Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE

April 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)

Sheaff Brock

8801 River Crossing Blvd.
Suite 100
Indianapolis, Indiana 46240

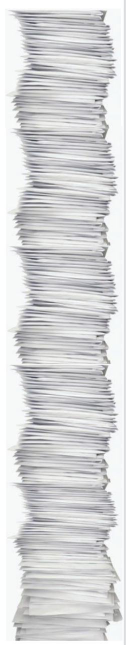
317-705-5700 or 866-575-5700
sheaffbrock.com

> When the world is seeing prosperity, it's hard to imagine a crisis. When the world is seeing a crisis, it's hard to imagine prosperity.
> Jason Bodner

In a Wall Street Journal interview a week ago, Charlie Munger offered his usual sage advice. Mr. Munger, vice chairman of Berkshire Hathaway Inc. and Warren Buffett's longtime business partner, reiterated one of the keys to great long-term investing results is "sitting on your ass." That means doing nothing the vast majority of the time. Own good stuff and keep it.

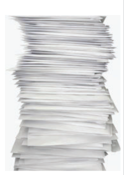
They also tend to put facts into two piles, a "known" pile for things they are sure about, and an "unknown" pile. Then weigh the results. Let's do that.

Right now, there are a lot of **unknowns**. Here are some pulled from a really big pile:



- How long will the economy be shut down and is it possible to just "reopen"?
- Will jobs change forever?
- When will the stock market recover?
- Will the market go back down and "test the low"?
- Have I been exposed to the virus?
- Will life be the old normal again? Ever?
- Will my favorite restaurants reopen?
- Will the virus return in the fall?
- And how deadly is the virus?
- What will earnings be for the S&P 500?
- When can a grandkid hug a grandparent again?
- Why do people eat bats anyway?
- Interest rates, stock market, oil prices, unemployment...; what's not "unprecedented" anymore?
- What will sports with no fans be like?
- Which companies will prosper and which may fail?
- How long will we need to wear these stupid masks?

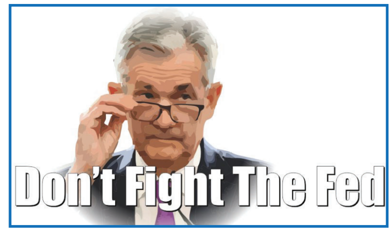
The list of **knowns** makes a small pile.



- The Fed unleashed an incredible arsenal of weaponry to rescue the economy. Think hypersonic missiles + D-Day + Nukes + Marines + blimps full of money. Not to be beat, the Treasury is shooting cash cannons too.
- The S&P 500 took a huge drop and then giant pop up.
- Retail investors are nervous and scared.

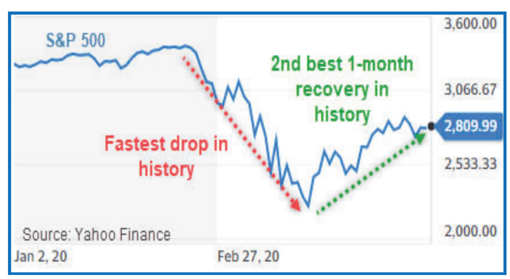
Maybes: Alcoholics Anonymous better start preparing for a lot of new members. Soon we might have too many ventilators. "Made in America" will have more appeal. The U.S. populace isn't going to put up with a "lockdown" much longer. And lastly, American companies, entrepreneurs, and consumers will pull the economy out of the nosedive, not the government.

#1 Known



The late Marty Zweig is credited with the saying 'Don't Fight the Fed'. In his book "Winning on Wall Street", which was published in 1970, he writes *"indeed, the monetary climate - primarily the trend in interest rates and Federal Reserve policy - is the dominant factor in determining the stock market's major direction."* Even sophisticated market observers will admit that the market loves an accommodative Fed. What the Fed just did is WAY more than being "accommodative", especially when combined with the Treasury's cash-drop. The combo could be very bullish for forward returns for the stock market.

#2 Known



Strategas analyzed the 10 biggest one-month recoveries after a giant correction in history going back to 1926, and we are in good company. The rebound you just lived through was the second best in history. After the previous rebounds, the next one-to-three months were a bit sloppy for the stock market, sometimes up, sometimes down. Looking out a year however, the S&P 500 was higher 100% of the time, and by an average of 20%. If this time rhymed with the previous 10, stocks could wobble until July or so, but the S&P 500 would be back at its previous high next spring. Maybe Chance the Gardener's brilliance would come true, "There will be growth in the spring!"

