar. Those instances would provoke a loss of confidence in world governments and further enhance the decentralized nature of the Bitcoin system.

The reality is that we just don't have enough real-world experience or data to know how these cryptocurrencies react in a modest to a high inflationary environment. They haven't been around long enough to understand the ramifications of how they would react to a major inflation event. Any so-called expert who proclaims this narrative is doing so in a speculative manner. The Fed has targeted inflation as a key factor in its fiscal agenda, but they are likely to do so in a slow and steady manner that will not destabilize fiat currencies.

The most likely scenario is that Bitcoin acts as an inflation hedge in the same way that stocks, commodities, and real estate do. Rising wages and employment leads to more robust consumer behavior and demand for goods and services. This allows producers to increase prices and an ordinary level of inflation ensues. Those who choose to own Bitcoin are likely doing so to further diversify their holdings outside of the U.S. dollar similar to owning a foreign investment. At the end of the day, they are seeking an alternative store of value with a variant risk profile.

How Are Big Companies Getting Involved in Bitcoin?

One of the traditional drawbacks to Bitcoin is that there aren't any large players in the game to help regulate ownership and draw confidence from financial prowess. Several companies are trying to change that narrative by jumping into the cryptocurrency space in a meaningful way.

For example, Fidelity Investments recently announced they are launching a Bitcoin-only fund called the Wise Origin Bitcoin Index Fund. It's set to be available to accredited investors of family offices and investment advisors only. Furthermore, Fidelity purchased a 10% stake in a Canada-based Bitcoin miner named Hub 8 and opened a crypto-custodian company called Fidelity Digital Assets. All of these moves signal that the Boston giant is serious about its ability to capitalize on this space and service its clients in-kind.

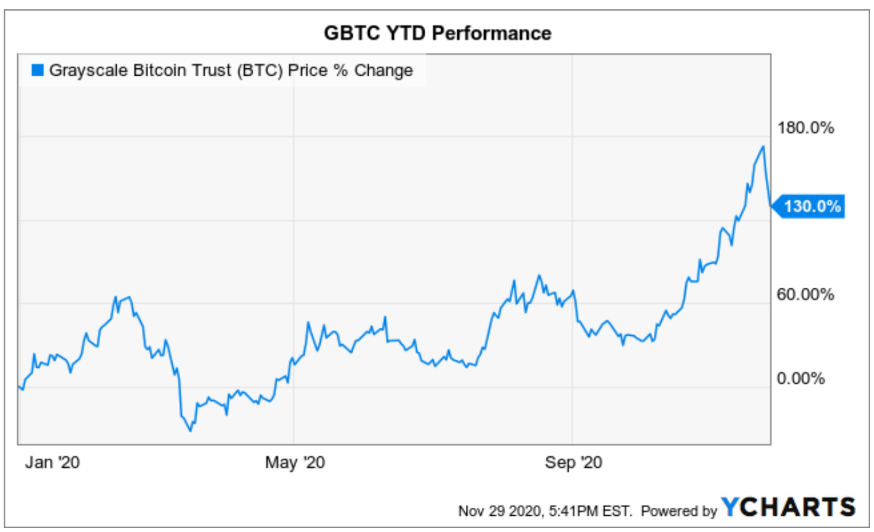
Another player to get involved is digital payment processor Square Inc. It recently purchased $50 million in Bitcoin to be held as part of its own corporate assets. "We believe that Bitcoin has the potential to be a more ubiquitous currency in the future," said Square's Chief Financial Officer, Amrita Ahuja. "As it grows in adoption, we intend to learn and participate in a disciplined way." Square also offers Bitcoin trading as part of its Cash App and has put together an in-house cryptocurrency team focused solely on open-source development of this theme.

