Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE
March 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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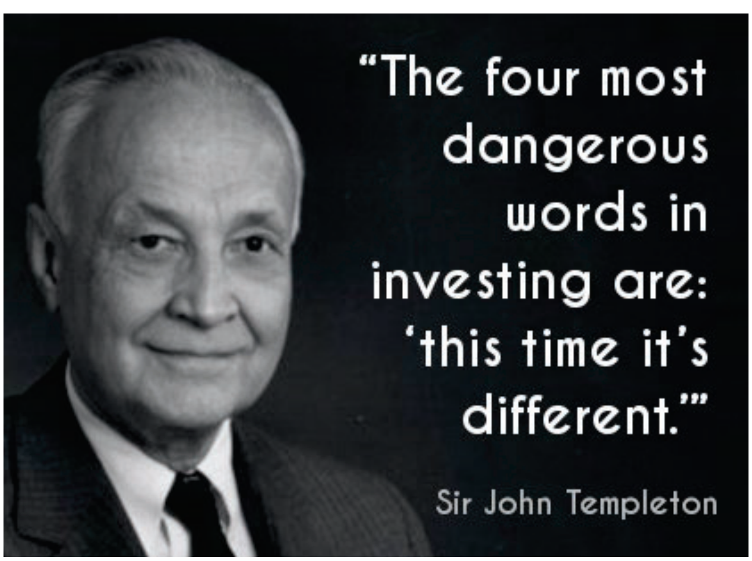
SheaffBriefs
Go to sheaffbriefs.com. Check out our blog.

"The four most dangerous words in investing are: 'this time it's different.'"
Sir John Templeton

Ron and I would like to thank you for being great clients through this recent volatile downdraft, for having patience when put on hold because our team members on other calls, for the words of encouragement, for your concerned-but-generally optimistic outlook, and for usually not letting emotions rule decisions. The U.S. and the capital markets will get through this virus and come out stronger on the other side. In the past, our markets have always come back from disasters, and eventually recovered losses plus much more. Maybe this time is different, but it sure looks and feels similar to many past periods we've gone through.

As this is being written the Dow Jones Industrial Average (DJIA) is down about 28% from the high watermark hit just 3 weeks ago. A drop of over 8500 points very quickly. The S&P 500 has dropped over 27%. We mentioned in this newsletter several times in recent months a correction should be expected, but we certainly didn't expect collapse. By the time you read this Lord only knows where prices will be.

Eleven years ago this week was an even more unsettling drop; the bottom of the 56% smack-down in the 2008-2009 market on 3/9/09. On that day, the S&P 500 touched the "devilish" price of 666. Back then we encouraged clients to stay the course, which worked out well, and even at today's prices the S&P 500 has gained about 4-fold since. At this point, already down nearly 30%, we say the same thing today. Markets are super-shortsighted and it is important to consider the long view. Real wealth, in our opinion, is built over many years, and can be destroyed by rash decisions during times of market stress.



Folks say a pandemic is different. Is the coronavirus pandemic different than other events that have caused bear markets? Yes it is different, but <u>every</u> event that caused the market to crack has been different. They're all different, but the <u>reaction</u> to them has been the same. The human emotion of fear is the constant thread and is never different. So, it's always different and also the fear is never different.

There is also fear of recession, which is now a likely end product of his whole mess. But, there have been recessions and also RECESSIONS. Heading into the virus outbreak the U.S. economy was very solid: jobs numbers, unemployment rate, retail sales, housing starts, manufacturing index, service-economy index, consumer confidence, and small-business confidence were all strong. A few days ago the Atlanta Fed projected this quarter's GDP would gain between 2% and 3%. Going into a catastrophe from a position of strength should mean the exit from it is stronger and faster.

The table on the next page shows every major decline in the S&P 500 since WWII and whether they were associated with a recession. A few interesting observations:

1. The current decline of 27% is a bit more than the average major decline, recession or not.
2. Of all the major declines, only 4 were bigger , the crash of '87 and 3 declines associated with RECESSIONS.
3. All of the major declines were followed by price recovery. The storm stopped and the sun came out. EVERY TIME.

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:

- √ The downdraft in equity prices gives you a good reason to reassess your allocation. A rebalance might be in order.
- √ Check your mortgage rate. Refinancing interest rates have never been lower.
- √ Wash your hands, long and often!

