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POLICY TRACKER

1 ST QUARTER 2019

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The EventShares Policy Tracker lists current legislation and regulation our investment team is monitoring. This report discusses the market impact of the policy, spotlights impacted companies, and highlights our take on timing. **Subscribe >>**

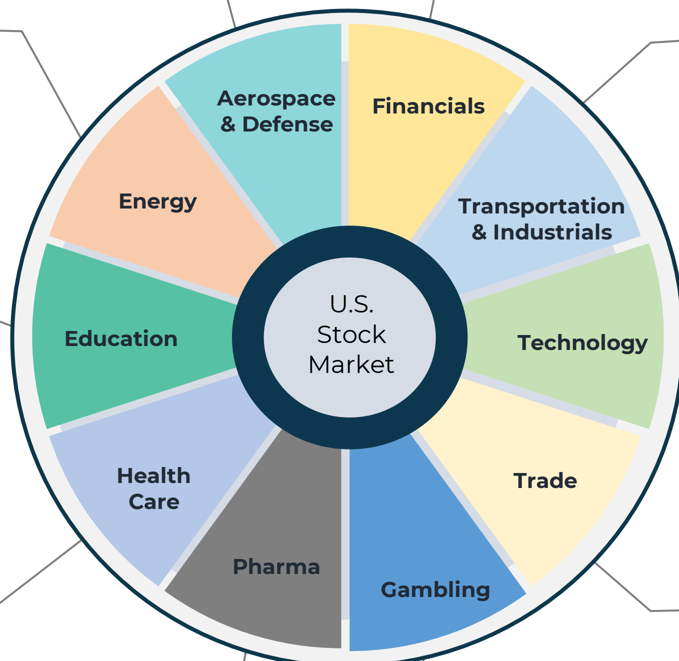
US and Foreign Defense Industry Sales
(+) *Defense Primes*: LMT, RTN, NOC, BA, HII, BWXT
(+) *Defense Industry Suppliers*: AVAV, FLIR, AJRD, KTOS, OSIS
(+) *Aircraft Parts*: UTX, TDG, HXL, HON, TXT, MOG.A

RIN Waivers
(+ / -) *Refiners*: CVRR, HFC, PSX, VLO, DK
(+ / -) *Ethanol Producers*: ANDE, GPRE, REX, PEIX, ADM, REGI, GPP
Fossil Fuel & Energy Infrastructure
(+) *LNG Terminals*: LNG
(+) Energy *Infrastructure Builders*: PWR, FLR, HAL

Student Lending & Loan Servicing
(+) *Student Lenders*: NNI, NAVI, SLM
Higher Education Rules Overhaul
(+) *For Profit Colleges*: CECO, ATGE, LAUR, LOPE, STRA

Affordable Care Act
(-) *Hospitals*: HCA, UHS, EHC
(+) *Health Insurers*: MOH, CNC, WCG, HUM
(+) *Health Tech*: CERN, TDOC, ASGN, MDRX, OMCL, VCRA, EVH, TRHC, MASI
Opioid Crisis
(-) *Manufacturers*: MNK, INSY, JNJ, MYL, ENDP, TEVA
(-) *Drug Distributors*: MCK, CAH, ABC
E-Cigarette Ban
(-) *Tobacco Companies*: MO, PM, BTI
Home Health Reimbursement
(-) *Home Health*: LHCG, AMED, CHE, ADUS

White House Drug Plan
(-) Drug Manufacturers: AGN, MMK, VRTX, TEVA, MYL, PFE, LLY, GILD
Drug Rebates
(-) *Pharmacy Benefits Managers*: CI, CVS, UNH



Capital Markets
(-) *Stock Exchanges:* CBOE, ICE, NDAQ, CME
Deregulation - SIFIs
(+) *Super Regional Banks*: ASB, KEY, AXP, STI, BBT, FITB, PNC, MTB, USB
Non-Traditional Lenders
(+) *Lenders*: ENVA, CURO, FCFS, GDOT, OMF

Trucking & Intermodal Supply Chains
(+) *Asset Light Transports*: LSTR, HUBG, XPO, EXPD, ECHO, RRTS
(+) *Intermodal*: NSC, UNP, JBHT, KSU, TRTN
(+) *Trains Manufacturers & Lessors*: TRN, GATX, WAB, GBX
Infrastructure
(+) *Project Management*: FLR, KBR, GVA, ACM, PRIM, TPC
(+) *Construction Materials*: MLM, VMC, EXP, SUM, USCR

