Sheaff Brock

Innovative Portfolios for Intelligent Investors™

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

MARKET UPDATE

February 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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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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Sheaff Brock

Innovative Portfolios for Intelligent Investors™

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.

"Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it."

Warren Buffett

We are optimistic and have publicized it with a Dow 50,000 projection. But, we also feel a correction is coming.

AAAAH, A CORRECTION IS COMING!!

So what? Corrections are always coming. According to Fidelity Investments, since 1920, the S&P 500 Index has on average:

- Recorded a 5% pullback three times a year,
- A 10% correction once every 16 months,
- A 20% plunge every seven years,
- And corrections have lasted an average of 43 days.

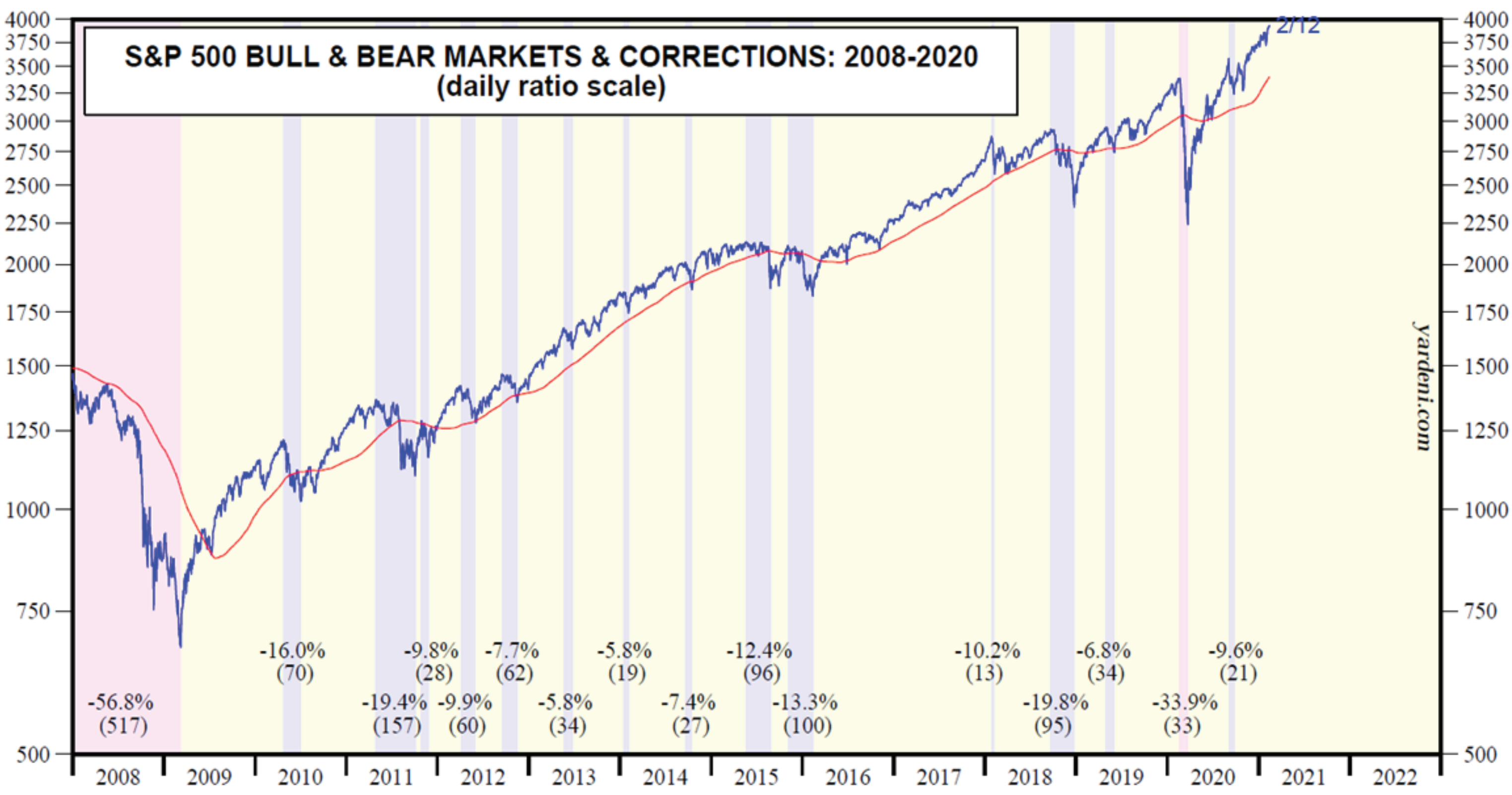
The 5% and 10% declines are no big deal to most of our intelligent investor clients. Afterall, pullbacks are the market breathing; inhaling when market advances, exhaling during corrections, or "taking a breather". Humans can't just inhale, we need to exhale too (an example may be Bill Clinton who sometimes had trouble inhaling).

