Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE

January 2020

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, and the S&P Mid-cap 400 is the next largest 400 stocks. The Dow Jones Industrial Average is a price-weighted index of 30 giant American companies. These are not managed portfolios and do 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. 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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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. 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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SheaffBriefs

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> "I remain just one thing, and one thing only — and that is a clown. It places me on a far higher plane than any politician."
> Charlie Chaplin

As this is being written, the Dow Jones Industrial Average (DJIA) is closing in on 30,000. For some reason when it hits these big, round numbers, many people doubt the strength and feel it can't possibly go any higher. In our careers it happened when the Dow hit 1000, 2000, 5000, 10,000 and 20,000. When the DJIA finally crosses 30,000 there will be a lot of hand-wringing by talking-heads with reasons given why the end is near. Your TV screen might look something like this:

This picture was snagged from CNBC's broadcast in Davos, Switzerland (altered a little with the yellow headline inserted by me). The Davos conference is hilarious, in my opinion. Super-rich elites fly in on private jets and blab-on about their concerns on climate change, income inequality, and the inherent unfairness of capitalism. In the evenings their concerns revolve around champagne, caviar, and sushi.

40,000

In our June 2018 newsletter when the DJIA was about 24,000, we explained why the index could be at 40,000 by 2025. It may be quite a bit higher than that, but we'll stick with 40,000 since it's a nice round number.

How about here and now? 2019

Jabbering about 2025 is fun and all, but what about this year? As you know, 2019 was a terrific year especially when compared to 2018, which was dismal. For Sheaff Brock, 2019 was a really good year. All of our traditional composites delivered double-digit total returns, nearly all of them outperformed their benchmark indices, and our option overlay offerings had their best year ever. As a company, our assets under management crossed back over $1 billion, we took another step towards institutional money management, and a sister company successfully launched two mutual funds. It was a good year.

The 2020 Circus

We are looking forward to 2020, except for the noisy election nonsense.

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The investment business is kind of like watching a three-ring circus, with all three rings in action simultaneously.

- ⇒ In **one ring** the economy is performing; think awe inspiring trapeze artists and high-wire acts.
- ⇒ In the **second ring** the financial markets are doing amazing tricks; maybe fire-breathers or motorcycles in a cage.
- ⇒ The **third ring** is politics; mostly clowns making animals do tricks. There are elephants on stools, donkeys making a bunch of racket, and clowns running amok.

In 2020, the third ring of politics will completely overshadow the shows the economy and markets put on. Depending on where your seat is and your view of the political ring, the clowns will be sad, scary, or silly; but all clowns will be especially raucous. The elephants and donkeys will try to outdo each other's noise level until it reaches a cacophony in late-October.

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Tiffany's Financial Planning Tips! Tiffany VanHook serves our clients as a financial planner and estate specialist. Tiffany has many years of experience providing ultra-high-net-worth families financial and estate planning services. Her planning services are available for Sheaff Brock clients. Every month we share a planning tip or two:

Congress passed the **SECURE Act**, which became effective January 1, 2020, addresses provisions to reform retirement plans. Highlights include:

√ IRA Required Minimum Distribution (RMD) and Contribution Age raised. The mandatory withdrawal age has been changed from 70½ to age 72. IRA contributions have been extended beyond 70½ as long as the taxpayer is working. If the beneficiary is the IRA owner's spouse, RMDs are delayed until the end of the year that the deceased IRA owner would have reached age 72.

√ The SECURE Act eliminates the "stretch IRA," an estate planning method that allows IRA beneficiaries to stretch their distributions from their inherited account and the required income tax payments based on their life expectancy. For non-spouse beneficiaries receiving IRA inheritances, Under the SECURE Act, beneficiaries must withdraw all assets of an inherited account within 10 years. There are no minimum distribution amounts, but the entire balance must be distributed after the 10th year. There are some exceptions: If the non-spouse beneficiary is a minor, disabled, chronically ill or not more than 10 years younger than the deceased IRA owner. For minors, the exception applies only until the child reaches the age of majority, at which point the 10-year rule is enforced.

The rings of the economy and market are what we watch, and both could put on a decent show in 2020.

Economy ring: Economists we respect think the global economy, and especially the U.S., should have a solid 2020. Interest rates likely remain low, inflation seems tame, job growth and employment look good, the consumer appears healthy, and corporate profits could grow 5% to 8%.

