Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE
October 2019

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

Go to sheaffbriefs.com. Check out our blog.

"From there to here, and here to there, funny things are everywhere."

Dr. Seuss

Random Thoughts...positive, negative, and neutral

- The stock market gyrates with news headlines and tweets. Letting those dictate your investments is a terrible way to build wealth. Ignore the noise. Read Dr. Seuss instead.
- Media outlets, because they live or die by clicks and eyeballs, try to get you riled up so you will click on their story.
- The Saudi oil fields were attacked last month and the price of crude hardly blipped up. That might tell you there is a gob of oil available and prices could be low for a while.
- Looks like the Fed will likely cut rates at the end of the month. I wonder if they will presage the rate-cut announcement with, "Trick-or-treat?"
- Electric cars have several thousand fewer moving parts than a car with an internal combustion engine. The "green" movement folks love them. Electric cars are easier to make and maintain, so fewer auto workers are needed. As electric cars get more popular (and they will), the UAW's interests might be at odds with the "greens", and both groups tend to favor the same political party. Sparks might fly!
- *From Bryan Perry at Navellier*: Trump is trying to accomplish something no President has been able to manage since China joined the World Trade Organization (WTO) – to have China actually adhere to accountable measures and rules they currently ignore. There is talk on Capitol Hill that financial controls on China could be a powerful tool of leverage. In 2013 (prior to Trump), China signed a deal with the U.S. that exempts Chinese companies from submitting to U.S. audits and Dodd-Frank regulations. Bad idea. The idea of capital controls is a bipartisan effort. Marco Rubio (R., Fla.), along with senators Tom Cotton (R., Ark.), Bob Menendez (D., N.J.), and Kirsten Gillibrand (D., N.Y.), co-sponsored the EQUITABLE Act, which would "delist foreign companies that do not comply with U.S. accounting and oversight regulations from American exchanges." To say this legislation is way overdue is an understatement. The upcoming trade talks now have some new catalysts at work. It would seem President Trump is motivated to strike a deal with China to maintain political momentum against his impeachment brouhaha, while China is facing a deeper threat than trade – being cut off from lucrative U.S. financial markets.
- On trade, both China and the U.S. need to look like they "won", which might make any deal tough to come by. Continued tariffs might be the most tolerable solution for both sides.
- Europe is pretty much in a manufacturing recession. Blend that with the fact that the EU bureaucrats are furious with Boris Johnson, means lots of political posturing. Maybe the road to Brexit is actually a big roundabout.
- Corporate earnings are just now being released. Expectations for S&P 500 companies are low and getting lower, which means it might be easier for companies to "beat estimates" and surprise to the upside.
- The S&P 500 gained about 20% through September of 2019. This was the best January - September performance for the index in two decades.
- Even though in 2019 the S&P 500 gained 20%, the index is about even with where it was a year ago. As we said in last month's conference call, "The stock market for the last year has been like watching my 4-year old grandson's soccer game, lots of running around, but no direction and few goals."
- You hear (especially from politicians) about how America's middle class is falling behind. The data doesn't support this notion. According to the Census Bureau and the U.S Bureau of Labor Statistics, median household income hit an all-time high this summer, and grew more in the last 3 years than it did in the previous 16 years combined. Unemployment is also at the lowest level since the Beatles released "Abbey Road" 50 years ago.

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:

√ Year-end will be here before you know it! Start preparing for charitable gifts now, particularly with equity markets hovering around all-time highs. You can gift individual securities or shares of mutual funds. If you own mutual funds, check your cost basis methodology. If you're on "average cost," you may be losing out on the ability to gift bigger gains! Not sure, let us help!

√ Speaking of charitable gifts, if this year's income is going to be quite a bit higher than future years you should investigate a Donor Advised Fund. It could save you significant taxes. We can explain the ins-and-outs and project your tax savings.