Social Media & Data Regulation
(-) *Social Media*: FB, TWTR, AMZN, GOOGL
(-) *Data Brokers & Aggregators*: RAMP, CLGX, IPG
(-) *Credit Reporting Agencies*: EFX, TRU
5G Telecom Development
(+) *Network Transformation Providers*: ERIC, NOK, CIEN, DY
(+) *Communications Hardware*: QCOM, SWKS, QRVO, CSCO
(+) *Cell Towers & Comms Equipment*: ZAYO, AMT, GLW, CCI, UNIT, SBAC, DY, UBNT, WIFI, CMTL, COMM, MSI
(+) *Technology Patents:* IDCC
(+) *Telecoms:* T, VZ, S, TMUS

NAFTA
(+) *Significant Mexico Operations*: KSU, UNP, BWA, STZ
(+) *Significant Canada Operations*: TAP, COST, PWR, FLR, MGA
(+) *U.S. Based Auto Suppliers*: ASLN, AXL, APTV
China & Alleged Intellectual Property Theft
(-) *Asia-Pacific Trade*: EXPD, MATX, AAWW
(-) *Agriculture Machinery*: CAT, DE
(-) *Significant Chinese Operations:* SWKS, QCOM, QRVO, AVGO, MU, WYNN, LVS
(-) *Information Tech & Communications Equipment*: INTC, QCOM, NVDA, MU, IBM, AMD, TXN