Small corrections only worry *Chicken Little* investors, but the whoppers are the scary ones, like the –34% bear-market about a year ago and the –20% whack at the end of 2018. More on the whoppers later. Below is a chart showing corrections (blueish shaded) and bear markets (pinkish shaded) since 2008. In the last 13 years there have been 16 pullbacks worse than the run-of-the-mill –5%. There are similar charts going back to 1929 here: https://www.yardeni.com/pub/sp500corrbear.pdf

When looking at these a few observations come to mind:

1. Corrections are the price of admission to potentially earn

Bull & Bear Markets & Corrections



Note: Corrections are declines of 10% or more, but less than 20%, while minor ones are 5%-10% (all in blue shades). Bear markets are declines of 20% or more (in red shades). Number of calendar days in parentheses.
Source: Standard & Poor's.

IMPORTANT

Thank-you in advance for your help with a project. 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 pester you!

outsized returns. Looking at the chart shows there were plenty of scary periods, but the stock market still advanced nearly 3X from 2007-2020.

2. The time between pink colored bear markets in Yardeni's charts can be quite long, over 7 years on average. We went through a violent whopper of a pullback of -34% less than a year ago, so there may be a multi-year stretch before the next big one.
3. After previous whoppers, there has often been multi-year stretches of smaller drawdowns.
4. The way the post-pandemic Fed, government stimulus, and pent-up demand are converging, there may be a 2-, 3-, or 4-year period of very small, less then –5%, pullbacks; like 2016-17, 2005-07, and 1994-96.

Goldman Sachs feels the U.S. economy is going to be super-strong in 2021, *growing faster than even China*. Their target for the S&P 500 is 4600 in 2022, or +18% from today. JP Morgan, according to this week's Barron's, thinks the pandemic could be "effectively over" by April. Maybe these items will keep pullbacks on the smaller side.

There are folks looking at today's stretched stock market valuation, COVID hampered economy, and bitter political environment and projecting a major market top, similar to 2000's Dot-com peak or 2007's financial crisis top. The table to the right lists 9 warning flags that happened before both. Today, Strategas only observes a couple of them getting near a topping signal. So, since we are less than a year removed from a whopper drop, and only 2 of 9 warning lights are flashing, a major top is probably not in the cards.

Portfolio Updates

On 2/16, Brian Wesbury, one of our favorite economists, summed it up nicely, "*The market is still undervalued, the Fed is easy, stimulus will boost the economy by borrowing from the future, and COVID data are very positive. We would never say that anything is certain, or that a correction won't happen, but the stock market is nowhere near bubble territory*".

IN CASE OF CORRECTION
BUY THE DIP

Bull Market Top Checklist

	2000	2007	Current	Comments
1. Blow-off top	✓	✓	✓	With the S&P trading about 15% above its 200d moving average, it's approaching two standard deviations.
2. Heavy inflows into equity market funds	✓	✓	X	ETF's have seen large inflows but overall equity fund flows are underwhelming in aggregate. Money market mutual fund assets remains high as well.
3. Big pick-up in M&A activity	✓	✓	X	M&A activity has begun to pick up but completed activity remains low this year. The pipeline remains robust which could help to drive equity prices higher.
4. IPO activity	✓	✓	✓	IPO activity has shown a significant pick-up lately and blank check companies have raised more capital this year than they did in the prior five years combined.
5. Rising real interest rates	✓	✓	X	Real rates are showing no signs of rising which was seen prior to pervious bull-market peaks.
6. Weakening upward earnings revisions	✓	✓	X	Earnings revisions remain near the highest levels in history.
7. Erosion in number of stocks making new highs	✓	✓	X	Breadth has been about as good as we've seen historically. Consolidations can develop from these conditions, but a major top is rare.
8. Shift towards defensive leadership	✓	✓	X	Cyclicals have had a strong run and may be due for some consolidation. Too soon to call it a major shift toward defensives.
9. Widening credit spreads	✓	✓	X	Investment grade spreads are back to their lows and high yield spreads have recovered significantly from the pandemic highs.

