



Sheaff Brock

Innovative Portfolios for Intelligent Investors®



Market Update
January 2022

2020 & 2021: CNBC Top 100 Financial Advisors in America

(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. Option Overlay model management fee of 1.25% is deducted from the quarterly gross cash flow yield or realized gain/loss. 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 beginning composite overlay exposure (notional value).

**Composite performance is restated to calculate on overlay exposure, which is the notional value of the strategy being managed.

The 2021 CNBC FA 100 & 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 CNBC FA 100 list. The analysis started with 38,302 registered investment advisors for 2021 and 37,369 for 2020. AccuPoint screened the list down to 749 registered investment advisors for 2021 and 750 for 2020 who were required to complete a survey to be in consideration for the CNBC FA 100 list. Neither the registered investment advisor nor their employees pay 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 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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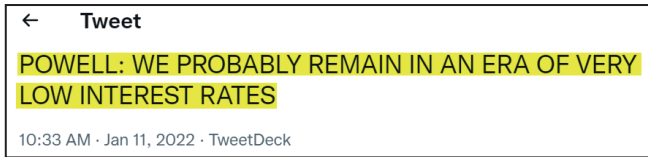


Have a friend or adult child who might like to receive this monthly letter? Let us know. We'll add them to the list.

"A nickel ain't worth a dime anymore."
Yogi Berra

- IN THIS ISSUE:**
- ◆ MAKE INCOME GREAT AGAIN
 - ◆ Five potential places to get income now.
 - ◆ Year-end portfolio updates

And interest rates are low, meaning traditional sources of income from bonds and CDs are almost nonexistent. Also, interest rates may stay relatively low for a long time, at least according to Fed Chair Powell:



It's a mid-term election year, which means it's time to dust off the campaign hat!



Costs are rising, but it is hard to earn a decent income from investments. Also going forward, the easy money from the stock market might get a bit tougher to snag, since we've had three years in a row of strong returns. A fourth double-digit year could be asking a lot. Given the ongoing Covid disruptions, supply chain issues, and indications the Fed might not be as friendly in 2022, we all could be looking at a 2022 stock market that does OK, but maybe not a blockbuster year.

OK, for those of you whose blood is boiling right now, take a closer look at the hat. **Make INCOME great again!** Who wouldn't vote for that platform? Even Bernie needs income because snazzy mittens aren't free, and probably cost more this year than they did on last year's inauguration day.

In last month's letter we said this about 2022:

- Expect a correction since there has been one in every mid-term election year since 1950. The average midterm year correction was -17%. Maybe a correction has already started?
- Then maybe expect a rebound off the correction low. Since 1950, the 12-month forward return off the midterm-year-low, the rebound, has averaged +32.5%.
- Stay invested, or better yet add more in a downturn.



Prognostications are all fine and good, but what if you want to invest for income now? Remember, current yield and dividend yield do not take into account unrealized gains and losses in the strategies. Here are five potential, and we think timely, solutions:

All of us consumers have a problem. Inflation is high per a recent WSJ headline:

U.S. Inflation Hit 7% in December, Fastest Pace Since 1982

1. **Dividend paying stocks**, and especially those that consistently raise their dividends. Our Dividend Growth & Income accounts had an excellent year in 2021 as well as a good trailing 3-years, 5-years, and 10-years too (see last page). As of 1-24-2022, our portfolio's average dividend yield was 2.6% and 30 of our 33 holdings raised their dividend in 2021. Everybody likes a pay raise!

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. Here's a tip or two:

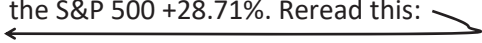
- For 2022, the contribution limit for employees who participate in 401(k)/403(b) plans increased to \$20,500, while the catch-up contribution remained the same at \$6,500. Also unchanged is the IRA/Roth IRA contribution limit of \$6,000, plus a catch-up of \$1,000 for those over age 50.
- If you utilize the annual exclusion gift amount, please note this amount increased to \$16,000 for 2022.

2. **Preferred stocks.** Sleepy? Yes. Effective at providing income? Yes, yes. Last year, our preferred composite earned 400 basis points more than the Aggregate Bond Index (see last page). We also look good over 3,5, and 10-years. The current yield of the portfolio is a bit over 4%.
3. **REITs.** Our REIT portfolio had a gangbusters year in 2021, +43.01%. That would be tough to match, but regardless, the REIT portfolio current dividend yield is 3.8% as of 1/24/2022, which is a decent yield in today's world.
4. **Covered calls.** Last year was once again an excellent year for our Covered Call composite, up 20.47%. While the premium income from a covered call helps secure a nice yield and some downside protection, the call seller's upside may be capped. But, for income, this strategy can do it.
5. **Our Index Income overlay** for a taxable account. The returns shown on the back page, 6.31% or 6.50% for 2021 any way you slice it, can be *in addition* to the returns the underlying account earned. And the income can be partially tax advantaged! Potential single-digit icing on the cake?

Portfolio Updates

The year 2021 treated investors better than most of us imagined it would have. The S&P 500 had its 12th-best annual performance since WWII and posted 70 new highs during the year. That was the 2nd most new all-time highs posted in a single year since 1954, eclipsed only by 77 new highs in 1995. The fear among the "experts" is 2022 could be a rough year given the expected Fed moves, a midterm election, Russian shenanigans, and the ongoing Covid-19 issue. However, since 1945, according to CFRA, S&P 500 returns in the years *following* those with 20%-plus gains (for example 2022) averaged 10.4% and rose 80% of the time. This is a higher average return and higher frequency than for all years, so 2022 could be a decent year for the stock market.