That leaves the **markets ring:** What might the 2020 show look like? In 2019, the market's performance was excellent, but could a continuation be possible?

According to Strategas Research, here are three facts about the stock market:

1. Since 1982, after the 3rd rate cut by the Fed, the S&P 500 has historically gained 14% over the next 120 days. This time, the 3rd rate cut was on November 1st. This guide could put the S&P 500 at 3475 this year, or about +8%.
2. Since 1950, the average price gain for the S&P 500 following a year of a +20% gains was about 12%. This guide could put the S&P 500 at 3680, or about +12% for the year.
3. Since 1936, in Presidential re-election years (like 2020) the S&P 500 has gained about 10%. This guide could put the S&P 500 at 3550 this year, or about 10% for the year.

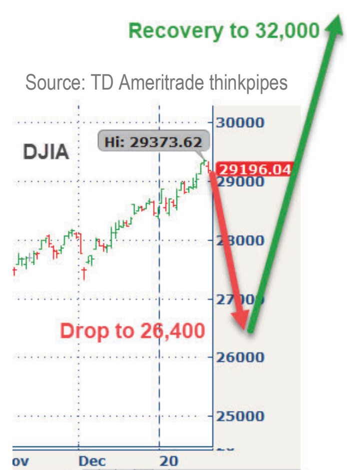
The triangulation of these guidelines points to a potential gain in the S&P 500 of 8% to 12% in 2020, plus a couple percent from dividends; a total return of maybe 10% to 14%. We would chow down on Cracker Jack and watch clowns run amok for that kind of return! In fact we might join in the amok-i-ness!

Clowns Running Amok - Cheriobrien.com

But, we also think it probably ain't gonna be a straight line gain. There have been 15 Presidential Election years since 1960. **In every one of those years the market has suffered a correction.** The average market correction during a Presidential election year has been –12% (which includes the –48% whopper in 2008). The median correction was –9%. **We feel investors should expect a –9% to –12% correction in 2020**.

That said, the market has generally bounced back after corrections in Presidential election years, with the average market performance 1-year after the corrections of +21%. How would that look? If the recent high for the S&P 500 of 3330 was the high-water-mark, a –10% correction would bring the S&P 500 down to 2997, and a +21% recovery would lift the S&P 500 to 3626, which is in-line with the 3 facts from the previous column.

What would a similar correction look like for the DJIA? About a 3000 point whack followed by a rally to 32,000. That would be OK too. *Send in the clowns!*



Portfolio Updates

How often have you read that you can't beat the index? Fake news!

Dividend Growth & Income

BOOM! Beat its benchmark, the Dow Jones Select Dividend Index, by over 3%. Our composite was +26.5% net-of-maximum fees vs. 23.1% for the index. Every company in the portfolio raised its dividend last year.

Bulls of the Dow

BOOM-BOOM! In the last 4 months of 2019, the Bulls had a great run and once again delivered benchmark beating returns (4th year in a row). For the year, the Bulls gained 28.7% net-of-maximum-fees vs. 25.4% for the Dow Jones Industrial Index; AND has beat both the Dow Industrials *and* the S&P 500 over the last 1, 3, and 5 years. Badass Bulls.

IntelliBuilD Growth™

BOOM-BOOM-BOOM! IntelliBuilD™ booked its best year ever and also beat its benchmark. Our proprietary *Investor's Business Daily* driven growth stock portfolio beat the S&P 500 by over 1% and the Midcap 400 by over 6% net-of-maximum-fees.

Twenty Under Thirty-Five

BOOM-BOOM-BOOM-BOOM! **35/20** had an index-beating year too of 26.7% net-of-maximum-fees vs. 26.2% for the S&P Mid-cap 400 benchmark. This is a twenty-position portfolio of lower-priced stocks (under $35 when purchased) and populated with mid-cap and small-cap companies.

Covered Call

BOOM-BOOM-BOOM-BOOM-BOOM! Also beat the index, by almost 8%, which is A LOT! Our composite gained 23.6% net-of-maximum-fees vs. 15.7% for the CBOE Buy/Write Index.

