# SEVENS REPORT *alpha*

## July 11, 2023

### In Today's Issue

- Real estate generally and the homebuilders specifically have bucked conventional wisdom that higher rates equal a weaker housing market. Instead, the rapid rise in rates has dramatically reduced the supply of homes for sale, boosting profits for homebuilders, which have recently hit 52-week highs.
- If 1) Interest rates remain elevated for an extended period and 2) The economic recession is shallow or non-existent, then it makes sense to consider homebuilders as a growth center for your client portfolios. In this report, we highlight best-of-breed strategies to own homebuilder and home improvement stocks to capitalize on this secular opportunity.
- Investment Idea 1: Focusing on the Large Builders. The **iShares US Home Construction ETF (ITB).** ITB has sizeable weightings to the largest homebuilders (as opposed to more exposure to the real estate ecosystem) and has been the best-performing homebuilders ETF on a three- and five-year time frame. ITB is up 62% over the past year.
- Investment Idea 2: Pure Builders. The **Invesco Dynamic Building & Construction ETF (PKB).** PKB is a pure play on the builders and materials companies. It provides exposure to just 30 U.S. building and construction companies and does not allocate to the broader real estate ecosystem (think home furnishing, paint, home improvement stores, etc.). PKB has rallied 43% over the past year.
- Investment Idea 3: Broad Real Estate Exposure. The **Hoya Capital Housing ETF (HOMZ)**. In contrast to PKB, HOMZ is a one-stop shop for the complete value chain of real estate-related companies: Residential REITs (30%), Homebuilding/Construction (30%), Home Improvement/Furnishing (20%), Home Services/Technology (20%).

## Building Alpha with Homebuilders

It's been a wild ride in the financial markets during the first half of 2023 and the pundits are still vigorously debating the outcome of the U.S. economy for the remaining months of the year. While many argue that a recession is all but inevitable, a vocal minority are preaching that the strong consumer will overcome all warning signals. What everyone seems to agree on is that interest rates are going to remain elevated for an extended period and will have a wide-ranging impact on various sectors.

One of the cornerstones of the "higher-for-longer" interest rate thesis is that this policy structure is a net negative for real estate. Typically, both commercial and residential real estate enjoy a booming period of growth as interest rates fall. This spurs higher asset prices, consistent mortgage activity, and overall inflationary activity where owners are rewarded. Conversely, higher rates act as a counterbalance to these forces and stifle activity sector wide.

This general rule has held true when you compare the price action of the Vanguard Real Estate ETF (VNQ) versus the iShares 7-10 Year Treasury ETF (IEF). Both have traded with a consistent correlation over the last two years as noted on the chart on Page 2.

Conventional wisdom is that investors should avoid real estate until we start to see an about face in the tenor of the debt markets. Yet there is one corner of the housing market that is demonstrating an unconventional deviation from the broader downtrend. Homebuilder stocks have recently hit new 52-week highs on the back of insatiable demand for new housing inventory.

This outlier effect makes sense when you consider the following factors at play during this unique period of history:

- 30-year mortgage rates have crept up from the high-2% range just three years ago to hit a recent high of 7% in 2023.

- Homeowners that refinanced in that 2.5%-3.5% range over the last several years are now "trapped" in their homes as lateral, or upgrade moves to a new property will require taking on a significantly higher interest payment. For instance, a 30-year fixed mortgage of $500,000 at a 3% interest rate translates to a monthly payment of $2,108. That same mortgage at a 7% interest rate is $3,327 per month, or a difference of $1,219 (57.8% increase).


- The lack of available real estate for sale means that net housing inventory as compared to the potential measurable demand has widened to one of its largest gaps in the last several decades.

- The most likely place for real estate inventory to expand is through new construction, i.e. homebuilder activity.

Just how bad is this supply and demand situation for the real estate markets? Consider some of these recent findings from Zillow that highlighted the gap between families and available homes in the United States.

- In 2021, the number of families that were likely in need of their own homes exceeded available homes by roughly 4.3 million units.

- While the gap varies across metropolitan areas, it is most pronounced in the most expensive coastal housing markets in the country such as Los Angeles, San Francisco, San Jose, San Diego, and Boston.

- Construction sector productivity in the U.S. has been declining relative to the rest of the U.S. economy since the late 1960s. This has led to a perpetual state of under supply.

- Steps to improve this situation include loosening zoning requirements, building more affordable homes, and minimizing permit restrictions.

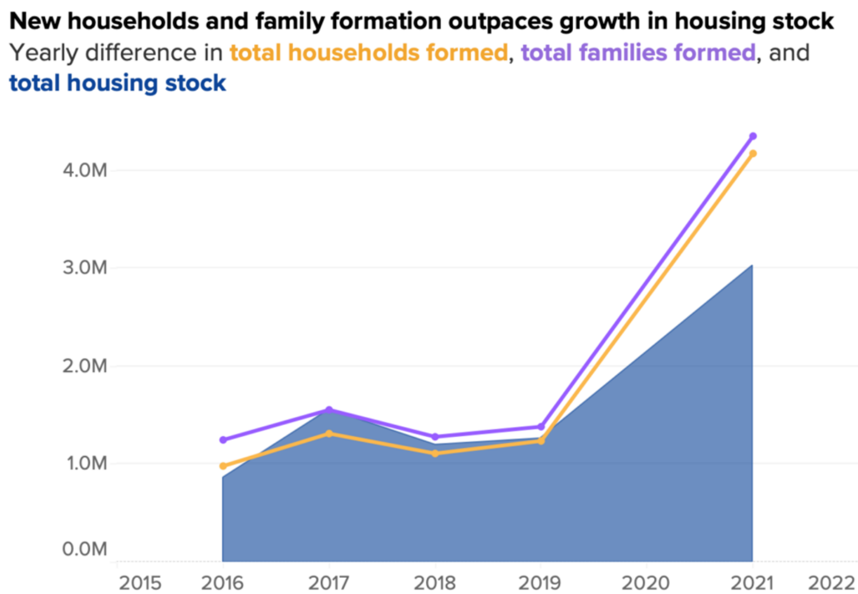
The National Association of Realtors estimates that it will take more than a decade for the demand and supply imbalance to close even if new construction accelerates. Furthermore, Toll Brothers CEO Douglas Yearley told analysts in late May that "we believe the resulting supply/demand imbalance will continue well into the future, adding to the long-term tailwinds that have supported the housing industry in recent years." (source)

Put simply, if your thesis is that 1) Interest rates will remain elevated for an extended period and 2) The economic recession will be shallow or non-existent, then it makes sense to consider homebuilders as a key growth center for your client portfolios.

These stocks have the potential to ride a long-term wave of pent-up demand and under supply with pricing power to rival comparable industries. In this report, we highlight best-of-breed strategies to own homebuilder and home improvement stocks to capitalize on this secular opportunity.

## Investment Idea 1: Go Big or Go Home

The homebuilding sector is unique in that it is comprised of a myriad of subcategories that make up this broad ecosystem. These include the frontline homebuilders themselves, building materials stocks, home improvement retail, home furnishings, distributors, chemical companies, and even forestry products. The key to successfully deploying investment capital into this distributed network is to analyze how each fund structure allocates to these varied divisions. That way you understand the sector makeup and potential risk factors that can weigh on each available option.




The best place to start with that process is to do a deep dive into the largest and most well-established homebuilder ETF in the marketplace today. That title belongs to the **iShares US Home Construction ETF (ITB)**, which owns a diversified basket of 48 holdings in a market-cap-weighted structure. This low-cost fund is closing in on nearly two decades of trading history and has amassed $2.35 billion in assets over its tenure.

That longevity, size, and liquidity should provide confidence that the ITB portfolio is a well-constructed mix of holdings. Yet when we break down the mechanics of its portfolio the advantages for investors looking for broad-based exposure to this sector become clear. Top holdings in ITB include well-known names such as DR Horton Inc, Lennar Corp, NVR Inc, PulteGroup Inc, and Sherwin Williams. It also contains exposure to home improvement juggernauts Lowe's Companies and Home Depot in its top 10 stocks.