Additionally, PayPal is taking Bitcoin to the next level as part of its digital currency push. Starting in 2021, PayPal is going to let customers use cryptocurrencies as a funding source for digital commerce at more than 26 million merchants. Customers can already buy, sell, or hold cryptocurrencies such as Bitcoin directly in their PayPal accounts. This next evolution will almost certainly provide more daily high-volume retail transactions to the Bitcoin marketplace. It essentially makes Bitcoin accessible and tangible as a utility of convenience for millions of merchants and customers.

What is the Best Way to Own Bitcoin?

There are numerous ways to own Bitcoin directly or invest in its financial architecture. The primary method that many small investors and traders choose to utilize is direct ownership through an exchange such as Coinbase or eToro. These platforms essentially let investors create a digital wallet, transfer in assets, and convert them to cryptocurrencies for a trading commission or percentage fee.

This is the purest form of ownership because the holder obtains direct access to the Bitcoin and can make decisions on how it is stored or traded. The reality is that if any of your clients own Bitcoin in this way, they probably won't be asking for your advice on it. That's because they likely specifically want to hold Bitcoin outside a brokerage account for diversification or security purposes.



It's also not likely that you would recommend this path for those that do want to own Bitcoin as it takes the asset outside your sphere of influence. Ultimately, you want to service the client and still retain the money as part of your investment portfolio.

Fortunately, there are alternatives for use in traditional brokerage accounts that can serve both goals. The most well-known example of this is the **Grayscale Bitcoin Trust (GBTC)**.

This unique vehicle was originally launched in 2013 as a private placement for accredited investors to own Bitcoin held in a trust. It has since evolved to attain the status of SEC reporting company that is available for public trading.

The premise of GBTC is similar to how the SPDR Gold Shares (GLD) owns and tracks the price of gold. It is set up to offer titled, auditable ownership through a public investment vehicle that holds the coins in "cold storage" or offline. Every share of ownership in GBTC is equal to a fraction of a Bitcoin. The trust currently charges a management fee of 2% and has nearly $10 billion in total assets as of recent data.

What potential investors have to realize is that the risk is in more than just the price movement, but also in the fine print. GBTC operates more like a closed-end fund with a quasi-fixed number of shares than an ETF that can create and redeem shares with order flow. The trust has been setup so that it can create new shares to expand in size but does not currently have a redemption program in place. This means that the market price of the vehicle and its net asset value can differ quite significantly.

GBTC can trade at a premium or discount to the actual price of Bitcoin and investors must be prepared for this reality. This is further complicated by the constant 24-hour trading cycle of Bitcoin that can quickly skew the daily tracking system.

According to YCharts.com, GBTC has swayed between a premium as high as 41% and as low as 3%

over the last 52-weeks. The current premium is a healthy 18.37%. There have been very few instances of it ever trading at a discount to date.

Despite the potential for tracking error, GBTC has closely followed the price pattern of the underlying Bitcoin quite well in 2020. The trust has gained 130% so far this year with average daily trading volume exceeding 7 million shares.

For most advisors, an alternative fund such as GBTC is going to be the easiest way to directly own Bitcoin in a client investment accounts. It's likely to be available on almost every brokerage platform just like an ETF. Advocates for this fund point towards its large size, auditable structure, deep liquidity, and seven-year trading history as confidence builders for those who are looking for a first-time purchase. Those enticing factors may be tempered for some clients by the disconnect between market price and NAV, as well as its above-average expense ratio of 2%.

It's likely that the best way to purchase GBTC is in small quantities to start with the goal of averaging into a larger position over time. This strategy gives you instantaneous exposure to Bitcoin as an uncorrelated asset without taking an overabundance of risk. Furthermore, timing of trades should be contemplated in light of the premium/discount levels. A more robust premium (25%+) should give you pause in putting money to work until prices fade back to more reasonable levels. Conversely, you may be enticed to put more money to work during periods of stress in the markets when those premiums shrink, or discounts materialize. Long-time CEF investors are well acquainted with these timing considerations and GBTC should be no exception.