Dividend Growth & Income

Our portfolio of dividend payers and dividend raisers had a great year at 29.01% gross of fees and 27.45% net of fees vs. the S&P 500 +28.71%. Reread this: 

Bulls of the Dow

The ten lowest "downside risk" stocks from the thirty Dow Jones Industrials (DJIA) brought up the rear in 2021. A return

in the high teens was good, but a little below the DJIA, although long-term we still look more than halfway-smart.

IntelliBuild Growth™

33 growth stocks. Looking for growth, nothing but growth. This was our best regular equity portfolio for 2021, which was interesting because many growth stocks didn't have a particularly good year. For example, the Morningstar Large-Cap Growth fund category average return was 20.5% for 2021 vs. our composite of 30.24% gross and 28.67% net of fees.

Outlier Growth

This portfolio is 33 stocks with very large, institutional buy-side volume over previous months, plus growth attributes, strong technicals, and good downside risk scores. Technology stocks make up more than 1/3 of the portfolio which adds to volatility. However, according to Factset, our portfolio's revenue growth in 2022 is expected to be over 60% higher than the S&P 500, 15% vs. 9.2%.

Covered Call

Buy stocks, sell calls, hope we're called, repeat. Last year was another solid year for our accounts at 21.96% gross and 20.47% net vs. 20.48% for the CBOE Buy/Write index. We are well above the index over trailing 3, 5, and 10 years.

Real Estate Income and Growth

Numero uno for us at 44.71% gross and 43.01% net of fees vs. 38.3% for the Morningstar US Real Estate Index. Mic drop!

Preferred Income

Preferreds still offer quality income potential plus beat the tar out of the Aggregate Bond Index last year. See returns.

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. **Option overlay products are additive in return to other investments held in an account, and may not be appropriate for all investors. Realized gains and losses can be inconsistent. These are long-term strategies and may not produce capital gains over the short-term.***

Put Income - At 10.78% net of fees in realized gains last year clients pretty much got 2-years of gains packed into 1-year.

Index Income - The goal is to manufacture cash from volatility over a long period of time; additional cash in an account. Likewise, 2021 was a really good year for the strategy by adding 6.31% or 6.50% for 2021 any way you slice it, to an otherwise invested account.

INNOVATIVE portfolios® Performance[^]

Style (as of 12/31/2021)	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year	
Fixed Income	Preferred Income Gross	3.90	3.90	8.93	6.08	6.20	
	Preferred Income Net	2.60	2.60	7.60	4.78	4.90	
Growth & Income	Covered Call Income Gross	21.96	21.96	18.93	11.80	10.85	
	Covered Call Income Net	20.47	20.47	17.49	10.43	9.48	
	Dividend Growth & Income Gross	29.01	29.01	20.75	14.92	13.47	
	Dividend Growth & Income Net	27.45	27.45	19.28	13.52	12.08	
	Real Estate Income & Growth Gross	44.71	44.71	21.09	-	-	
	Real Estate Income & Growth Net	43.01	43.01	19.64	-	-	
Growth	IntelliBuild® Growth Gross	30.24	30.24	29.16	19.69	-	
	IntelliBuild® Growth Net	28.67	28.67	27.62	18.25	-	
	Bulls of the Dow Gross	19.05	19.05	18.06	18.71	-	
	Bulls of the Dow Net	17.59	17.59	16.61	17.26	-	
	Outlier Growth Gross [†]	25.10	25.10	†11/1/2020 inception. Short-term returns may be unreliable vs. long-term.			
	Outlier Growth Net [†]	23.60	23.60				
Option Overlay**	Index Income - Cash Flow Gross*	7.75	7.75	7.22	6.02	-	
	Index Income - Cash Flow Net*	6.50	6.50	5.97	4.77	-	
	Index Income Total Return Gross	7.56	7.56	8.17	5.24	-	
	Index Income Total Return Net	6.31	6.31	6.92	3.99	-	

Index Returns	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Large-Cap	S&P 500®	28.71	28.71	26.07	18.47	16.55
30 Giant Stocks	Dow Jones Industrial Average	20.95	20.95	18.49	15.51	14.21
Mid-Cap	S&P MidCap 400	24.76	24.76	21.41	13.09	14.20
Covered Calls	CBOE S&P 500 BuyWrite	20.48	20.48	10.66	7.83	7.54
Fixed Income	Bloomberg Barclays US Aggregate Bond	(1.54)	(1.54)	4.79	3.57	2.90

Sheaff Brock® Performance[^]

Style (as of 12/31/2021)	(Annual) (%)	Year to Date	2020	2019	2018	2017
Option Overlay	Put Income - Realized Gain Gross ⁺	12.01	0.78	8.50	2.98	6.90
	Put Income - Realized Gain Net ⁺	10.76	(0.47)	7.25	1.73	5.65

⁺ Realized gain/loss return represents the realized gains/losses on the sale of put options divided by the average account value for the period.

Index Returns	(Annual) (%)	Year to Date	2020	2019	2018	2017
Large-Cap	S&P 500®	28.71	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)