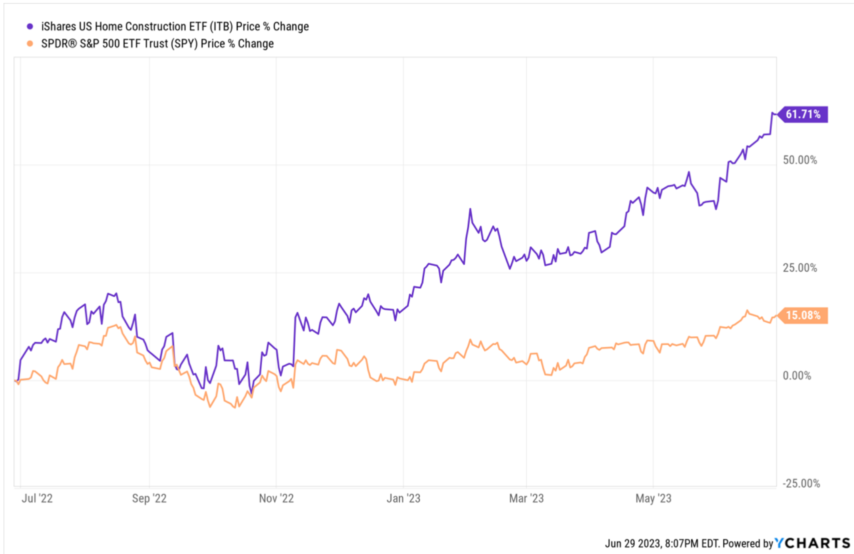
The outsized exposure to these large-cap companies has allowed ITB to rocket more than 60% higher over the last 12 months. That easily bests the 15% return of the S&P 500 Index over that same time frame. This has primarily been driven by steady momentum among the sector heavyweight homebuilders. Both DR Horton and Lennar have risen more than 80% through this 52-week push to new highs.

What makes this ETF unique is that investors own a highly diversified basket of stocks that are weighted towards some of the strongest industry players. This one-year track record is not an anomaly, either. ITB is also the top-performing homebuilder ETF on three- and five-year time frames as well. Furthermore, even with this recent move, the aggregate price-to-earnings ratio of the underlying basket is gauged at a reasonable 9.52. Meaning that earnings are continuing to keep pace with the upward momentum and not overly stretching fundamental valuations.

Now, why is ITB our preferred large-cap homebuilder ETF above the venerable SPDR S&P Homebuilders ETF (XHB)? The primary deciding factor is the effect of the portfolio weighting mechanism. XHB uses a modified equal weighting structure like many of the SPDR industry-level funds. This unintentionally skews a large portion of the 35-stock portfolio towards building products companies (46%) rather than the actual homebuilders (32%). You essentially own more materials stocks than construction stocks. The net impact has led to diminished returns on one-, three-, and five-year time frames as compared to the market-cap weighted ITB.

Investors that will have the most success with this market-leading ETF are those that want to own a highly liquid and diversified growth fund within the homebuilding sector. Its two-thirds allocation to the homebuilders and the remaining one-third spread among complementary players has allowed it to thrive during this unique period of housing supply imbalance. Those same economic forces should allow it to continue to prosper well into the future as market conditions support further residential single family and multifamily development.

This ETF can be integrated into client portfolios as a secular growth theme that resides outside of the conventional technology and internet heavy consumer discretionary segments. Using it alongside these highly represented sectors can help diversify and balance your portfolio risk dynamics. That can ultimately lead to mitigated volatility and stronger long-term returns over a full market cycle.




## Investment Idea 2: Pure Builders

One of the potential disadvantages of choosing a diversified homebuilder fund such as ITB or XHB is that they encompass a wide scope of industry-adjacent stocks. Not only do you own the residential construction companies and their suppliers, but you are also beholden to cyclical, consumer-driven retail organizations as well. That includes the home improvement vendors, home furnishing companies, paint stocks, and other organizations.

That halo effect can be beneficial if the economy is on sound footing and the ensuing rising tide lifts all ships. However, it can also be detrimental if we start to see a slide in consumer spending that puts the brakes on more direct consumer sensitive industries. The omen of a potential recession may have some advisors or clients wary about allocating to this segment of the homebuilding industry. If you find yourself in that trepidatious category, there is a unique ETF that will still allow you to participate in the broader housing boom without direct exposure to these cyclical stocks.

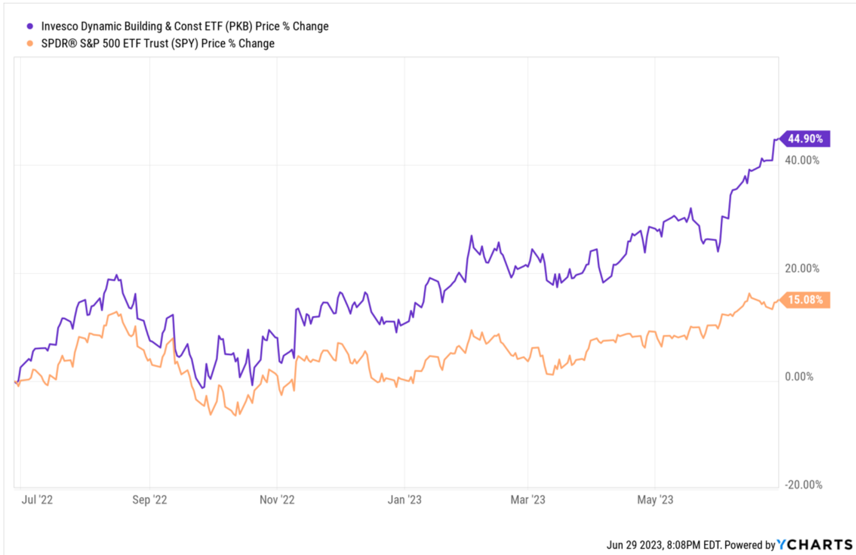
The **Invesco Dynamic Building & Construction ETF (PKB)** is a smart-beta index fund that screens for 30 U.S. building and construction companies demonstrating appealing fundamental characteristics. The index criteria evaluate stocks for factors that include price momentum, earnings momentum, quality, management action, and value. The result is a unique portfolio that focuses on pure exposure to the building and materials industries.

With a smaller number of holdings and fundamental inclusion criteria, the overall dispersion of capital within the PKB basket is far different than that of ITB. Its top stocks include names such as Pulte Group, Lennar Corp, Martin Marietta Materials, Vulcan Materials, and DR Horton. No single holding makes up more than 5% of the total portfolio basket and rebalancing is conducted each quarter. This creates a more even distribution of performance characteristics over the broader group rather than relying on outsized gains from a handful of top stocks.

The market-cap dispersion of this fund is unique as well. It's primarily focused on small- and mid-cap stocks rather than the large-cap ITB. This means it will generally contribute to total portfolio returns in a way that skews towards mid-cap level characteristics. It's also comforting to note that the price-to-earnings ratio of PKB rests at a healthy 9.19 as a result of its fundamental screening criteria. Often investors must choose between owning smaller growth companies at elevated valuations or seeking value-oriented sectors to mitigate that pricing effect. This fund strikes a keen balance between the two opposing criteria.

The chart on Page 5 demonstrates that divergence. While the fund has handily beaten out the S&P 500 Index on a one-year basis, it is noticeably lagging the industry benchmark ITB. We view this performance divergence as a net positive considering PKB has the potential to tread its own path with its varied portfolio makeup.

Total assets in this unique smart-beta index fund stand at a comfortable $229 million and it charges a net expense ratio of 0.57% annually. Like ITB, the fund is closing in on almost two decades of trading history, which highlights its longevity in the Invesco lineup.




Clients who will have the most success with this ETF are those that are comfortable owning a focused basket of smaller stocks within a unique growth segment of the U.S. economy. Its biggest differentiating factor is the lack of home goods and home improvement exposure as compared to its peer group. That means its sector makeup skews towards construction, industrial, and materials stocks versus the more economically sensitive consumer retail segment.