Another complementary opportunity in the Bitcoin and cryptocurrency ecosystem is to own the companies that are directly involved in this burgeoning marketplace. A fund that seeks to own these stocks in a diversified basket is the **Amplify Transformational Data Sharing ETF (BLOK)**.

BLOK is an actively managed exchange-traded fund that seeks to invest at least 80% of its asset in companies actively involved in the development and utilization of blockchain technologies.

The fund debuted in 2018 and has swiftly grown to nearly $195 million in assets dedicated to 57 holdings. Top companies in this portfolio include Square Inc, Silvergate Capital Corp, Galaxy Digital Holdings, PayPal Holdings, and GMO Internet Inc.

Amplify Transformational Data Sharing ETF (BLOK)	
Inception Date:	1/17/2018
Assets:	$195M
Avg Daily Volume:	700K
Expense Ratio:	0.70%
# of Holdings:	57
YTD Return:	57.87%
3-Yr Return:	46.46%
Mstar Rating:	N/A

The largest industry groups in BLOK include diversified financials, media and entertainment, software, semiconductors, and retail. There is also a global diversification footprint with 44% of the holdings grouped in North America and 46% in Asia Pacific. It also holds a small slice of GBTC with 2% of the portfolio.

Not surprisingly, this conventional ETF has done quite well in 2020 with a total return of nearly 58%. It also has gained more than 100% from the March 2020 lows. Additionally, this fund's consistent daily trading volume will provide investors with confidence they can experience respectable fills on both sides.

BLOK is really a bet on the transformational nature of the blockchain rather than the direct price pattern of Bitcoin itself. It's going to provide access to companies that are the first movers in this space and want to dominate exchange transactions, technology, or other structural components of the marketplace. It's almost like owning the gold miners and jewelry stores rather than the gold itself.

The more traditional ETF wrapper of BLOK may be an opportunity for wider client adoption as well. Many will be confident in owning stocks on the periphery of this trend rather than the alternative asset itself. It should be noted that BLOK charges a modest expense ratio of 0.70% on an annual basis.

Lastly, we want to point out that a fund we have recommended in the past has a similar small Bitcoin element. The **ARK Next Generation Internet ETF (ARKW)** is a $2.4 billion actively managed basket of stocks that include cybersecurity, e-commerce, big data, social media, and blockchain. Two of its top 10 holdings include Square Inc (SQ) and GBTC. If you already have an allocation to ARKW, then it may be beneficial to call out this exposure as part of any conversations that revolve around Bitcoin or blockchain.

Conclusion

It's likely that you see split reactions from investors wanting to own Bitcoin in their investment accounts. Some may believe it's the next big trend in financial mechanics with unlimited potential, while others scoff at it as a gimmicky fad that is too easily stolen or lost to be a true store of value. There are valid arguments on both sides of the aisle, and it may be difficult to convert either party.

Nevertheless, being armed with information and options is an incredibly valuable tool as you discuss these topics with clients at their next checkpoint. Taking an evidence-based approach and making small tactical changes may ultimately lead to rewarding opportunities to reach their goals.

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: 40.29%	SPY: 55.71%
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: 63.52% ROBO: 46.98% AMBA: 70.00% QCOM: 23.20% (closed)	SPY: 53.44% 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: 49.83% ALB: 6.27%	SPY: 53.44%
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: 9.58% REGL: 22.85% SMDV: 3.78%	AGG: 16.90% MDY: 25.47% IWM: 26.26%
Merger Arbitrage **GABCX (Gabelli ABC Fund)** **MNA (IQ Merger Arbitrage ETF)**	*Merger arbitrage is a time-tested hedge fund strategy. It seeks to profit from the timely completion of mergers, takeovers and corporate re-orgs. The strategy has produced solid absolute returns with low correlations to stocks and bonds.* *GABCX and MNA are the two best-performing—and cheapest—options to invest in this space.* ***What to do now: Buy.***	Issue 5: 10/17/17	GABCX: 7.73% MNA: 10.19%	AGG: 16.66%

