

POLICY TRACKER

4TH QUARTER 2018



The EventShares Policy Tracker is a summary of the current legislation and regulations our investment team is monitoring in Washington D.C. This report details the policy, impacted industries and companies, and potential market impacts. [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, COL, HXL, HON, TXT, MOG.A
- (+) *Outsourced IT & Consulting*: BAH, LDOS, CACI, ICFI, SAIC

RIN Waivers

- (+) *Refiners*: ANDV, CVRR, HFC, PSX, VLO
- (-) *Ethanol Producers*: ANDE, GPRE, REX, PEIX

Energy Infrastructure

- (+) *LNG Terminals*: LNG
- (+) *Pipeline Builders*: PWR

FERC MLP Ruling

- (+ / -) *Cost of Service (Cos) MLPs*: SEP, EEP, TCP
- (+) *Prior CoS Merged into Corp Parent*: WPZ (parent WMB)

Student Lending & Loan Servicing

- (+) *Educational Materials*: GHC, CHGG
- (+) *Student Lenders*: NNI, NAVI, SLM

Gainful Employment

- (+) *For Profit Ed*: CECO, ATGE, LAUR, LOPE, STRA

Affordable Care Act

- (+) *Hospitals*: HCA, UHS, LPNT, 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

2% Medicare Sequestration Cuts

- (-) *Home Health*: LHCG, AMED, CHE, SEM
- (-) *Medical Devices*: MDT, ISRG, SYK, TFX

Drug Compounding

- (-) *ATNX*

White House Drug Plan

- (+ / -) *Drug Manufacturers*: AGN, MMK, VRTX, TEVA, MYL, PFE, LLY, GILD

Drug Rebates

- (-) *Pharmacy Benefits Managers*: ESRX, CVS, UNH

Capital Markets

- (-) *Stock Exchanges*: CBOE, ICE, NDAQ, CME

Deregulation - SIFIs

- (+) *Super Regional Banks*: ASB, PACW, ZION, KEY, AXP, STI, BBT

Deregulation - Leverage Ratio Requirement

- (+) *Large-Cap Banks*: BAC, C, GS, JPM, MS, WFC
- (+) *Custody Banks*: STT, BK, NTRS

Non-Traditional Lenders

- (+) *Lenders*: ENVA, CURO, FCFS, GDOT, OMF

Trucking & Intermodal Supply Chains

- (+) *Trucking*: DSKE, KNX, WERN, ARCB, SNDR, SAIA, ODFL
- (+) *Asset Light Transports*: LSTR, HUBG, XPO, EXPD, ECHO, RRTS
- (+) *Intermodal*: NSC, UNP, JBHT, KSU, TRTN
- (+) *Trains Manufacturers & Lessors*: TRN, ARII, GATX, WAB, GBX

Infrastructure

- (+) *Project Management*: FLR, KBR, GVA, ACM, PRIM
- (+) *Construction Materials*: MLM, VMC, EXP, SUM, USCR

Chinese IP Theft

- (-) *I.T.*: INTC, QCOM, NVDA, MU, IBM, AMD, TXN

Social Media & Data Regulation

- (-) *Social Media*: FB, TWTR, AMZN, GOOGL
- (-) *Data Brokers & Aggregators*: ACXM, CLGX
- (-) *Credit Reporting Agencies*: EFX, TRU

5G Development

- (+) *Network Transformation Providers*: ERIC, NOK
- (+) *Communications Hardware*: QCOM, SWKS, QRVO, CSCO
- (+) *Cell Towers & Comms Equipment*: ZAYO, AMT, GLW, CCI, UNIT
- (+) *Technology Patents*: IDCC
- (+) *Telecoms*: T, VZ, S, TMUS