- Americans are now consuming less total steel, aluminum, copper, fertilizer, water, timber, and paper than in previous years, even as our GDP has continued to soar and our agricultural yield has increased dramatically. WSJ 10/9/19
- While the U.S. accounts for 25% of the world's overall economy, we contribute less than 1% of its sea-borne trash. China, by contrast, responsible for 15% of the world's economy, contributes about 28%. WSJ 10/9/19

Besides impeachment news, the only other news seems to revolve around recession fears. Guess what? Someday there will be a recession. Guess what else? It likely won't start in the near future. Below is a chart from the St. Louis Fed showing the probability of a recession. The data is smoothed out and averaged over several months. Before the last two recessions the probability jumped up from near zero to 10%, 20%, 30%. The latest number is less than one-half of 1%. Worry about something else.

The biggest news fits right in with this month's quote:

√ Red meat is now OK for you!

√ Real cigarettes might be less harmful than vaping!

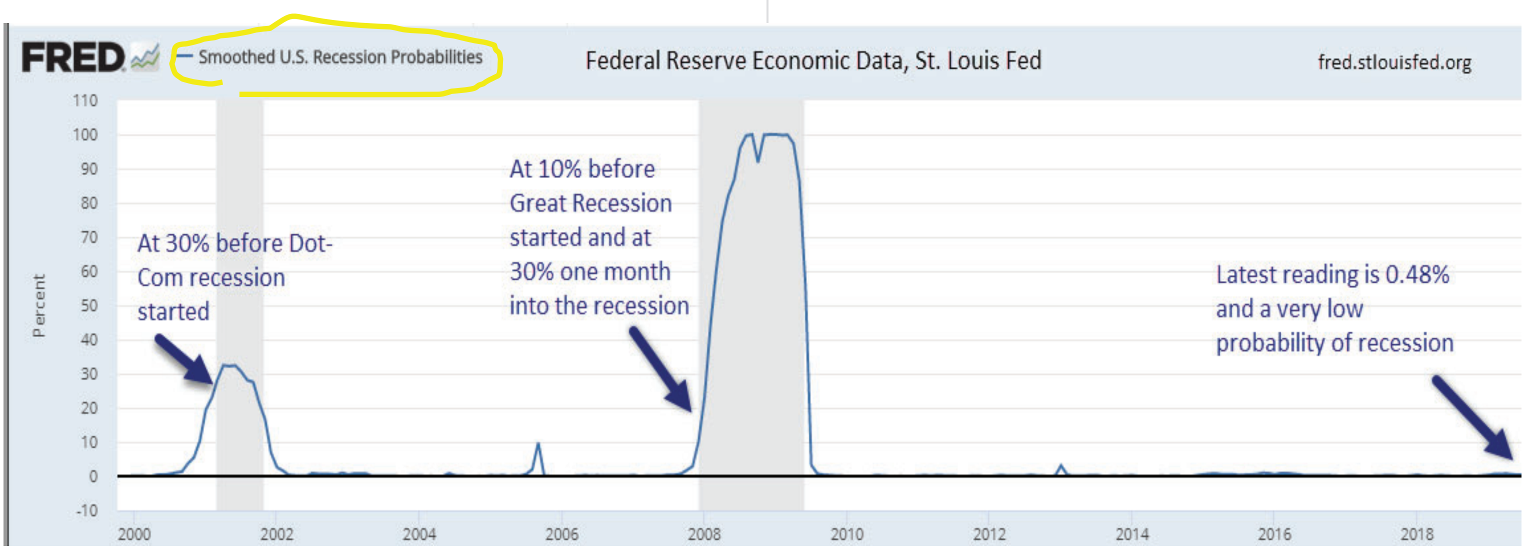
As Johnny Carson once remarked, "One of these days they'll figure out the best thing you can have for breakfast is a cigarette and a beer."

Portfolio Updates

Dividend Growth & Income
Our most popular equity offering had its best September in four years. This put the year-to-date composite return above our benchmark, the Dow Jones Select Dividend Index. The portfolio is fully invested in 25 stocks, and 21 of them report earnings in the next 4 weeks. After earnings, we will be taking a hard look at each company to see if any portfolio changes are necessary.