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:** **0.04%**	**SPY:** **48.70%**
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:** **-13.04%**	**ACWX:** **11.69%**
"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:** **12.57%** **EMLC:** **0.40%** **EBND:** **3.73%** **AGEYX:** **9.63%**	**AGG:** **17.22%**
"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:** **55.14%** **BLCN:** **64.13%**	**SPY:** **37.70%**
"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:** **18.66%** **TOTL:** **13.00%** **FTSL:** **9.12%**	**AGG:** **19.16%**

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:** **8.23%**	**BIL:** **3.97%**
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:** **26.82%**	**ACWX:** **9.14%**
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:** **-15.71%**	**SPY:** **40.59%**
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:** **3.72%** **DLS:** **-7.51%**	**EFA:** **8.34%**
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:** **174.3%**	**SPY:** **40.13%**
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:** **27.52%**	**SPY:** **41.21%**
"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:** **66.43%**	**EEM:** **19.36%**

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Micro Caps IWC (I-Shares Micro-Cap ETF)	*Small caps outperformed until this most recent pullback, but while allocations to that sector of the market are rising, micro-caps, a sub-set of small caps, remain generally overlooked.* *Micro caps remain an overlooked, under-researched, and under-allocated part of the small cap universe that can offer diversification and outperformance (micro caps are perennial takeover candidates).*	7/10/18	IWC: 4.85%	IWM: 11.30%
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: 104.7% FINX: 55.38% IPAY: 50.99%	SPY: 34.25%
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: 4.81% USFR: 3.39% SRLN: 7.98% EFR: 5.67%	AGG: 18.30%
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: 36.72% IEME: 25.29% XLC: 37.20% DIS: 32.30%	SPY: 34.67%
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: 6.61% SBIO: 29.96% FXG: 11.87%	SPY: 30.34%

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: -17.71% GNR: -6.76% RLY: -2.63%	DBC: -17.03%
Short Duration Bond ETFs MEAR (IShares Short Maturity Municipal Bond ETF) LDUR (PIMCO Enhanced Low Duration Active ETF) MINT (PIMCO Enhanced Short Maturity Active ETF)	*The downtrend in bonds accelerated in September and October of 2018, and it was a reminder that advisors face challenges in the fixed income markets over the coming years.* *One of the best ways to protect investors in a bond bear market is by shortening duration of bond holdings, so we presented three short duration bond ETFs that have yields that are close to the 10 year Treasury, but that have much shorter average maturities.*	10/16/18	MEAR: 5.01% LDUR: 8.71% MINT: 3.46%	BIL: 2.89%
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: 26.72% DYLS: -35.65% PTLC: 12.16%	SH: -35.57%
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: -5.64% MLPA: -35.26% DCP: -39.83% SHLX: -31.61%	SPY: 39.12% AMLP: -35.62%

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: 8.78%	VTV: 22.80%
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: 30.01%/10.36% ITB/VNQ: 87.11%/22.51% DFE: 18.72%	SPY: 49.52%
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: 22.41%	SPY: 43.66%
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: 16.03% VRP: 17.25% PFXF: 19.13%	PFF: 16.11%
Utilities For Income VPU (Vanguard Utilities ETF) NRG (NRG Energy) CNP (CenterPoint Energy)	*We continued our focus on safety and income as we show why "boring" utilities can offer substantial outperformance in a volatile market.* *Utilities outperformed during the Oct-Dec correction, and owning utilities hasn't meant giving up long term performance as XLU has the same five year total return as the S&P 500.* *If you think the markets will stay volatile, utilities are a good place for capital to weather the storm and keep upside exposure.*	2/12/19	VPU: 16.68% NRG: -20.23% CNP: -17.97%	XLU: 19.27%

