Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE

September 2017

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, such as asset class, style or strategy, geographic area, or sector, for example, similar to characteristics of a composite. Although a NF index may have characteristics similar to those of a composite, actual composite holdings will differ significantly from the securities that comprise an index. Consequently, use of a NF index does not indicate that a composite will achieve returns, volatility or other results similar to those of the index. The composition of a NF index will not reflect the manner in which a composite is constructed in relation to investment holdings, Portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time. Comparison of a narrowly-focused index to a composite must be limited to the similar characteristics. Clients should NOT expect performance comparable to a narrowly-focused index in an actual account. (continued below)

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Any portfolio returns mentioned are composite total returns, and are net of fees and commissions. There is the chance that market conditions or portfolio performance may deteriorate in the future, and clients may experience real capital losses in their managed accounts. Portfolios are compared to the performance of various indices although the portfolio, which contains much fewer positions, may not reflect the securities making up these indices. None of the indices may be an appropriate comparison index as our managed accounts may own companies not represented in the benchmarks. All clients of SBIA who desire to participate in option transactions receive the option disclosure document, titled Characteristics and Risks of Standardized Options, which outlines the purposes and risks of option transactions. Despite their many benefits, options are not suitable for all investors. Individuals should not enter into option transactions until they have read and understood the risk disclosure document which can be obtained from their broker, any of the options exchanges, or OCC. All investment strategies carry risk, and transactions in options may carry a high degree of risk. Options derive their value from underlying equities or indices, and the derivative value is directly related to the underlying security, thus they carry many, if not more, of the same risks as the underlying equity or index. Sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs. Selling ("writing") an option generally entails greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. Standstill option yield is calculated by dividing the aggregate annual option time decay by the aggregate account values. The yield is reflected gross of management fees. There were no other strategies employed to obtain the results portrayed other than those strategies disclosed in the SBIA ADV or other disclosure brochure. SBIA provides this Newsletter for general informational and educational purposes, and where appropriate, to assist in explaining the portfolios and composites. It is not investment advice for any person. Information is obtained from sources SBIA believes are reliable, however, SBIA does not audit, verify, or guarantee the accuracy or completeness of any material contained therein. The statements and opinions reflect the judgment of the firm, and along with the information from third-party sources and calculations, are made on the date hereof and are subject to change without notice. SBIA does not assume liability for any loss that may result from reliance by any person upon any material in this Newsletter. Clients or prospective clients are directed to SBIA's Form ADV Part 2A and to one or SBIA's representatives for individualized information prior to deciding to participate in any portfolio or making any investment decision. SBIA does not provide tax advice. Clients are strongly urged to consult their tax advisors regarding any potential investment. **Past performance does not guarantee future results, there is always a possibility of loss.**

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Monthly Update

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Google **sheaffbrock/in-the-news** for our latest columns or quotes posted on **abc News, CNBC** and **Forbes.com**

"Who are you? Who, who, who, who? I really want to know, who are you?"

Pete Townshend - The Who

:(Lots of writing and no pictures; very sad. Sorry about that.

19 Questions to Ask Your Financial Adviser

There has been a lot of discussion in the last few years about financial advisers, whether or not they are a fiduciary, and whose interest they are looking out for.

About a month ago, *The Wall Street Journal* column, "The Intelligent Investor" by Jason Zweig, had the headline "The 19 Questions to Ask Your Financial Adviser". He suggested cutting the article out, sitting down with your adviser, and listening how they answer. We will save you the time and trouble. Below are the questions, and then his suggested answer you should look for. After each of Jason Zweig's questions are our answers, basically answering Pete Townsend's question.

1. Are you always a fiduciary, and will you state that in writing? (Yes.) Yes, we are always a fiduciary and we state that in writing on our ADV form as well as in our management agreement.

2. Does anybody else ever pay you to advise me and, if so, do you earn more to recommend certain products or services? (No.) No, nobody else pays us anything. We earn nothing from any product or service; no commissions, 12B-1 fees, nothing.

3. Do you participate in any sales contests or award programs creating incentives to favor particular vendors? (No.) No, we do not participate in any contests or programs.

4. Will you itemize all your fees and expenses in writing? (Yes.) Yes, every quarter our fees are in black-and-white on our reports and on TD Ameritrade's statements.

5. Are your fees negotiable? (Yes.) Yes, we state in our ADV that fees are negotiable. We typically require several million in assets under management before negotiating.

6. Will you consider charging by the hour or retainer instead of an annual fee based on my assets? (Yes.) We can negotiate, so maybe; but a fee based on assets is better for you, in our opinion. This is because with an asset based fee the client and the advisory firm have the same goal, which is to increase your assets. You want your account to grow, and we want a pay raise. A retainer or flat fee doesn't give those same incentives. An hourly fee encourages slow work, not profitable work.

7. Can you tell me about your conflicts of interest, orally and in writing? (Yes, and no adviser should deny having any conflicts.) We explain any potential conflicts in our ADV.

8. Do you earn fees as adviser to a private fund or other investments that you may recommend to clients? (No.) No, we have no proprietary funds or investments.

