Sheaff Brock.

Innovative Portfolios for Intelligent Investors®

FA 100 CNBC 2020

2020 recipient of CNBC's Top 100 Advisors in America

Market Update
July 2021

(Continued from page 4) Performance presented are time-weighted returns. Valuations and performance is reported in U.S. dollars. Composite performance is presented on gross-of-fees and net-of-fees basis and includes the reinvestment of income (dividends/interest). Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting a model management fee of 0.3125, ¼ of the highest annual management fee of 1.25%, from the quarterly gross composite return. Actual advisory fees incurred by clients may vary.

Performance information of widely recognized indexes is included to for comparison purposes and to reflect material market conditions. Composites are compared to the performance of various indices although the Composite, which contains much fewer positions, may not reflect the securities making up these indices. The 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. An index is not available for direct investment and does not reflect any of the costs associated with buying and selling individual securities or management fees, the incurrence of which would have the effect of decreasing historical performance results.

Indexes: *The S&P 500 Index* is a market capitalization-weighted index comprised of 500 stocks of the largest publicly traded U.S. companies. The *Dow Jones Industrial Average Index* is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and NASDAQ. The *S&P MidCap 400 Index* is a value weighted index comprised of mid-sized companies with total market capitalization from $750 million to $ billion. The *CBOE S&P 500 BuyWrite Index* is an index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index. It is a passive total return based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near-term S&P 500 Index "covered" call option, generally on the third Friday of each month. The S&P 500 Index call written will have about one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out of the money). The S&P 500 Index call is held until expiration and cash settled, at which time a new one-month, near-the-money call is written. 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).

*Cash flow yield represents the cash received (premiums) from the sale of index put credit spread options divided by the average composite value. Realized gain/loss return represents the realized gains/losses on the sale of put options divided by the average composite value. Information is presented grow and net of investment management fees. Net-of-fees is calculated by deducting a model management fee of 0.3125, ¼ of the highest annual management fee of 1.25%, from the quarterly gross cash flow yield or realized gain/loss.

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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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.

> "A simple way to take measure of a country is to look at how many people want in, and how many want out."
> — Tony Blair

Bloomberg

China's Covid Rebound Edges It Closer to Overtaking U.S. Economy

Since the 1970s, China has been racing to become the world's largest economy. Its recovery from the pandemic means it could eclipse the U.S. this decade.

By Jin Wu and Tom Hancock
March 30, 2021

China's economy might overtake the U.S. by 2028—two years earlier than expected before the pandemic, according to some predictions.

In the future you will be seeing more headlines similar to the *Bloomberg* headline above. In fact just before the July 4th holiday, the *New York Times* ran a similar article.

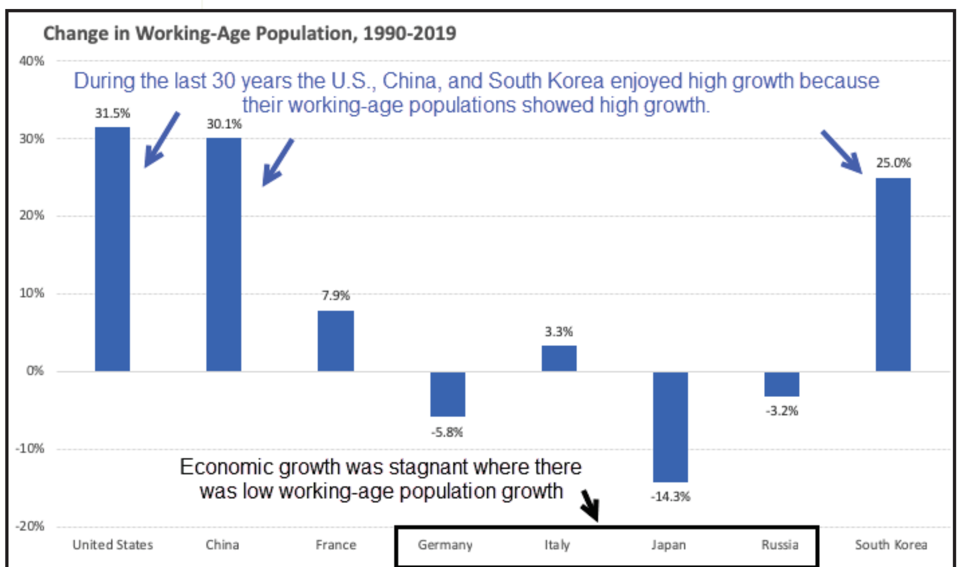
I recently read an interesting paper by Morgan Housel, *Three Big Things: The Most Important Forces Shaping the World*. Some of the following was gleaned from it.