Major S&P Declines With a Recession - 1950 to Present

Start Date	End Date	% Decline	Recession?	+250-Days
2/19/2020	3/12/2020	-27.0%	?	?
10/9/2007	3/9/2009	-56.8%	Yes	68.3%
3/24/2000	10/9/2002	-49.1%	Yes	33.8%
7/16/1990	10/11/1990	-19.9%	Yes	28.8%
11/30/1981	8/12/1982	-18.9%	Yes	55.4%
2/13/1980	3/27/1980	-17.1%	Yes	39.6%
7/15/1975	9/16/1975	-14.1%	Yes	27.5%
11/7/1974	12/6/1974	-13.6%	Yes	34.7%
10/12/1973	10/3/1974	-44.1%	Yes	34.7%
8/3/1959	10/25/1960	-13.9%	Yes	30.0%
7/15/1957	10/22/1957	-20.7%	Yes	32.0%
1/5/1953	9/14/1953	-14.8%	Yes	37.7%
	Average	*-25.2%*		*38.4%*

Have already dropped as much as the average decline, recession or not

In 1957 the Asian Flu killed 2 million worldwide and 70,000 in the US which caused a recession.

Recovery

After a decline the stock market has bounced back an average of 38% if there was a recession, or 28% if there wasn't.

Major S&P Declines Without a Recession - 1950 to Present

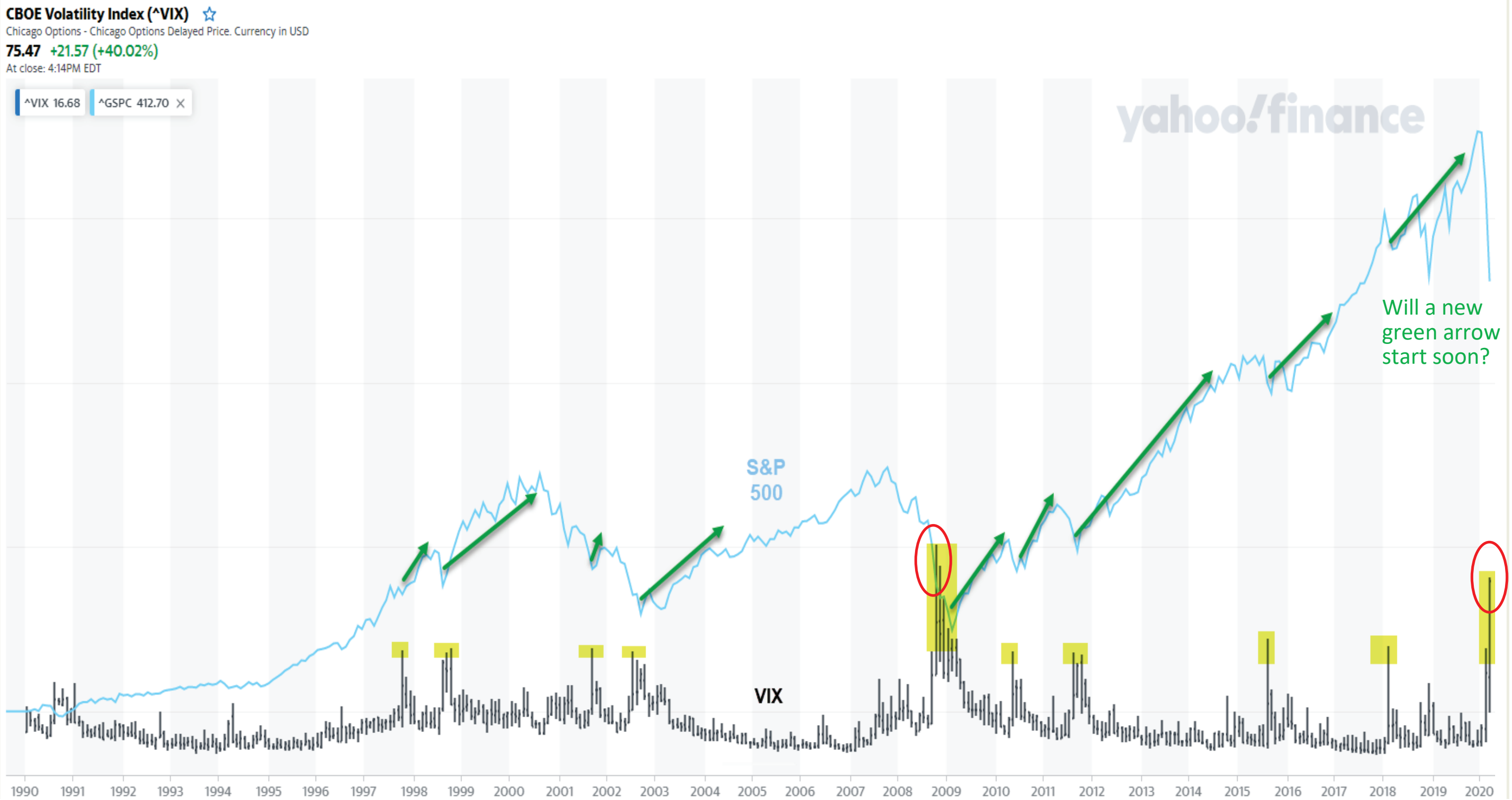
Start Date	End Date	% Decline	Recession?	+250-Days
9/20/2018	12/24/2018	-19.8%	No	37.0%
5/20/2015	2/11/2016	-15.2%	No	25.5%
5/2/2011	10/4/2011	-21.6%	No	28.5%
7/20/1998	10/8/1998	-22.5%	No	38.1%
8/25/1987	10/20/1987	-35.9%	No	16.3%
9/21/1976	3/6/1978	-19.4%	No	11.5%
2/9/1966	10/7/1966	-22.2%	No	32.1%
12/12/1961	6/26/1962	-28.0%	No	34.2%
	Average	*-23.1%*		*27.9%*

