



**Sheaff Brock**®

**Innovative Portfolios for Intelligent Investors**®



**Market Update**

**November 2021**

## 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. 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.

info@sheaffbrock.com

866.575.5700

Indianapolis, Indiana 46240

Suite 100

8801 River Crossing Blvd.



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

"I don't mind going back to daylight saving time. With inflation, the hour will be the only thing I've saved all year."  
Victor Borge

*The New York Times*  
**This Year's Thanksgiving Feast Will Wallop the Wallet**  
Nearly every ingredient, from the turkey to the after-dinner coffee, is expected to cost more, for a host of reasons.

**Inflation Rate Of 6.2% Marks A 31-Year High**

**Gas prices rise to highest level since 2014**

In November of 1978, Dan Aykroyd opened *Saturday Night Live* by playing Jimmy Carter telling the nation to not be scared of inflation, but instead to believe:



NBC Universal Media, SNL

*"Inflation is our friend. In the year 2000, if current trends continue, the average blue-collar annual wage in this country will be \$568,000. Think what this inflated world of the future will mean - most Americans will be millionaires! Everyone will feel like a bigshot! Wouldn't you like to own a \$4,000 suit, and smoke a \$75 cigar, drive a \$600,000 car? I know I would!*

*We'll just print more money! Sure, all these dollars will cause even more inflation, but who cares? Everyone will be rich! Since this revolutionary new approach welcomes inflation, our economy will be free to grow, and we can spend, spend, spend!"*

Forty-three years have passed since then, and until recently, there has been little concern about inflation. But 2021, a lot of hand-ringing, as year-over-year inflation numbers, whether sticky or not, are now concerning. Consider the following as of 10/31/21:

- Home prices: +20% **Year over Year**
- Rents: +15% **YoY**
- Meat/Fish/Eggs: +10% **YoY**
- PPI: +8.6% **YoY**
- CPI: +5.4% **YoY**
- Core PCE: +3.5% **YoY**
- PCE: +4.3% **YoY**

Core PCE is the Fed's preferred measure of inflation

The typical, scary "inflation hedge" advertisements are popping up everywhere. The gold and silver bugs, "private" real estate promoters, cryptocurrency folks, commodities peddlers, and even the doomsday canned food nut-jobs are making a pitch for your wallet.

But, have gold and commodities been good investments in the past when inflation has been high? Has the stock market been a hedge against rising prices? To answer the questions we used nearly five decades of monthly data from Bloomberg, and for each incremental CPI percentage bracket, plotted the returns of gold, commodities, and the S&P 500 for a trailing two year period. We started with 1973 for two reasons. First, it encompasses the high-inflation years of the 70s and early 80s. Second, it removes the gold price abnormalities during the years when gold was regulated and fixed at \$35/ounce.

First let's examine a commodity index, which using conventional wisdom, should be a good hedge.

Over the two years (far right column), putting money into commodities earned a single-digit return. The only decent period was when CPI inflation was above 5%. Not good overall.

Commodities Return				
After Various CPI Readings 1973-2021				
CPI Range	Number of Months CPI was in this Range	BCI Year #1 Price Return	BCI Year #2 Price Return	BCI Price Return Over 2 Years
0% to 1%	21	-1.1%	7.9%	<b>6.7%</b>
1% to 2%	99	0.6%	6.1%	<b>6.8%</b>
2% to 3%	136	5.2%	0.0%	<b>5.2%</b>
3% to 4%	112	0.9%	2.8%	<b>3.6%</b>
4% to 5%	56	-2.2%	1.9%	<b>0.0%</b>
>5%	132	6.5%	10.6%	<b>17.8%</b>

Source: Bloomberg, Innovative Portfolios, LLC, Tom Kaiser CFA, BCI is Bloomberg Commodity Index price return

Next month we'll get back to financial planning tips, but for now, one last horn-toot:

### CNBC names Sheaff Brock as one of the top 100 financial advisors in America



Technically, that was two toots. But, we're happy to be recognized again as one of the top 100. The 2021 selection process started with over 38,000 firms, a process eventually cut the list to 749 RIAs, those firms meeting CNBC's criteria culled from the firm's filings with the SEC, and then further winnowed to 100. [Please read the full disclosure on page 1.](#)

Now look at gold, the darling of the old-school inflation fearing crowd. Gold's 2-year returns trounced commodities in every inflation bracket; not even a contest. It's like comparing a Gold Medal to a participation trophy.

Over long periods, gold has been a lousy investment (see video on our website - Market Shorts tab). But, over 2-year bursts gold has been OK, especially after 5%+ time periods, like today.

Gold Return				
After Various CPI Readings 1973-2021				
CPI Range	Number of Months CPI was in this Range	Gold Year #1 Price Return	Gold Year #2 Price Return	Gold Price Return Over 2 Years
0% to 1%	21	11.1%	22.3%	<b>35.9%</b>
1% to 2%	99	6.9%	9.9%	<b>17.6%</b>
2% to 3%	136	5.5%	10.2%	<b>16.3%</b>
3% to 4%	112	7.1%	16.5%	<b>24.7%</b>
4% to 5%	56	-0.2%	9.6%	<b>9.4%</b>
>5%	132	18.2%	35.3%	<b>60.0%</b>

Source: Bloomberg, Innovative Portfolios, LLC, Tom Kaiser CFA, Gold is spot gold price return

How about the U.S. stock market, has it been a good inflation hedge? Interestingly, the stock market has been the best of the bunch 5 out of 6 times. In every bracket, except when the CPI was over 5%, stocks were the winner (green highlights). The only period when gold shined more was when inflation was over 5%.

