Sheaff Brock

Innovative Portfolios for Intelligent Investors™

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.

"An optimist stays up to see the new year in, a pessimist waits to make sure the old one leaves." - Bill Vaughan

This is the same quote used in our December 2009 newsletter

In a few days, 2019 rolls into 2020 and another decade bites the dust. We march out of the teens, into the twenties.

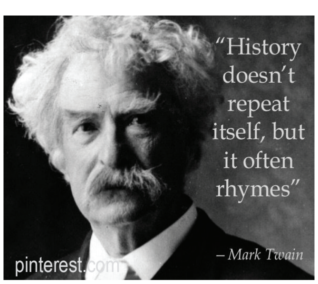
Ten years ago, in December of 2009, it was tough to be an optimist. The "Great Recession" had just ended (although most people were looking for the other shoe to drop), and the Dow Industrials (DJIA) had recovered to 10,000 after bottoming at 6500 in March. Even with the year-end recovery, the DJIA was still about 40% below the 2007 peak, and the decade of 2000-2009 went down in history as the WORST decade for U.S. stocks. It was the only decade investors lost money (see chart), and was even worse than the depression decade of the 1930s! Optimists were lonely.

In our December 2009 newsletter we wrote, *"We're optimists, but honestly we are glad this decade is over...one thing the last decade didn't squash is our confidence about the future. The future for stock market returns is brighter because lousy decades have historically been followed by really good ones."*

Here we are a decade later, and we were right, the lousy decade was followed by a good one! This chart shows the 2010s decade enjoyed an above average gain; not great, but better than most folks expected at the decade's start.

VERY few people in 2009, when the DJIA was at 10,000 and had hardly exceeded 14,000, would have guessed it would be at 28,000 a decade later.

Once again history rhymed; good returns followed a bad period.



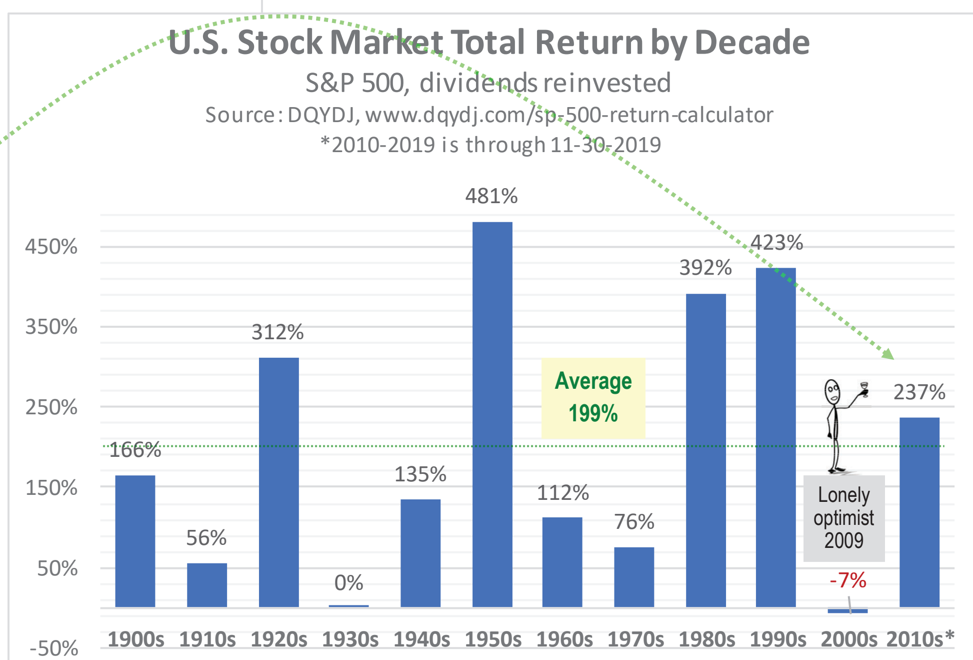
Now what? We imagine many of you think the party might be nearing an end. The media incessantly marvels at the decade-long economic recovery and bull market, with most reports gloomily ending with a warning like, "The unprecedented 10-year run means a recession and bear market may start soon." In fact, last year's inverted yield curve, the supposedly prescient canary-in-the-coalmine, sent investors into a tizzy and caused some unfortunate investors to run for the door.

Even though the chart shows we just wrapped up a good decade, we'll go out on a limb and say we believe the next decade may be even better for the stock market!

