Sheaff Brock

Innovative Portfolios for Intelligent Investors™

FA 100 — 2020 recipient of CNBC's Top 100 Advisors in America

MARKET UPDATE

January 2021

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 Bloomberg 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 Bloomberg 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.

The 2020 CNBC FA 100 list is an independent ranking. CNBC enlisted data provider AccuPoint Solutions to assist with the ranking of registered investment advisors for the 2020 CNBC FA 100 list. The analysis started with 37,369 registered investment advisors. AccuPoint screened the list down to approximately 750 registered investment advisors that were required to complete a survey to be in consideration for the 2020 CNBC FA 100 list. Neither the registered investment advisor nor their employees paid a fee for the listing. Data points used by AccuPoint for the ranking included disclosures, number of years in the business, number of employees, number of investment advisors registered with the firm, ratio of investment advisors to total number of employees, total assets under management, percentage of discretionary assets under management, total accounts under management, number of states where the RIA is registered and country of domicile. Third-party rankings and recognition from rating services or publications, such as the 2020 CNBC FA 100, is no guarantee of future investment success and working with a highly rated advisor does not ensure that a client or prospective client will experience a higher level of performance or results. The ranking may not reflect a client or prospective client's experience with the registered investment advisor. Past performance does not guarantee or indicate future results.

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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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Have a friend, adult child, or rich uncle who might like to receive this monthly letter? Let us know and we'll add them to the list.

> "The most important keys to investment success in equities are time and optimism. Warren Buffett's net worth is $88.5 billion. Of that, $88.2 billion was accumulated after his 50th birthday, and $82.5 billion came after he qualified for Social Security in his mid-sixties. Had he retired from investing at 65 (put his money in "safe" investments), few people would have ever heard of him." Morgan Housel—*The Psychology of Money*

DOW 50,000

We are optimistic and have put it out there, from our "positive" New Year's card, as well as our Dow 50,000 video and newsletter, our beliefs are public. Some folks wonder how we could possibly be optimistic given today's political, international economic, and global health problems.

Nobody knows what markets will do or what news will influence investors over short periods: 1, 6, 12 or 18 months. Over our 40 years in this business, there have been 33 years where the S&P 500 had positive total returns, on average over 18% annually, and only 7 years with negative returns, with an average loss of 9%. About 80/20 up vs. down years, with returns about twice as good in the up as the loss in the down. Taking a 10-year look-see, only 2 of the 40 trailing 10-year periods were negative, and both were during the early stages of the 2008 financial crisis. Long-term, the stock market has gone up. Measured over short terms though, swings are wide and can be terrifying, as evidenced in the pandemic selloff of 2020.

We think this is the greatest time to be an investor in U.S. stocks if you have a ten-year outlook.

But, we think this is the greatest time to be an investor in U.S. stocks if you have a long-term, say 10-year outlook. There are about 7.5 billion people on the planet and about 1 billion of them may be coming out of poverty in the next decade. All of those people, plus the billions who are already middle and upper class will be buying a lot of stuff. Technology has improved productivity and there is more rapid technology innovation now than at any other time in history. Some experts say scientists have learned more about healthcare and disease in the last 20 years than in the last 4000 years combined. Improvements in health and lifesaving therapies could blow our minds in the next decade or two. Technology improvements drive economies and markets, and technology improvements in other areas like energy, data usage, communications, finance, and robotics, could be revolutionary. Truly revolutionary.

If an investor quits focusing on today's dismal news and takes an objective view of the potential improvements in global living standards over the next 20 years, we don't see how they could be anything but bullish long-term.

2020

Last year will be remembered for a long time, and not fondly by many people. Lives and businesses were decimated, but there were several surprisingly strong residual outcomes, or unforeseen benefits, from the pandemic/lockdowns:

1. Over $2 trillion was added to savings by Americans from February through November, the most ever by a longshot, and a good portion of that should come back into the economy or get invested.
2. Several trillions of dollars in government stimulus was, and likely will be, injected into the economy. Most people don't appreciate the size of the lifeboat the Fed and Treasury provided, and regardless of the politics involved, a lot of those dollars should continue to flow into the economy.
3. Productivity increased during the lockdowns, shocking many experts. Productivity increases could be long-lasting, also helping the economy.
4. Global manufacturing, after hitting the pothole in the spring, rebounded to a level not seen in ten years.
5. Overall, the U.S. stock market had a great year. The advance was very uneven with growth stocks *way* outperforming value stocks. And (see below) the higher the average dividend yield, the worse the total return!

Odd year. This chart groups the S&P 500 stocks into five groups of 100 stocks, sorted by dividend yield. The group that paid little-to-zero dividends, quintile 5, gained almost 40% last year. The groups with above average yield (highlighted) struggled.