9. Do you pay referral fees to generate new clients? (No.) We don't pay referral fees to sales agents. On some accounts we share a portion of our fee with a broker/dealer or other adviser, but the client never pays more because of a fee share.

10. Do you focus solely on investment management, or do you also advise on taxes, estates and retirement, debt management, or insurance? (Here the best answer depends on your needs as a client.) We discussed this at length last month. We are money managers first and planners second. Sheaff Brock has plenty of smart people that can help with questions on all of these topics, but our primary attention is on investment management.

11. Do you earn fees for referring clients to specialists like estate attorneys or insurance agents? (No.) No, we earn no referral fees.

12. What is your investment philosophy? We believe equities are the best way to invest long-term. At our core, we believe high-quality American companies should be significant holdings for all investors. As far as company analysis goes, we lean toward the value camp. We focus on innovative portfolios for intelligent investors (like you), but much of our work is on income generating portfolios.

13. Do you believe in technical analysis or market timing? (No.) Market timing, no. We are not big, absolute believers in technical analysis, however it is a tool investors can use with some effectiveness, mainly because enough other people use technical analysis that it becomes self-fulfilling, at some level.

14. Do you believe you can beat the market? (No.) All of the time? No. But, we beat benchmarks some years, and some years we don't. No one always beats the market. According to Morningstar as of 9/26/17, year-to-date, over the last 3-trailing years, and over the last 15 years not even Warren Buffett's company (BRK-A) has beat the S&P 500 index. There is more to successful lifetime investing than "beating the market". If we can just keep you calm and invested during the scary times, which allows you to participate in the good times, we are more than worth any fees charged.

15. How often do you trade? (Seldom.) Depends on the portfolio. We use individual equities, preferred stocks, options, etc. Some portfolios seldom trade and some are more active. Most advisors use mutual funds and ETFs in their practice where the fund manager is buying and selling within the fund, and those advisors should make seldom changes. Using funds and ETFs adds another layer of cost to the client. We are old school. We feel it's in the client's best interest to cut out the middleman and use the direct security instead of offloading the security picking to someone else.

16. How do you report investment performance? (After all expenses, compared to an average of highly similar assets that includes dividends or interest income, over the short and long term.) We report net-of-fees and compared to appropriate benchmarks' total returns over all kinds of timeframes.

17. Which professional credentials do you have, and what are their requirements? (Among the best are CFA [Chartered Financial Analyst], CPA [Certified Public Accountant] and CFP, which all require rigorous study, continuing education and adherence to high ethical standards.) Sheaff Brockers have a slew of professional credentials. Between us are CFA, CPA, CFP, CAIA (Certified Alternative Investment Analyst), ChFC (Chartered Financial Consultant), CEA (Certified Estate Analyst), and CWS (Certified Wealth Strategist). Plus we have one JD, an attorney admitted to Indiana's Bar.

18. After inflation, taxes and fees, what is a reasonable estimated return on my portfolio over the long term? (If I told you anything over 3% to 4% annually, I'd be either naive or deceptive.) Three to four percent, which equates to about 8% before inflation, taxes, and fees.

19. Who manages your money? (I do, and I invest in the same assets I recommend to clients.) The principals at Sheaff Brock are all in, gobbling our own cooking. The vast, vast, vast majority of our net worth is either invested in Sheaff Brock itself or in one of the portfolios managed by us.

19 questions. Ask your other financial advisers who they are.

Portfolio Updates

Dividend Growth & Income

Dividend Growth & Income has enjoyed a solid run year-to-date, beating the benchmark Dow Jones Select Dividend Index by 5.5%. The portfolio has 25 positions and is fully invested. Currently we have a position in all S&P sectors except energy (although energy is looking like an interesting value at current prices). This month's purchase of the world's biggest appliance manufacturer increased our consumer discretionary sector weighting. The portfolio's dividend yield is 3% and

WOO-HOO here they come!! **New management agreements are arriving in mailboxes. *Sign and return.*** The Department of Labor's fiduciary requirement is to blame.

Knowledge Builder webinars have good content, touch on various subjects, and only last 30 to 40 minutes. You can watch the recording of previous Knowledge Builders on our website. Invites are by email. Watch them, learn something.

growing. In the book by Morningstar's Josh Peters, The Ultimate Dividend Playbook, he states that "the safest dividend is the one that's just been raised". Twenty-three of our twenty-five holdings have raised their dividends within the last 4 quarters. The other two raised their dividend payout within the last 8 quarters. Dividend growth is an important characteristic, which is why it is the portfolio's middle name.

IntelliBuilD Growth™

A growth equity portfolio based on *Investors Business Daily's* stock lists. Right now the portfolio is split between mid-cap and large-cap companies. Historically we have had some small-cap stocks fall through the funnel into the portfolio, but none now. IntelliBuilD has a competitive year going gaining over 10.8% net-of-fees through August. This is a high-turnover growth portfolio of 33 stocks. As of 9/27/17, the current positions have an average holding period of 280 days and an average unrealized gain per position of 25.3%, since original purchase date.

Bulls of the Dow

The Bulls have delivered by gaining through 8/31 nearly 13% net-of-fees. A simple portfolio untouched by human decisions. We will be rebalancing the portfolio in the first week of October using our Downside Risk Analysis research.