We believe the next decade may be even better for the stock market!

Roaring '20s here we come!!

Say what?? The next decade could be better than the last decade-long bull market? Yep, and the reason is the continuing rhyming of history.



Tiffany's Financial Planning Tips! Tiffany VanHook serves our clients as a financial planner and estate specialist. Tiffany has many years of experience providing 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~~: No tips this month, here's this instead:

√ Periodically we have clients ask, "Do you folks do financial planning?"

√ **YES**, Tiffany VanHook is available to Sheaff Brock clients and does financial and estate planning! Please call us about your planning needs.

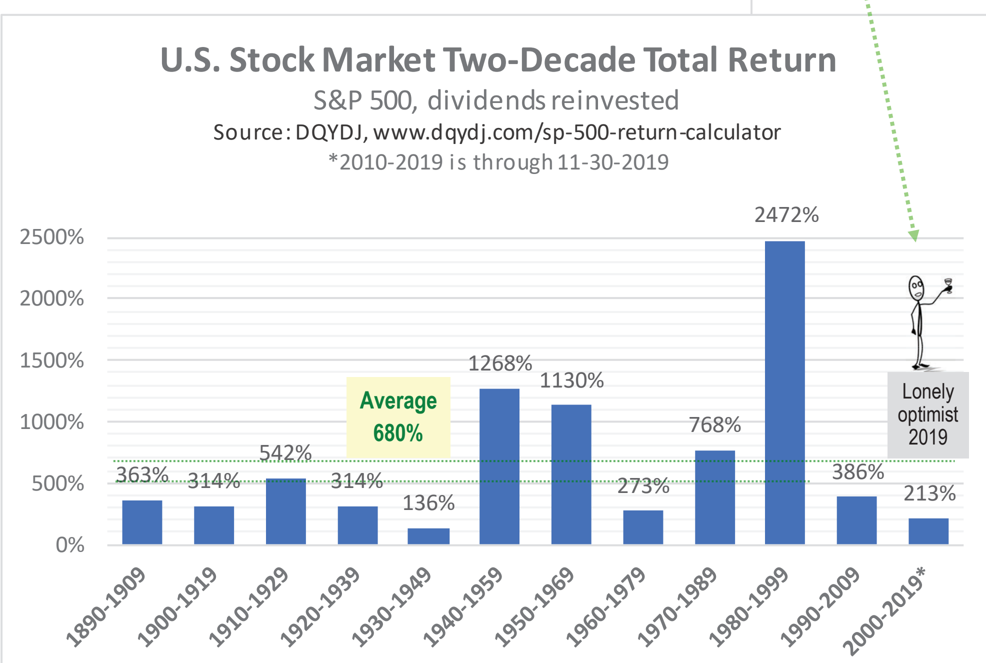
The chart on the previous page illustrates strong returns follow weak returns. This has been the case over longer periods too. Most investors tend to own equities for more than a decade, maybe 20 years or longer. Just like decades, lousy 20-year periods have been followed by really good 20-year periods. You're not going to believe this next statement, but here goes:

The 20-year period ending now, 2019, has been the second WORST 20 year period for the stock market in history!
The only period worse was the depression/WWII period.

Told you that you wouldn't believe it. *Win a bar bet with that one.*

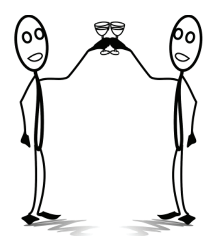
The last two decades have been so far below average it's pitiful. The poor 20-year run is incredible when you consider the innovation since the year 2000: technology, internet ubiquity, smartphones, biotech, fracking, etc. The poor two-decade run also explains why some folks don't trust the stock market.

A decade from now, what will the next bar look like on the below chart? Our bet is a really good 20-year period will follow the bad one just ending, rhyming with the past. For the 2010-2029 bar to just get to the 680% average by 2029 would imply a double or triple in the DJIA. Might happen. Why not?



Bottom line is the next ten years could be really good for U.S. stock market investors. Certainly there will be big disruptions, terrible headlines, scary corrections and political nonsense; but, there will likely be economic growth, incredible invention, new companies, and prosperity.

These two guys will probably be doing this in 2029:



The lonely optimists in 2029

As everyone knows, 2019 has been a great year for the U.S stock market, a really good year for international equities, a great year for REITs, and an excellent year for bonds. The only poor performing areas have been mostly commodity-related.

