



# 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)

sheaffbrock.com

317-705-5700 or 866-575-5700

Indianapolis, Indiana 46240

Suite 100

8801 River Crossing Blvd.

Sheaff Brock



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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Go to sheaffbriefs.com. Check out our blog.

“Someday soon, your whole life's gonna change, you'll miss the magic of these good old days.” - Macklemore - *Good Old Days*

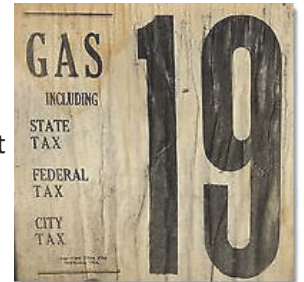
“These are the good old days.” - Carly Simon - *Anticipation*



Photo: Pinterest.com

The cost of living is low, low, low. Don't believe it? Many of you reading this can remember 1965, the good old days some would say. You could buy breakfast in a café for just \$1 or so.

Today's \$1.50 gas is equivalent to \$0.19 a gallon in 1965 dollars, and our \$10 breakfast equates to \$1.21! Almost like Mayberry.



Kind of makes you want to pull into a gas station and yell (to the nonexistent gas station attendant), “Fill it up, Gomer!”

In constant dollars, prices today are super-low. The 1960s were one era, but by the 1970s, with gas shortages and inflation ruling, nobody on Earth would have believed prices would be as low as they are today. Nineteen cents-a-gallon and McMuffins on the dollar menu means these might be the good old days, at least once the virus lets us be the “land of the free and home of the brave” again. In that vein I saw a good quote today, “I never thought I would see a time that so many people were so afraid of dying that they were willing to stop living.”

Gas was only 35 cents-a-gallon.



Photo: Pinterest.com



On May 12<sup>th</sup>, I paid \$1.50 in Indiana.

Assuming the restaurant reopens, breakfast out will cost \$10; maybe only \$5 at McDonalds.



**eggs**  
we're not yolk'ing...  
SERVED WITH YOUR CHOICE OF HOME FRIES,  
FRESH FRUIT OR HOUSE GREENS

**The Great American** **\$9.99** 621-1076 cal  
two eggs your way with your choice of bacon, pork sausage,  
turkey sausage, or fire smoked ham and served with your  
choice of toast

The shrinking dollar. According to *inflationtool.com*,

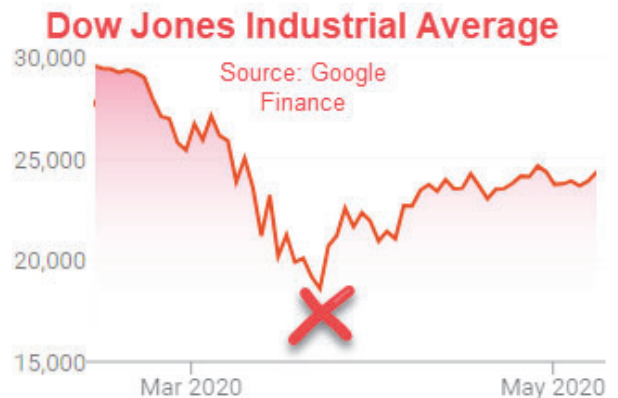
100 dollars in 1965 are equivalent to 823.84 dollars in 2020. In other words, the purchasing power of \$100 in 1965 equals \$823.84 today.



Photo: Pinterest.com

The stock market has been trending higher since March 23<sup>rd</sup>. According to Johns Hopkins, on March 23<sup>rd</sup> the number of Americans who had died from COVID-19 was 550. As of this writing nearly 90,000 have died, and the number will certainly be higher by the time you fetch this from your mailbox.

March 23<sup>rd</sup> is marked with the red X below, the day the stock market bottomed in March. The next charts are interesting.





