



Sheaff Brock

Innovative Portfolios for Intelligent Investors®



Market Update

April 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.

“We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.”
Warren Buffett

IN THIS ISSUE:
◆ THE FEAR INDEX
◆ Portfolio updates

In 1966 the band Buffalo Springfield, led by Stephan Stills and Neil Young, released the protest song, “For What It’s Worth”, also known as “Something’s Happening Here”. Here is how it starts:

There’s something happening here
What it is ain’t exactly clear
There’s a man with a gun over there
Telling me I got to beware

It was the band’s only hit song. Replace one word in the lyrics: instead of *gun*, insert the word *chart*, and the altered lyrics apply to today. When investors see someone showing a chart of the VIX, also called the “Fear Index”, it’s similar to the song: there’s something happening, it ain’t exactly clear what is happening, but the woman with the chart is telling me I’ve got to beware.

The index was created by the Chicago Board of Options Exchange (CBOE) in 1990 to anticipate volatility as indicated by the 30-day expiration of options on the S&P 500 index. The chart below shows the VIX for the last 20 years.

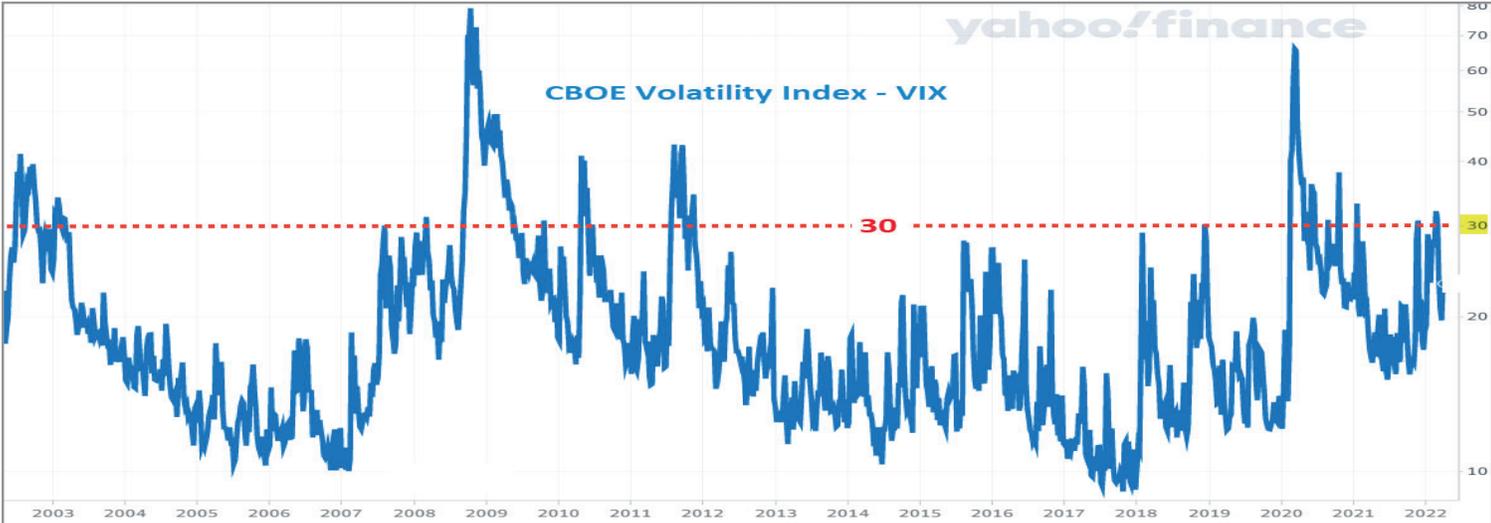
Many people think that when the VIX is high they should reduce exposure to the stock market, but they’ve got things reversed; a high VIX actually signals opportunity. Instead of a “fear index” you should think of it as an “opportunity index”.

Why opportunity? The facts are that when the VIX has risen above 30, over the next 6 to 12 months the odds are high that you’ll have outsized gains.

The VIX pops above 30 during times of crisis like the 2008 housing meltdown, 2011 European currency crisis, and pandemic in 2020. In last month’s newsletter we wrote, “the stock market is being whipsawed as the VIX volatility index has averaged over 30 since February 22nd, fifteen straight trading days. Stressful.”



Seth Hickle, CMT and Tom Kaiser, CFA at our firm did a study on the market’s behavior in the nearly 8,100 trading days (32 years) that the VIX has existed through January of 2022. Since inception, the average level of the VIX has historically been just under 20. For nearly 670 days (less than 9% of the



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. A tip or two:

Now that tax season is over, what documents do you need to keep? And for how long?? You should keep permanent copies of your tax returns each year. Supporting tax documentation, such as Forms W-2 and 1099, bank and brokerage statements, charitable donation receipts, etc, for three to seven years. You should keep regular statements and pay stubs for one year. Once the timeframe for these documents has passed, make sure to properly dispose of paper documents in a cross-cut shredder.

time), it has been above 30 (see the red line on the chart) indicating heightened fear among investors. There is a stark difference in forward returns when fear is high:

S&P 500 average forward price returns from 1-1-1990 through 1-31-2022	6-Month Return	1-Year Return
All 8000+ trading days	4.8%	9.8%
The 9% of the trading days the VIX was above 30	13.4%	23.3%

Source: Chicago Board of Options Exchange, Innovative Portfolios, LLC

As you can see in the table, when the **FEAR INDEX** is high, the S&P 500 has advanced over 2X as much over 6 and 12 months than it has over all 6- and 12-month periods. More than double the return is significant (maybe why Warren Buffett is a greedy buyer when fear is high).