NAFTA

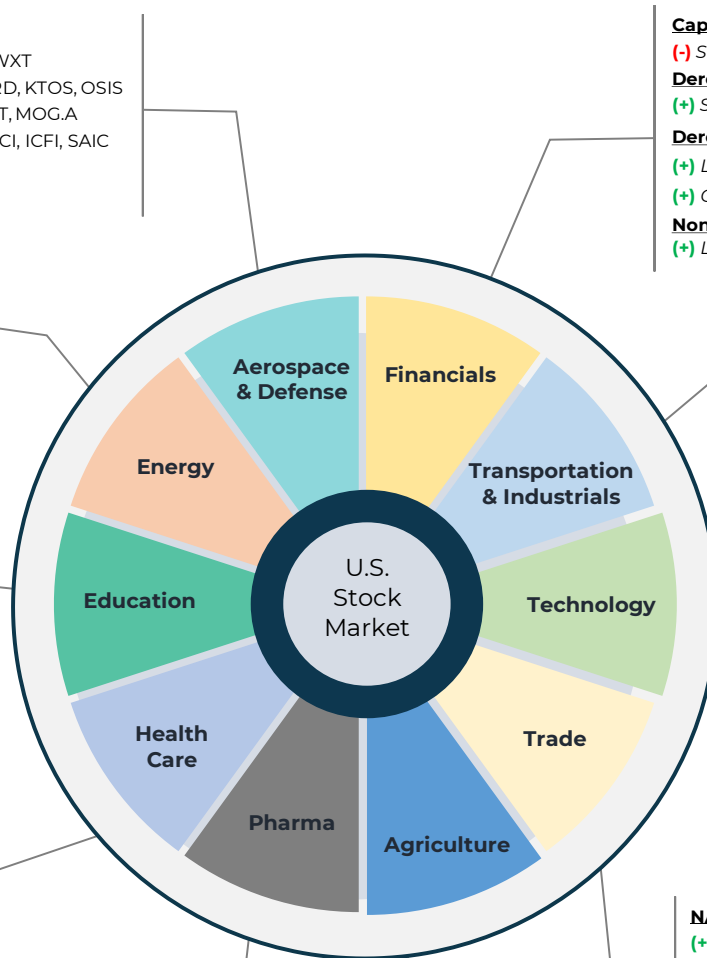
- (+) *Significant Mexico Operations*: KSU, UNP, BWA, STZ
- (+) *Significant Canada Operations*: TAP, COST, PWR, FLR, MGA
- (+) *U.S. Based Auto Suppliers*: ASLN, AXL, APTV

China

- (-) *Asia-Pacific Trade*: EXPD, MATX, AAWW
- (-) *Agriculture Machinery*: CAT, DE
- (-) *Significant Chinese Operations*: DLPH, BWA, SWKS, QCOM, AVGO, MU, WYNN, LVS