Recovery

Source: Strategas Research Partners

In the financial world fear is measured by the CBOE Volatility Index, or the VIX, which is commonly referred to as the "Fear Index". During calm markets the VIX may be at 10 to 12. During choppy markets the VIX may pop up to 25. When fear is palpable the VIX might spike to 40 and in fact it has only been above 50 a couple of times. Today the VIX closed at 75! **The only other time the fear level has been this high was in late 2008 and early 2009**. According to Factset and Alger Research, when the VIX has spiked to 40 or more, the S&P has averaged a total return of 32% the next year and a total return of 58% over the next three years. Look at the chart on the back page.

Below is a chart from Yahoo Finance of the S&P 500 and the VIX Index plotted below it. The spikes above 45 are highlighted. The green arrows show what the stock market did within a month or two of the +45 VIX spikes. The only other time the VIX was at today's elevated level was in December 2008 and January 2009 (red circles); two months later, blast-off. Will a new green arrow start forming soon or is this time different?



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	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fixed Income	**Preferred Income** - Preferred stocks	-2.94	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	-7.52	23.57	-10.38	12.96	6.16	-1.11	6.33	22.28	10.23
	Dividend Growth & Income - Dividend paying stocks	-12.20	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17
	Real Estate Income & Growth - REITs/real estate stocks	-6.66	24.50	-5.34	2.99*	*5/1/17 inception				
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	-8.70	32.79	-11.30	25.40	-2.85	2.53	7.47	11.56*	*10/1/13
	Bulls of the Dow - 10 stocks of the Dow Jones 30 Indus.	-10.46	28.68	4.51	33.76	9.35	0.96	11.41	24.35*	*2/1/13
	Twenty Under $35 - 20 best scoring stocks under $35	-17.04	26.65	-18.74	5.72*	*10/1/17 Inception				
Option Overlay	**Put Income** - Realized gains return	1.40	7.32	0.58	*5.66*	*0.21*	*-8.86*	0.55	4.04	
	Index Income - Cash-flow return	0.70	4.69	1.67	2.48	3.35*	*6/1/16 inception date			
	Index Income - Total return mark-to-market^	-4.95	8.99	-3.59	2.46	2.49*				
	Index									
Large-Cap Stocks	S&P 500	-8.27	31.50	-4.38	21.83	11.96	1.38	13.69	32.39	16.0
30 Giant Stocks	Dow Jones Industrial Index	-10.55	25.35	-4.78	28.09	8.66	7.70	10.05	22.41	
Mid-Cap Stocks	S&P Mid-Cap 400	-9.53	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07
Covered Index	CBOE S&P 500 Buy/Write	-8.60	15.67	-5.26	13.00	7.06	5.24	5.64	13.26	5.20
Fixed Income	Barclays Aggregate Bond	3.75	8.73	0.02	3.54	2.65	0.55	5.97	-2.15	4.2

*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)