Even more impressive is, in the 6 months after those high VIX readings, the S&P 500 gained 85% of the time, or 90% of the time in 1 year. Forward returns were high, but also the likelihood of getting a positive return was very high too. If OJ's lawyer, Johnnie Cochran, were defending the VIX he might proclaim, "When the VIX is high, it's time to buy!"

Portfolio Updates

There is a lot vying for your attention: the Ukrainian war, inflation, the Fed, stock market volatility, falling bond prices, crypto-noise, never-ending Covid, supply chain problems, and political nonsense. Soon, in the ramp-up to the November election, we will be able to enjoy election advertisements and nutty tweets!

The first quarter was rough on most financial asset prices. Growth stocks took the biggest hit but broad-based stock indices, fixed income, conservative stocks, and REITs all fell in price. Inflation sensitive groups did well, but for the most part many of those companies are poor long-term investments.



Source: LA Sentinel

Bulls of the Dow

The ten lowest "downside risk" stocks from the thirty Dow stocks was our shining star in Q1 (lost the least).

IntelliBuild Growth™

33 growth stocks. The portfolio characteristics are solid, but prices went down double-digits. Tough year for growth stocks, so far. We are looking for a good earnings season for ours and are still hopeful on eventual price recovery.

Outlier Growth

33 stocks with very large, institutional buy-side volume, plus growth attributes, strong technicals, and good downside risk scores. All good, but prices are beat up. Maybe a bargain now.

Covered Call

Income from call option premium, income from dividends, and maybe capital appreciation. Each account hand-sculpted. What's not to like?

Real Estate Income and Growth

The stock market may be the only place you can buy property cheap these days. This offers a VERY compelling value and high dividend yield vs. most bonds or stocks, in our opinion.

Preferred Income

Preferreds have been on sale for a few months and we believe preferreds should be bought. Like now. Right now. Well, only if you like income.

Put Income and Index Income Overlay

The strategy objective is to manufacture cash-flow in exchange for the investor accepting some additional volatility. **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 gains over the short-term.**

Put Income - Given the tough market and the heightened volatility, the fact we have been able to sneak out a teeny little positive gross realized gain has surprised us, in a good way. Often, sour markets mean sour gains, but Q1 ended OK.

Index Income - The goal is to manufacture cash from volatility over a long period of time; additional cash in an account. Period. In Q1, we had positive cash-flow and total return even though the market was negative! A nice start to the year.

INNOVATIVE portfolios® Performance[^]

Style (as of 3/31/2022)	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year	
Fixed Income	Preferred Income Gross	(5.97)	(2.15)	4.49	3.92	5.01	
	Preferred Income Net	(6.28)	(3.37)	3.21	2.64	3.72	
Growth & Income	Covered Call Income Gross	(2.58)	9.32	14.19	10.22	9.31	
	Covered Call Income Net	(2.89)	7.98	12.79	8.86	7.96	
	Dividend Growth & Income Gross	(5.23)	12.12	14.24	12.60	11.78	
	Dividend Growth & Income Net	(5.54)	10.74	12.85	11.22	10.40	
	Real Estate Income & Growth Gross	(5.88)	26.00	13.00	-	-	
	Real Estate Income & Growth Net	(6.20)	24.48	11.63	-	-	
Growth	IntelliBuild® Growth Gross	(13.95)	5.42	17.01	14.42	-	
	IntelliBuild® Growth Net	(14.25)	4.11	15.58	13.03	-	
	Bulls of the Dow Gross	(2.28)	11.86	12.09	16.81	-	
	Bulls of the Dow Net	(2.59)	10.48	10.71	15.39	-	
	Outlier Growth Gross ¹	(13.51)	3.64	¹ 11/1/2020 inception. Short-term returns may be unreliable vs. long-term.			
	Outlier Growth Net ¹	(13.82)	2.35				
Option Overlay**	Index Income - Cash Flow Gross*	1.41	7.13	7.08	5.98	-	
	Index Income - Cash Flow Net*	1.10	5.88	5.83	4.73	-	
	Index Income Total Return Gross	0.83	6.56	5.98	5.13	-	
	Index Income Total Return Net	0.52	5.31	4.73	3.88	-	

Index Returns	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Large-Cap	S&P 500®	(4.60)	15.65	18.92	15.99	14.64
30 Giant Stocks	Dow Jones Industrial Average	(4.10)	7.11	12.57	13.40	12.77
Mid-Cap	S&P MidCap 400	(4.88)	4.59	14.14	11.10	12.20
Covered Calls	CBOE S&P 500 BuyWrite	0.83	14.89	8.57	7.17	7.10
Fixed Income	Bloomberg Barclays US Aggregate Bond	(5.93)	(4.15)	1.69	2.14	2.24

Sheaff Brock® Performance[^]

Style (as of 3/31/2022)	(Annual) (%)	Year to Date	2021	2020	2019	2018
Option Overlay	Put Income - Realized Gain Gross ⁺	0.05	12.01	0.78	8.50	2.98
	Put Income - Realized Gain Net ⁺	(0.27)	10.76	(0.47)	7.25	1.73

⁺ 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	2021	2020	2019	2018
Large-Cap	S&P 500®	(4.60)	28.71	18.39	31.49	(4.39)

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.

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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)