Farm Bill

- (+) *Grocers / Private Label Food Manufacturers*: WMT, TGT, KR, DLTR, DG



| Sector | Policy | Market Impact | Impacted Companies | Our Take/Timing | Legislation |
|--------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Financials | Capital Markets | <ul style="list-style-type: none"> SEC Commissioner Jackson questioned the business model of exchange selling data through two levels of data feeds: one public and one private. Jackson claimed exchanges underinvest in the public feed, instead updating their private feeds and giving high-paying investors better access and an unfair advantage Regulation of private data feeds may lead to lower prices, required investment to bring public data feeds in-line with private, 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 year. However, as a minority commissioner, Jackson doesn't hold much sway at the moment. | SEC Commissioner Jackson Speech |
| | Deregulation - SIFI Threshold | <ul style="list-style-type: none"> Systemically Important Financial Institution (SIFI) threshold raised from \$50B to \$250B may benefit smaller, regional banks by lowering their compliance costs Potential for regional bank M&A as banks look to scale their operations | Super Regional Banks (+) ASB, PACW, ZION, KEY, AXP, STI, BBT | S. 2155 become law 5/24/18. Public Law No: 115-174. | Economic Growth, Regulatory Relief, and Consumer Protection Act |
| | Non-Traditional Lenders | <ul style="list-style-type: none"> Consumer Financial Protection Bureau (CFPB) deregulation of subprime and non-traditional lenders | Non-Traditional Lenders (+) ENVA, CURO, FCFS, GDOT, OMF | The CFPB and Mick Mulvaney are pushing to roll back 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. | CFPB Delays Payday Lending Rule |
| | Deregulation - Leverage Ratio Requirement | <ul style="list-style-type: none"> Tailoring leverage ratio requirements based on a bank's specific risk profile may benefit bank holdings companies engaged in less risky business segments, such as custody banks, by freeing up capital to return to shareholders or reinvest in the operations | Large Cap Banks (+) BAC, C, GS, JPM, MS, WFC Custody Banks (+) STT, BK, NTRS | This is a current proposal from the Federal Reserve and OCC. A notice was published in the Federal Register on April 19th asking for comments. In our view, a change this significant make time to finalize. | Federal Reserve press release Federal register notice |
| Transportation and Industrials | Infrastructure | <ul style="list-style-type: none"> Companies involved in the privatization of infrastructure assets, such as managing toll roads, may see increased project management revenues Construction material companies, such as asphalt, rock, and steel, may see increased demand under an infrastructure build out The White House recently indicated an infrastructure push may not occur until 2019 | Project Management (+) FLR, KBR, GVA, ACM, PRIM Construction Materials (+) MLM, VMC, EXP, SUM, USCR | In our view, infrastructure likely doesn't happen until 2019 at the earliest. Depending upon the outcome of midterm elections, a split Congress may prioritize infrastructure spending. In the meantime, states may provide the most likely infrastructure spending. | Trump Infrastructure Proposal |
| | Trucking and Intermodal Supply Chains | <ul style="list-style-type: none"> Service of Hour Rules and labor constraints are pressuring and disrupting the trucking industry business model just as online sales are driving shipping volume 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 Asset-light firms involved in helping companies manage their supply chains may see increased revenues as companies attempt to minimize their freight costs and drive supply chain efficiencies. Intermodal transport appears to be a potential substitute for trucking market tightness, however, the railroads will need to improve service levels in our opinion. An increase in intermodal traffic may drive for orders for additional railcars and locomotives. | Trucking Companies (+) DSKE, KNX, WERN, ARCB, SNDR, SAIA, ODFL Asset Light Transport Companies (+) LSTR, HUBG, XPO, EXPD, ECHO, RRTS Intermodal Companies (+) NSC, UNP, JBHT, KSU, TRTN Train Manufacturers & Lessors (+) TRN, ARII, GATX, WAB, GBX | The trucking market has been tightening for the last few years. In our view, the tightness will continue for the foreseeable future until the industry solves the issue of recruiting drivers. | FMCSA Summary of House of Service Regulations |
| Technology | Chinese IP Theft | <ul style="list-style-type: none"> Technology companies with Chinese sales may be subject to tariffs and decreased revenues Large cap companies may not be allowed to form joint ventures with Chinese companies, decreasing market access for US companies | Information Tech (-) INTC, QCOM, NVDA, MU, IBM, AMD, TXN | Chinese trade and tariffs continue to be the most pressing policy item in our view. Neither the U.S. nor China appears willing to give in to the other's demands. We continue to avoid China related companies while the negotiations play out. | USTR Section 301 Study |
| | Social Media and Data Regulation | <ul style="list-style-type: none"> Rapidly expanding technology and social media companies may not be able to collect and monetize individual user data Third-party data brokers and aggregators may face increased compliance costs and/or not be permitted to compile or help companies sift through user data to target specific advertising groups Credit reporting agencies may be subject to increased compliance costs | Social Media (-) FB, TWTR, GOOGL, AMZN Data Brokers & Aggregators (-) ACXM, CLGX 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. Regardless of midterm outcomes, big tech will continue to be a policy target for Congress in our view. | Facebook Congressional Hearing |
| | 5G Development | <ul style="list-style-type: none"> 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 FCC is one of the agencies tasked with promoting the growth of 5G development. Its strategy includes freeing up spectrum and eliminating barriers to deployment of infrastructure. Congress is pushing the issues of rural broadband and 5G primarily to the FCC, which will hold a September vote that would limit local fees related to 5G deployment. 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 | Network Transformation Providers (+) ERIC, NOK Communications Hardware (+) QCOM, SWKS, QROV, CSCO Cell Towers & Comms Equipment (+) ZAYO, AMT, GLW, CCI, UNIT Technology Patents (+) IDCC Telecoms (+) T, VZ, S, TMUS | 5G will be the next battleground for global tech supremacy. Policymakers in Washington D.C. 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. | Executive Order on Access to Cell towers Located on Federal Land FCC 5G Deployment Overview |