Since 1890, the United States has been the dominant global economy. Some people believe China's will become the largest economy within a decade. However, many experts doubt that China has staying power. Just twenty years ago, China's economic size wasn't even in the top five globally, and was just barely bigger than Italy. Twenty years later, to be knocking on the door of #1 is quite an achievement.

I wouldn't count out the U.S. however. In general, growing economies need growing populations, increasing the supply of both workers and consumers. Another big component is productivity growth. China's productivity growth was terrific from 1990-2010, but since then has slowed dramatically. Population growth is China's Achilles heel because the Chinese aren't having enough babies. For decades the Communist Party didn't want more population. The U.S. isn't having many babies either, but there is a BIG difference, which we will get to in 90 seconds.

Countries don't need as many babies as they used to because childhood survival is much higher today. In the America of 1900, 28% of children died before age 5; today it's only 0.5%. Besides more kids surviving into adulthood, people live longer. In 1900, an American's life expectancy was 47 years old, but today it's about 80 years. Fewer babies—longer lifespan means the population ages. And when the population ages everything from economic growth to the global order of nations gets shaken up. Economic growth needs a high working age population, and that could be China's biggest problem.

Look at the chart below. During the last 30 years, the working-age population grew about 30% in both the U.S. and China, and both economies flourished. Countries with negative working-age population growth struggled to grow as fast.



Source: Census Bureau International Database

Big changes are coming in the next 30 years. One big one is an aging and shrinking workforce is a hurricane-strong headwind on China's economic growth. In A.I., machine learning, batteries, and other innovative technology, China looks so competitive. But it's staggeringly hard to grow an economy when you lose a fifth of your working-age population in a single generation. The biggest change is that America's competitiveness should increase relative to most of the rest of the world. Unlike

Tiffany's Financial Planning Tips! Tiffany VanHook serves our clients as a financial planner and estate specialist. Tiffany has many years of experience providing high-net-worth families financial and estate planning services. Every month we share a planning tip or two:

- Good news for grandparent-owned 529 plans! Changes to the FAFSA for the 2023-2024 school year removes the requirement that students show distributions from grandparent-owned 529 plans as income. This means that these distributions will not impact any needs-based financial aid eligibility.
- Looking to expand on the investment options in your 401(k) plan? Check to see if your 401(k) comes with a Self-Directed Brokerage Account option. If you're unsure of your ability to guide your investments on your own, a self-directed brokerage account allows you to hire a professional to guide your investments in sync with your retirement plan.