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
Cybersecurity: Threats & Opportunities HACK (ETFMG Primce Cyber Security ETF) CIBR (First Trust NASDAQ Cybersecurity ETF) FTNT (Fortinet) CYBR (CyberArk)	*Cyber security and privacy on-line are two clearly defined growth areas of tech, as tech adoption progresses towards consumer demanding security and convenience.*	2/26/2019	HACK: 29.20% CIBR: 40.68% FTNT: 41.43% CYBR: 7.38%	QQQ: 74.83%
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: -53.01% ACB: -87.74% CGC: -12.83% APHA: -38.22%	SPY: 33.72%
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: 40.89%	SPY: 32.36%
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: 13.42% CCOR: 22.15% JHEQX: 7.81%	SPY: 29.51%

Sevens Report Alpha Fund & Stock Ideas

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: 151.8% ARKG: 152.6% XITK: 83.80%	QQQ: 59.16%
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: 40.20% XBI: 55.67% IHF: 37.48%	XLV: 26.70%
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: 14.01% SPLV: 5.55% EEMV: 8.80% EFAV: 5.57%	SPY: 29.83%
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: -14.86% OHI: 12.55% SCI: 11.96%	SPY: 32.56%

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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: 25.21% SGOL: 25.68% GDX: 34.87% KL: -5,98% FNV: 55.94%	
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 20.55% SPMO: 27.61% FDMO: 22.85%	SPY: 17.62%

Sevens Report Alpha Fund & Stock Ideas

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:** **33.33%** **GIGE:** **72.96%**	**SPY:** **20.15%**
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:** **-7.85%** **VNQI:** **-7.15%** **REZ:** **-15.18%** **REM:** **-27.41%**	**SPY:** **25.09%**
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:** **-14.46%** **PPA:** **-1.30%** **UFO:** **1.25%**	**SPY:** **25.95%**

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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:** **15.08%** **VYM:** **4.71%** **PDI:** **-6.22%**	**SPY:** **24.15%**
<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:** **190.0%** **FAN:** **64.10%** **ICLN:** **118.6%** **PBW:** **228.7%**	**SPY:** **27.69%**
<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:** **21.59%** **FIW:** **21.46%**	**SPY:** **23.26%**

Sevens Report Alpha Fund & Stock Ideas

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:** **6.98%** **HTD:** **-16.37%** **PDI:** **-11.07%** **NZF:** **1.30%** **FFC:** **13.70%** **RQI:** **-9.51%**	**SPY:** **19.07%**
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:** **2.62%**	**BIL:** **0.46%**

Sevens Report Alpha Fund & Stock Ideas

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:** **-3.52%** **XOP:** **-40.15%** **LQDH:** **0.19%**	**SPY:** **13.97%**
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:** **6.12%** **VIGI:** **7.77%** **GSIE:** **2.52%**	**ACWX:** **3.72%**
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:** **4.14%** **VBK:** **20.79%** **XSLV:** **-22.81%**	**IWM:** **10.21%**
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:** **17.61%** **SBIO:** **14.67%** **XBI:** **37.15%**	**SPY:** **7.90%**

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 pullback, hedged ETFs will help preserve client gains.	**3/10/2020**	**DMRL:** **8.23%** **CCOR:** **-0.56%** **JHEQX:** **17.75%**	**SPY:** **25.45%**
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 risk/higher return).**	**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:** **75.81%** **IBUY:** **146.9%** **JHCS:** **42.87%** **XITK:** **102.0%**	**SPY:** **36.45%**
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 behavior in a post-coronavirus world.**	**4/21/2020**	**SKYY:** **53.19%** **SHOP:** **87.01%** **GDDY:** **23.83%** **IPAY:** **58.66%**	**SPY:** **32.50%**