| Sector | Policy | Market Impact | Impacted Companies | Our Take/Timing | Legislation |
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| Energy | Renewable Identification Number (RIN) Waivers | <ul style="list-style-type: none"> Refining companies with large RIN expenses may see decreased renewable fuel compliance costs Ethanol producers may see lower margins due to decreased biofuel demand from refiners that are granted exemptions | Refiners (+) ANDV, CVRR, HFC, PSX, VLO Ethanol Producers (-) ANDE, GPRE, REX, PEIX | EPA previously granted a significant amount of RIN waivers to smaller refiners, which has led to a decrease in the price of RINs. This may be decreasing ethanol demand from blenders and pressuring ethanol maker profit margins. | EPA Administrator Scott Pruitt granted RIN credit waivers |
| | Energy Infrastructure | <ul style="list-style-type: none"> Trump administration infrastructure proposal would authorize the interior secretary to approve natural gas pipelines that cross the country's national parks The plan would shorten the time a state has to issue water permits under Section 401, as required under the federal Clean Water Act, needed for construction of interstate natural gas pipelines Potential for increased pipeline capacity, which may lead to increased exports of crude and/or natural gas | Liquefied Natural Gas Terminals (+) LNG Pipeline Builders (+) PWR | President Trump campaigned on building energy infrastructure and expanding the U.S. pipeline network. However, the Trump administration's steel tariffs are increasing steel and pipeline construction costs. The result is one policy canceling out another policy in our view, causing us to be cautious on the space. | Memorandum of Understanding Regarding Infrastructure Permitting |
| | Federal Energy Regulatory Commission (FERC) MLP Ruling | <ul style="list-style-type: none"> FERC issued a March 2018 ruling affecting 'cost-of-service' MLPs by disallowing income tax expense when calculating their rates, which may mean decreased revenues for pipeline operators using the 'cost-of-service' Crude pipelines are the predominate users of the 'cost-of-service' method and may be the most at risk of revenue decreases. Other pipelines, such as natural gas, tend to operate under a 'fixed cost' contract. The FERC doesn't impact these currently. FERC soften the ruling in July 2018 when it clarified that (1) pass-through entities are eligible for a tax allowance if their income and losses are consolidated with a corporate parent and (2) applying prior ADIT payments to reduce the future rate base would run afoul of the rule against retroactive ratemaking. | Cost-of-Service MLPs (+ / -) SEP, EEP, TCP Prior Cost-of-Service Merged into Corporate Parent (+) WPZ (parent WMB) | While FERC softened the original March 2018 ruling, this is still a profound change for cost-of-service pipelines in our view. The ruling may spur certain corporate parents to merge cost-of-service pipelines to take advantage of the corporate parent tax allowance provision. In our view, investors should perform an abundance of due diligence when considering a MLP investment, including the type of contract utilized (e.g. cost-of-service, fixed or mixture) and potential fee impact from the ruling. | Final FERC MLP Ruling |
