Sheaff Brock

Innovative Portfolios for Intelligent Investors™

MARKET UPDATE

June 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. 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

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"Wine is bottled poetry."
Robert Louis Stevenson

In early June, I was at a conference and saw a presentation that included a reading of a palindrome poem, also called a reverse poem. This is a poem that says one thing when read forward, but means something different when read backwards.

I decided to write a reverse poem that describes investors in the U.S.; investors who think the world is soon going to end, as well as very bullish investors. One poem describes both.

> Today's investment opportunity is terrible
> So don't tell me the lie that
> Long-term investing pays off
> News won't get better
> And I don't think it's true that
> The Dow will hit 30,000 in a couple years

Woo-wee, that's a downer. But, accurately describes the feelings of many current investors, especially those that watch MSNBC or Fox News all day long.

Now read it with the phrases reversed.

> **The Dow will hit 30,000 in a couple years**
> **And I don't think it's true that**
> **News won't get better**
> **Long-term investing pays off**
> **So don't tell me the lie that**
> **Today's investment opportunity is terrible**

Lousy poem really. No rhyme or cadence. First one I've written since 4th grade poetry class in Hattiesburg, MS, so give me a break. But, the point is the same words can have opposite meaning. The real question is which kind of investor are you?

Google "LOST GENERATION REVERSE POEM" and click on one of the short videos. Pretty cool poem written by a teenager.

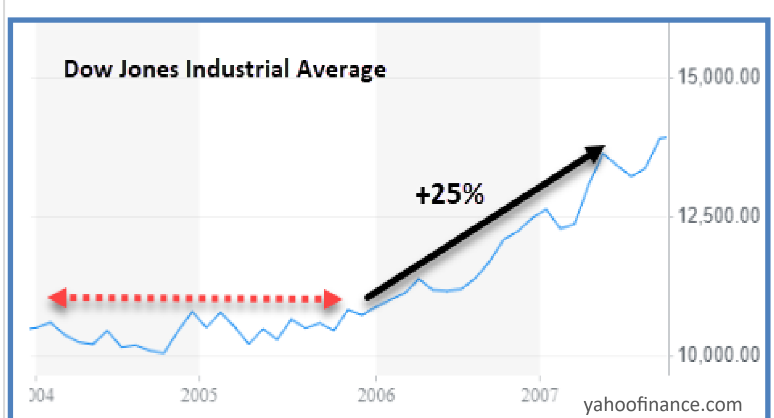
The DJIA may be hitting 30,000 in a couple of years? 30,000 when it's never been above 27,000? Read three examples of history rhyming better than me (a low hurdle).

As you can see below, the DJIA has been stuck bobbing around 26,000 for about a year-and-a-half. Blame it on whatever you want, Trump, tariffs, the Fed, fake news, rain or sun spots.

Stocks have been stuck in the mud. So what?

The fact is, the stock market often takes a breather before rallying up to a higher plateau.

Example #1. In 2004 and 2005 the DJIA was stuck for a year or two and then blasted up 25% over the next couple of years.