Sports Betting
(+) *Bookmakers:* MGM, CHDN
(+) *Casinos*: WYNN, LVS

Market Impact
+ Positive
- Negative
+ / - Mixed

1Q 2019 Policy Tracker

EVENT SHARES

Sector	Policy	Regulatory & Market Impact	Impacted Companies	Our Take/Timing
Financials	Capital Markets	SEC Commissioner Jackson questioned the business model of stock exchanges selling market data through a combination of public and private feeds. Jackson claimed the exchanges underinvest in the public data feeds, while at the same time overinvest in their private data feeds. Regulation of private data feeds may lead to lower revenue and / or discontinuation of private feeds.	**Stock Exchanges** (-) CBOE, ICE, NDAQ, CME	Commissioner Jackson's speech is an important policy to monitor in our view. It highlights a potential priority of the SEC in the coming years. However, as a minority commissioner, Jackson doesn't hold much sway at the moment. This could take multiple years to unfold.
Financials	Deregulation - SIFI Threshold	Systemically Important Financial Institution (SIFI) threshold raised from $50 billion to $250 billion may benefit smaller, regional banks by lowering their compliance costs. Increased potential for regional bank M&A as banks look to scale their operations. A decrease in capital requirements may free up cash to return to shareholders or grow the business, while relaxing oversight may lead to lower compliance expenses.	**Super Regional Banks** (+) ASB, KEY, AXP, STI, BBT, FITB, PNC, MTB, USB	This is an example of a law that has already passed Congress and is now in the hands of a federal government agency. The next step is for the agency to implement the law, which is currently occurring.
Financials	Non-Traditional Lenders	Under Mick Mulvaney's leadership, the Consumer Financial Protection Bureau (CFPB) is working to deregulate subprime and non-traditional lenders. Financial institutions previously backed away from the subprime and non-traditional markets after the passage of Dodd-Frank, which increased regulation and costs for the short-term and payday lending industries. The CFPB actions provide regulatory certainty and decrease compliance costs.	**Non-Traditional Lenders** (+) ENVA, CURO, FCFS, GDOT, OMF	The CFPB and Mick Mulvaney are pushing to rollback Obama era standards. This is a high priority on the Trump administration's list, and they don't necessarily need Congress's legislative help in completing their agenda.
Gambling	Sports Betting	During May 2018, the U.S. Supreme Court ruled in the case of Murphy v. NCAA. By a 6-3 majority, the court found that Congress exceed its authority when it prevented state from legalizing and regulating sports betting. The court ruling will likely spur the growth of the U.S. sports betting industry. Companies that provide sports betting odds, build the infrastructure to conduct the sports betting and manage gambler information, and casinos may see increased revenue as sports betting grows.	**Bookmakers** (+) MGM, CHDN, **Casinos** (+) WYNN, LVS **Gaming Technology** (+) PENN, IGT, SGMS, TSG	We're still in the early innings of a sports betting rollout, but company management teams are already discussing the potential growth in revenue opportunities. The policy is now a state issue, so tracking which states have already approved sports betting or are close to legalizing it will be important. We believe there will likely be a flood of new states legalizing sports betting, followed by a period of low activity as the industry and regulations are developed.
Industrials & Transportation	Infrastructure	Companies involved in the privatization of infrastructure assets, such as managing toll roads, may see increased revenues. In addition, companies managing and performing the construction work may see increased opportunities to grow their revenues. Construction material companies, such as asphalt, rock, and steel, may see increased demand under an infrastructure build out.	**Project Management** (+) FLR, KBR, GVA, ACM, PRIM, TPC **Construction Materials** (+) MLM, VMC, EXP, SUM, USCR	Indecision by Congress and the Federal government is pushing state governments and local voters to take matters into their own hands. For example, Los Angeles (LA) county voters overwhelmingly passed Measure M in 2016, which provides LA county's transit authority $120 billion over the next 40 years to expand public transportation. Seattle voters also passed an infrastructure package in 2016, which will expand the light rail system. Airports are also being updated, with Newark Liberty International approving a $2.7 billion redevelopment plan and New York's LaGuardia currently undergoing an $8 billion renovation. We encourage investors to look beyond the federal government to identify state and local projects.
Industrials & Transportation	Trucking and Intermodal Supply Chains	Service of Hour Rules and labor constraints are pressuring and disrupting the trucking industry business model just as online sales are driving shipping volume. The rules limit the amount of time a driver can be on the road, which effectively removes capacity. Trucking companies that are able to effectively manage their input costs (e.g. driver pay, maintenance, routes) may have an advantage if they can recruit drivers and deliver more efficient service to their clients. Intermodal transport appears to be a potential substitute for trucking market tightness. But in order to win the contracts, we believe the railroads will need to improve current service levels.	**Asset Light Transports** (+) LSTR, HUBG, XPO, EXPD, ECHO, RRTS **Intermodal Companies** (+) NSC, UNP, JBHT, KSU, TRTN **Train Manufacturers & Lessors** (+) TRN, GATX, WAB, GBX	The trucking market has been tightening for the last few years. This tightness has changed the dynamics of the intermodal markets, where goods are shipped via multiple modes of transportation (e.g. rail, ship, truck, etc.). In our view, the tightness will continue for the foreseeable future until the industry solves the issue of recruiting drivers.