Real Estate Income and Growth

BOOM-BOOM-BOOM-BOOM-BOOM-BOOM! Another index beater turning in 24.5% net-of-maximum-fees vs. 23.1% for the Dow Jones U.S. Select REIT Index. In 2019, industrial warehouses, triple-net-lease, data centers and cell tower holdings added some juice.

Every equity composite we manage beat its index benchmark. That's really friggin' good...just sayin' (the BOOM you just heard was index funds heads exploding).

Preferred Income

Preferreds had a double-digit year and smoked the aggregate bond market returns (see top and bottom row of the table). Preferreds had their best year since 2014. Interestingly, the same could be said of Kanye. Last year, Kanye made $150 million, his best year since 2014 when he married Kim. Some people think his Yeezy shoes look funny. Yeezy's laughing all the way to the bank.

Option overlay products are additive in return to other investments held in an account, and are not appropriate for all investors. Realized gains and losses can be very inconsistent. These are long-term strategies and may not produce capital gains over the short-term.

Put Income and Index Income Overlay

We couldn't fit enough BOOMS on the page to describe 2019's overlays. Like Yeezy, they both had their best year! The overlays did their job and provided incremental income on top of another portfolio. The **Put Income** composite realized $23,812,000 in gains across the book, or 7.3% net-of-maximum-fees, or 120,000 pairs of Yeezy Adidas sneakers.

Index Income, our S&P 500 index-based income augmentation strategy, finished well ahead of its best previous year. Depending on the measuring stick, cash-flow or total return, the composite earned 4.7% or 9% net-of-maximum-fees in addition to a client's otherwise invested portfolio; profiting from the volatility of the S&P 500, which gained 31.5%.

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	2019	2018	2017	2016	2015	2014	2013	2012	2011
Fixed Income	**Preferred Income** - Preferred stocks	13.62	-5.66	7.44	1.58	5.47	14.29	-4.65	9.42	
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	23.57	-10.38	12.96	6.16	-1.11	6.33	22.28	10.23	-11.09
	Dividend Growth & Income - Dividend paying stocks	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17	5.62
	Real Estate Income & Growth - REITs/real estate stocks	24.50	-5.34	2.99*	*5/1/17 inception					
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	32.79	-11.30	25.40	-2.85	2.53	7.47	11.56*	*10/1/13 Inception	
	Bulls of the Dow - 10 stocks of the Dow Jones 30 Indus.	28.68	4.51	33.76	9.35	0.96	11.41	24.35*	*2/1/13 Inception	
	Twenty Under $35 - 20 best scoring stocks under $35	26.65	-18.74	5.72*	*10/1/17 Inception					
Option Overlay	**Put Income** - Realized gains return	7.32	0.58	5.66	0.21	-8.86	0.55	4.04		
	Index Income - Cash-flow return	4.69	1.67	2.48	3.35*	*6/1/16 inception date				
	Index Income - Total return mark-to-market^	8.99	-3.59	2.46	2.49*					
	Index									
Large-Cap Stocks	**S&P 500**	31.50	-4.38	21.83	11.96	1.38	13.69	32.39	16.0	2.1
30 Giant Stocks	**Dow Jones Industrial Index**	25.35	-4.78	28.09	8.66	7.70	10.05	22.41		
Mid-Cap Stocks	**S&P Mid-Cap 400**	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07	-3.10
Covered Index	**CBOE S&P 500 Buy/Write**	15.67	-5.26	13.00	7.06	5.24	5.64	13.26	5.20	5.72
Fixed Income	**Barclays Aggregate Bond**	8.73	0.02	3.54	2.65	0.55	5.97	-2.15	4.2	7.8

*Returns are through previous month-end. Composites include all fully discretionary accounts and consist of all client accounts that are at least 80% invested in the strategy. Returns are presented net of maximum management fees and all trading expenses, and the reinvestment of all income. Put Income results are only realized gains. Index Income total return reflects the realized and unrealized gain/loss including the reinvestment of cash-flow income from the options divided by the prior period ending composite value. Cash flow yield represents the cash received from the sale of index option premium divided by the average composite value. ^Returns have been restated to reflect the change in unrealized gain/loss on the option premiums. Returns are calculated using the highest fee to reduce the composite gross of fee return to obtain the composite net of fee return. An analysis is performed on a quarterly basis to determine the highest fee paid in the portfolio as the highest fee paid may change over time . (continued on opposite page)