**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:

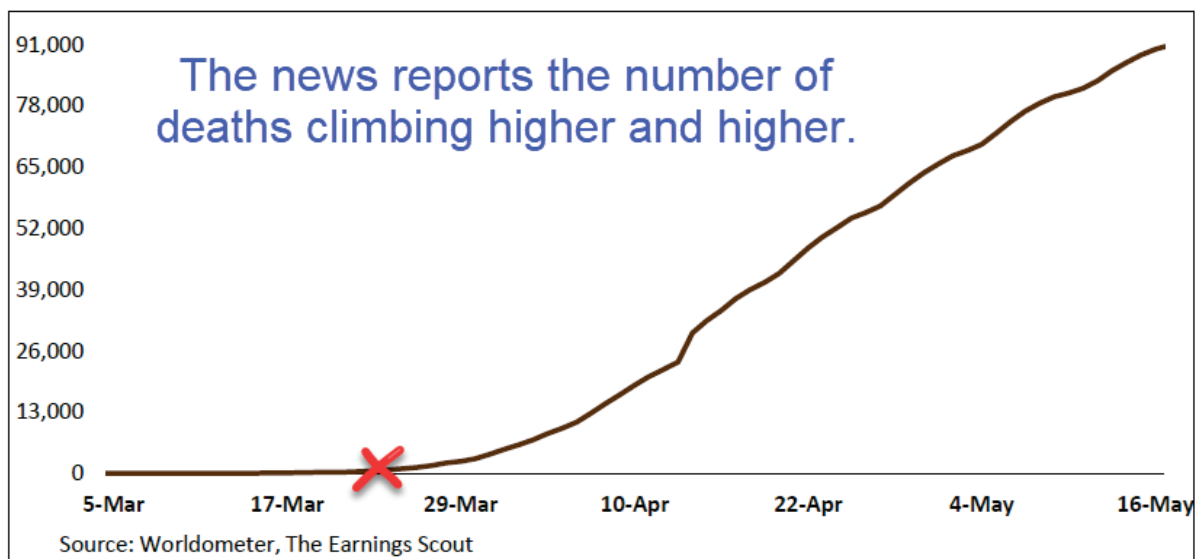
Health Care Changes. The IRS Notice 2020-29 allows for mid-year changes to employer-sponsored health care coverage, healthcare FSAs and dependent care accounts. The new rules for 2020 will help workers who made what turned out to be bad choices when funding these accounts last fall. The new rules also allow changes to your health care plan. Here are the major changes allowed:

1. Make a new election for employer-sponsored health coverage on a prospective basis if you initially declined coverage.
2. Make changes to your health coverage (for example, change from individual to family coverage, or change type of plan).
3. Revoke coverage on a prospective basis, if you confirm in writing that you'll get coverage elsewhere.
4. Revoke an election, make a new election, or decrease or increase an existing election regarding a healthcare FSA or a dependent care account on a prospective basis.

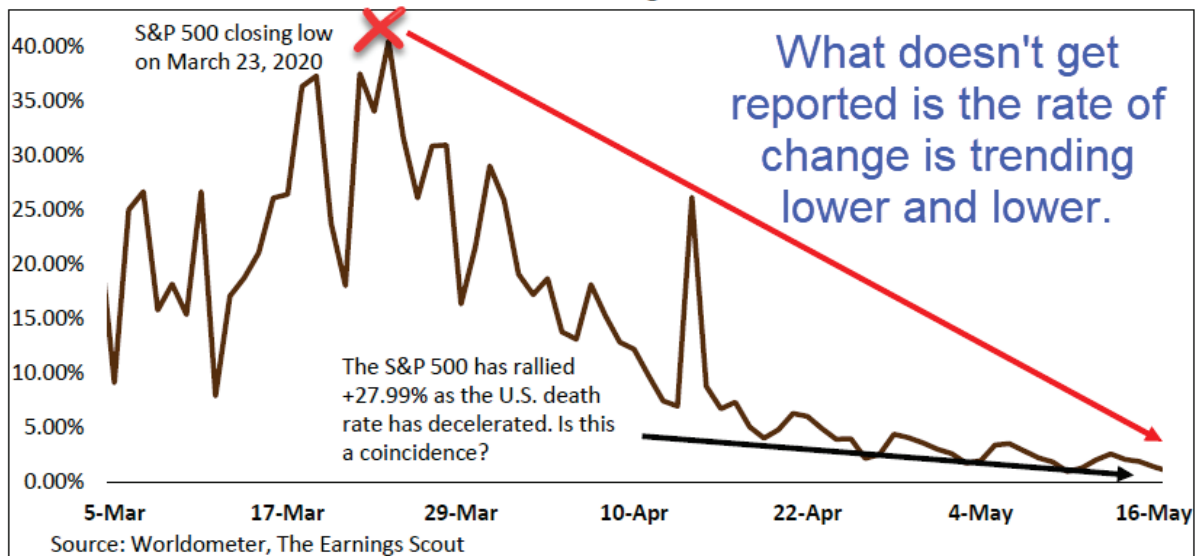
The red **X** indicates the day the stock market bottomed, which happens to coincide with the day the daily rate-of-change from COVID-19 deaths peaked. The number of deaths has risen, from 550 to 90,000+, but the rate-of-change has