1Q 2019 Policy Tracker

Sector	Policy	Regulatory & Market Impact	Impacted Companies	Our Take/Timing
Technology	**Social Media and Data Regulation**	Rapidly expanding technology and social media companies may not be able to collect and monetize individual user data resulting in less data revenues. Third-party data brokers and aggregators may face increased compliance costs and/or not be permitted to compile user data to target specific advertising groups. This would be a significant disruption to their business models. Credit reporting agencies may be subject to increased compliance costs. Incoming House Democrats have made it a priority to monitor credit reporting agencies and how they safeguard sensitive consumer data.	**Social Media** (-) FB, TWTR, GOOGL, AMZN **Data Brokers & Aggregators** (-) RAMP, CLGX, IPG **Credit Reporting Agencies** (-) EFX, TRU	Various committees in both the House and Senate have called executives from the major tech companies to testify before Congress. Republicans accuse them of censorship, while Democrats are concerned about user privacy. Globally, governments are starting to awaken to the need for data regulation. The E.U. has largely taken the lead by passing GDPR and fining technology companies that mismanage data. In our view, technology companies will continue to face headline risk related to data scandals and governmental oversight.
Technology	**5G Development**	5G development is an increasing priority for both the U.S. and China, which was a primary factor in the Trump administration's blocking of AVGO's takeover of QCOM earlier this year. The Federal Communications Commission (FCC) is one of the agencies tasked with promoting the growth of 5G development. Its strategy includes freeing up wireless spectrum and eliminating barriers to the deployment of communications infrastructure. CIFIUS is the U.S. body tasked with reviewing foreign acquisitions. Recent legislation in Congress has been aimed at reviewing these foreign acquisitions, particularly around technology. In our view, this represents an opportunity for U.S. based communications equipment companies to increase revenue as they participate in the 5G buildout.	**Network Providers** (+) ERIC, NOK, CIEN, DY **Communications Hardware** (+) QCOM, SWKS, QRVO, CSCO **Cell Towers & Comms Equipment** (+) ZAYO, AMT, GLW, CCI, UNIT, SBAC, UBNT, WIFI, CMTL, COMM, MSI **Technology Patents** (+) IDCC **Telecoms** (+) T, VZ, S, TMUS	5G will be the next battleground for global tech supremacy. Policymakers in Washington DC understand the importance of building out the required infrastructure, while at the same time not permitting China to become the dominant 5G player. The 5G battle will play out over the coming years, and we think U.S. policymakers will work to accommodate its growth. The FCC has already taken deregulatory steps, such as decreasing the allowed time for reviews associated with attaching small cells to existing structures and declaring small cells exempt from environmental and historic preservation review requirements (e.g. eliminates cost and delay when deploying small cells).
