Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE

February 2017

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I SHOULDN'T TOOT MY OWN HORN, BUT HE WHO DOTH NOT TOOT HIS OWN HORN ALLOWETH IT TO REMAIN UNTOOTETH.

ALBEN W. BARKLEY

Monthly Update

Publication date: 2/8/17

- Told You So
- Portfolio Updates

Check out sheaffbrock.com for our latest column at abcnews.com.

abc NEWS

(continued from page 4)

During the "Great Recession" the Dow Jones Industrial Average (DJIA) dropped from 14,000 to 6,500. After a 16 month recovery, in our **July 2010** newsletter, when the DJIA was at 10,000, we put the "20,000 B4 2020" picture of a promotional button we made and said this:

In fact we think the Dow Jones Industrial Average will be at 20,000 before the end of the decade. Sound crazy? It isn't because just average returns would make that happen.

People (some of you reading this) told us we were out of our minds. Market brainiacs on CNBC were calling for a "double-dip" recession, the "new normal" was all we could expect, and many talking heads were predicting a 2nd leg down for stocks. But we were convinced that instead of falling, the market was going to double from 10,000 to 20,000.

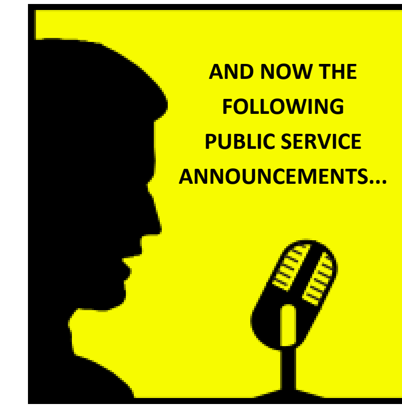
In **November of 2013** the DJIA had crossed 15,000 and in our newsletter we discussed that equity markets could have a "melt up". In it we said this:

Back in 2010 (when the Dow was at 10,000) we had some buttons made for a trade show predicting a DJIA of 20,000 by 2020. We were just trying to convey our convictionthat in spite of the 2008 meltdown the market would double within the next decade. Here we are 3 years later with the Dow pushing 16,000. Hitting 20,000 in the next six years would require a return of only 3.8% per year. Shouldn't be too tough. We last put the picture of this button in the July 29, 2010 newsletter, when the Dow was at 10,000, and the next time you see it will be when the Dow hits 20,000. We will have picture of the button with "TOLD YOU SO" under it.

To be true to our word...

TOLD YOU SO

Now what? We kind of like the sound of the headline in the January 30th edition of Barron's, shown below. Their article predicts it will happen by 2025. We will bet 30,000 will come sooner (less than 6% per year is all it takes to hit Barron's prediction), but odds are there could be a recession and a good-sized pullback between now and then.



Invest 45 Minutes to Build your Knowledge as an Investor

Look for e-mail invites to our monthly webinars

We don't do these Knowledge Builder webinars for our health, they're for your noggin'. The next one will be February 28th and will discuss:
Market Volatility - A Unique Forecasting Tool

Tune in, you'll learn something

Watch your e-mails for an invite

1099 Info

The first batch of 1099s have been posted by TD Ameritrade online, but most of your 1099s will come out February 7th or the 15th. ***You will likely get corrected 1099s well into March.***

Tip: Wait until mid-March (or later) to file your taxes.

Portfolio Updates

We used so much room tooting our own horn that there isn't much left for portfolio updates. Mama always said, "Better toot your own horn, 'cause nobody's gonna toot it for you!" Not much room, we'll hit the top six strategies (by asset size).

Dividend Growth & Income

After the election, this strategy had a great run and ended last year with a competitive return. The "big mo" continued in January with a nice gain. We have been slowly making tweaks to better sector-balance the portfolio, adding two consumer staple stocks in December, adding a utility in January, and buying a financial in February. We now own at least one stock in each S&P sector. At 3.3%+, the average dividend yield is about 50% higher than the S&P 500, and our current portfolio's 16% dividend growth rate is about 2X as much.

IntelliBuilD Growth™

IntelliBuilD™ is our momentum-stock growth equity portfolio based on *Investors Business Daily's* IBD 50 list. 2016 was a difficult year for the IBD 50 and for this portfolio however the post-election 3 months, November through January, delivered a strong 355 basis point outperformance over the S&P 500. Maybe the tide has turned.

Covered Call

Call option premiums allowed this strategy to have a very competitive year in 2016. This year started out nicely too. A sleepy VIX is making us sell shorter-dated calls since we don't want to get stuck with a lower yield for a longer period of time. That said, The standstill yield (if the underlying stocks just sit there, our composite should earn from call premium time decay) is still 8% net of fees (*theoretical Black-Scholes derived theta yield as of 2/8/17 from thinkpipes)*.

Preferred Income

After a lousy November and December, preferred stock prices recovered in January, making the nice start of 2017 the polar opposite of 2016's swoon. The portfolio's current yield is 6%, has a yield-to-worst call of almost 5%, and the average call protection is a bit more than 4 years. The bounce in financial stocks has helped Preferred Income.

The following option overlay products are intended to be additive in return to other investments held in an account, and are not appropriate for all investors. Historically, the cash-flow from overlays has been positive from year-to-year. However, realized gains and losses are very inconsistent. These are long-term strategies and may not produce capital gains over the short-term.