This ETF can both stand alone as a targeted play on the homebuilder growth story or pair alongside another ETF in this thematic group to aim for a broader structural play. That will largely depend on the number of holdings and specific sector needs each client portfolio is trying to achieve.

More aggressive growth portfolios that are trying to balance out tech-heavy allocations may opt to increase their exposure profile in this genre to fortify their diversification characteristics. Conversely, those who want to nibble on the pure homebuilder theme as a tactical opportunity may choose a moderated allocation size to balance their risk profile.

## Investment Idea 3: One-Stop Real Estate Shop

One principle we always stand by is that there is no one-size-fits-all approach to portfolio management. Each advisor has a unique set of circumstances, client preferences, and investment style that has allowed them to successfully grow their business. That is why we opt to introduce a well-balanced menu of investment ideas that may suit certain situations or preferences more than others. It's also an opportunity to introduce unique funds that you may not even know existed prior to our published research.

Those influences creatively converge with our introduction of the **Hoya Capital Housing ETF (HOMZ)**. This ETF invests in 100 companies involved across the U.S. housing industry, including rental operators, homebuilders, home improvement companies, and real estate services and technology firms. In simplest terms, the fund is a one-stop shop for advisors to own the complete value chain of real estate-related companies in a single investment vehicle.

According to the fund sponsor, the HOMZ index seeks to benefit from rising rents, appreciating home values, and a persistent housing shortage. It accomplishes this by weighting the following subcategories: Residential REITs (30%), Homebuilding & Construction (30%), Home Improvement & Furnishing (20%), and Home Services & Technology (20%). These allocation percentages were chosen based on the relative contribution to U.S. gross domestic product by each division.

Its top holdings at present include Lowe's Companies, Home Depot, Toll Brothers, Meritage Homes, and KB Home Corp. No single holding makes up more than 3% of the total portfolio. Furthermore, shareholder capital is evenly spread within the four subcategories based on the total number of stocks in each silo. This creates a highly diversified growth and income portfolio that is uniquely positioned in the real estate world.

One of the benefits of the broader real estate umbrella is that it targets many of the highest dividend growth stocks within the sector. This allows the fund to achieve a current 30-day SEC yield of 2.49% with income paid monthly to shareholders. That steady income stream can be an attractive quality to dividend-hungry clients that desire consistent distributions into their accounts. Furthermore, the fund charges an extremely modest 0.30% expense ratio that is likely to please even the most cost-conscious investors.

The HOMZ ETF has demonstrated results over the last 12 months that are more consistent with the broader market trend as compared to a homebuilder-specific fund. It has only modestly outperformed the S&P 500 Index. This makes sense when you consider how conventional REITs have underperformed over this period and weighed on portfolio returns. Nevertheless, its balanced and diversified nature makes it a strong contender for a long-term cyclical play on the real estate market where you are assured to capture all corners of the residential housing market's growth.


One drawback to the HOMZ ETF is its small asset size and intermittent daily trading volume. The fund has only managed to draw in $30 million of investor capital in the four years since its inception. It appears to have largely flown under the radar, which is odd considering its unique positioning in the market.

Additionally, its creators Hoya Capital are a widely read and published investment advisor that specializes in real estate investment insights. This should give investors confidence in the pedigree from which this distinctive index was developed and that the underlying holdings are highly liquid entities.

Those that do decide to trade into this fund should do so with limit orders to ensure proper fills on both the buy and sell sides.

The types of clients that are going to have the most success with HOMZ are those that need a single point of access to a highly diverse real estate portfolio with meaningful exposure to the homebuilder theme. This would be an ideal candidate for smaller accounts that only own a handful of ETFs and may have an underrepresented allocation to real estate in their household.

Examples include accounts for children or grandchildren as well as small legacy retirement accounts. It can also be appropriate to pair alongside a traditional REIT index fund such as VNQ or XLRE, which generally contain more exposure to the commercial side of the market.

Lastly, another high confidence use case for this fund is as a barometer for the overall health of the housing market. Adding it to your daily watch list and regularly tracking its chart pattern can provide a more well-rounded insight into the activity within the residential housing sector than other common benchmarks.

## Conclusion

The combination of shifting demographics, mortgage economics, and undersupply of units represents a secular opportunity for homebuilders to thrive over the next decade or more. The foundation of that thesis should allow for an expanded presence of these stocks in client growth portfolios as market dynamics dictate. Admittedly, the strong run up over the last year makes it difficult to go "all in" at new highs even with the fundamentals demonstrating strong trailing returns.

A best-case scenario would involve a summer sell-off that presents a more attractive buying opportunity for these funds to be held over the long term. That would allow you to integrate them into client portfolios at levels you can add to as conditions evolve.

We generally recommend stair-stepping into new allocations with multiple trades to average your cost basis over time. This provides more portfolio flexibility to size holdings in accordance with client risk tolerance and portfolio objectives.