Energy	**Renewable Identification Number (RIN) Waivers**	Refining companies with large RIN expenses may see decreased renewable fuel compliance costs if the cost of RINs continues to decline during 2019. Ethanol producers may see lower margins due to decreased biofuel demand from refiners that are granted exemptions. If the EPA does not reallocate the exempted volumes, less biofuel demand may hurt biofuel producer revenues.	**Refiners** (+ / -) CVRR, HFC, PSX, VLO, DK **Ethanol Producers** (+ / -) ANDE, GPRE, REX, PEIX, ADM, REGI, GPP	The Trump administration has so far unsuccessfully attempted to please the Midwest agriculture and Southwest refining industries, which are both political bases for President Trump. 2018 saw extreme uncertainty as the EPA granted waivers to refiners. The result was a RIN price that fluctuated significantly during 2018. The EPA has temporarily frozen the waiver program that exempts small oil refineries from biofuel compliance. The price of RINs will directly impact biofuel producer revenues and refiners biofuel compliance cost.
Energy	**Fossil Fuel and Energy Infrastructure**	The Trump administration has aggressively pushed to deregulate energy infrastructure, including natural gas pipelines, oil drilling, and gas shipping terminals. For example, one aspect of the administration's overall plan would shorten the time a state has to issue water permits, which are needed for construction of interstate natural gas pipelines under Section 401 of the federal Clean Water Act. Increasing pipeline capacity and energy transportation networks may lead to increased exports of crude and/or natural gas. The Trump administration has also pushed to redefine "navigable water" under the Waters of the United States rule. If the Trump administration is successful in changing the definition of navigable water, the energy sector may be able to expand infrastructure more quickly and less expensively.	**Liquefied Natural Gas Terminals** (+) LNG **Energy Infrastructure Builders** (+) PWR, FLR, HAL **Utilities** (+) NEE, DUK, EXC, AEP, AEE, PCG, EIX, SO, D, ED	President Trump campaigned on building energy infrastructure and expanding the U.S. pipeline network. However, the Trump administration has not experienced much success in rolling out new energy infrastructure. We attribute this to broad energy changes away from fossil fuels to cleaner, more renewable energy sources. While the Trump administration has pushed aggressively to save the coal industry, we note that even the president can't stop changing industry dynamics. However, the broad environmental deregulation push will benefit liquified natural gas and oil pipeline development. As the U.S. extracts increasing amounts of oil, the country's infrastructure will have to be built out. In our view, the administration's regulatory actions (e.g. limiting the amount of waterways under federal jurisdiction in the Clean Water Act and opening up federal lands to energy infrastructure) will play a role in that build out.
Aerospace & Defense	**Appropriations - Defense Spending**	Companies with products that advance the technological capability of the U.S. military may see new revenue growth as the Pentagon and defense hawks push to modernize the military after years of lower defense budgets in the Obama administration.	**Defense Primes** (+) LMT, RTN, NOC, BA, HII, BWXT **Defense Industry Suppliers** (+) AVAV, FLIR, AJRD, KTOS, OSIS **Aircraft Parts** (+) UTX, TDG, HXL, HON, TXT, MOG.A **Outsourced IT & Consulting** (+) BAH, LDOS, CACI, ICFI, SAIC	This is a long tail policy. It starts with Treasury disbursing the money to fund defense contracts, which allows prime contractors to start projects and suppliers to prime contractors to support the primes. The process can take years from start to finish, which makes it important to not get caught up in year-to-year funding battles. With that being said, its all about the budget for FY2020 and FY2021 right now.
Aerospace & Defense	**Defense Industry Foreign Sales**	The Trump administration has previously issued an executive order to speed up and deregulate the process of defense industry sales to foreign allies.		