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<u>Three Strategies for a "U" Shaped Recovery</u> **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: 8.48%** **DG: 20.85%** **DLTR: 39.73%** **MCD: 21.71%** **RHS: 12.35%**	**SPY: 32.52%**
<u>Finding the Sweet Spot of Yield, Duration and Quality in Today's Bond Market</u> **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: 0.77%** **FTSD: 0.19%** **IGSB: 2.32%**	**SHY: -0.30%**
<u>Finding Sustainable Dividends In An Uncertain Environment</u> **NOBL (ProShares S&P 500 Dividend Aristocrats ETF),** **DGRO (iShares Core Dividend Growth ETF).** **TDIV (First Trust NASDAQ Technology Dividend ETF).**	This 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.	**6/2/2020**	**NOBL: 17.69%** **DGRO: 14.28%** **TDIV: 14.03%**	**SPY: 17.20%**

Sevens Report Alpha Fund & Stock Ideas

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Three Strategies to Gain Exposure to 5G **Strategy 1: The Chipmakers. QCOM (Qualcomm), MRVL (Marvel Technologies).** **Strategy 2: Radio Frequency Providers. QRVO (Qorvo).** **Strategy 3: The 5G ETF. FIVG (Defiance Next Gen Connectivity ETF).**	The focus of today's issue came from a subscriber request: **5G.** 5G is one of the biggest secular growth trends in the market, and by that, I mean trends that will continue in a positive direction regardless of what happens in the economy in the near term. Additionally, 5G is one of the most popular investing topics among regular investors, so we thought now would be a good time to do a "deep dive" in 5G and detail:	**6/30/2020**	**QCOM: 61.52%** **MRVL: 31.88%** **QRVO: 41.07%** **FIVG: 18.68%**	**SPY: 17.80%**
Finding Value in European Equities **VGK (Vanguard Europe ETF).** **FEZ (SPDR Euro STOXX 50 ETF)**	Coronavirus has finally caused the Europeans to aggressively stimulate the economies, and as long as that continues, that should provide a needed spark to help European equities outperform. Because of that positive change, we think European ETFs offer more attractive risk/reward than U.S. sectors that are considered "values," specifically financials, energy, and industrials. That's especially true given U.S. value styles have underperformed growth by as much as 66% over the past five years! We think a better choice is to look to Europe to fulfill the value component of a portfolio.	**7/14/2020**	**VGK: 11.49%** **FEZ: 9.59%**	**VTV: 14.15%**
Actionable Strategies to Own COVID 19 Vaccine Producers **PPH: The VanEck Pharmaceutical ETF.** **GERM: The ETFMG Treatments Testing and Advancements ETF.**	In today's Alpha issue, we are **going to go in-depth on actionable investment strategies to gain exposure to the companies that are leading the COVID-19 vaccine race.** Specifically, in today's issue we take the broad research we covered in Thursday's webinar, enhance it, and get much more tactical (looking at investment strategies to get exposure to vaccine players). Specifically, we cover two actionable strategies that we think are appropriate for advisors and their clients: Strategy 1: Owning the Pharma Companies Leading the Vaccine Race. Strategy 2: Diversified Exposure via ETFs.	**7/28/2020**	**PPH: 3.21%** **GERM: 2.67%**	**SPY: 13.10%**