Covered Call

Covered Call accounts have delivered a competitive 8-month total return. A covered call position is a three-tiered way toward a potential gain consisting of option premium, often a dividend, and some potential appreciation. According to thinkpipes, the theta of the composite (yield from call premium decay) is $3.1 million per year. Below are snapshots from thinkpipes on 9/28/17 at 12:42PM showing the net account value of the entire covered call book and the theta math.

Theta 8,592.71 X 365 = $3,136,000 / Net Liq $42,379,573.83 = 7.4%

The standstill call option yield of the covered call accounts is 7.4% (gross of fees). Add to that the dividends, and the sum is a decent yield while clients wait for appreciation.

Preferred Income

Through August, the Preferred composite was +7.2% net-of-fees. Competitive, and better than most other areas of the fixed income world. Clients are being asked to sign a form allowing us to trade through other brokers. We will use this primarily to buy $1000-par value institutional preferred stocks. Trading away might cost an extra $25 fee, but the yield differential more than compensates for the additional cost because institutional preferreds generally yield more than the retail, $25-par preferreds issued by the same company, and are usually less volatile in price. The portfolio's yield to call is still over 4% and the dividend yield is over 5%.

Alternative

Metals, emerging markets, and non-dollar assets are very strong, driving the 14.2% gain through August.

Mid-Cap 10

This aggressive, fairly volatile, concentrated, portfolio had a great August which pushed the year-to-date return back to positive, and within striking distance of the S&P Mid-Cap growth index return of 7.99%

Real Estate Income and Growth

Our newest portfolio. From May through August the composite has gained a total return of 2.53% net-of-fees. This portfolio currently owns 20 REITs with an average dividend yield of 4.39%. Unlike the ETFs and mutual funds in this space our portfolio is equally weighted, and mostly mid-cap sized companies, followed by large-cap, and one small-cap.

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 Overlay

Besides continuing to add index put credit spreads on the SPDR S&P 500 ETF (SPY) in all accounts with notional exposure allowance, the majority of recent transactions have centered around reworking some in-the-money positions. The work entails either totally replacing a deep in-the-money put (by exchanging it for puts on other larger-cap and higher quality stocks) or bringing down the strike price in the problem name while adding risk to a couple of new stocks (a partial replacement). In either case the new positions have a much higher statistical probability of expiring for a gain. On the monthly calls we discuss this in detail (and you really should listen to the monthly calls). Through August, realized gains have been good.

Index Income Overlay

The simple overlay where we use put option credit-spreads on the SPDR S&P 500 ETF (SPY) staggered monthly, one spread expiring month, after month, after month. Since inception of this overlay, results have been consistent, each spread expiring for a gain. We know, and you know, that one of these days the market will correct more than a few percent forcing us to roll an in-the-money spread. As of today, we have an October, November, and December spread, each 3 to 6% out-of-the-money. The 4th quarter is historically the best quarter for equities; keep your fingers crossed.

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 Aug.	2016	2015	2014	2013	2012	2011	2010
Fixed Income	**Preferred Income** - Preferred stocks	7.22	1.66	5.22	14.02	-4.57	9.11		
	High Yield Bond	3.64	11.63	-7.32	-1.93	8.78	15.38	3.99	15.93
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	5.02	6.24	-1.20	6.39	22.04	10.14	-11.57	
	Dividend Growth & Income - Dividend paying stocks	9.57	11.22	-7.17	5.20	36.47	12.46	5.80	16.94
	Real Estate Income & Growth - REITs/real estate stocks	2.53*					*4/30/17 inception date		
Growth	**IntelliBuilD Growth** - IBD growth stocks	10.83	-2.71	2.52	7.63	11.18*	*10/1/13 inception date		
	Bulls of the Dow - 10 stocks of the Dow Jones 30 Indus.	12.95	9.65	1.14	12.42	30.05	7.83		
	Mid-Cap 10 - Mid-cap growth momentum stocks	4.63	-7.90	-12.68					
Alternative	**Alternative** - Metals, foreign currencies, commodities	14.20	4.37	-8.25	-4.23	-0.70	9.02	-7.74	
Option Overlay	**Put Income** - Overlay of short equity puts	*3.91*	*0.26*	*-9.17*	0.56	5.92			
	Index Income - Overlay of unleveraged put credit spreads	1.99	3.67*	*5/31/16 inception date					
	Index								
	S&P 500	11.93	11.96	1.38	13.69	32.39	16.0	2.1	15.1
	CBOE S&P 500 Buy/Write	8.10	7.06	5.24	5.64	13.26	5.20	5.72	
	Barclays Aggregate Bond	3.64	2.65	0.55	5.97	-2.15	4.2	7.8	6.5
	DB Commodity Index Tracking Fund (NAV Total Rtn.)	-4.59	18.50	-27.41	-28.18	-7.57	3.31	-2.71	

Composites include all fully discretionary, management fee-paying and non-management fee-paying accounts. Composite performance consist of all client accounts that are at least 80% invested in the strategy. 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. Please see additional disclaimers on the next page.