1Q 2019 Policy Tracker

EVENT SHARES

Sector	Policy	Regulatory & Market Impact	Impacted Companies	Our Take/Timing
Pharma	**White House Prescription Drug Price Plan**	The White House's push to increase generic drug approval by FDA may offer pharmaceutical companies with large generic drug lineups the opportunity to take market share from companies with branded drug lineups. Potential regulations include the required disclosure of prices in prescription drug ads and changing the rebate system (see 'Drug Rebates' below).	**Drug Manufacturers** (-) AGN, MNK, VRTX,TEVA, MYL, PFE, LLY, GILD	The Trump administration has been vocal in pushing its efforts to lower prescription drug prices. It now appears they have a partner in Nancy Pelosi and incoming House Democrats. Lowering prescription drug prices is very politically popular. Potential changes may relate to drug rebates (see below) or how Medicare pays for prescription drugs. In our view, the headline risk increases materially for pharma companies.
Pharma	**Drug Rebates**	Health and Human Services (HHS) submitted a proposed rule entitled "Removal Of Safe Harbor Protection for Rebates to Plans or PBMs Involving Prescription Pharmaceuticals and Creation of New Safe Harbor Protection" to OMB for regulatory review. The proposal appears to follow through on HHS Secretary Azar's comments around removing the prescription drug rebate safe harbor under the Federal Anti-Kickback Statute.	**Pharmacy Benefits Managers** (-) CI, CVS, UNH	This policy is related to a 1992 safe harbor of drug discounts under the Anti-Kickback Statute. In our view, this is an example of a leading negative indicator for the PBMs. The business model is opaque, which only creates more legislative and regulatory questions. In our view, progress toward the policy will take a significant time. We believe the earliest this policy could change is 2020, but its more likely the change will not occur until 2021 or later.
Healthcare	**Affordable Care Act & Value Based Reimbursement**	A Texas judge recently ruled the Affordable Care Act (ACA) is unconstitutional, which has introduced uncertainty into the health insurance industry and increased the likelihood of a multi-year appeals process up to the Supreme Court. The judge elected to keep the insurance exchanges and law in place while the issue is appealed. Medicaid and Medicare expansion under the ACA may generate increased revenues as the insured population grows. The Trump administration and Republican governors are beginning to look at expending Medicaid/ Medicare, which may increase the insured populations in those government health insurance programs. Healthcare tech firms focused on increasing efficiency by improving patient outcomes and lowering costs may increase revenue as the healthcare sector works to modernize its services, lower costs, and move to a value based reimbursement system.	**Hospitals** (-) HCA, UHS, EHC **Health Insurers** (+) MOH, CNC, WCG, HUM **Healthcare Tech** (+) CERN, TDOC, ASGN, MDRX, OMCL, VCRA, EVH, TRHC, MASI	The ACA continues to be a significant policy priority. Since its passage in 2010, the ACA has been the subject of both legislative and regulatory changes. In our view, the volatility presents trading opportunities. As a result, we believe investors may being overreacting to the recent Texas court ruling. In the hospital industry, the big story is the move from fee for service to value based reimbursement. This will likely pressure hospital margins in the short-term, with the question being how long the transition will take. To transition to value based reimbursement, hospitals will need to track their patient populations and a wide variety of quality measures (e.g. 30 day readmissions, patient outcomes). This will require increased investment in healthcare technology to efficiently monitor quality.
Healthcare	**Opioid Crisis**	The House Committee on Energy & Commerce released a report during December 2018 finding that "drug distributors did not conduct proper oversight of their customers and failed to recognize potential red flags". The report also faulted the DEA for not putting in place policies and procedures to prevent the overdistribution of opioids. If the drug distributors are found to have willfully ignored red flags or drug manufacturers are found to have withheld important information about opioid addiction, we believe the companies may experience depress valuation multiples or distract management teams from expanding the businesses.	**Opioid Drug Manufacturers** (-) MNK, INSY, JNJ, MYL, ENDP, TEVA **Drug Distributors** (-) MCK, CAH, ABC	Congress held multiple opioid related hearings during 2018 due to the size and volume of opioid related issues in the U.S. The drug manufacturers have been questioned about what they knew and disclosed about opioid dangers, while drug distributors have been questioned about their role in distributing the drugs. In our view, both industries will continue to be subject to headline risk and lawsuits, which may create trading opportunities.
Healthcare	**Home Health Reimbursement**	The Centers for Medicare and Medicaid Services (CMS) finalized a proposed rule during October 2018 that changes the way post-acute care (e.g. home health) is reimbursed under the Patient Driven Groupings Model. The rule was a result of the Bipartisan Budget Act of 2018 and focuses on moving toward a values based payment system. The new rule finalized a controversial methodology for calculating reimbursement rates. The new payment rates and methodologies are expected to be in place for fiscal year 2020.	**Home Health** (-) LHCG, AMED, CHE, ADUS	This is a tough development for the home health industry, which had lobbied CMS aggressively to back off the -6.42% behavioral adjustment. However, CMS feels emboldened by Congress directing the agency to implement the new payment model. We expect the home health industry to continue pushing back against the new rule but are not confident they will be able to successfully lobby for its repeal.
Healthcare	**E-Cigarette Ban**	The Food and Drug Administration (FDA) unveiled its "Comprehensive Plan for Tobacco and Nicotine Regulation" in July 2017. Under the plan, the FDA has launched numerous education campaigns, including "The Real Cost", "This Is Our Watch", and "Every Try Counts". The FDA took additional steps in March 2018 by publishing three Notices of Proposed Rulemaking that would regulate flavored tobacco products and the nicotine level in combustible cigarettes. In the second half of 2018, the FDA sent warnings letters to retailers who illegally sold JUUL pods and requested plans from tobacco companies about how to curb underage usage.	**Tobacco Companies** (-) MO, PM, BTI	Flavored e-cigarettes continue to grow in popularity, and the FDA is clearly concerned about underage usage. The FDA issued proposed regulations in 2018 that may impact flavored tobacco and has increased enforcement for convenience stores selling flavored cigarettes and tobacco. The possibility of regulation is frightening for any industry, much less the tobacco industry which has a significant past regulatory overhang. Investors didn't wait to ask questions, and each company's stock significantly underperformed during 2018. Our question is: Did investors overshoot as they sold off tobacco stocks?