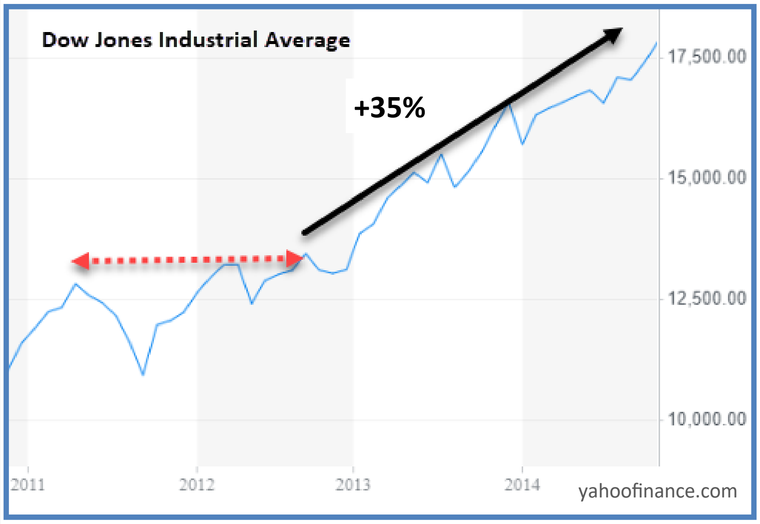


Tiffany's Financial Planning Tips! Tiffany VanHook serves our clients as a financial planner and estate specialist. Tiffany is a graduate of Baylor Law School and has many years of experience providing ultra-high-net-worth families financial and estate planning services. Her expertise and planning services are available for Sheaff Brock clients. Every month we share a planning tip or two:

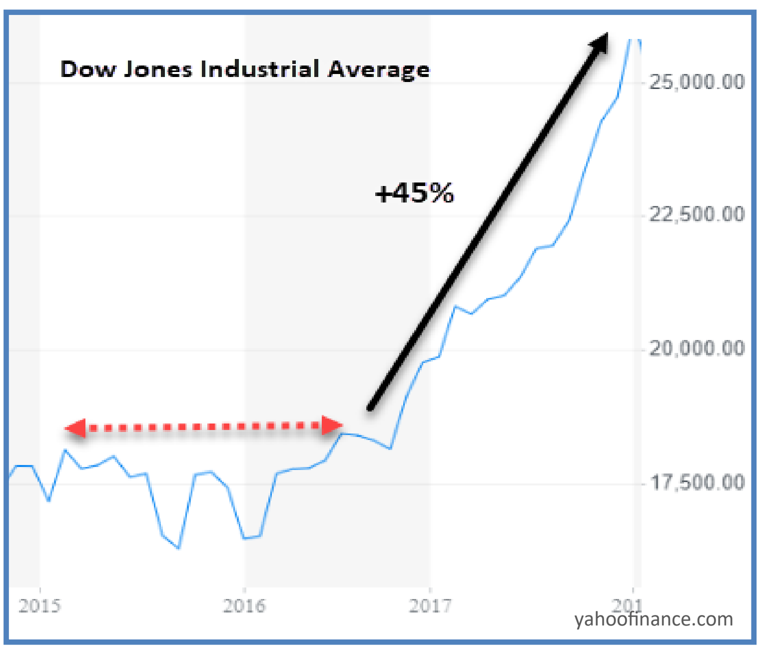
√ Do you own company stock in your 401(k)? If so, you may be eligible for a more favorable capital gains tax rate upon distribution, after certain qualifying events. You may also have the ability to put after-tax dollars into your 401(k) in advance of retirement to build enough cash to pull the stock out without recognizing ordinary income on your basis in the stock.

√ Did you know you can create a Medical ID in most smart phones? This would allow emergency personnel to have access to any drug allergies, your current medications and the name and number of your emergency contact person(s). Your Medical ID is available without having to unlock your phone, which could save your life in the event of unconsciousness.

Example #2. In 2011 and 2012, the Dow Jones Industrial Average was stuck at 13,000 for about 18 months. A couple of years later it had popped up 35%.



Example #3. In 2015 and 2016, the DJIA was stuck at 18,000 for 18 months. Then came a 45% run.



The stock market has been stuck at 26,000. To get to 30,000 from today's price would not require the heroics of the previous three examples. It's actually another fairly low hurdle.

To get to 30,000 the DJIA only has to advance 15% from today's price.

In the short-term, nobody has the slightest idea what the stock market will do. Nobody. In the long-term, optimists have been the winners. We're optimists. This is why Sheaff Brock likes the second poem, even though it's probably only worth a C– in a 4th grade classroom.