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 **CARES Act**, the COVID-19 law, which includes retirement plan changes. Highlights include:

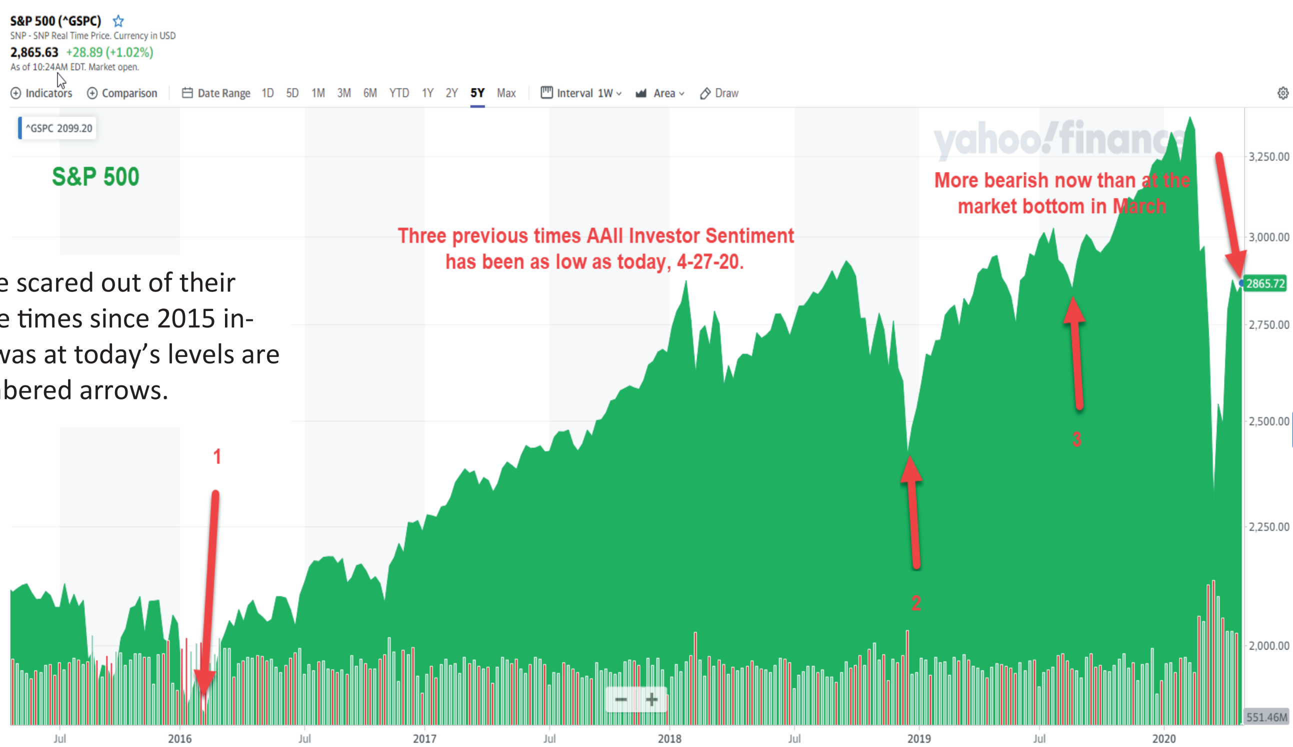
√ **Required Minimum Distributions** (RMDs). The CARES Act suspends RMDs for 2020. If you took your RMD prior to the Act's passage on March 27th, you may be able to utilize the 60-day rollover to replace the funds into your retirement account, provided you had not done a 60-day rollover in the previous 365 days. Normally, RMDs are not eligible for the 60-day rollover, but since RMDs technically don't exist in 2020, it is available.

√ **Charitable Giving.** Taxpayers claiming the standard deduction generally cannot deduct any charitable contributions on their taxes. The CARES Act allows these taxpayers to deduct up to $300 of charitable contributions made in 2020, on top of their standard deduction. For taxpayers itemizing their deductions, the usual 60% AGI limit on deducting cash contributions is expanded to 100% of AGI. Contributions to Donor Advised Funds don't qualify for these benefits, so check with your tax advisor before making any gifts to be safe. Taxpayers who generally utilize Qualified Charitable Distributions (QCDs) for their charitable giving should consider doing a $300 cash contribution from a taxable account prior to utilizing QCD if they utilize the standard deduction.

√ **Coronavirus-Related Distributions (CRDs).** The CARES Act created some relief for individuals directly affected by the Coronavirus who need to access their retirement funds. A qualifying individual is someone diagnosed with the virus (or whose spouse or dependent was diagnosed), or who suffers adverse financial consequences as a result of being quarantined, being furloughed, getting laid off, being unable to work due to lack of child care, having a business closing, or experiencing reduced hours. Qualifying individuals under age 59.5 can access up to $100k from retirement accounts in 2020 without paying the 10% early withdrawal penalty. Qualifying individuals of all ages who need to access retirement funds can spread the tax over 3 years on up to $100k in distributions in 2020. Qualifying individuals who need to take a loan from their retirement account can now take up to $100k, if their plan allows loans. And the 5-year window for repayment is extended by a year as no loan payments are required in 2020. Eligible loans must occur between March 27th and September 23rd.