plummeted. Perhaps the rate-of-change will increase as states "open", but only time will tell. We've all become so good at washing hands, wearing masks, and keeping away from each other, maybe the death rate-of-change will stabilize.

**Total U.S. Deaths from COVID-19 on an absolute basis**



**Total U.S. Deaths from COVID-19 on a rate of change basis**



In this space we usually give a brief update on each portfolio offering. But, since every other aspect of your life is upended, why not here too? We wanted to get in on the “unprecedented” action like everyone else! In aggregate the portfolios are doing well, mostly competitive with their competition and benchmarks. I thought the below chart was so interesting that it should be shown instead of portfolio chatter that a volatile market could render irrelevant.

There are a LOT of prognostications on the “shape” of the economic recovery. Some think it will be depressed for a while and then come back for a U shaped recovery. Some think it will snap back quickly for a V shaped recovery. The pundits who can’t get their Zoloft prescriptions refilled think a depression with no recovery is ahead, an L shape. Some are looking for a longer, slower, Nike “swoosh” shaped recovery. Historically recoveries are always V shaped. Keep the faith.

**Exhibit 1: History suggests it's always a V-shaped recovery from the trough, especially when it's extreme**



Source: Haver Analytics, Morgan Stanley US Economics Research estimates

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](mailto: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	-4.45	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	-13.71	23.73	-10.36	12.95	6.16	-1.01	6.36	22.28	10.23
	Dividend Growth & Income - Dividend paying stocks	-21.45	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17
	Real Estate Income & Growth - REITs/real estate stocks	-21.34	24.50	-5.41	2.77*	*5/1/17 inception				
Growth	IntelliBuild™ Growth - IBD growth stocks	-12.73	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.	-9.17	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	-33.97	26.65	-18.74	5.72*	*10/1/17 inception				
Option Overlay	Put Income - Realized gains return	-16.09	7.32	0.58	5.66	0.21	-8.86	0.55	4.04	
	Index Income - Cash-flow return	0.90	4.69	1.67	2.48	3.35*	*6/1/16 inception date			
	Index Income - Total return mark-to-market <sup>^</sup>	-8.17	8.99	-3.59	2.46	2.49*				
<b>Index</b>										
Large-Cap Stocks	S&P 500	-9.29	31.50	-4.38	21.83	11.96	1.38	13.69	32.39	16.0
30 Giant Stocks	Dow Jones Industrial Index	-14.07	25.35	-4.78	28.09	8.66	7.70	10.05	22.41	
Mid-Cap Stocks	S&P Mid-Cap 400	-19.87	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07
Covered Index	CBOE S&P 500 Buy/Write	-18.61	15.67	-5.26	13.00	7.06	5.24	5.64	13.26	5.20
Fixed Income	Barclays Aggregate Bond	4.98	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)