Markets and Economy

- The global economy is slowing, although the U.S. is doing pretty well. We are one of the few economies that doesn't rely on exports to grow, which insulates us from others' problems. Smart people we read think there is no recession on the horizon for us for the next 18 to 24 months.
- First quarter earnings for all S&P 500 companies gained over 5%. This was better than expectations, which were slightly negative. Analysts were too negative. Second quarter earnings will start coming out about when you read this. Analysts have been getting more negative all year and now are expecting slightly negative earnings for Q2. Analysts must be 1st poem kind of people.
- May was wicked rough for the stock market, although some of that has been recovered so far in June. In May, the S&P 500 (large companies) lost -7% in price, the Mid-Cap 400 (mid-sized companies) dropped over -8%, and the Small-Cap 600 index was -9%. Rough month. Stocks take the elevator down and the stairs up. May was an elevator month for sure. The stair trudge started in June.

Portfolio Updates

Dividend Growth & Income

Tough month for value-type dividend stocks. Year-to-date through May we are neck-and-neck with our benchmark, the Dow Jones Select Dividend Index. Our composite gained 6.45% gross and 5.82% net-of fees vs 5.96% for the index. This portfolio's first and middle name, Dividend Growth, is appropriate as sixteen of our twenty-five positions have already raised their dividends this year (one company twice).

Bulls of the Dow

The Bulls stumbled in April and May mostly due to two stocks, Walgreens and Boeing. Exxon was a close third. Rebalancing time is early July and a preliminary run indicated there might be as many as three stocks (not necessarily those three) involved in the changing of the guard.

IntelliBuilD Growth™

Two of *Investors Business Daily's* stock lists are sorted by their "downside risk" characteristics and the portfolio buys the 33 best scoring American growth stocks. Through May, year-to-date performance was 14.4% net-of-fees vs. 10.7% for the S&P 500. Solid. Go 2nd poem, go.

Twenty Under Thirty-Five

The small stock and mid-cap selloff in May smacked the heck out of this petulant portfolio. It was like an angry dad coming down on a wayward teenager. The cheap stocks (under $35) got even cheaper. This is a rules-based quant portfolio insulated from human bias. We have confidence in the process, but it's suffered the mood swings of a teenage girl.

Covered Call

Covered calls took some heat in May, but the short calls did their job and buffered the correction a bit. Through May: 6.72% net-of-fees vs. 4.95% for the CBOE Buy/Write Index.

Real Estate Income and Growth

In 2019, this portfolio has been as solid as the foundation of the Empire State Building. REITs have had a great year, even appreciating in May when the rest of the equity markets declined. See below, it's our standout student so far this year.

Preferred Income

Preferreds held up nicely during May. Falling interest rates pushed prices up, the falling market pulled them down. Year-to-date is still solid. Big three: high dividend yield, tax advantaged income, and the sector is a good value, in our opinion.

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

May's spike in volatility was a cash-flow benefit for both overlay strategies. Downdrafts aren't always bad because premiums often shoot up, allowing sellers to collect more. Through May of 2019, Put Income and Index Income are on track to deliver the expected single-digit *additive* return to an underlying portfolio.

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	6.81	-5.66	7.44	1.58	5.47	14.29	-4.65	9.42	
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	6.72	-10.38	12.96	6.16	-1.11	6.33	22.28	10.23	-11.09
	Dividend Growth & Income - Dividend paying stocks	5.82	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17	5.62
	Real Estate Income & Growth - REITs/real estate stocks	16.41	-5.34	2.99*	*5/1/17 inception					
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	14.44	-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.	5.07	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	-1.51	-18.74	5.72*	*10/1/17 Inception					
Option Overlay	**Put Income** - Realized gains return	3.66	0.58	*5.66*	*0.21*	*-8.86*	0.55	4.04		
	Index Income - Cash-flow yield	1.83	1.67	2.48	3.35*	*6/1/16 inception date				
	Index Income - Total return mark-to-market^	4.42	-3.59	2.46	2.49*					
	Index									
Large-Cap Stocks	S&P 500	10.73	-4.38	21.83	11.96	1.38	13.69	32.39	16.0	2.1
Mid-Cap Stocks	S&P Mid-Cap 400	9.38	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07	-3.10
Covered Index	CBOE S&P 500 Buy/Write	4.95	-5.26	13.00	7.06	5.24	5.64	13.26	5.20	5.72
Fixed Income	Barclays Aggregate Bond	4.80	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)