Put Income

The short put values continued their improvement in January. The addition of index puts on the SPDR S&P 500 ETF (SPY) has added more consistency to cash flow and realized gains. We have been working to make accounts more homogenous. Older accounts still have a higher percentage of in-the-money (problem child) puts, but as those work out, accounts will look more and more similar.

Index Income

This is a more simple overlay using only put option spreads on the SPDR S&P 500 index ETF (SPY) staggered monthly over 3 months. We started it 10 months ago, and as this is being sent we have just completed our 10th month in a row of cash flow becoming realized gains. That's all folks!

If you have any questions or comments regarding this letter, including any portfolio or composite, please contact our Chief Compliance Officer, Audrey Kurzawa at audreyk@sheaffbrock.com; you can also reach her, or any other Sheaff Brock representative, at 317-705-5700.

Style	Performance Update Portfolio	2017 Thru Jan	2016	2015	2014	2013	2012	2011	2010
Fixed Income	**Preferred Income** - Preferred stocks	2.24	1.66	5.22	14.02	-4.57	9.11		
	High Yield Bond	1.02	11.63	-7.32	-1.93	8.78	15.38	3.99	15.93
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	1.20	6.24	-1.20	6.39	22.04	10.14	-11.57	
	Dividend Growth & Income - Dividend paying stocks	0.96	11.22	-7.17	5.20	36.47	12.46	5.80	16.94
Growth	**IntelliBuilD Growth** - IBD growth stocks	2.95	-2.71	2.52	7.63	11.18*	*10/1/13 inception date		
	Bulls of the Dow - 10 strongest of the Dow 30	0.73	9.65	1.14	12.42	30.05	7.83		
	Mid-Cap 10 - Mid-cap growth momentum stocks	-2.98	-7.90	-12.68					
Alternative	**Alternative** - Metals, foreign currencies, commodities	3.53	4.37	-8.25	-4.23	-0.70	9.02	-7.74	
Option Overlay	**Put Income** - Overlay of short equity puts	*-0.81*	*0.25*	*-9.17*	0.56	5.92			
	Index Income - Overlay of unleveraged put credit spreads	0.42	3.20*	*4/30/16 inception date					
	Index								
	S&P 500	1.90	11.96	1.38	13.69	32.39	16.0	2.1	15.1
	CBOE S&P 500 Buy/Write	2.22	7.06	5.24	5.64	13.26	5.20	5.72	
	Barclays Aggregate Bond	0.20	2.65	0.55	5.97	-2.15	4.2	7.8	6.5
	DB Commodity Index Tracking Fund (NAV Total Rtn.)	-0.61	18.50	-27.41	-28.18	-7.57	3.31	-2.71	

Composites include all fully discretionary, management fee-paying and, beginning on January 1, 2011, non-management fee-paying accounts, including those accounts no longer with the firm of reasonable size that are substantially invested in accordance with the composite strategy or style. Returns are presented net of management fees and all trading expenses, and the reinvestment of all income. Put income results are only realized gains and Index Income reflects the total return of only the option overlay. Net-of-fee results were calculated using actual management fees. Actual advisory fees and transaction fees will vary depending on, among other things, the portfolio, account size, and activity. Fees are described in SBIA's ADV Part 2A. *Denotes partial year, with note reference. Prior to October 1, 2015 Preferred Income was sub-advised by Trust Investment Advisors, Indianapolis, IN.

Benchmarks: The S&P 500 Index is a market capitalization-weighted index comprised of the 500 stocks with the largest market capitalizations trading in the United States. This is not a managed portfolio and does not reflect the deduction of fees or expenses; returns include dividends. The Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market in the United States, including Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and CMBS (agency and non-agency). The CBOE S&P 500 Buy-Write Index (BXM) is a passive total return index based on buying an S&P 500 stock index portfolio, and selling the near-term S&P 500 Index (SPX) covered call option, generally on the third Friday of each month. The SPX call will have about a one month expiration, with an exercise price just above the prevailing index level, slightly out of the money. The BXM Index does not take into account significant factors such as transaction costs and taxes and, because of factors such as these, investors should be expected to underperform passive indexes. The BXM Index represents a hypothetical buy-write strategy. DB Commodity Index Tracking Fund (DBC) The PowerShares DB Commodity Index Tracking Fund seeks to track changes in the level of the DBIQ Optimum Yield Diversified Commodity Index Excess Return™ plus the interest income from the Fund's holdings less the Fund's expenses. The Fund is designed for those who want a convenient way to invest in commodities. The Index is composed of futures contracts on 14 of the most heavily traded and important physical commodities in the world. The Fund and the Index are rebalanced and reconstituted annually in November. The Alternative portfolio is a commodity centric portfolio of ETFs and mutual funds whose constituents' profits are highly sensitive to general commodity prices. It may perform differently than DBC since the composite does not hold futures contracts. Indexes are unmanaged and unavailable for direct investment. Benchmark returns include reinvestment of income, but do not reflect taxes, or other fees that would reduce performance. Performance information of benchmark indexes is included for comparison purposes only. Two general types of benchmarks are provided.. The first type is a well-known and widely-recognized index, such as the S&P 500 Index (described previously), and the Barclays US Aggregate Bond Index (described previously). These types of indices are not selected to represent an appropriate benchmark, but rather to allow for comparison of a composite's performance to that of a well-known and widely recognized index. The second type of index is a narrowly-focused (NF) index selected on one or more characteristics, (continued page 1)