Sheaff Brock

Innovative Portfolios for Intelligent Investors™

FA 100 CNBC

2020 recipient of CNBC's Top 100 Advisors in America

MARKET UPDATE

June 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

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

"Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair."

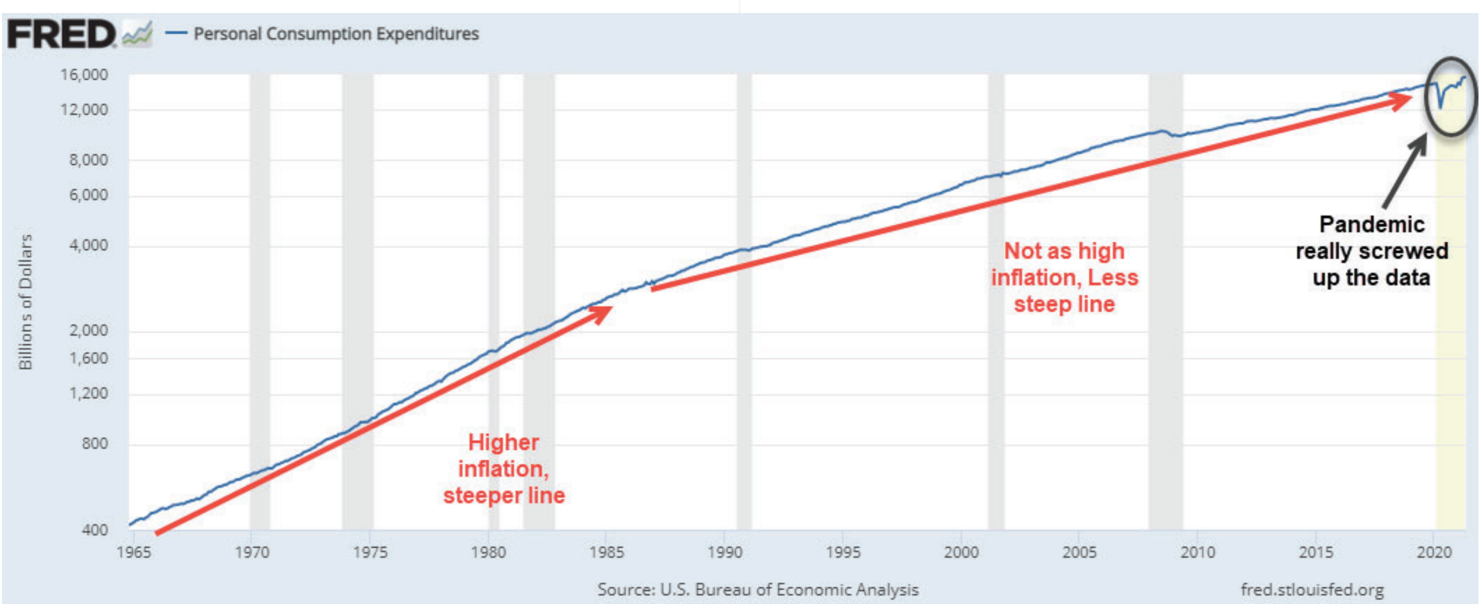
Sam Ewing


CNBC
ECONOMY
Key inflation indicator posts biggest year-over-year gain in nearly three decades
PUBLISHED FRI, JUN 25 2021-8:31 AM EDT | UPDATED 4 MIN AGO

This was the headline in today's financial news. We have several clients concerned that the combination of the ongoing government spending binge and recent jump in prices of everyday items signals a return to 1970's era inflation at best, and a Weimar Republic type inflation at the worst. If several clients have voiced a concern, that means many are probably concerned.

The media is fixated on inflation and a "labor shortage". The paradox in that unemployment is still high with a lot of people "looking" for work, and recent news indicating 9 million available jobs unfilled, makes one scratch their head. We are not convinced there is a long-term labor shortage, but instead more of a short-term dislocation caused by stimulus checks, ongoing unemployment payments, fear of COVID-19, and the fits-and-starts nature of the reopening. We believe a VERY strong labor market may be coming in the next few months. By the end of summer, the fear of COVID-19 will be mostly gone due to high vaccination rates. The combination of a reduction in government payments plus reopening should continue to drive gains in U.S. job creation numbers. The Fed is very interested in seeing employment numbers get better and have said they won't raise rates until then.