1Q 2019 Policy Tracker

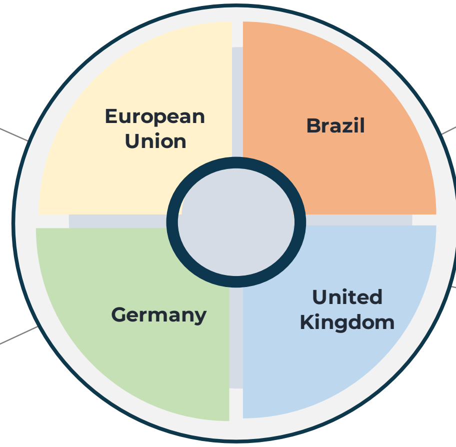
EVENT SHARES

Sector	Policy	Regulatory & Market Impact	Impacted Companies	Our Take/Timing
Trade	**NAFTA**	Due to the uncertainty around NAFTA negotiations, investors previously sold off companies with significant Mexico and Canada revenue. Now that the negotiations are wrapping up, investors may reinvest in these securities. "Auto Rules of Origin" and the push to source more auto content from high wage paying firms, such as U.S. auto parts suppliers, may increase revenues for the auto parts industry.	**Significant Mexico Operations** (+) KSU, UNP, BWA, STZ **Significant Canada Operations** (+) TAP, COST, PWR, FLR, MGA **U.S. Based Auto Suppliers** (+) ALSN, AXL, APTV	During the G20 Summit in Argentina, U.S., Canada, and Mexico leaders signed the new North American trade pact that is meant to replace the prior NAFTA agreement. However, the trade pact must still be approved by Congress. Incoming House Democratic lawmakers have previously described the agreement as a "work-in-progress", while pushing for more environmental and labor protections. If Democrats push back against approving the agreement, we expect President Trump to return to threats of pulling out of NAFTA. In our view, investors are overlooking NAFTA negotiations because of the China trade headlines. There is still headline risk associated with NAFTA, even though it has been ceremonially signed.
	China Trade & Alleged I.P. Theft	Companies involved in the U.S.-Asia Pacific trade corridor may see revenues decrease if trades flow decrease between the U.S. and Asia-Pacific region. Chinese tariffs levied on U.S. agriculture exports (e.g. soybeans) may result in decreased demand for agricultural machinery. Additionally, the U.S. has accused Chinese companies of stealing technology and intellectual property from U.S. companies. If either the U.S. or China determine a merger or joint venture will result in a national security risk, the transaction may not go through. If China implements a policy preventing large cap U.S. companies from accessing the growing Chinese market, those companies may have a competitive disadvantage against foreign companies.	**Asia-Pacific Trade** (-) EXPD, MATX, AAWW **Agriculture Machinery** (-) CAT, DE **Significant Chinese Operations** (-) SWKS, QCOM, QRVO, AVGO, MU, WYNN, LVS **I.T. & Comm. Equipment** (-) INTC, QCOM, NVDA, MU, IBM, AMD, TXN	President Trump and Xi Jinping agreed to a 90-day truce at the November 2018 G20 Summit in Argentina. The truce offers the two sides an opportunity to restart negotiations. While we are encouraged by recent developments, we remain realistic of what can be accomplished during the 90-day truce period. An extension of the truce period appears most likely in our view, and would be a positive catalyst for markets.
Education	**Student Lending and Loan Servicing**	The Department of Education is currently working to update the federal student loan program through a project called NextGen. The overhaul initially focused on selecting one company to service student loans. However, that request for proposal (RFP) was later ended and a new RFP is being opened after lawmakers and student debt activists highlighted the risk of one company controlling the student loan servicing market. As part of the NextGen proposal, the student loan servicers would assume the role of debt collection over private debt collection agencies. In our view, this could be positive for company revenues if the companies can successfully work with the student to avoid a default, which would allow the companies to continue earning fees by servicing the loans.	**Student Lenders** (+) NNI, NAVI, SLM	Student loan servicing is an important policy item due to the high number of students incurring student debt. Most movement will primarily be regulatory driven in our view. While regulation may be decreasing, issues with debt collection and lawsuits cause us to be cautious with student lending companies. In the background, state attorneys general and students continue to file lawsuits against multiple student loan servicers. The students claim the companies did not follow regulations when helping them restructure and pay off their loans. This is a major risk for the companies.
	Higher Education Rules Overhaul (e.g. Gainful Employment & Accreditation Regulations)	The Trump administration, via the Department of Education (ED), recently released a group of sweeping proposals to deregulate a broad range of the higher education industry. The rules range from granting accreditation agencies more leeway to approve nontraditional educational models (e.g. online programs and outsourcing classes), enhance protections for religious colleges, and eliminate the Obama administration definition of a "credit hour". The above is in addition to the ED proposal to rescind the Gainful Employment Rule and update the 'College Scorecard' to provide information on all Title IX institutions, not just for profit and nontraditional colleges.	**For Profit Colleges** (+) CECO, ATGE, LAUR, LOPE, STRA	The Trump administration is pushing aggressively to deregulate the education industry, especially for-profit colleges. The regulations impact a significant piece of the education business model: federal student aid dollars. By giving college accreditors more independence, the ED is indirectly supporting revenue and enrollment growth at for-profit colleges. Whereas the Obama administration tended to cut off federal student aid for students attending certain colleges, the Trump administration is attempting to walk back restrictions arising from bad behavior and student complaints. In our view, this removes a risk from the education industry business model.