Strategas Securities, LLC – Investment Strategy 1-28-2021

Dividend Growth & Income

Dividend payers, dividend raisers, and growing companies are the attributes we look for. For 2020, our composite portfolio returned 5.3% net-of-max-fees vs. –4.6% for our benchmark, the Dow Jones Select Dividend Index. So far in 2021, it's too early to say much. We recently added two new stocks to the portfolio, Comcast (CMCSA) and Hubbell (HUBB). Comcast is the largest broadband provider in the U.S., owns NBC, SKY and Telemundo, as well as Universal Pictures and theme parks. They have a solid and rising dividend. Hubbell is a company you may not know of, but likely use their products every day. HUBB makes electrical products with about half their business in commercial and residential construction and half sold to utilities and power grids.

Bulls of the Dow

Ten stocks with the best "downside risk" scores from the thirty Dow Jones Industrials (DJIA), rebalanced quarterly. The January refresh resulted in no changes.

IntelliBuilD Growth™

33 positions, growth stocks from *Investor's Business Daily*. We put some cash to work recently buying 4 growth stocks, Atkore (ATKR), PTC Inc. (PTC), Meridian Bioscience (VIVO), and MarineMax (HZO).

Outlier Growth

This new portfolio is looking interesting, identifying companies with high growth potential. Recent buys include Dolby Labs (DLB), eXp World Holdings (EXPI) and Arista (ANET).

Covered Call

Starting the year with positive numbers vs. negative numbers for the S&P 500 and the CBOE Buy/Write index is nice.

Real Estate Income and Growth

REITs held tight in January and may be the best-valued reopening play with income, which is tough to find these days. Many REITs stand to see improved cash-flow if/when the pandemic ends.

Preferred Income

Preferreds have an attractive dividend yield, especially considering the partially tax-advantaged nature of the dividends. The steepening yield curve should benefit prices.

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 - January's total realized gains of over $13 million was the biggest ever, by a long-shot! Our average month prior to January was about $1.2MM, so we basically booked almost a year's worth of gains in one month.

Index Income - Our goal, as always, is to manufacture cash from volatility, and January's gross cash-flow of 50 bps was in line with our 3-year average of 45 bps. The market sell-off at the end of January hurt total return a smidge.

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	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fixed Income	**Preferred Income** - Preferred stocks	-1.89	6.75	13.62	-5.66	7.44	1.58	5.47	14.29	-4.65
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	0.20	8.79	23.73	-10.36	12.95	6.16	-1.01	6.36	22.28
	Dividend Growth & Income - Dividend paying stocks	0.28	5.30	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23
	Real Estate Income & Growth - REITs/real estate stocks	0.37	-3.82	24.50	-5.41	2.77*	*5/1/17 inception			
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	-1.66	21.65	32.79	-11.30	25.40	-2.85	2.53	7.47	
	Bulls of the Dow - 10 stocks of the Dow Jones 30 Indus.	-1.30	4.80	28.68	4.51	33.76	9.35	0.96	11.41	
	Outlier Growth - Unusual volume & growth metrics	-1.54	12.86*	*10/31/20 Inception. Short-term returns may be unreliable vs. long-term						
Option Overlay	**Put Income** - Realized gains return	4.11	-0.47	7.25	1.73	5.65				
	Index Income - Cash-flow return	0.19	6.37	4.69	1.67	2.48	3.35*	*6/1/16 inception date		
	Index Income - Total return mark-to-market^	-0.85	2.22	8.99	-3.59	2.46	2.49*			
	Index									
Large-Cap Stocks	**S&P 500**	-1.01	18.40	31.50	-4.38	21.83	11.96	1.38	13.69	32.39
30 Giant Stocks	**Dow Jones Industrial Index**	-1.95	9.73	25.35	-4.78	28.09	8.66	7.70	10.05	22.41
Mid-Cap Stocks	**S&P Mid-Cap 400**	1.49	13.10	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57
Covered Index	**CBOE S&P 500 Buy/Write**	0.11	-2.76	15.67	-5.26	13.00	7.06	5.24	5.64	13.26
Fixed Income	**Bloomberg Barclays Aggregate Bond**	-0.72	7.50	8.73	0.02	3.54	2.65	0.55	5.97	-2.15

*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 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 . Fees are described in SBIA's ADV Part 2A. *Denotes partial year, with note reference. (continued on opposite page)