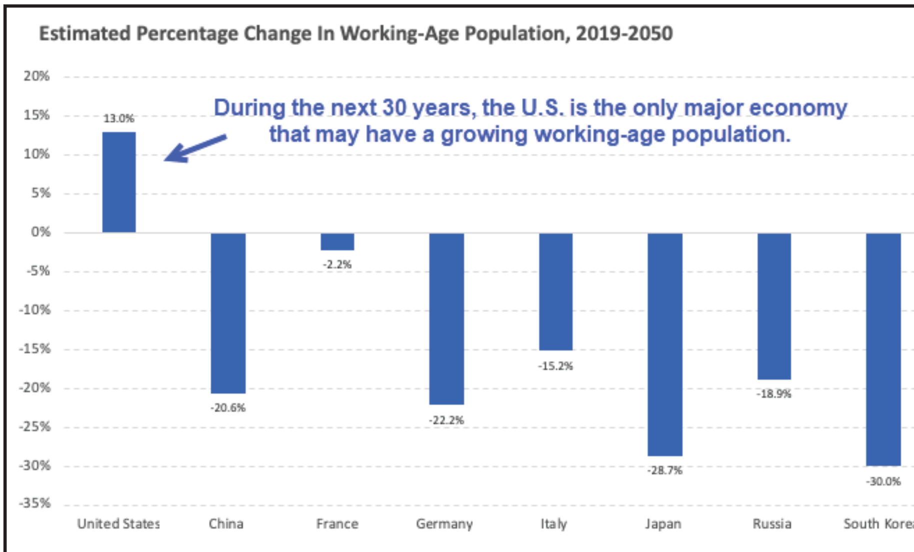
Here is an observation and question a client asked:

You folks seem to be putting a lot of effort into this. What the heck is Innovative Portfolios anyway?

Sheaff Brock has always been a "retail" client advisor and we have well over 1000 terrific families we work with. Several years ago, we decided to try to go after the more "institutional" side of assets to manage, such as accounts from other advisors, family offices, foundations, etc. We also wanted to launch a couple of mutual funds. All advisors are protective of their clientele, and some are fearful of their client being poached by another retail advisor. So, some might be reluctant to let Sheaff Brock manage money for them.

The path of least resistance was to form a new firm that does not have "retail" clients, but instead only manages assets for others firms, an "institutional" firm only. In 2018, Innovative Portfolios launched two mutual funds and starting in late 2020 began the process of managing a large portion of Sheaff Brock's portfolios. Both firms are part of the same family with many shared employees. Sheaff Brock clients haven't noticed any changes. Now though, we get to bring our "innovative portfolios" to other firms' "intelligent investors."

China, our productivity growth has been increasing nearly every year since 2010, but the big story is in this chart to the right.



Source: Census Bureau International Database

<u>America might be the only major economy to have a growing working-age population during the next 30 years</u>. Instead of a hurricane-strong anti-growth population headwind, the United States should have a solid tailwind helping us with economic growth.

People like to talk about new technologies and innovations, because that's fun. Demographics aren't fun. But they're going to be as important, if not more, to overall economic growth than most innovations over the coming decades. Boomers like to complain about Millennials and Generation X, Y, and whatever else, but they are the drivers of working-age population growth. Yeah, their music might suck, but they'll be growing the economy and paying our Medicare costs.

Here's the BIG difference mentioned 90 seconds ago: Fewer births means more reliance on immigration for population growth. According to worldpopulationreview.com, the U.S. has the highest number of immigrants in the world, like 5X more than the other big countries. Unlike nearly any other country immigration is in our DNA; it's how this country was built. We're the polar opposite of China, which has a history of more Chinese leaving China than immigrants entering China. Think about it. Citizens flee China, but people risk their lives to become American citizens. You think we have an immigration problem? China has a much bigger problem which will have giant economic repercussions for decades.

Portfolio Updates

The 2nd quarter's "earnings season" starts this week. It might be the best quarterly increase you will see the rest of your life, so enjoy the good news over the next few weeks.

On the next page you'll notice the new format of our returns table which shows most of our portfolios under the INNOVATIVE portfolios umbrella (read or re-read the blue box above if you don't know who INNOVATIVE is). We are now providing more detail (gross and net-of-fees) and long-term annualized returns instead of the year-by-year comparisons.

Because I wrote too many words about demographics, there isn't room to write a blurb about each portfolio. Next month I'll be less verbose and try to fit more portfolio detail in.