NEW: International Policy Tracker

Migrant Crisis
(+ / -) *Broad Eurozone ETFs*: VGK, EZU, HEDJ, IEUR, BBEU, FEZ

Angela Merkel Departure in Germany
(+ / -) *German ETFs*: EWG, HEWG, FGM, DXGE, EWGS
(+ / -) *Broad Eurozone ETFs*: VGK, EZU, HEDJ, IEUR, BBEU, FEZ



Brazil Presidential Election
(+) *Brazil ETFs*: EWZ, BRZU, FBZ, BRF, EWZS

Brexit
(-) *Broad Eurozone ETFs*: VGK, EZU, HEDJ, IEUR, BBEU, FEZ
(-) *British Pound ETFs*: FXB
(-) *Kingdom ETFs*: EWU, EWUS, FLGB, HEWU

Location	Policy	Regulatory & Market Impact	Impacted ETFs	Our Take/Timing
South America	**Brazil Presidential Election**	• Jair Bolsonaro won the 2018 Brazilian presidential election. He is a staunch conservative and very controversial within Brazil and around the globe. He has been called the "Brazilian Trump" for some of his policy priorities and public statements.	**Brazil ETFs** (+) EWZ, BRZU, FBZ, BRF, EWZS	Bolsonaro is seen as more market friendly this his opponent. Investors believe he will be successful in implementing the necessary economic changes to address polices that are negatively affecting the Brazilian economy.
Europe	**Brexit**	• The UK is scheduled to officially leave the EU on March 29, 2019. UK Prime Minister Theresa May has twice attempted to present and pass the current negotiated deal. The British Parliament fought back aggressively against the deal, with one side pushing for more EU concessions and the other pressing for closer EU relations or a Brexit revote. • If there is a "No Deal" Brexit, EU supply chains and travel will be severely disrupted. The EU economic model is built around interconnectedness and a common set of regulations. A nasty split between the EU and UK will almost certainly test the economic bloc's strength.	**United Kingdom ETFs** (-) EWU, EWUS, FLGB, HEWU **British Pound ETFs** (-) FXB **Broad Eurozone ETFs** (-) VGK, EZU, HEDJ, IEUR, BBEU, FEZ	The question is: Will the UK and EU Commission agree to an exit plan before the exit date arrives? It goes without saying, but instituting a hard border between the UK and the rest of the EU would be disastrous. In our view, the politicians understand the impact of a "No Deal" and will most likely work to put something in place to limit the market risk and economic uncertainty. What that may look like, we don't know. If there is a "No Deal", UK and EU stocks would sell off, and the British pound would weaken. For now, we'd prefer to avoid the region as forecasting the emotions and political incentives around Brexit will be difficult.
	Angela Merkel Departure in Germany	• During October 2018, German Chancellor Angela Merkel announced she would not seek re-election when her term ends in 2021. Merkel has been the German Chancellor since 2005. She has been a staunch EU supporter, which has calmed investors and provided a voice of support, during her time in office. The impact of her leaving public office will certainly be felt. If investors perceive the departure as increasing EU political and economic uncertainty, they may decrease overall allocations to the region.	**German ETFs** (+ / -) EWG, HEWG, FGM, DXGE, EWGS **Broad Eurozone ETFs** (+ / -) VGK, EZU, HEDJ, IEUR, BBEU, FEZ	Angela Merkel's 13 years as German Chancellor has transformed the country into an economic powerhouse. She has been the de facto leader of the EU and long supported its growth and common regulatory framework, even as the set of countries faced a debt crisis and populist uprising. As Chancellor Merkel steps away from public service, it will be important for the EU to find a new leader and champion. French President Emmanuel Macron appears to be a suitable replacement, but he's dealing with pressure at home in France as a result of public outcry related to his economic policies. In our view, this will be a defining issue for the EU as a whole in the coming years. As of right now, it's difficult to determine the potential positive or negative impact. We'll learn more as the transition progresses.
	Migrant Crisis	• The EU has faced a migrant crisis over the past few years, with the influx of individuals straining the EU social system and economies. The result has been a fierce debate over migration policies, with multiple EU countries experiencing populist uprisings. If the uprisings are successful, the philosophy and structural framework of the EU will be tested, with the potential for significant economic and regulatory changes in the bloc of countries.	**Broad Eurozone ETFs** (+ / -) VGK, EZU, HEDJ, IEUR, BBEU, FEZ	Much like the U.S., the EU has faced a migrant crisis over the past few years. German Chancellor Angela Merkel advocated strongly for taking in migrants, a move which politically backfired for her and from which she never fully recovered. The crisis has torn the EU apart, creating a wave of populism among certain countries and increasing the risk of changes to the EU structural framework. In our view, headline risk will continue as governments work to find a solution and the markets determine how the economy will be impacted.

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