Bulls of the Dow
Our regular quarterly rebalancing took place in October. Coming back into the portfolio were Apple, Walmart, and Intel. As a group, the Bulls had an outstanding September which more than made up for a poor August. The Bulls of the Dow are also ahead (net of maximum fee) of both the Dow Industrials *and* the S&P 500 over the last 1, 3, and 5 years. It's a simple strategy that has worked.

IntelliBuilD Growth™
This *Investors Business Daily* driven growth stock portfolio is



having a very solid year; as of September beating the S&P 500 and Midcap 400 by 350 and 600 basis points, respective-ly. If the portfolio can eke out another couple-percent in the 4th quarter, IntelliBuilD will book its best year ever. Keep your fingers crossed.

Twenty Under Thirty-Five

This twenty position portfolio of lower-priced stocks (under $35 when purchased) tends to be populated with mid-cap and small-cap companies, which can be a bit moody. In September, this was our best performer, which brought the 9-month return back up to a respectful level.

Covered Call

Our Covered Call accounts are enjoying their best performance in six years. The composite gained about 15% net-of-fees through September vs. the CBOE Buy/Write Index return of only 10.9%. Several stocks that had fallen in price to levels where selling calls was impractical (fallen angels), rebounded in September to price levels where selling calls became profitable again.

Real Estate Income and Growth

Sheaff Brock's #1 offering year-to-date. Apparently the location, location, location of our REIT holdings is pretty good. If you are looking for income and potential appreciation, re-read last month's letter, call your Portfolio Consultant, and open an account using this strategy.

Preferred Income

Preferreds are having a very good year; in fact their best in many years. Income is tougher to come by these days, but according to Bloomberg, preferred shares currently have the best after-tax yield of *any* fixed income sector including munis. JR Humphreys does a great job managing the portfolios.

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

The option overlays are doing very well and delivering exactly what they are supposed to; incremental income on top of another portfolio. **Put Income** is on track for its best year ever. In-house management and higher quality stocks have brought better results. As always there are a few "problem children" but they're a bit better behaved than in past years.

Index Income had a good September with the expiring spread finishing out-of-the-money. This strategy now is ahead of its best previous full year and still has one quarter left in the game! If you're looking for a somewhat simple way to add a few percentage points return to another portfolio to get "there", maybe look "here".

Ellen Riloff, storytellersworldwide.com

All-in-all, the direction of the first 3 quarters pointed the right way. Cheers to the 4th quarter!

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	11.18	-5.66	7.44	1.58	5.47	14.29	-4.65	9.42	
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	14.97	-10.38	12.96	6.16	-1.11	6.33	22.28	10.23	-11.09
	Dividend Growth & Income - Dividend paying stocks	17.84	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17	5.62
	Real Estate Income & Growth - REITs/real estate stocks	25.54	-5.34	2.99*	*5/1/17 inception					
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	24.11	-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.	15.96	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	14.52	-18.74	5.72*	*10/1/17 Inception					
Option Overlay	**Put Income** - Realized gains return	5.12	0.58	*5.66*	*0.21*	*-8.86*	0.55	4.04		
	Index Income - Cash-flow return	3.57	1.67	2.48	3.35*	*6/1/16 inception date				
	Index Income - Total return mark-to-market^	7.55	-3.59	2.46	2.49*					
	Index									
Large-Cap Stocks	**S&P 500**	20.56	-4.38	21.83	11.96	1.38	13.69	32.39	16.0	2.1
30 Giant Stocks	**Dow Jones Industrial Index**	17.50	-4.78	28.09	8.66	7.70	10.05	22.41		
Mid-Cap Stocks	**S&P Mid-Cap 400**	17.87	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07	-3.10
Covered Index	**CBOE S&P 500 Buy/Write**	10.88	-5.26	13.00	7.06	5.24	5.64	13.26	5.20	5.72
Fixed Income	**Barclays Aggregate Bond**	8.53	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)