| Healthcare | Affordable Care Act | <ul style="list-style-type: none"> Hospitals recognized for quality services may receive higher reimbursement rates from CMS, which prioritizes high quality of care and low readmissions Medicaid and Medicare expansion under the Affordable Care Act may generate increased revenues as the insured population grows. Trump administration and Republican governors are beginning to look at expending Medicaid/Medicare, which may increase the insured populations in those government 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 and lower costs | Hospitals (+) HCA, UHS, LPNT, EHC Health Insurers (+) MOH, CNC, WCC, HUM Healthcare Tech (+) CERN, TDOC, ASGN, MDRX, OMCL, VCRA, EVH, TRHC, MASI | The Affordable Care Act continues to be a significant policy priority in the coming years. Since its passage in 2010, the ACA has been the subject of both legislative and regulatory changes. Insurance companies now have more risk information and data to price their policies correctly, which decreases variability in earnings in our view. We also prefer to own names in the healthcare tech space that are driving efficiencies, managing costs or improving quality and outcomes. | Hospital Value-Based Purchasing (VBP) Readmissions Reduction (HRRP) Medicaid and Medicare expansion |
| | Opioid Crisis | <ul style="list-style-type: none"> Potential negative business model disruption, increased compliance costs, and lawsuits for drug manufacturers and distributors involved in the opioid supply chain | Opioid Drug Manufacturers (-) MNK, INSY, JNJ, MYL, ENDP, TEVA Drug Distributors (-) MCK, CAH, ABC | Multiple opioid related hearings have been held in Congress 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. | U.S. House Opioid Hearing (5/8/18) Lawsuit against Drug Distributors |
| | 2% Medicare Sequestration Cuts | <ul style="list-style-type: none"> Across the board Medicare provider payment cuts of 2% enacted in 2013 due to sequestration. The cuts will continue through 2027. Potential for decrease in revenue for hospitals, home health services, physicians, and prescription drug companies. | Home Health/Post Acute Providers (-) LHCG, AMED, CHE, SEM Medical Device Companies (-) MDT, ISRG, SYK, TFX | The Budget Control Act of 2011 included a sequestration order requiring mandatory across-the-board spending cuts. The sequester was schedule to expire at the end of 2025, but the 2018 Budget extended it through the end of 2027. | CMS 2% Sequestration Reimbursement Cuts |
| | E-Cigarette Ban | <ul style="list-style-type: none"> FDA Commissioner Gottlieb announced the agency might ban all flavored e-cigarettes | Tobacco Companies (+ / -) MO, PM, BTI | Flavored e-cigarettes continue to grow in popularity, and the FDA is clearly concerned about juvenile use. While a potential ban may help tobacco companies, the FDA also proposed limiting the amount of nicotine in tobacco products earlier this year. We don't see a clear regulatory case here, which leaves us cautious on the space. | FDA Press Release |
| Agriculture | Farm Bill | <ul style="list-style-type: none"> SNAP (food stamps) work requirements, which are a significant piece of farm bill spending, will provide consistency to grocers and private label food manufacturers if the Farm Bill passes | Grocers / Private Label Food Manufacturers (+) WMT, TGT, KR, DLTR, DG, THS | The 2014 Farm Bill expires September 30th. We'd look for an extension of the current Farm Bill if legislators are unable to pass the 2018 Farm Bill by the end of September. We ultimately believe the Farm Bill will pass. | Agriculture and Nutrition Act of 2018 |