Best,

Tom

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **AI Tools for Advisors**<br>Chatbots and Virtual Assistants.<br>Sales and Marketing Tools.<br>Copywriting and Illustrations. | This Alpha report serves as a "Part Three" of our series on Artificial Intelligence (AI) and **focuses on specific AI platforms that you can begin using today that can make your practice more efficient and reduce costs.** This is basically the "business alpha" issue that explains how AI can help you better run the business side of your practice! | **6/27/2023** | **N/A** | **N/A** |
| **Artificial Intelligence Primer Part Two**<br>Global X Artificial Intelligence & Technology ETF (AIQ),<br>First Trust Cloud Computing ETF (SKYY),<br>Defiance Quantum ETF (QTUM),<br>TrueShares Technology, AI, and Deep Learning ETF (LRNZ).<br>WisdomTree Artificial Intelligence and Innovation Fund (WTAI). | This second AI Alpha issue will focus more on **what this technology can actually do (and how it can be used) and updates the universe of AI-focused ETFs and stocks.**<br>Specifically, we cut through some of the noise of the biggest AI predictions (it'll replace entire industries, potentially replace people, etc.) and **instead focus on practical applications and how that could impact corporate profitability and the markets, and in doing so arm you with practical insight and knowledge on AI for client and prospect discussions.** | **6/13/2023** | **AIQ:**<br>**-0.36%**<br>**SKYY:**<br>**-1.44%**<br>**QTUM:**<br>**-1.23%**<br>**LRNZ:**<br>**-2.68%**<br>**WTAI:**<br>**-2.40%** | **SPY:**<br>**0.91%** |
| **Utilizing High Returns on Cash**<br>iShares 0-3 Month Treasury Bond ETF (SGOV)<br>SPDR Bloomberg 1-3 Month T-Bill ETF (BIL).<br>Invesco Treasury Collateral ETF (CLTL).<br>SPDR Bloomberg 3-12 Month T-Bill ETF (BILS).<br>PGIM Ultra Short Bond ETF (PULS). | This issue will help you address and overcome those client concerns and provide a list of high quality, high yielding cash alternative ETFs, so clients can feel comfortable allocating to money market funds and other cash alternatives to enjoy decades high yields on cash and little to no principle risk! | **5/31/2023** | **SGOV:**<br>**0.59%**<br>**BIL:**<br>**0.56%**<br>**CLTL:**<br>**0.55%**<br>**BILS:**<br>**0.54%**<br>**PULS:**<br>**0.64%** | **SPY:**<br>**5.45%** |
| **Uncorrelated Investing Opportunities**<br>IQ Merger Arbitrage ETF (MNA).<br>iMGP DBi Managed Futures Strategy ETF (DBMF).<br>Core Alternative ETF (CCOR). | We wanted to focus this Alpha issue on uncorrelated strategies and ETFs that can provide income and alpha along with true diversification for a market that's likely to become increasingly volatile in the coming months. | **5/16/2023** | **MNA:**<br>**0.22%**<br>**DBMF:**<br>**3.19%**<br>**CCOR:**<br>**-3.16%** | **SPY:**<br>**7.42%** |
| **Contrarian Opportunity - Identifying Quality Commercial Real Estate ETFs**<br>SPDR Dow Jones REIT ETF (RWR).<br>Fundamental Income Net Lease Real Estate ETF (NETL).<br>A Dedicated List of Office REITs. | This Alpha issue speaks to our contrarian leanings, as we are going to look for **potential contrarian opportunities in the commercial real estate ETF space.** | **5/02/2023** | **RWR:**<br>**4.81%**<br>**NETL:**<br>**0.96%** | **VNQ:**<br>**4.64%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Is Gold in a New Bull Market?**<br>abrdn Physical Gold Shares ETF (SGOL).<br>SPDR Gold MiniShares Trust, (GLDM).<br>VanEck Vectors Gold Miners ETF (GDX).<br>abrdn Physical Silver Shares ETF (SIVR).<br>iShares MSCI Global Silver and Metals Miners ETF (SLVP).<br>abrdn Physical Precious Metals Basket Shares ETF (GLTR). | This issue will focus on the best ways to gain exposure to precious metals and miners, because gold has quietly traded to within striking distance of its all-time high, and with global unrest, a falling U.S. dollar, and a potential dovish pivot from the Fed, **the outlook for a gold bull market is as good as it's been in years.**<br>We focused on examining what parts of the gold and precious metals space performed best during previous gold bull markets and identified our preferred ETFs to gain exposure to gold, other precious metals, and precious metals miners. | **4/18/2023** | **SGOL:**<br>**-3.96%**<br>**GLDM:**<br>**-3.95%**<br>**GDX:**<br>**-13.17%**<br>**SIVR:**<br>**-8.21%**<br>**SLVP:**<br>**-17.45%**<br>**GLTR:**<br>**-7.43%** | **SPY:**<br>**6.36%** |
| **Two Strategies for the Regional Banking Crisis**<br>Invesco KBW Bank ETF (KBWB).<br>iShares U.S. Financial Services ETF (IYG).<br>Pacer Trendpilot US Large Cap ETF (PTLC). | The eruption of the regional bank crisis has created a potentially binary outcome, whereby either the crisis fades and the extreme declines in banks and financials is an attractive buying opportunity, or the crisis gets worse and drags down the entire market.<br>**This Alpha issue examines each scenario and identifies strategies that will help us navigate either outcome.** | **4/04/2023** | **KBWB:**<br>**2.33%**<br>**IYG:**<br>**6.72%**<br>**PTLC:**<br>**7.69%** | **SPY:**<br>**7.80%** |
| **Defined Outcome and Buffered ETFs**<br>Innovator S&P 500 Power Buffer ETF - April (PAPR).<br>Innovator Growth-100 Power Buffer ETF - October (NOCT) or FT Cboe Vest Nasdaq-100® Buffer ETF - September (QSPT).<br>Innovator U.S. Equity Ultra Buffer ETF - June (UJUN) or FT Cboe Vest U.S. Equity Deep Buffer ETF - June (DJUN). | This Alpha issue focuses on Defined Outcome Funds, or "Buffered ETFs," which are fairly new and certainly unique investment products designed to capture upside in an underlying index (like the S&P 500) while limiting losses through the use of options strategies. Given recent bank failures and rising recession fears, these strategies should see increased demand this year. | **3/21/2023** | **PAPR:**<br>**5.29%**<br>**NOCT:**<br>**7.87%**<br>**QSPT:**<br>**13.03%**<br>**UJUN:**<br>**4.82%**<br>**DJUN:**<br>**7.00%** | **SPY:**<br>**10.44%** |
| **Artificial Intelligence Primer**<br>Global X Artificial Intelligence & Technology ETF (AIQ).<br>First Trust Cloud Computing ETF (SKYY).<br>Defiance Quantum ETF (QTUM). | This Alpha issue provides an important overview of the AI space and these ETFs will allow investors to get exposure to the entire AI value chain, so they can benefit as the technology evolves and implementation grows. | **3/7/2023** | **AIQ:**<br>**22.22%**<br>**SKYY:**<br>**17.89%**<br>**QTUM:**<br>**15.06%** | **SPY:**<br>**11.02%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Three Strategies to Re-Allocate to Growth (and Tech)**<br>iShares Morningstar Mid-Cap Growth ETF (IMCG).<br>iShares Expanded Tech Sector ETF (IGM).<br>VanEck Vectors Semiconductor ETF (SMH). | I dedicated this Alpha issue to growth ETFs that I think are good candidates for allocations if an advisor does want to add growth exposure. Specifically, **I have detailed three strategies and ETFs that I think can help advisors add broad growth exposure, specific tech sector exposure, and targeted tech industry exposure, so advisors can select the strategy that best fits their client's needs.** | **2/22/2023** | **IMCG: 6.06%**<br>**IGM: 25.76%**<br>**SMH: 28.73%** | **SPY: 10.95%** |
| **An Opportunity in International Stocks**<br>Vanguard Europe ETF (VGK).<br>iShares Core MSCI Emerging Markets ETF (IEMG).<br>Schwab Fundamental International Small Company Index ETF (FNDC). | This issue will focus on the global markets, specifically international stock ETFs that we believe would be good core holdings for adding (or increasing) international exposure in client accounts because, for the first time in a long time, **the case can be made that international markets can sustainably outperform U.S. markets.** | **2/07/2023** | **VGK: 1.58%**<br>**IEMG: -0.45%**<br>**FNDC: 0.08%** | **SPY: 6.51%** |
| **Opportunity in Long Bonds**<br>SPDR Portfolio Long Term Treasury ETF (SPTL).<br>PIMCO Long-Term Credit Bond Fund (PTCIX).<br>VanEck Long Muni ETF (MLN). | This issue focuses on opportunities in the long end of the yield curve, which suffered historic losses in 2022 but is potentially poised to stage a big rebound in 2023 and beyond. | **1/24/2023** | **SPTL: -5.44%**<br>**PTCIX: -4.24%**<br>**MLN: -0.55%** | **SPY: 10.49%** |