INNOVATIVE portfolios® Performance^

Style (as of 6/30/2021)	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Fixed Income	**Preferred Income** Gross	3.89	17.36	7.45	5.56	-
	Preferred Income Net	3.24	15.92	6.14	4.26	-
Growth & Income	**Covered Call Income** Gross	14.26	35.13	12.81	12.19	8.79
	Covered Call Income Net	13.56	33.46	11.43	10.81	7.45
	Dividend Growth & Income Gross	16.75	47.32	13.38	15.15	12.31
	Dividend Growth & Income Net	16.04	45.51	11.99	13.74	10.93
	Real Estate Income & Growth Gross	21.66	44.33	11.52	-	-
	Real Estate Income & Growth Net	20.94	42.59	10.17	-	-
Growth	**IntelliBuilD® Growth** Gross	11.09	38.32	16.96	17.55	-
	IntelliBuilD® Growth Net	10.41	36.62	15.54	16.12	-
	Bulls of the Dow Gross	8.69	16.59	15.09	18.06	-
	Bulls of the Dow Net	8.01	15.12	13.68	16.62	-
	Outlier Growth Gross[1]	14.68	[1]11/1/2020 inception. Short-term returns may be unreliable vs. long-term.			
	Outlier Growth Net[1]	13.97				
Option Overlay	**Index Income - Cash Flow** Gross*	3.79	9.74	6.21	5.60	-
	Index Income - Cash Flow Net*	3.15	8.39	4.89	4.29	-
	Index Income Total Return Gross	4.12	13.28	4.58	4.14	-
	Index Income Total Return Net	3.47	11.88	3.29	2.85	-

Index Returns	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Large-Cap	S&P 500®	15.25	40.79	18.67	17.65	14.84
30 Giant Stocks	Dow Jones Industrial Average	13.79	36.34	15.02	16.66	13.50
Mid-Cap	S&P MidCap 400	17.59	53.24	13.17	14.29	12.40
Covered Calls	CBOE S&P 500 BuyWrite	11.10	27.27	5.35	7.04	7.01
Fixed Income	Bloomberg Barclays US Aggregate Bond	(1.60)	(0.33)	5.34	3.03	3.39

Sheaff Brock® Performance^

Style (as of 6/30/2021)	(Annual) (%)	Year to Date	2020	2019	2018	2017
Option Overlay	**Put Income - Realized Gain** Gross*	9.71	0.78	8.50	2.98	6.90
	Put Income - Realized Gain Net*	9.09	(0.47)	7.25	1.73	5.65

Returns for the Put Income strategy are presented from the period (annual) after the strategy was no longer sub-advised.

Index Returns	(Annual) (%)	Year to Date	2020	2019	2018	2017
Large-Cap	S&P 500®	15.25	18.40	31.49	(4.38)	21.83

Performance data quoted represents past performance. Past performance does not guarantee future results.

^Effective December 2018, Sheaff Brock Investment Advisors, LLC (SBIA) engaged Innovative Portfolios, LLC (IP), a wholly owned subsidiary of our parent company, as a sub-advisor to manage the above listed IP strategies. Performance prior to January 1, 2021, occurred while the investment management team was affiliated with SBIA. The investment management team has managed the composite since its inception, and the investment process has not changed. The IP historical performance has been linked to performance earned at SBIA.

SBIA provides the Newsletter for general informational and educational purposes, and where appropriate, to assist in explaining the composites. It is not investment advice for any person. The information provided should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that any securities transaction or holding discussed was or will prove to be profitable, or that the investment recommendations or decisions in the future will be profitable or will equal the investment performance of the securities discussed herein. 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 is no guarantee of future performance and there is a risk of loss of all or part of your investment. Individual client performance returns may be different than the composite returns listed. Changes in investment strategies, contributions or withdrawals, and economic conditions may materially alter the performance of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment or composite will be suitable or profitable for a client's portfolio. Individuals should not enter into option transactions until they have read and understood the risk disclosure document titled, Characteristics and Risks of Standardized Options which can be obtained from their broker, any of the options exchanges, or OCC. *(Continued on page 1)*