Sheaff Brock.

Innovative Portfolios for Intelligent Investors®

FA 100 CNBC 2021

2020 & 2021: CNBC Top 100 Financial Advisors in America

Market Update
October 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 gross 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 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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Check this out ⇒

> "Politics: "Poli" a Latin word meaning "many" and "tics" meaning "bloodsucking creatures"."
>
> Robin Williams

Like most third quarters, 2021's third quarter was lame-o for the U.S. stock market. No doubt political fighting and never-ending-Covid news will dominate the fourth quarter, but the stock market may ignore it. Historically, the stock market has been the strongest in the fourth quarter. Maybe it's the holidays, maybe it's from a turkey high, or maybe it's a self-fulfilling prophesy, but whatever reason the stock market has usually been quite strong as the year closes out. In the last 20 years, according to Bespoke Investment Group (BIG), the Dow Jones Industrials gained 4.5% in the fourth quarter vs. a cumulative 1.2% gain in the first three quarters *combined*.

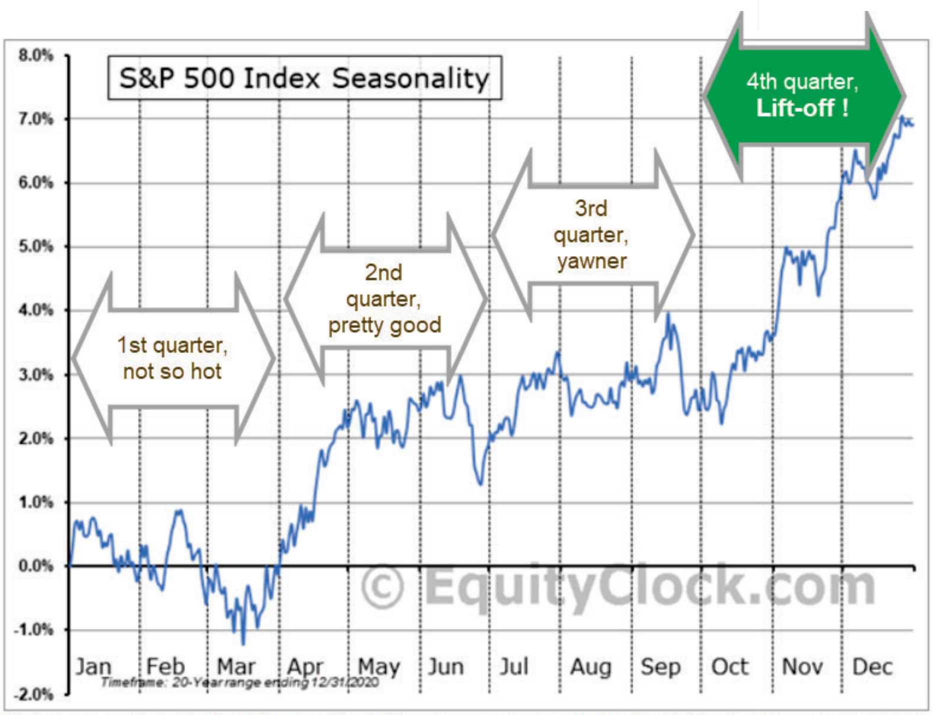
The fourth quarter – like the end of sporting events – is often where the drama lies. Similarly, the third quarter is where the doldrums often occur, making the fourth quarter's performance all the more refreshing. Below is a chart showing the S&P 500 return during a typical year. Often, a first quarter correction is followed by a decent second quarter recovery, then by a flat third quarter, and finally a very good fourth quarter.

In the table to the right you can see the average fourth quarter since 1990 has returned 4.7%, and the market has gone up 81% of the time. Interestingly, most of the bad fourth quarters were in election years, surrounding either mid-term or regular elections. The right hand column strips out the election years, showing that the stock market finished Q4 in a sour mood only once in a non-election year . Besides screwing up policy and laws, it appears politicians screw up the stock market too!

Besides going up more often in non-election years, the S&P 500 also had a higher return. In fact, non-election years' average return of 6.59% is over 2X more than the average election year of 2.93%. Since 2021 is a non-election year, the economic reopening is continuing, consumers are still spending, politicians are doing more arguing than legislating, and Covid cases/deaths seem to be slowing, 2021 could close out with a very strong stock market. Get your popcorn, it might be a good show.