S&P 500 Return				
After Various CPI Readings 1973-2021				
CPI Range	Number of Months CPI was in this Range	S&P 500 Year #1 Price Return	S&P 500 Year #2 Price Return	S&P 500 Price Return Over 2 Years
0% to 1%	21	12.4%	29.9%	<b>46.1%</b>
1% to 2%	99	12.4%	22.9%	<b>38.2%</b>
2% to 3%	136	10.1%	20.6%	<b>32.8%</b>
3% to 4%	112	7.6%	17.8%	<b>25.1%</b>
4% to 5%	56	4.9%	18.5%	<b>17.2%</b>
>5%	132	6.7%	15.2%	<b>23.0%</b>

Source: Bloomberg, Innovative Portfolios, LLC, Tom Kaiser CFA, S&P 500 is price return only not including dividends

### Portfolio Updates

Kind of out of room since I spent too much space yammering about inflation. October was generally good for stocks and made up for a lousy September. A few highlights follow:

#### Dividend Growth & Income

Dividend payers, dividend raisers, and growing companies. Recent addition was Penske Auto Group (PAG). Penske owns over 300 auto dealerships in the U.S. and U.K., pays a nice dividend and has low downside risk attributes. Clients in the strategy are having a good year (see back).

#### Bulls of the Dow

Ten stocks with the best "downside risk" scores from the thirty Dow Jones Industrials (DJIA). Nothing new to report.

#### IntelliBuild Growth™

33 positions, growth stocks with strong fundamentals and technical strength. Gartner (IT) is the most recent addition.

#### Outlier Growth

33 stocks with very large, institutional buy-side volume over previous months, then filtered by growth and downside-risk scores. Last month, NVIDIA (NVDA) and Horizon Therapeutics (HZNP) joined the portfolio.

#### Covered Call

Nothing fancy; buy stocks, sell calls, and hope we're called. Maybe fancy like Applebee's on a date night with a Bourbon Street steak and an Oreo shake.

#### Real Estate Income and Growth

Numero uno of our offerings YTD. Inflation anyone?

#### Preferred Income

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. 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** - Double digit returns YTD added to your otherwise invested account. As Seth says, "It's a beautiful thing."

**Index Income** - The goal is to manufacture cash from volatility over a long period of time; additional cash in an account. It's working really well year-to-date and making campers happy.

#### Commodities



Thumbs down

#### Gold



One thumb up

#### Stocks



Two thumbs up

## INNOVATIVE portfolios® Performance<sup>^</sup>

Style (as of 10/31/2021)	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year	
<b>Fixed Income</b>	<b>Preferred Income</b> Gross	3.55	8.23	7.46	5.37	6.20	
	<b>Preferred Income</b> Net	2.26	6.88	6.15	4.07	4.90	
<b>Growth &amp; Income</b>	<b>Covered Call Income</b> Gross	17.21	33.90	14.80	12.02	10.15	
	<b>Covered Call Income</b> Net	15.78	32.26	13.40	10.64	8.79	
	<b>Dividend Growth &amp; Income</b> Gross	21.06	43.57	15.22	15.22	13.02	
	<b>Dividend Growth &amp; Income</b> Net	19.60	41.83	13.83	13.82	11.63	
	<b>Real Estate Income &amp; Growth</b> Gross	34.08	55.91	16.29	-	-	
	<b>Real Estate Income &amp; Growth</b> Net	32.50	54.08	14.90	-	-	
<b>Growth</b>	<b>IntelliBuild® Growth</b> Gross	25.24	47.28	23.31	20.63	-	
	<b>IntelliBuild® Growth</b> Net	23.73	45.51	21.83	19.18	-	
	<b>Bulls of the Dow</b> Gross	11.42	23.04	13.86	18.86	-	
	<b>Bulls of the Dow</b> Net	10.05	21.54	12.47	17.41	-	
	<b>Outlier Growth</b> Gross <sup>1</sup>	27.72	44.42	¹11/1/2020 inception. Short-term returns may be unreliable vs. long-term.			
	<b>Outlier Growth</b> Net <sup>1</sup>	26.19	42.42				
<b>Option Overlay</b>	<b>Index Income - Cash Flow</b> Gross*	6.49	8.54	6.64	5.68	-	
	<b>Index Income - Cash Flow</b> Net*	5.17	7.20	5.32	4.37	-	
	<b>Index Income Total Return</b> Gross	6.56	10.87	5.46	4.47	-	
	<b>Index Income Total Return</b> Net	5.24	9.50	4.17	3.18	-	

Index Returns	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
<b>Large-Cap</b>	S&P 500®	24.04	42.91	21.48	18.93	16.21
<b>30 Giant Stocks</b>	Dow Jones Industrial Average	18.77	37.73	15.09	17.21	14.32
<b>Mid-Cap</b>	S&P MidCap 400	22.32	48.90	17.07	14.89	13.90
<b>Covered Calls</b>	CBOE S&P 500 BuyWrite	17.87	31.55	7.74	7.88	7.88
<b>Fixed Income</b>	Bloomberg Barclays US Aggregate Bond	(1.58)	(0.48)	5.63	3.10	3.00

## Sheaff Brock® Performance<sup>^</sup>

Style (as of 10/31/2021)	(Annual) (%)	Year to Date	2020	2019	2018	2017
<b>Option Overlay</b>	<b>Put Income - Realized Gain</b> Gross*	11.91	0.78	8.50	2.98	6.90
	<b>Put Income - Realized Gain</b> Net*	10.66	(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
<b>Large-Cap</b>	S&P 500®	24.04	18.40	31.49	(4.38)	21.83

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

<sup>^</sup>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)