| **Three Contrarian Ideas to Start 2023**<br>ARK Next Generation Internet ETF (ARKW).<br>Vanguard Communication Services ETF (VOX).<br>iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB). | This issue is our annual "contrarian" issue, where we present three contrarian strategies that we think can outperform in 2023 if consensus expectations for the economy, Fed policy, and inflation are proven false. | **1/10/2023** | **ARKW: 45.40%**<br>**VOX: 21.73%**<br>**EMB: 1.25%** | **SPY: 13.22%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Three Strategies that Outperformed in 2022 and Should Outperform Again in 2023.**<br>Cambria Shareholder Yield ETF (SYLD).<br>Invesco S&P 500 Pure Value ETF (RPV).<br>PIMCO Enhanced Short Maturity Active ETF (MINT).<br>JP Morgan Ultra-Short Income ETF (JPST)<br>First Trust Consumer Staples AlphaDEX Fund (FXG).<br>First Trust Natural Gas ETF (FCG). | This Alpha issue is our annual "Look Back" issue, where we take time to identify the ideas and themes that worked in 2022, identify some that did not, and address whether we think these performance trends will continue in 2023.<br>Given expectations of economic and earnings recessions along with continued elevated geopolitical risks, we wanted to highlight three strategies that outperformed in 2022 and that we believe are poised to do so again in 2023. | 12/28/2022 | **SYLD:**<br>**5.93%**<br>**RPV:**<br>**3.44%**<br>**MINT:**<br>**3.17%**<br>**JPST:**<br>**2.01%**<br>**FXG:**<br>**0.29%**<br>**FCG:**<br>**-0.65%** | **SPY:**<br>**17.43%** |
| **Navigating Crypto's 'Lehman Moment'** | In this Alpha issue we are trying to cut through the noise and explain **1) The state of the industry post-FTX and 2) Identify ETFs we think are still legitimate options for exposure, so you have quality talking points and viable options for any crypto-related discussions with clients or prospects.** | 12/13/2022 | **N/A** | **N/A** |
| **Small Cap Stocks**<br>iShares Core S&P Small Cap ETF (IJR).<br>Invesco S&P SmallCap 600 Revenue ETF (RWJ).<br>Pacer U.S. Small Cap Cash Cows 100 ETF (CALF). | **Very quietly, small-cap stocks have outperformed the S&P 500 by 300 bps and the Nasdaq by 800 bps over the past five months.** And, due to multiple factors, small caps may now be poised to provide growth to portfolios over the medium and longer term. | 11/29/2022 | **IJR:**<br>**1.15%**<br>**RWJ:**<br>**1.43%**<br>**CALF:**<br>**6.24%** | **SPY:**<br>**12.42%** |
| **MOAT Stocks**<br>VanEck Morningstar Wide Moat ETF (MOAT).<br>Morningstar ESG Wide Moat ETF (MOTE).<br>VanEck Morningstar SMID Moat ETF (SMOT). | **This Alpha issue is focused on specific stocks that we think can best withstand the coming economic slowdown, and in doing so help clients outperform.**<br>Specifically, as we approach this economic contraction, analysts are rightly advocating for stocks that are less sensitive to economic growth, have strong cash flows, and have low debt ratios, as they should relatively outperform in a slow growth/no growth environment. | 11/1/2022 | **MOAT:**<br>**26.19%**<br>**MOTE:**<br>**13.24%**<br>**SMOT:**<br>**13.72%** | **SPY:**<br>**15.54%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Opportunities in Municipal Bonds.**<br>JPMorgan Ultra-Short Municipal Income ETF (JMST).<br>SPDR Nuveen Bloomberg High Yield Municipal Bond ETF (HYMB).<br>IQ MacKay Municipal Intermediate ETF (MMIT). | Municipal bonds have been an unloved asset class for the past several years due to very low yields that sent investors to other corners of the fixed income markets.<br>**But that has changed during the 2022 bond market rout and yields on munis now are at multi-year highs**. With federal funding still in place for pandemic programs, strong tax receipts, and a still-solid U.S. economy, **the credit outlook for municipal bonds is stronger than the muni bond price action would imply, and we think that creates a potential opportunity.** | **10/18/2022** | **JMST:**<br>**2.42%**<br>**HYMB:**<br>**6.01%**<br>**MMIT:**<br>**5.24%** | **SPY:**<br>**19.74%** |
| **Protection in a Deeper Bear Market.**<br>ProShares Short S&P 500 ETF (SH).<br>ProShares Short QQQ (PSQ).<br>Pacer Trendpilot US Large Cap ETF (PTLC).<br>iShares 0-3 Month Treasury Bond ETF (SGOV). | Specifically, we identify three strategies to protect client portfolios if the lows are materially broken, and we are looking at another 10%-20% decline in the S&P 500. Our goal with these strategies is clear: *Minimize the losses and be able to “survive” to take advantage of the ultimate longer-term buying opportunity.* | **10/4/2022** | **SHO:**<br>**6.79%**<br>**PSQ:**<br>**-22.33%**<br>**PTLC:**<br>**9.86%**<br>**SGOV:**<br>**3.38%** | **SPY:**<br>**17.58%** |
| **Opportunities in the Nuclear Energy Revival**<br>Uranium Mining Stocks. Global X Uranium ETF (URA).<br>Nuclear Utility Stocks. VanEck Uranium + Nuclear Energy ETF (NLR).<br>A Cutting Edge Approach. NuScale Power Corp (SMR). | The Russia/Ukraine war has upset the global energy industry and as the EU and Britain scramble to find enough natural gas to satisfy their needs, **nuclear energy emerged as a potential solution not just to the current global energy shortage, but also to satisfy the increased future demand as reliance on fossil fuels declines.**<br>More specifically, the Russia/Ukraine war has exposed a significant vulnerability in the EU’s energy situation and reduced natural gas flows from Russia have resulted in European countries embracing alternative forms of energy production, including nuclear. | **9/20/2022** | **URA:**<br>**-3.28%**<br>**NLR:**<br>**6.61%**<br>**SMR:**<br>**-46.06%** | **SPY:**<br>**15.58%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Repositioning for Another Rollover**<br>Invesco S&P 500 Equal Weight Utilities ETF (RSPU).<br>Invesco S&P 500 High Dividend Low Volatility ETF (SPHD).<br>The Best-Performing S&P 500 Stocks YTD (Excluding Energy).<br>WisdomTree Floating Rate Treasury Fund (USFR). | We must acknowledge the possibility that the S&P 500 takes out new lows later this year, and the July/August rally was nothing more than a bear market bounce.<br>**Given this possibility, we wanted to investigate the sectors, strategies, stocks, and ETFs that outperformed during the first six months of 2022.** We hope the analysis in this issue will serve as a potential blueprint for how to outperform if the last four months of 2022 look like the first six months of 2022. | 9/7/2022 | RSPU:<br>-9.77%<br>SPHD:<br>-3.06%<br>USFR:<br>3.89% | SPY:<br>12.22% |
| **Sustainable Investing Revisited**<br>Invesco MSCI Sustainable Future ETF (ERTH).<br>iShares Self-Driving EV and Tech ETF (IDRV).<br>SPDR S&P Kensho Clean Power ETF (CNRG). | The funding provided by the Inflation Reduction Act, combined with the higher gas prices and the energy security situation in Europe, has reinforced that the sustainable energy industry isn't just here to stay, **but that it'll continue to actively grow in the coming years.**<br>In past market downturns, the renewable energy sector usually performed very poorly. However, during this market decline, select renewable energy ETFs have handily outperformed the S&P 500 and we think that outperformance underscores the fact that this is becoming a more mature industry. | 8/23/2022 | ERTH:<br>-13.48%<br>IDRV:<br>7.12%<br>CNRG:<br>-13.00% | SPY:<br>6.51% |
| **The State of the Crypto Market**<br>Grayscale Bitcoin Trust (GBTC).<br>Grayscale Ethereum Trust (ETHE).<br>ProShares Bitcoin Strategy ETF (BITO).<br>Amplify Transformational Data Sharing ETF (BLOK). | The cryptocurrency industry and markets have witnessed extreme turmoil so far in 2022, but the longer-term story and investor appeal of cryptocurrencies and blockchain technologies remain generally intact. So, we wanted to **provide an update on the state of the crypto markets and identify quality, actionable investments that have relatively weathered the storm should clients be interested in this segment.** | 8/9/2022 | GBTC:<br>37.80%<br>ETHE:<br>-23.20%<br>BITO:<br>14.20%<br>BLOK:<br>6.79% | SPY:<br>6.77% |