2020 Year End	Return YTD
S&P 500	
Div. Yield Quintile 1: 2.9 - 8.9	-6.90%
Div. Yield Quintile 2: 2.1 - 2.8	4.00%
Div. Yield Quintile 3: 1.3 - 2.1	20.90%
Div. Yield Quintile 4: 0.4 - 1.3	35.74%
Div. Yield Quintile 5: 0.0 - 0.3	39.79%

Source: FactSet

IMPORTANT

You may receive, by either email or snail-mail, a letter and form to return to help us with a project. If by email, it will be a DocuSign form, whereas snail-mail will include a paper form. We would appreciate it if you could return the signed form sooner-than-later. The purpose of the project is to consolidate the "money management" portion of our business into our wholly owned sister company, Innovative Portfolios, for institutional asset management reasons.

We want to assure you that nothing changes on your end - the management remains the same, your ability to interact with anyone at the firm remains intact, and costs don't change one penny. The same people will continue to manage your assets and Sheaff Brock is still your advisor; Innovative Portfolios will simply be acting as a sub-advisor to Sheaff Brock, and again, we own both. *Literally nothing changes in the management of your accounts.*

When you get the forms, please sign and return them. We don't want to start your 2021 by pestering you!

Portfolio Updates

This year could be one of the best for humanity as vaccinations allow folks to get off the couch to go out-and-about.
Free at last, free at last! Economies worldwide could come out of lockdown like a bucking bronco, but as we learned in 2020, anything can happen.

Are you concerned about the stock market because of the election results? This table is presented without comment.

Should A Democratic Sweep Scare Markets? Probably Not

S&P 500 Index Returns When Democrats Controlled The White House and Congress

Year	President	S&P 500 Index Return
1951	Harry Truman	23.7%
1952	Harry Truman	18.2%
1961	John F. Kennedy	26.6%
1962	John F. Kennedy	-8.8%
1963	John F. Kennedy/Lyndon B. Johnson	22.6%
1964	Lyndon B. Johnson	16.4%
1965	Lyndon B. Johnson	12.4%
1966	Lyndon B. Johnson	-10.0%
1967	Lyndon B. Johnson	23.8%
1968	Lyndon B. Johnson	10.8%
1977	Jimmy Carter	-7.0%
1978	Jimmy Carter	6.5%
1979	Jimmy Carter	18.5%
1980	Jimmy Carter	31.7%
1993	Bill Clinton	10.0%
1994	Bill Clinton	1.3%
2009	Barrack Obama	25.9%
2010	Barrack Obama	14.8%
	Average	13.2%
	Median	15.6%
	% Positive	83.3%

Source: LPL Research, FactSet 07/14/2020 (1950 - Current)

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

Where are we now? The stock market, while sporting high valuation metrics, has the broadest participation of advancing issues in over a decade. This is a healthy sign. Interest rates are low and the yield curve is steep, which is often a sign of growth; and the cyclical stocks are strong, implying a robust economy. It could be a solid year for equities, although there is a bit of excessive optimism right now, so we wouldn't be surprised if there was a correction sooner-than-later. But, a correction should be more of a pause-that-refreshes vs. a drop-that-terrifies.

Dividend Growth & Income

Dividend payers, dividend raisers, and growing companies are the attributes we look for. As you might remember from 49 seconds ago (yes, I timed it), the higher dividend payers in the S&P 500 had tough sledding last year. For 2020, our composite portfolio returned 5.3% net-of-max-fees vs. –4.6% for our benchmark, the Dow Jones Select Dividend Index. Near the end of 2020, there were three stocks we wanted to sell and redeploy the funds, but the sales would have generated substantial capital gains for many clients. Last second capital gains make some clients grumpy, so we opted to wait until 2021 to sell the three stocks. We currently have 4 "empty slots" to fill, so most accounts have between 10% and 15% in cash. Bargains are tough to find, but we will spend the next few weeks snuffling for truffles to add to the portfolio.

Bulls of the Dow

Ten stocks with the best "downside risk" scores from the thirty Dow Jones Industrials (DJIA), rebalanced quarterly. For the first time since 2015 this strategy underperformed the DJIA. However, over trailing 3-year, 5-year, 7-year, and since inception of 2-1-2013 periods, it is still ahead. The January refresh resulted in no changes; the first time ever!

Here are the current positions sorted by percentage gain:

Bulls of the Dow as of 1-14-2021	Buy Date	Cost	Mkt Price	% Change
HOME DEPOT INC (HD)	1/6/2020	218.86	272.56	24.54
WALMART INC (WMT)	7/8/2020	125.66	146.97	16.96
UNITEDHEALTH GRP INC (UNH)	10/5/2020	317.20	357.77	12.79
APPLE INC (AAPL)	10/5/2020	115.90	130.52	12.61
PROCTER & GAMBLE CO (PG)	7/8/2020	122.62	136.27	11.13
JOHNSON & JOHNSON (JNJ)	10/5/2020	147.73	160.66	8.75
3M COMPANY (MMM)	7/8/2020	154.40	165.50	7.19
MERCK & CO INC (MRK)	10/5/2020	80.86	82.26	1.73
AMGEN INC (AMGN)	10/5/2020	255.22	240.04	(5.95)
CISCO SYSTEMS INC (CSCO)	7/2/2019	55.78	45.43	(18.56)

Source: Gainskeeper

IntelliBuilD Growth™

33 positions, growth stocks from *Investor's Business Daily*. Just like in 2019, this portfolio was our shining star in 2020, and once again outperformed the S&P 500. Growth stocks were the winners in 2020 helping this portfolio. We sold several positions in early 2021 raising over 15% cash.