Sevens Report Alpha Fund & Stock Ideas

Fund/Stock	Strategy	Date	Total Return	Benchmark Performance Since Issue Date
<u>What Outperforms in a Declining Dollar Environment</u> **Falling Dollar Strategy 1: International Stocks. XSOE (WisdomTree Emerging Markets ex-State-Owned Enterprises Fund).** **Falling Dollar Strategy 2: Currencies. FXE. (CurrencyShares Euro Trust).** **Falling Dollar Strategy 3: Gold Miners. GDX (VanEck Vectors Gold Miners ETF).**	A sustained period of dollar weakness doesn't come along often (it last occurred in 2017) but when it does, it can create substantial outperformance in certain sectors and indices. We want to make sure you have a comprehensive "falling dollar" playbook for both general and tactical asset allocations, because the fundamentals for a sustained period of dollar weakness are as strong as they've been in years (surging U.S. debt/deficits and rebounding growth overseas).	**8/11/2020**	**XSOE:** **12.68%** **FXE:** **1.43%** **GDX:** **-11.70%**	**SPY:** **9.15%**
<u>Ideas for When There's a COVID Vaccine Annoucement</u> **JETS (U.S. Global JETS ETF)** **PEJ (Invesco Dynamic Leisure and Entertainment ETF)** **KBE (SPDR S&P Bank ETF)** **REZ (iShares Residential REITS ETF)**	I believe today's issue demonstrates why Alpha is the perfect complement to the daily Sevens Report, because early last week in the regular Sevens Report, we discussed broad sectors that would benefit and outperform if there is a positive announcement on a COVID-19 vaccine. **But, in today's Alpha issue, we follow up on that research and go much more in-depth to identify specific ETFs and stocks that:** • **Are <u>outsized beneficiaries of a "return to normal"</u> that likely will follow a successful vaccine** • **That are <u>trading at historic discounts</u> due to COVID 19 fallout and** • **Were <u>good businesses before COVID 19</u>, and likely will**	**8/25/2020**	**JETS:** **26.85%** **PEJ:** **13.06%** **KBE:** **21.28%** **REZ:** **6,83%**	**SPY:** **5.54%**
<u>Opportunities in the Electric Vehicle Batter Industry</u> **ALB (Albemarle)** **SQM (Sociedad Quimica y Minera De Chile S.A. ADR)** **LIT (Global X Lithium & Battery Tech ETF)**	So, given this event, the anticipated media coverage of it, and the recent focus on TSLA, Nikola (the EV truck company), and other EV companies, <u>we wanted to revisit the EV space and specifically the battery market, because it is undeniable the growth potential here is still very, very substantial.</u> We explored the EV market three years ago when we first launched Alpha but much has changed in the industry since then, and with Battery Day looming, we wanted to revisit the industry, again with a specific focus on battery technology and the companies and ETFs associated with battery advancement – <u>because battery capacity remains the key to the growth of the</u>	**9/9/2020**	**ALB:** **1.82%** **SQM:** **7.91%** **LIT:** **10.21%**	**SPY:** **0.43%**

Sevens Report Alpha Fund & Stock Ideas

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Cyclical Rotation to Value **RSP (Invesco S&P 500 Equal Weight ETF)** **VTV (Vanguard Value ETF)** **RPV (Invesco S&P 500 Pure Value ETF)**	We scoured the universe of value ETFs and mutual funds to identify those that we think are "best of breed" and represent a cost-effective, alpha generating solution for any advisors who wants to rotate to value after the election. And, we were surprised by our findings – namely that higher fee, actively managed ETFs and mutual funds lagged the more traditional, passive value ETFs – and that keeping it simple in the value space yielded the best returns over the past several years.	**11/3/2020**	**RSP:** **10.46%** **VTV:** **8.86%** **RPV:** **10.64%**	**SPY:** **8.76%**
Four Post Election Tactical Strategies **Idea #1: Electric Vehicles & Clean Energy (LIT/ICLN/ESGV)** **Idea #2: Industrials & Infrastructure Spending (VIS/PAVE)** **Idea #3: Healthcare & Marijuana (VHT/MJ)** **Idea #4: Emerging Markets & China (XSOE)**	*What Specific Sectors and ETFs Can Outperform in a Biden Presidency/Divided U.S. Government?* That question was the inspiration for today's *Alpha* issue, because while election results have not been certified yet (that will start to happen in states later this week) the likelihood is that we will have a Biden Presidency and divided government in 2021 (with Republicans holding a small majority in the Senate). Reflecting that fact, I've been asked multiple times over the past week what would outperform in this political environment, so I imagine this topic has been coming up in client conversations – **and I want to make sure that you have the strategies and talking points you need to turn those conversations into**	**11/17/2020**	**Eight Different ETFs Listed.**	