| **Strategies for a Peak in Bond Yields**<br>First Trust NASDAQ Technology Dividend Index Fund (TDIV).<br>Vanguard REIT ETF (VNQ).<br>Pacer Benchmark Industrial Real Estate SCTR ETF (INDS).<br>Pacer US Cash Cows 100 ETF (COWZ). | Yes, the Fed is set to hike the Fed Funds rate by another 100 – 200 basis points, but the long end of the yield curve is driven by inflation expectations and growth estimates, not directly by Fed rate hikes.<br>So, if inflation is peaking and economic growth is rolling over (which is what the stock bulls are betting on) then longer dated bond yields will also peak, regardless of Fed Funds hikes. | 7/26/2022 | TDIV:<br>14.28%<br>VNQ:<br>-7.05%<br>INDS:<br>-5.52%<br>COWZ:<br>10.14% | SPY:<br>14.17% |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Sectors that Outperformed During Recent Recessions**<br>Vanguard Health Care ETF (VHT)<br>IShares U.S. Healthcare Providers ETF (IHF)<br>Vanguard Consumer staples ETF (VDC)<br>Invesco Dynamic Food and Beverage ETF (PBJ) | In this Alpha issue we examined sector performance during recent recessions to determine:<br>• If defensive sectors really do outperform during economic contractions and<br>• Which defensive sectors have the best track record of performance leading up to, during, and after recessions.<br>And, our research for this issue revealed a clear conclusion:<br>**Namely, that defensive sectors broadly and specifically the consumer staples and health care sectors demonstrated consistent patterns of outperformance leading up to, during, and following recessions.** | 7/12/2022 | VHT:<br>2.68%<br>IHF:<br>-3.74%<br>VDC:<br>6.36%<br>PBJ:<br>4.77% | SPY:<br>17.19% |
| **Five Strategies for a Low Return Environment**<br>Strategy One: Effective Client Communication<br>Strategy Two: Dividends<br>Strategy Three: Short Term High Yield Debt<br>Strategy Four: Cash is King<br>Strategy Five: Precious Metals | The average annual return for the S&P 500 has been 15.5% over the past 12 years, far above the longer-term average of just over 9%, **so we think it's prudent for advisors to ensure they have strategies to generate Alpha should annual returns lag the longer-term average for the next few years.**<br>So, in this issue we focused on 1) Techniques to help set the right expectations for clients for a potentially low return environment over the coming years and 2) Specific ETFs that we think can provide solid returns over the coming years amidst increased market volatility. | 6/28/2022 | NOBL:<br>11.42%<br>SHYG:<br>8.14%<br>SGOL:<br>5.68% | SPY:<br>17.25% |
| **Bottom Fishing with ARK Fund's Favorite Stocks**<br>Zoom (ZM)<br>Tesla Inc. (TSLA)<br>Roku Inc. (ROKU)<br>Block Inc. (SQ)<br>Exact Sciences Group (EXAS) | This issue continues with the "Bottom Fishing" theme from our previous Alpha issue, and we're going to cover what is arguably one of the most followed ETFs and fund families in the markets: **ARKK and the ARK Funds.**<br>The inspiration for this issue came from the research we performed for the previous Alpha issue. We learned that ARKK had not only fallen nearly 80% from the early 2021 highs but that ARKK was now trading *at or below* levels from before the pandemic even started. And, if we step back, it's hard to argue that the outlook for many of the biggest holdings in ARKK and across the ARK family of funds have worse business outlooks than before the pandemic even started. | 6/14/2022 | ZM:<br>-37.35%<br>TSLA:<br>21.48%<br>ROKU:<br>-9.37%<br>SQ:<br>14.31%<br>EXAS:<br>154.40% | SPY:<br>19.89% |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Bottom Fishing in Beaten Down Stocks**<br>Netflix (NFLX)<br>PayPal (PYPL)<br>Ford (F)<br>General Motors (GM)<br>Etsy (ETSY)<br>Penn National Gaming (PENN) | This issue is focused on identifying some of the most beaten-down stocks and sectors in the market today, because we know that while sentiment is very negative at the moment, there are contrarian clients who are looking for opportunities and we want to make sure you're prepared with a well-research list of individual stocks and ETFs. Additionally, we included an interactive table of 61 S&P 500 stocks that are trading below 10X earnings, and we also included other metrics such as Market Cap, Dividend Yield, and YTD Total Return. | **6/1/2022** | **NFLX:**<br>**128.70%**<br>**PYPL:**<br>**-16.04%**<br>**F:**<br>**21.72%**<br>**GM:**<br>**4.09%**<br>**ETSY:**<br>**5.21%**<br>**PENN:**<br>**-19.37%** | **SPY:**<br>**9.44%** |
| **Assisting Clients Through a Potential Bear Market**<br>Bear Market Statistics<br>Bear Market Psychology<br>Specific Tips for a Bear Market | Recently I've had a clear increase in the number of friends and acquaintances asking if we're entering a bear market and if they should get out of the market.<br>I told them this: History is very clear - Abandoning a long-term investment plan even in bear markets is not the right long-term decision.<br>**So, we wanted to arm you with independent and unique research, talking points, and historical analysis that reinforces that staying the course through volatility is the right solution for long-term outperformance.** | **5/17/2022** | **No recommendations given.** | |
| **Contrarian Bond Strategy**<br>Vanguard Intermediate Term Bond ETF (BIV)<br>iShare iBoxx Investment Grade Corporate Bond ETF (LQD)<br>iShares Preferred and Income Securities (PFF) | This Alpha issue is one of the most contrarian issues we've produced since I started Alpha because we examine long opportunities in bond ETFs.<br>The "bearish bond" thesis is well founded and widely adopted given high inflation and looming rate hikes.<br>But there is another outcome that's possible where the economy slows quickly, inflation peaks and recedes, the Fed doesn't hike as much as expected, and today's bond yields become attractive over the medium and longer term. | **5/3/2022** | **BIV:**<br>**-4.79%**<br>**LQD:**<br>**-5.53%**<br>**PFF:**<br>**-8.21%** | **AGG:**<br>**-5.31%** |
| **Staying Long With Lower Volatility ETFs.**<br>USMC (Principal U.S. Mega Cap ETF).<br>SPHD (Invesco S&P 500 High Dividend Low Volatility ETF)<br>XYLD (Global X S&P 500 Covered Call ETF) | I've made it no secret that I'm concerned about the longevity of the rally given the looming Fed tightening, yield curve inversions, high inflation, etc. But, history has shown us clearly that markets can rally, on average, 15% after a yield curve inversion, and that rally can last more than a year.<br>Minimum volatility ETFs can provide general long exposure while also reducing the pain of sudden pullbacks, like we experienced several times in the first quarter. | **4/19/2022** | **USMC:**<br>**1.47%**<br>**SPHD:**<br>**-15.08%**<br>**XYLD:**<br>**-16.73%** | **SPY:**<br>**-1.33%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Finding Opportunities in the New Energy Reality**<br>FCG (First Trust Natural Gas ETF)<br>URA (Global X Uranium ETF)<br>BOAT (Sonic Shares Global Shipping ETF)<br>LNG (Cheniere Energy)<br>FLNG (Flex LNG Ltd) | The Russia/Ukraine war has fundamentally altered the flow of energy around the world, as European countries wean themselves off Russian energy imports. This transition will take time and create opportunities across the energy sector, so today's Alpha issue is focused on identifying the strategies, sectors, and stocks that stand to benefit from this seminal shift. | **4/5/2022** | **FCG:**<br>**-0.30%**<br>**URA:**<br>**-17.39%**<br>**BOAT:**<br>**-0.93%**<br>**LNG:**<br>**10.01%**<br>**FLNG:**<br>**18.98%** | **SPY:**<br>**-0.64%** |
| **Russia/Ukraine Ceasefire Playbook**<br>EMB (iShares J.P. Morgan USD Emerging Markets Bond ETF)<br>HYEM (VanEck Emerging Markets High Yield Bond ETF)<br>EUFN (iShares MSCI Europe Financials ETF)<br>JETS (U.S. Global Jets ETF)<br>FXE (CurrencyShares Euro Trust) | What happens to markets if there's peace in Russia/ Ukraine?<br>That was a question that was emailed to me this morning by a subscriber, and it was incredibly well timed because today's Alpha issue is **focused on identifying potential opportunities in the market for when there is a ceasefire declared in the Russia/ Ukraine war.**<br>More broadly, the Russia/Ukraine war is devolving into a stalemate and at some point, there will be a ceasefire. And, given the intense market reactions to the conflict from certain sectors and regions, we think that a ceasefire announcement, whenever it comes, will create potentially substantial medium-and longer-term opportunities in some of the most beat down sectors of the market. | **3/22/2022** | **EMB:**<br>**-5.17%**<br>**HYEM:**<br>**-0.09%**<br>**EUFN:**<br>**6.20%**<br>**JETS:**<br>**6.98%**<br>**FXE:**<br>**-0.30%** | **SPY:**<br>**-0.32%** |