This year, most of our portfolios are beating index benchmarks, and as long as markets hold together for a couple more weeks, 2019's returns will be a great way to cap off a decade. A year ago, when markets were tanking, you didn't think this year would end this way. I chewed up so much space explaining our optimism that we have very little space left for portfolio updates. Oh well. CHEERS!

Portfolio Updates

Dividend Growth & Income
In November we stretched our lead vs. our benchmark. Year-to-date our composite has gained 22.3% net-of-fees vs. 19.7% for the Dow Jones Select Dividend

Index. In December we added Bristol Myers Squibb (BMY) to the portfolio. BMY recently bought Celgene, a solid biotech company, and the combo has solid oncology and cardiovascular drugs, as well as several potential blockbusters in the pipeline. The portfolio is fully invested in 25 stocks.

Bulls of the Dow

In November, the Bulls again beat their benchmark. Year-to-date the Bulls of the Dow gained 24.1% net-of-fees vs. 23.1% for our benchmark, the Dow Jones Industrials. There may be truth in the saying, “Strong as an ox.” Picture a team of ten pulling a portfolio along.

IntelliBuilD Growth™

Do you know who Lewis Hamilton is? He’s one of the greatest, if not the greatest, Formula 1 driver in history who drives for Mercedes. He won the F1 championship this year. Our *Investor’s Business Daily* based growth portfolio is having a great year. Sometimes it reminds me of Lewis Hamilton.

Twenty Under Thirty-Five

In the last few months, 35/20 has come alive. This twenty-position portfolio of lower-priced stocks (under $35 when purchased), populated with mid and small-cap companies, is ahead of its S&P 400 Mid-cap benchmark for the year.

Covered Call

At more than 6.5% ahead of the benchmark, our covered call composite of is smokin’ the index. Does 650+bps = smoke?

Real Estate Income and Growth

Hanging on to Sheaff Brock’s #2 offering year-to-date. Have you ever seen a picture of Lake Louise? This portfolio reminds me of Lake Louise.

Preferred Income

It’s a rare year to earn a double-digit return in the preferred stock space, but 2019 delivered so far. They are still worth a look since the after-tax yield is competitive with muni bonds.

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

Through November, our overlays are delivering exactly what they are supposed to: incremental income on top of another portfolio. You might think adding a few percentage points to a portfolio is insignificant, but multiply a few-per-year by ten or twenty years and it becomes a bunch of percent. After 11 months, **Put Income** is having its best year since inception. Many “problem children” positions have been replaced with higher quality stocks leading to better realized gains.

Index Income has successfully profited from S&P 500 volatility in 2019. If you are an investor you experience volatility; why not try to profit from it? Most people take shelter from the wind; a few build windmills and profit from it. Most investors run from volatility; we try to earn clients extra income from it.

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	Portfolio Update, *Net of Maximum Fee*	2019*	2018	2017	2016	2015	2014	2013	2012	2011
Fixed Income	**Preferred Income** - Preferred stocks	11.85	-5.66	7.44	1.58	5.47	14.29	-4.65	9.42	
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	21.28	-10.38	12.96	6.16	-1.11	6.33	22.28	10.23	-11.09
	Dividend Growth & Income - Dividend paying stocks	22.26	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17	5.62
	Real Estate Income & Growth - REITs/real estate stocks	25.30	-5.34	2.99*	*5/1/17 inception					
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	30.29	-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.	24.05	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	24.13	-18.74	5.72*	*10/1/17 Inception					
Option Overlay	**Put Income** - Realized gains return	6.65	0.58	*5.66*	*0.21*	*-8.86*	0.55	4.04		
	Index Income - Cash-flow return	4.25	1.67	2.48	3.35*	*6/1/16 inception date				
	Index Income - Total return mark-to-market^	8.59	-3.59	2.46	2.49*					
	Index									
Large-Cap Stocks	S&P 500	27.65	-4.38	21.83	11.96	1.38	13.69	32.39	16.0	2.1
30 Giant Stocks	Dow Jones Industrial Index	23.05	-4.78	28.09	8.66	7.70	10.05	22.41		
Mid-Cap Stocks	S&P Mid-Cap 400	22.76	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07	-3.10
Covered Index	CBOE S&P 500 Buy/Write	14.62	-5.26	13.00	7.06	5.24	5.64	13.26	5.20	5.72
Fixed Income	Barclays Aggregate Bond	8.80	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)