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| Pharma | White House Prescription Drug Price Plan | <ul style="list-style-type: none"> White House 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). In May 2018, the FDA posted a list of drug makers of brand-name drugs that have been the subject of complaints about blocking generic drug development via payment extensions, seeking new uses for old products and preventing generic companies from obtaining samples. | 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. In our view, the pharmaceutical lobby is too powerful and organized for the administration to see much immediate success. While drug pricing legislation and regulation will continue to generate headline risk, the likelihood of major drug pricing reform is minimal in our view. However, we still encourage investors to pick their spots carefully in the drug manufacturer space. | "American Patients First" Drug Plan |
| | Drug Compounding | <ul style="list-style-type: none"> FDA Commissioner Gottlieb recently issued a statement highlighting the drug compounding industry and the potential for increased regulation The FDA has previously said high prices aren't a valid reason for drug compounding, which is typically reserved for medicines undergoing a shortage | ATNX (-) | In our view, the FDA doesn't approve of companies compounding drugs and skirting the regulatory approval process unless there is a medical need. Drug manufacturers are also pushing back via lawsuits against companies compounding their drugs. This is the start of increased regulatory scrutiny of drug compounding in our view. | FDA Drug Compounding Press Release |
| | Drug Rebates | <ul style="list-style-type: none"> HHS submitted to OMB for regulatory review 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" Appears to follow through on HHS Secretary Azar's comments of removing prescription drug rebates safe harbor under Federal Anti-Kickback Statute Any movement in policy likely takes time. Earliest could be 2020, but more likely its 2021 or later. | Pharmacy Benefits Managers (-) ESRX, CVS, UNH | This is related to a 1992 safe harbor related to drug discounts under the Anti-Kickback Statute. This is an example of a leading negative indicator for the PBMs in our view. The business model is opaque, which only creates more legislative and regulatory questions. Any change will likely time and may not occur for two or three years. | Office of Management and Budget Notice |
| Trade | Trade - NAFTA | <ul style="list-style-type: none"> If no material changes are enacted to NAFTA, the removal of negative sentiment around U.S.-Mexico-Canada trade flows and provide multiple expansion to trading metrics for companies with significant Mexico and Canada revenue "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 | Significant Mexico Operations (+) KSU, UNP, BWA, STZ Significant Canada Operations (+) TAP, COST, PWR, FLR, MGA U.S. Based Auto Suppliers (+) ALSN, AXL, APTV | Trump administration notified Congress on 8/31 of its intent to enter a trade agreement with Mexico and Canada, which means it has 30 days to deliver the full agreement. While negotiations have dragged on for over a year, we think this is likely the best opportunity to solidify an agreement that would remove uncertainty for companies worldwide. We wouldn't be surprised if a deal happens at the last minute as countries continue to negotiate their positions up to the deadline so they can claim they've negotiated in good faith as hard as they can. | NAFTA 2.0 agreement U.S. Trade Representative press release |
| | Trade - China | <ul style="list-style-type: none"> 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 may result in decreased demand for agricultural machinery Companies with significant Chinese revenue, sales and supply chains could continue to see negative sentiment around U.S.-China trade flows, keeping multiples on their financial trading metrics below historic averages. | Asia-Pacific Trade (-) EXPD, MATX, AAWW Agriculture Machinery (-) CAT, DE Significant Chinese Operations (-) SWKS, QCOM, QRVO, AVGO, MU, WYNN, LVS | See Chinese IP Theft above. | Federal Register Tariff Notice |
| Aerospace & Defense | Appropriations - Defense Spending | <ul style="list-style-type: none"> Defense contractors for the Department of Defense may see revenue growth from increased contract opportunities Companies with products advancing technological capability of military may see new revenue growth as Defense Secretary Mattis pushes to modernize | Defense Primes (+) LMT, RTN, NOC, BA, HII, BWXT Defense Industry Suppliers (+) AVAV, FLIR, AJRD, KTOS, OSIS Aircraft Parts (+) UTX, TDG, COL, HXL, HON, TXT, MOGA Outsourced IT & Consulting (+) BAH, LDOS, CACI, ICFI, SAIC | The Trump administration and Republican-controlled Congress have listed defense spending as a high priority. The midterms may have an impact on the defense companies, however, we think it's important to remember increased defense spending is currently working through the federal system. While defense stocks rallied in 2017, we are still positive on the space and expect increased revenues in the coming years. | 2018 Omnibus Spending Package Defense Secretary Mattis Testimony |
| | Defense Industry Foreign Sales | <ul style="list-style-type: none"> Trump administration issued an executive order to speed up and deregulate the process of defense industry sales to foreign allies | | | Executive Order on Foreign Arms Sales |
| Education | Student Lending & Loan Servicing | <ul style="list-style-type: none"> Potential for less regulation in the student loan servicing industry, leading to higher loan volumes and margin expansion. Trump administration plan to stop using private debt collectors for overdue student loans and give that responsibility to student loan servicers. | Student Lenders (+) NNI, NAVI, SLM Educational Materials (+) GHC, CHGG | Student loan servicing is a significant 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. | Removal of "Student Loan Servicing" from CFPB's Regulatory Agenda |
| | Gainful Employment | <ul style="list-style-type: none"> Department of Education reduced the scope and team size of a unit investigating abuse by for-profit colleges. Recent Department of Education proposal to rescind Gainful Employment Rule & update 'College Scorecard' to provide information on all Title IV institutions removes a risk from the business model, as not meeting the Gainful Employment may have prevented students from obtaining loans to attend the institutions | For Profit Colleges (+) CECCO, ATGE, LAUR, LOPE, STRA | The Trump administration is pushing a deregulatory environment in the education sector, especially among for-profit colleges. Investors should pick their spots carefully in the sector in our view, because headline risk may impact colleges differently. We prefer to own colleges working to fill needs in labor markets (e.g. ATGE with nursing and veterinarian). | Press Release: Department of Education Gainful Employment Proposal |

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