Historically, sticky inflation has been caused more by wages than commodity prices. So far, the big, headline grabbing price increases are mostly limited to commodities, lumber, and items where stimulus-boosted demand is outpacing supply. The upward pressure seems to be mostly absent in labor costs. Sure, there are stories of signing-bonuses at fast food joints and a lack of construction workers, but those could be one-and



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. Every month we share a planning tip or two:

- Advanced Child Tax Credit. This is an advance on a credit you would ordinarily claim when you file your 2021 taxes in April 2022. As such, you need to be prepared for the possibility of having to write Uncle Sam a tax check come April. If you prefer to opt out of the advance the IRS has opened its portal at: https://www.irs.gov/credits-deductions/child-tax-credit-update-portal.
- Congress is working on the Secure Act 2.0. While it has not yet passed, here are a few items that could be coming our way: another increase in the age for RMDs to 73 in 2022, 74 in 2029, and 75 in 2032...automatic enrollment in 401(k) plans...larger catch-up contributions...and more ways to contribute to Roth IRAs.

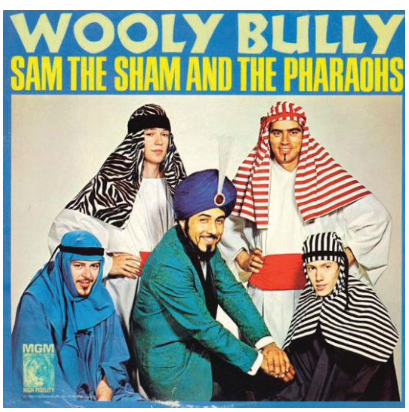
INNOVATIVE portfolios

Our paperwork/DocuSign project return rate is high, thank-you!

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 paper forms. We would appreciate it if you could sign and return the forms el-pronto. The purpose of this 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. THANKS!

-done type pressures. The Fed generally uses the Personal Consumption Expenditure (PCE) number to gauge inflation. The PCE is much less volatile than the Consumer Price Index (CPI). The PCE was reported in today's headline increasing over 3.4% year-over-year, the biggest jump since 1992, which made for a nice headline to attract clicks. The chart on the bottom of the previous page is from the Federal Reserve Economic Data (FRED) site and shows the PCE numbers since 1965, when this song was the number one hit.



(Pretty sure that if today's cancel culture was around in 1965, this wouldn't have been played on the radio.)

You can see the PCE increased faster in the 1960s through 1980s than it has since then. It is also obvious the pandemic shutdown messed up the data, so a comparison of anything to one-year ago is worthless, in our opinion. Also, with the 10-yr Treasury note yield below 1.5%, the bond market doesn't seem to be anticipating big inflation anytime soon.

A strengthening economy will likely cause the Fed to raise rates eventually. In the last few months, the Fed went from "not thinking about thinking about" to now "talking about talking about" raising rates. Most pundits think the first rate hikes will be in late 2022 or early '23. If employment increases are super-strong, perhaps the Fed will rachet rates higher quicker, but 1, 2, or 3 rate increases probably wouldn't hurt the stock market anyway. Historically, stocks haven't corrected until the 4th rate increase.

As far as wage inflation goes, the pre-pandemic forces that caused low wage growth and low inflation are still alive-and-well, namely the globalization of labor. There are A LOT of people in south Asia and Sub-Saharan Africa who would work for a lower wage than is paid in developed countries, and eventually (when infrastructure allows) some labor could shift there, thus pressuring wages lower. The globalization of labor could keep a lid on labor costs for many, many years. Besides globalization, productivity increases (robots, A.I., kiosks at fast food joints, etc.) will continue to replace lower skilled workers.

Decades from now, the lack of babies born in the two biggest economies, the U.S. and China, may cause significant wage pressure if there isn't enough immigration of workers into those countries. The U.S. is about the only big country that has net-positive immigration (it's in our DNA), so we should be OK. China's problem of low birth rates could be more problematic for them. China has figured out they need more babies and are reversing policies against them, but China has very low immigration. That's a problem well down the road.