IntelliBuilD - Five best and 5 worst performers as of 1-14-2021		Buy Date	Cost	Mkt Price	% Change
CDNS	Cadence Design Systems	3/2/2016	$22.20	$135.03	508.24%
SNPS	Synopsys, Inc.	10/21/2016	$59.22	$259.23	337.74%
ZBRA	Zebra Technologies Corp.	5/31/2017	$104.20	$416.14	299.37%
IDXX	IDEXX Laboratories, Inc.	3/14/2017	$151.19	$491.09	224.82%
CTAS	Cintas Corporation	9/2/2016	$118.62	$329.64	177.90%
CMCSA	Comcast Corporation	5/7/2019	$42.61	$49.91	17.13%
TMO	Thermo Fisher Scientific	11/10/2020	$467.40	$502.19	7.44%
TSCO	Tractor Supply Co	8/12/2020	$146.95	$154.84	5.37%
DHR	Danaher Corp	11/10/2020	$228.57	$237.49	3.90%
LOW	Lowe`s Companies Inc	9/29/2020	$167.43	$171.59	2.48%

Source: TD Ameritrade, Sheaff Brock

Outlier Growth

Only 2 months old and out of the blocks like Usain Bolt. But, fast starts don't always turn into strong finishes, and it's a long race.

Covered Call

A couple of very solid years back-to-back has propelled our long-term results. Our composite is now beating the benchmark CBOE Buy/Write index over the last 1-year, 3-year, 5-year, 7-year, and 10-year periods! It helps to have Wally's hand on the helm, who has been doing this since the 70s.

Real Estate Income and Growth

Real estate struggled in 2020, but we held up better-than-average. For 2020 we delivered –3.8% vs. our benchmark, the Dow Jones Select REIT Index –11.2%. JR Humphreys did a nice job avoiding some of the potholes. This sector may be the best-valued reopening play with income (scarce today).

Preferred Income

Preferreds had a solid 2020, especially considering the partially tax-advantaged nature of the dividends. The recent strength in financials could benefit preferreds in 2021.

Put Income and Index Income Overlay

The strategy objective is to manufacture cash-flow in exchange for the investor accepting some additional volatility in their existing portfolio. Our hope is to create incremental income/capital gains on top of another portfolio by selling index put credit spreads or put options on equities. 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 - A giant comeback from the scary nadir. In December, we booked over $5.2 million in realized gains which brought 2020's total gains to +$1.9 million (gross of fees). Nice job Seth and Louie in getting back to positive after being at -$33 million just 6 months ago. Yowza, what a ride!

Index Income - 2020 was our best year since inception, any way you slice it. The returns for both measuring sticks, cash-flow and total return, established new annual high water marks. Our goal, as always, is to manufacture cash from volatility, and the tumult in 2020 certainly boosted volatility.

If you have 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 Net-of Maximum-Fee	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fixed Income	**Preferred Income** - Preferred stocks	6.75	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	8.79	23.73	-10.36	12.95	6.16	-1.01	6.36	22.28	10.23
	Dividend Growth & Income - Dividend paying stocks	5.30	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23	12.17
	Real Estate Income & Growth - REITs/real estate stocks	-3.82	24.50	-5.41	2.77*	*5/1/17 inception				
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	21.65	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.	4.80	28.68	4.51	33.76	9.35	0.96	11.41	24.35*	*2/1/13
	Outlier Growth - Unusual volume & growth metrics	12.86*	*10/31/20 Inception. Returns from short periods are less reliable than long-term results.							
Option Overlay	**Put Income** - Realized gains return	-0.47	7.25	1.73	*5.65*					
	Index Income - Cash-flow return	6.37	4.69	1.67	2.48	3.35*	*6/1/16 inception date			
	Index Income - Total return mark-to-market^	2.22	8.99	-3.59	2.46	2.49*				
	Index									
Large-Cap Stocks	**S&P 500**	18.40	31.50	-4.38	21.83	11.96	1.38	13.69	32.39	16.0
30 Giant Stocks	**Dow Jones Industrial Index**	9.73	25.35	-4.78	28.09	8.66	7.70	10.05	22.41	
Mid-Cap Stocks	**S&P Mid-Cap 400**	13.10	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57	16.07
Covered Index	**CBOE S&P 500 Buy/Write**	-2.76	15.67	-5.26	13.00	7.06	5.24	5.64	13.26	5.20
Fixed Income	**Bloomberg Barclays Aggregate Bond**	7.50	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)