Year	Q4 Return	Q4 Non-election years
1990	7.90%	
1991	7.54%	7.54%
1992	4.29%	
1993	1.64%	1.64%
1994	-0.74%	
1995	5.39%	5.39%
1996	7.77%	
1997	2.44%	2.44%
1998	20.86%	
1999	14.54%	14.54%
2000	-8.09%	
2001	10.29%	10.29%
2002	7.92%	
2003	11.64%	11.64%
2004	8.73%	
2005	1.59%	1.59%
2006	6.17%	
2007	-3.82%	-3.82%
2008	-22.56%	
2009	5.49%	5.49%
2010	10.20%	
2011	11.15%	11.15%
2012	-1.01%	
2013	9.92%	9.92%
2014	4.39%	
2015	6.45%	6.45%
2016	3.25%	
2017	6.12%	6.12%
2018	-13.97%	
2019	8.53%	8.53%
2020	11.69%	
2021	?	?
Average Gain	4.70%	6.59%
Percentage Positive	81%	93%

Source: Yahoo Finance, S&P 500 price return.



Market seasonality in the first 20 years of the 21st century reveals an explosive Fourth Quarter. These numbers imply a gain of 2.5% through September 30 followed by a 4.4% gain in the fourth quarter and +7% overall. (Equity Clock)

CNBC | Financial Advisor 100 **2020 & 2021**

We're pretty stoked that <u>again</u> CNBC named Sheaff Brock as one of the top 100 financial advisors in America.

Unlike a lot of these lists, we did not pay to be listed, and only 0.3% of advisors made the cut. Here is how they pick them: This analysis started with an initial list of 38,302 RIA firms. Through a process, the list was eventually cut to 749 RIAs, those firms meeting CNBC's proprietary criteria culled from the firm's filings with the Securities and Exchange Commission. Weighted categories further ranked the firms, ultimately creating the list of the top 100. Data points included: SEC compliance, years in the business, number of employees, ratio of professionals to total employees, assets under management, total accounts under management, number of states where the RIA is registered, country of domicile. Please read the full disclosure on page 1.

Portfolio Updates

There are a lot of concerns: China's debt shenanigans, China's flexing of their military muscles, inflation, supply chain problems, oil prices, natural gas supplies, employment, unemployment, political gridlock, ugly school board meetings, holiday gatherings potentially paused, etc. Oh, and there is also market volatility and a pandemic still going on.

These concerns, plus untold others, are rippling through markets and causing volatility in U.S. stock markets. Don't fear volatility, but instead consider it the price of admission to higher long-term returns on your equity or option portfolio.

Stock markets are overdue for a correction and you might expect a –10% haircut in the S&P 500. Market pullbacks can be unnerving, but have happened about 100 times since I started in this business, and none have destroyed clients' wealth who have a long-term outlook. For our equity portfolios, our focus on avoiding stocks with high "downside risk" characteristics should serve us well through any choppiness, and additional volatility can be beneficial to our option overlays. Some people are unnerved by volatility while others welcome it. It's like the old golf saying, "Every putt makes somebody happy." Through Q3, our portfolios delivered solid results (see flipside). Highlights follow:

Dividend Growth & Income

Dividend payers, dividend raisers, and growing companies are what we buy and own. There have been no new purchases since last month's letter. Once we get through earnings season we'll reevaluate. We are happy with the portfolio's blend, earnings and dividend growth rates, and fundamentals. The composite's return of 14.9% through September beat both the two popular indices that many ETFs track, Dividend Achievers (+10.3%) and Dividend Aristocrats (+12.8%).

Bulls of the Dow

Ten stocks with the best "downside risk" scores from the thirty Dow Jones Industrials (DJIA). The October rebalance had Dow, IBM, and Proctor and Gamble come back in.

IntelliBuilD Growth™

33 positions, growth stocks from *Investor's Business Daily*'s lists. Penske Auto (PAG) joined the portfolio in September. As of Q3 the composite is competitive (see back).