Portfolio Updates

The stock market has been sort of quiet for a few months, slowly inching higher. There is an old Wall Street saying, “Never short a dull market.” Why? Because quiet markets sometimes spring higher from the base they’ve been trading at. Maybe a dull summer will lead to pop in prices in the fall.

Dividend Growth & Income

Dividend payers, dividend raisers, and growing companies are what we buy and own. This month, we added two stocks, Cummins (CMI) and Polaris (PII). Both have a history of raising dividends.

Bulls of the Dow

Ten stocks with the best “downside risk” scores from the thirty Dow Jones Industrials (DJIA). The next rebalance will likely happen a few days before you read this. It’s been a bit of a laggard for a few months, which is not unusual with a concentrated portfolio.

IntelliBuilD Growth™

33 positions, growth stocks from *Investor’s Business Daily*. Growth stocks have underperformed value stocks for several months, but we like our holdings. The strategy is competitive, +7.9% vs 8.1% for the S&P 500 Growth ETF, SPYG.

Outlier Growth

Stocks with large buy-side volume over previous months, then filtered by growth and downside-risk scores. Outlier is still a baby, but seems to be a smart baby with a .750 batting average of winning vs. losing picks. Decent baby steps.

Covered Call

Unlike some covered-call managers, when we put on a position we hope to get called out of it; sort of a constant portfolio refresh.

Real Estate Income and Growth

REITs are having a great year which is making this our lineup’s MVP.

Preferred Income

Preferred stocks are a shining star in the fixed income space in 2021, and still one of the few places you might earn around 4+% income.

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 - So far, 2021 is already the best year we’ve ever had...and we aren’t even at half-time. A high VIX and last year’s downdraft pushed gains into this year. We’ll take ’em!

Index Income - The goal is to manufacture cash from volatility. Period. The VIX volatility index, mostly higher-than-average for 16 months, has recently drifted down into the teens. This drop will likely make premiums a bit lower than we’ve been used to. What does this mean? All this means is Seth and James might have to work a bit harder!

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	0.84	6.84	13.62	-5.66	7.44	1.58	5.47	14.29	-4.65
Growth and Income	**Covered Call Income** - Quality stocks & covered calls	12.98	8.79	23.73	-10.36	12.95	6.16	-1.01	6.36	22.28
	Dividend Growth & Income - Dividend paying stocks	15.45	5.30	26.48	-8.95	21.99	11.07	-7.27	5.04	36.23
	Real Estate Income & Growth - REITs/real estate stocks	18.44	-3.82	24.50	-5.41	2.77*	*5/1/17 inception			
Growth	**IntelliBuilD™ Growth** - IBD growth stocks	7.88	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.	8.61	4.80	28.68	4.51	33.76	9.35	0.96	11.41	
	Outlier Growth - Unusual volume & growth metrics	8.15	12.86*	*10/31/20 Inception. Short-term returns may be unreliable vs. long-term						
Option Overlay	**Put Income** - Realized gains return	8.79	-0.47	7.25	1.73	*5.65*				
	Index Income - Cash-flow income	2.65	6.68	4.88	1.76	2.51	3.32*	*6/1/16 inception date		
	Index Income - Total return, mark-to-market^	2.72	2.31	9.43	-3.88	2.24	1.31*			
	Index									
Large-Cap Stocks	**S&P 500**	11.85	18.40	31.50	-4.38	21.83	11.96	1.38	13.69	32.39
30 Giant Stocks	**Dow Jones Industrial Index**	11.30	9.73	25.35	-4.78	28.09	8.66	7.70	10.05	22.41
Mid-Cap Stocks	**S&P Mid-Cap 400**	18.45	13.10	26.21	-11.10	14.45	18.73	-3.71	8.19	31.57
Covered Index	**CBOE S&P 500 Buy/Write**	6.59	-2.76	15.67	-5.26	13.00	7.06	5.24	5.64	13.26
Fixed Income	**Bloomberg Barclays Aggregate Bond**	-2.61	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)