#3 Known

Retail investors are scared out of their wits! The last three times since 2015 investor sentiment was at today's levels are shown by the numbered arrows.



Psst. You can see those were all really good times to buy, not sell, stocks.

Portfolio Updates

The first quarter was brutal. We're glad the stock market has bounced up since last month's end.

Dividend Growth & Income

As rough as the quarter was at -29.65% net-of-fees, we were in line with the Dow Jones Select Dividend index of -29.35%. This consists of large and mid-cap dividend payers with rising dividend income, of which there is no guarantee. There will be two tweaks made to the portfolio this quarter; first increasing the number of positions to 33 from 25, and second making the stock selection quantitative vs. subjective. These two adjustments will make sector weight targets more accurate and help reduce human bias in buy and sell decisions. Quantitative stock selection has worked quite well in Bulls of the Dow, and should likewise improve Dividend Growth.

Bulls of the Dow

Ten stocks from the thirty Dow Jones Industrials (DJIA), all buys and sells quant-computer generated, rebalanced quarterly. Another solid quarter. In Q1 the Bulls beat the DJIA by almost 600bps and the S&P 500 by nearly 300bps. The quarterly changes were made in early April and four stocks changed, which was more turnover than usual.

IntelliBuilD Growth™

IntelliBuilD™ consists of 33 positions, fully invested and equally weighted. Buys and sells are quant-computer generated to reduce human bias. All are growth stocks from *Investor's Business Daily's* lists and a market cap agnostic. The quarter was decent given the carnage in the mid-cap and small-cap space.

Twenty Under Thirty-Five

Twenty-position portfolio of lower-priced stocks (under $35 when purchased). The poor Q1 for mid-cap value and small-cap value stocks hurt this portfolio. It has always been volatile, but the quarter was extra-tough.

Covered Call

Income from option premiums, dividends, and potential appreciation are the goals. We entered the downturn with fairly high cash positions in most accounts, so the Q1 performance was quite good vs. the CBOE Buy/Write index. The high VIX has allowed some opportunistic overwriting.

Real Estate Income and Growth

In the past, REITs have enjoyed a low correlation to the U.S. stock market (REITs have often zigged when the S&P 500 has zagged). In the Q1 downdraft not so much; REITs also took it on the chin. A few portfolio changes were made in April to scoop up some babies thrown out with the bath water.

Preferred Income

Preferred stocks of the $25-par retail type and the $1000-par institutional type. Many preferreds pay tax-advantaged dividends. The current yield of the U.S Preferred stock index is just above 6.0%, ABOUT 10X MORE THAN 10-YEAR TREASURIES PAY! This is unprecedented, historical, and astounding.

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

Put income overlay uses a client's otherwise invested account as collateral to sell index put credit spreads as well as puts on individual equities. The goal is to create incremental income/capital gains on top of another portfolio. March's expiration coincided with the market's sell-off which hurt realized gains. **Index Income** is similar but only uses the S&P 500 index option credit spreads for the income augmentation overlay. Index Income had positive cash-flow, but the mark-to-market pricing caused total return to suffer. As of today, the bounce-back has helped ameliorate some of the total return hit.

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	-11.40	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	-20.15	23.73	-10.36	12.95	6.16	-1.01	6.36	22.28	10.23
	Dividend Growth & Income - Dividend paying stocks	-29.65	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17
	Real Estate Income & Growth - REITs/real estate stocks	-27.41	24.50	-5.41	2.77*	*5/1/17 inception				
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	-25.48	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.	-16.84	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	-44.00	26.65	-18.74	5.72*	*10/1/17 Inception				
Option Overlay	**Put Income** - Realized gains return	-11.76	7.32	0.58	*5.66*	*0.21*	*-8.86*	0.55	4.04	
	Index Income - Cash-flow return	0.97	4.69	1.67	2.48	3.35*	*6/1/16 inception date			
	Index Income - Total return mark-to-market^	-12.68	8.99	-3.59	2.46	2.49*				
	Index									
Large-Cap Stocks	**S&P 500**	-19.60	31.50	-4.38	21.83	11.96	1.38	13.69	32.39	16.0
30 Giant Stocks	**Dow Jones Industrial Index**	-22.74	25.35	-4.78	28.09	8.66	7.70	10.05	22.41	
Mid-Cap Stocks	**S&P Mid-Cap 400**	-29.80	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07
Covered Index	**CBOE S&P 500 Buy/Write**	-22.22	15.67	-5.26	13.00	7.06	5.24	5.64	13.26	5.20
Fixed Income	**Barclays Aggregate Bond**	3.14	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)