| **Bear Market Playbook (What Worked Last Time)**<br>MINT (PIMCO Enhanced Short Term Maturity Active ETF)<br>SGOL (Aberdeen Physical Swiss Gold Shares ETF)<br>VNQ (Vanguard REIT ETF)<br>FXG (First Trust Consumer Staples AlphaDEX Fund) | In this Alpha issue, **we are going to examine what assets and sectors outperformed the last time we had a sustained, multi-year bear market (in the early 2000s).**<br>Now, to be clear, we do not think a bear market is the most likely outcome for this market. If we thought that, we'd be advocating for much more defensive positioning in the Sevens Report.<br>But, at the same time, the current bull market is facing formidable headwinds, and the path for the Fed to successfully remove accommodation without harming the recovery is becoming increasingly narrower. | **3/8/2022** | **MINT:**<br>**-1.31%**<br>**SGOL:**<br>**-6.40%**<br>**VNQ:**<br>**-18.05%**<br>**FXG:**<br>**2.84%** | **SPY:**<br>**5.48%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **What Would Outperform If Markets Turn Around?**<br>SPDR FactSet Innovative Technology ETF (XITK)<br>Vanguard Consumer Discretionary ETF (VCR)<br>iShares Broad USD High Yield Corporate Bond ETF (USHY)<br>SPDR Blackstone Senior Loan ETF (SRLN) | This issue was inspired by this thought: ***What if everything works out alright?***<br>Many analysts (including me) are concerned about numerous headwinds hitting the U.S. markets and a potentially volatile trading year. That opinion has been correct so far in 2022, and it's well-reasoned. But it's also a very popular view on the Street right now.<br>So, in today's issue, we identify a playbook to outperform if, simply speaking, everything works out great! | **2/23/2022** | **XITK:**<br>**-9.51%**<br>**VCR:**<br>**0.31%**<br>**USHY:**<br>**-10.46%**<br>**SRLN:**<br>**-7.64%** | **SPY:**<br>**4.02%** |
| **Finding Value and Opportunity in International ETFs**<br>Schwab Fundamental International Large Company Index ETF (FNDF).<br>iShares Edge MSCI Intl Quality Factor ETF (IQLT).<br>Vanguard International High Dividend Yield ETF (VYMI). | We've been talking a lot in the Sevens Report about wanting to allocate towards lower P/E sectors, and the fact is that quality international stocks in developed markets are currently trading at heavy discounts to the S&P 500. We think the combination of low valuations and less-aggressive central banks makes international exposure an important part of a diversified investment strategy going forward. | **2/8/2022** | **FNDF:**<br>**-1.31%**<br>**IQLT:**<br>**-3.34%**<br>**VYMI:**<br>**-4.88%** | **SPY:**<br>**-0.32%** |
| **Weathering Market Volatility with "Quality" ETFs.**<br>Quality Idea 1: Financials. First Trust Financials AlphaDex Fund (FXO).<br>Quality Idea 2: Qualitative Value. ValueShares U.S. Quantitative Value ETF (QVAL).<br>Quality Idea 3: Shareholder Yield. Cambria Shareholder Yield ETF (SYLD).<br>Quality Idea 4: Core Value. Invesco S&P 500 Pure Value ETF (RPV). | This Alpha issue is an important complement to what we've been discussing in the regular Sevens Report, namely that we believe the best way to weather this increased volatility in markets is by allocating to "Quality" stocks, sectors, and ETFs.<br>For us, "quality" means those stocks and ETFs with lower relative price-to-earnings (P/E) and price-to-book (P/B) ratios, strong free cash flow, and solid shareholder yield. We believe these stocks and sectors will be the most insulated from the effects of interest rate hikes, possibly slowing growth and other headwinds, and find themselves as high-quality landing spots for investment capital. | **1/25/2022** | **FXO:**<br>**-12.52%**<br>**QVAL:**<br>**1.06%**<br>**SYLD:**<br>**1.29%**<br>**RPV:**<br>**-0.58%** | **SPY:**<br>**3.44%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Practical Crypto Strategies for Clients**<br>Greyscale Bitcoin Trust (GBTC)<br>Amplify Transformational Data Sharing ETF (BLOK)<br>ProShares Bitcoin Strategy ETF (BITO) | Our goal in this Alpha issue is to highlight some of the best and most responsible strategies to provide clients with crypto exposure without taking an overabundance of risk. | 1/11/2022 | GBTC:<br>-36.34%<br>BLOK:<br>-35.56%<br>BITO:<br>-39.82% | SPY:<br>-6.55% |
| **Annual Contrarian Issue**<br>KraneShares CSI China Internet ETF (KWEB)<br>WisdomTree China ex-State-Owned Enterprises Fund (CXSE).<br>VanEck Vectors Gold Miners ETF (GDX)<br>Global X Silver Miners ETF (SIL).<br>Utilities Select Sector SPDR (XLU)<br>PowerShares S&P 500 Low Volatility ETF (SPLV). | This Alpha is our annual Contrarian Issue, where we identified some of the worst-performing sectors and factors for 2021 and analyzed them to identify three sectors that we think could be poised for a big turnaround in 2022.<br>We have produced this annual Contrarian Issue for the last several years to serve two primary functions. First, I'm a contrarian investor at heart, and I always enjoy scouring what "didn't" work during an investment year to determine whether these relatively cheap sectors or factors present an attractive opportunity, as contrarian investing can lead to outperformance. Second, we like to provide these contrarian ideas so that if a client asks you "What's cheap right now?" or "Are there any opportunities from last year?" you have interesting, well-founded ideas that | 12/28/2021 | KWEB:<br>-27.06%<br>CXSE:<br>-36.50%<br>GDX:<br>-3.65%<br>SIL:<br>-30.05%<br>XLU:<br>-7.77%<br>SPLV:<br>-8.59% | SPY:<br>-7.96% |
| **Best Performing COVID Strategies**<br>Strategy One: Mega-Cap Tech. XLK/VGT/FDN.<br>Strategy Two: Online Spending. SHOP/IBUY.<br>Strategy Three: Blockchain. BLOK (Amplify Transformational Data Sharing ETF).<br>Strategy Four: Smart-Beta Industrials. PAVE (Global X U.S. Infrastructure Development ETF). | This issue focuses on strategies that have outperformed since the pandemic started in March of 2020 and should continue to outperform as the market realizes it's got to "live" with COVID. More specifically, the Omicron variant has again reminded people and markets that COVID is not going away and that we will have flare-ups from variants for the foreseeable future. | 12/14/2021 | XLK:<br>2.56%<br>VGT:<br>-0.85%<br>FDN:<br>-26.60%<br>SHOP:<br>-54.37%<br>IBUY:<br>-45.97%<br>BLOK:<br>-39.63%<br>PAVE:<br>13.18% | SPY:<br>-2.67% |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **REITS As An Inflation Hedge**<br>Vanguard REIT ETF (VNQ)<br>Pacer Benchmark Data and Infrastructure Real Estate SCTR ETF (SRVR)<br>Pacer Benchmark Industrial Real Estate SCTR ETF (INDS)<br>iShares Residential and Multisector Real Estate ETF (REZ) | According to a study we cited in today's issue, from 1972-2020, during periods considered moderate to high inflation, REITs actually outperformed the S&P 500!<br>And, we're seeing that proved out so far this year, as VNQ, the largest and most diverse REIT ETF, is outperforming the S&P 500 (VNQ is up 26.6% YTD, while the S&P 500 is up 23% YTD).<br>More specialized REITs have performed even better so far in 2021, and that's why, in addition to VNQ, in today's issue we focused on what we consider "REITs for the 21st Century." | **11/30/2021** | **VNQ:**<br>**-15.74%**<br>**SRVR:**<br>**-25.11%**<br>**INDS:**<br>**-20.80%**<br>**REZ:**<br>**-15.57%** | **SPY:**<br>**-1.01%** |