Outlier Growth

Stocks with very large buy-side volume over previous months, then filtered by growth and downside-risk scores. It's an eclectic blend of big and small companies. Holdings have good fundamentals, technicals, and recent unusually high volume.

Covered Call

We exclusively buy individual stocks with low downside risk scores, sell calls on them, and hope to get called out. This becomes a consistent forced portfolio refresh. It has worked well. The proof is in the pudding on the flipside.

Real Estate Income and Growth

In 2021, REITs have been as hot as a ticket to a Harry Styles concert. At +22.1%, this was our best year-to-date performing portfolio through September. Income + diversification + "they ain't making any more of it" = our REIT portfolio.

Preferred Income

Preferred stocks have just kept paying dividends. Nothing's guaranteed, but our portfolio's 5% dividend yield paid during the last 12 months sounded like cha-ching, ching, ching, ching, ching, ching, ching, ching, ching, ching, ching. Preferreds still offer quality income potential, in our opinion.

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 - Through September at +11.6%, 2021 is by far our best year ever for Put Income. Currently, market volatility has faded a bit which may suppress put premiums, cash-flow, and realized gains in Q4. Regardless, 2021 has been solid.

Index Income - The goal is to manufacture cash from volatility over a long period of time; additional cash in an account over-and-above other returns earned by the underlying account. Think of it as stacking two returns into one portfolio. Over the last 5-years we've annually added over 4% net-of-fees cash-flow to accounts by selling credit spreads on the S&P 500 index. The last 12 months have been pretty easy, sort of like a pro golfer putting from 3 feet, but when the inevitable market pullback comes we'll just work harder and sharpen our aim.

INNOVATIVE portfolios® Performance^

Style (as of 9/30/2021)	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Fixed Income	**Preferred Income** Gross	2.93	8.78	6.96	5.14	6.33
	Preferred Income Net	1.97	7.43	5.66	3.85	5.03
Growth & Income	**Covered Call Income** Gross	12.75	26.42	10.08	10.91	11.59
	Covered Call Income Net	11.71	24.85	8.73	9.54	10.22
	Dividend Growth & Income Gross	15.99	35.11	10.86	13.78	13.41
	Dividend Growth & Income Net	14.94	33.45	9.51	12.39	12.02
	Real Estate Income & Growth Gross	23.17	41.16	12.32	-	-
	Real Estate Income & Growth Net	22.07	39.46	10.97	-	-
Growth	**IntelliBuilD® Growth** Gross	16.25	33.76	16.69	18.08	-
	IntelliBuilD® Growth Net	15.19	32.11	15.28	16.65	-
	Bulls of the Dow Gross	8.67	14.66	11.57	17.64	-
	Bulls of the Dow Net	7.67	13.23	10.20	16.20	-
	Outlier Growth Gross[1]	16.31	[1]11/1/2020 inception. Short-term returns may be unreliable vs. long-term.			
	Outlier Growth Net[1]	15.24				
Option Overlay	**Index Income - Cash Flow** Gross*	5.77	8.99	6.53	5.62	-
	Index Income - Cash Flow Net*	4.79	7.64	5.21	4.31	-
	Index Income Total Return Gross	4.61	8.22	4.26	4.07	-
	Index Income Total Return Net	3.63	6.88	2.98	2.79	-

Index Returns	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Large-Cap	S&P 500®	15.92	30.00	15.99	16.90	16.63
30 Giant Stocks	Dow Jones Industrial Average	12.12	24.15	11.00	15.68	14.72
Mid-Cap	S&P MidCap 400	15.52	43.68	11.08	12.97	14.72
Covered Calls	CBOE S&P 500 BuyWrite	12.61	21.10	4.15	6.95	8.42
Fixed Income	Bloomberg Barclays US Aggregate Bond	(1.55)	(0.90)	5.36	2.94	3.01

Sheaff Brock® Performance^

Style (as of 9/30/2021)	(Annual) (%)	Year to Date	2020	2019	2018	2017
Option Overlay	**Put Income - Realized Gain** Gross*	11.64	0.78	8.50	2.98	6.90
	Put Income - Realized Gain Net*	10.70	(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®	15.92	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.

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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)*