| **Metaverse Primer**<br>Meta Platforms Inc (FB)<br>Roblox Corp (RBLX)<br>NVIDIA Corp (NVDA)<br>Amazon (AMZN)<br>Microsoft (MSFT)<br>Roundhill Ball Metaverse ETF (META) | Many analysts believe the "Metaverse" is the next evolution of the internet, and if that's true the long-term return potential is significant.<br><br>So, we want to make sure you have the information you need to 1) Discuss the metaverse with any clients or prospects and 2) Identify the stocks and ETFs that stand to benefit from the continued growth of the Metaverse | **11/16/2021** | **Meta:**<br>**-15.16%**<br>**RBLX:**<br>**-64.35%**<br>**NVDA:**<br>**39.34%**<br>**AMZN:**<br>**-28.37%**<br>**MSFT:**<br>**-1.16%**<br>**METV:**<br>**-38.41%** | **SPY:**<br>**-3.90%** |
| **Capitalizing on A New Era of Energy Investment**<br>SPDR S&P Oil & Gas Exploration and Production ETF (XOP)<br>Invesco S&P Small Cap Energy ETF (PSCE)<br>First Trust Natural Gas ETF (FCG)<br>Global X MLP ETF (MLPA) | This Alpha issue is essentially a "follow up" to our recent Alpha webinar, where we focused on the energy industry and explained, in part because of environmental concerns, that energy prices could be sustainably higher for the foreseeable future.<br>So, in this issue, we profile several energy ETFs that we believe have the most targeted exposure and stand to outperform in this new era of energy, one where a lack of increased production should keep prices high, and where Natural Gas sees sustained increases in demand due to the desire to burn the most "clean" fossil fuel while the world moves further towards renewables. | **11/2/2021** | **XOP:**<br>**24.59%**<br>**PSCE:**<br>**22.34%**<br>**MLPA:**<br>**31.18%** | **SPY:**<br>**-2.37%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Tapping the Wisdom of Financial Celebrity**<br>DoubleLine Total Return Fund (DBLTX)<br>DoubleLine Shiller Enhanced CAPE (DSEEX)<br>Guggenheim Total Return Bond Fund Institutional Class (GIBIX).<br>Guggenheim Strategic Opportunities Fund (GOF)<br>WisdomTree U.S. Quality Dividend Growth Fund (DGRW),<br>WisdomTree Emerging Markets es State-Owned Enterprises Fund (XSOE).<br>O'Shares U.S. Quality Dividend ETF (OUSA)<br>O'Shares Global Internet Giants ETF (OGIG) | The dual goal of Sevens Report Alpha is to 1) Furnish you with interesting investment ideas and strategies you can share with clients and prospects and 2) Identify funds and ETFs that can outperform, so with that dual goal in mind we analyzed the fund offerings of some of the most well-known "Market Mavens" that appear in the financial media so that you can turn any mention of these celebrities into an opportunity to impress clients with your knowledge, and possibly find an actionable investment idea.<br>After a thorough search, we found four of these "Mavens" that had funds or ETFs that: 1, Could be attractive to clients and 2. Consistently beat the market. | 10/19/2021 | **DBLTX: -11.42%**<br>**DSEEX: -9.07%**<br>**GIBIX: -13.24%**<br>**GOF: -1.71%**<br>**DGRW: 11.22%**<br>**XSOE: -26.30%**<br>**OUSA: 3.68%**<br>**OGIG: -44.72%** | **SPY: 0.11%** |
| **Buying Opportunities in "New Tech"**<br>Idea 1: Winning Streaming Wars (ROKU/SPOT)<br>Idea 2: Next Evolution in Genetics (NVTA/CRSP)<br>Idea 3: Future of Money (Z/COIN)<br>Idea 4: Work from Anywhere (ZM) | Tech companies in the fields of robotics, fintech, biotech, clean tech, electric vehicles, cryptocurrencies, etc. have seen steep declines from the highs this year. With some of these stocks down more than 55% from the highs, they are now trading at far more attractive valuations than they have in years (and this is even more true following the weakness in the tech sector over the past week!)<br>As such, we wanted to produce an Alpha issue that identifies potential opportunities in this "New Tech" space, as given the declines and the growth potential of some of these firms, the risk is now worth the reward for longer-term focused investors: | 10/05/2021 | **ROKU: -78.02%**<br>**SPOT: -29.94%**<br>**NVTA: -95.52%**<br>**CRSP: -43.17%**<br>**Z: -43.87%**<br>**COIN: -67.54%**<br>**ZM: -73.92%** | **SPY: 4.11%** |
| **Hydrogen—The Next Stage of the Green Energy Revolution**<br>Plug Power (PLUG)<br>Cummings (CMI)<br>Defiance Next Gen Hydrogen ETF (HDRO) | Hydrogen has long been touted as a source of cleaner fuel for transportation and commercial uses. But it has always seemed like the decades-long play that just needs a little more technology or a breakthrough process to truly realize its untapped potential.<br>But, over the past several months I've been digging into this space, and it started to make more sense from an investment perspective. I quickly realized just how much opportunity is at stake and why this moment in time is pivotal to the hydrogen development cycle. | 9/21/2021 | **PLUG: -58.47%**<br>**CMI: 20.46%**<br>**HDRO: -57.90%** | **SPY: 4.04%** |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Learning to Live with COVID**<br>Vaccine Markers (Multiple Stocks & ETFs)<br>Global X Telemedicine & Digital Health ETF (EDOC).<br>Amplify Online Retail ETF (IBUY).<br>VanEck Vectors Morning Star Durable Dividend ETF (DURA). | In this Alpha issue, we examine the strategies and sectors that will benefit from society learning to "live" with COVID over the medium and longer-term, and the inspiration for this issue came from real life.<br>We believe that reality will cause more permanent adoption of some "temporary" pandemic era behaviors, and we believe that should lead to some attractive investment opportunities. | 9/8/2021 | MRNA: -71.89%<br>BBH: -29.26%<br>EDOC: -40.17%<br>IBUY: -59.94%<br>DURA: 3.70% | SPY: 0.27% |
| **Stagflation Playbook**<br>First Trust Dow Jones Internet Index Fund (FDN).<br>Invesco S&P 500 Equal Weight Consumer Staples ETF (RSPS).<br>VanECk Vectors Investment Grade Floating Rate ETF (FLTR).<br>Aberdeen Standard Bloomberg All Commodities Strategy K-1 Free ETF (BCI). | This Alpha issue is focused on something we sincerely hope never happens: Stagflation.<br>That's because a stagflationary environment is a very difficult one to successfully invest in as, broadly speaking, it's negative for most stocks, most bonds, and idle cash (purchasing power is eroded through inflation).<br>Positively, stagflation is not the most likely macroeconomic scenario going forward (a stock positive reflation scenario is the most likely future macro setup). But, stagflation risks are still at multi-decade highs, so the risks can't be totally ignored, either. | 8/24/2021 | FDN: -33.26%<br>RSPS: 9.58%<br>FLTR: 4.67%<br>BCI: 11.86% | SPY: 1.03% |
| **Five ETFs That Can Make Your Life As An Advisor Easier**<br>Vanguard Total World Stock ETF (VT).<br>iShares MSCI ACWI ETF (ACWI).<br>iShares MSCI Global Min Vol Factor ETF (ACWV).<br>iShares MSCI ACWI Low Carbon Target ETF (CRBN). | So how do you bridge the gap between an seven-figure trust and that clients nephew's tiny Roth IRA? Both are important to the overall relationship.<br>You start by syncing up some of the foundational core holdings that make up the bulk of your asset allocation.<br>Specifically, we identify foundational "own everything" ETFs you can use across account sizes to simplify smaller account administration and reduce variety among core ETF holdings, thereby making you more efficient: | 7/27/2021 | VT: -3.46%<br>ACWI: -3.12%<br>ACWV: -3.42%<br>CRBN: -4.06% | SPY: 3.09% |
| **Capitalizing on mRNA and Other Medical Tech**<br>ARK Genomic Revolution ETF (ARKG)<br>Global X Telemedicine & Digital Health ETF (EDOC)<br>ROBO Global Healthcare Technology & Innovation ETF (HTEC)<br>Genomic Revolution Global X Genomics & Biotech ETF (GNOM) | Because of the success of mRNA in producing an effective COVID-19 vaccine at a record pace, along with the demonstrated effectiveness of anti-viral treatments like Remdesivir, we're likely to see a major acceleration in funding, research, and adoption of other cutting edge medical technologies and that means potentially substantial returns for companies with the right exposure. | 7/13/2021 | ARKG: -59.51%<br>EDOC: -38.50%<br>HTEC: -36.32%<br>GNOM: -48.14% | SPY: 3.92% |

# Sevens Report Alpha Fund & Stock Ideas

| Fund/Stock | Strategy | Date | Total Return | Benchmark Performance Since Issue Date |
|---|---|---|---|---|
| **Older Alpha Fund & Stock Ideas and Performances** | Please **click here** to view the full list of Alpha ideas and performance back to the start of the service in 2017. | | | |