



Sheaff Brock

Innovative Portfolios for Intelligent Investors



Market Update

December 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.

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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.

“They that won’t be counseled, can’t be helped.”
Ben Franklin

IN THIS ISSUE:

- ◆ Stock market. What to expect going forward.
- ◆ Midterm election years and volatility.
- ◆ Portfolio updates.

Large U.S. stocks have enjoyed 3 years in a row of strong, double-digit returns. As of today, the S&P 500 index returned:

- 31.5% in 2019
- 18.4% in 2020
- 25.1% in 2021 as of 12/9/2021

Compounded, that string equals a 95% gain, which is a strong 3-year run! These returns, coupled with meme stocks, free commissions, and mobile phone trading has ushered in a new breed of investors, many of whose experience has encompassed the stock market mostly only going one way. Up. Even the pandemic driven sell-off was short-lived. Making money in the stock market? Nothing to it. Easy-peasy, right?

Most of us know it’s not that easy. The last three years is one thing, but the stock market has had a solid run for over a dozen years, after hitting bottom during the Great Recession. However, during those dozen years the S&P 500 has suffered some whopper corrections:

Peak	Trough	Drawdown
4/23/2010	7/2/2010	-16.0%
4/29/2011	10/3/2011	-19.4%
11/3/2015	2/11/2016	-13.3%
1/26/2018	2/8/2018	-10.2%
9/20/2018	12/24/2018	-19.8%
2/19/2020	3/23/2020	-33.9%

Source: Bloomberg

Interestingly, five of the six whoppers occurred during an election year, either a midterm year or a general election year.

As it turns out according to Strategas, the second year of a president’s term, the midterm election year, has historically been the most volatile of the four years served during a president’s term. Apparently, politicians have a way of making investors nervous. Hard to imagine.

The bar chart on the next page shows the biggest market drawdown in every midterm year (red bars) since 1950, and then what the market did in the next 12-months following the correction (blue bars). Here are some observations:

- There has been a correction every year, and most midterm years see double-digit-percentage hits.
- The average **midterm year correction** was **-17%**.
- The 12-month forward return off the low, **the rebound**, has, at **+32.5%**, averaged almost 2X more than the average correction.
- Every rebound except one (1978) was greater than the drawdown that preceded it.

What might the S&P 500 look like if 2022 rhymes with past midterm years? See a picture here:

Using the same percentages, the Dow Industrials could drop to 30,000 and then rally to 39,600.

Here are three things you need to do in 2022:

1. Expect a correction.
2. Stay invested, or better yet add more in a downturn.
3. Vote.

Portfolio Updates

Not much room left, but since you’re probably reading this in the new year, commentary on performance through November isn’t as relevant anyway. Old news. Not fake, just old.

Dividend Growth & Income

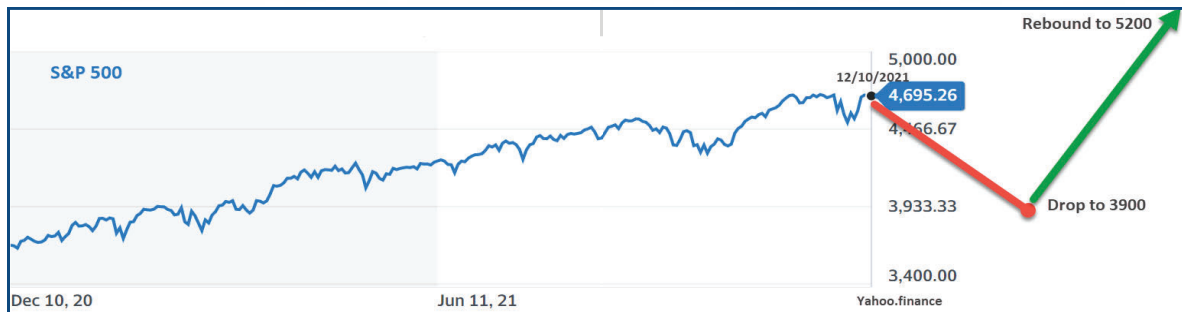
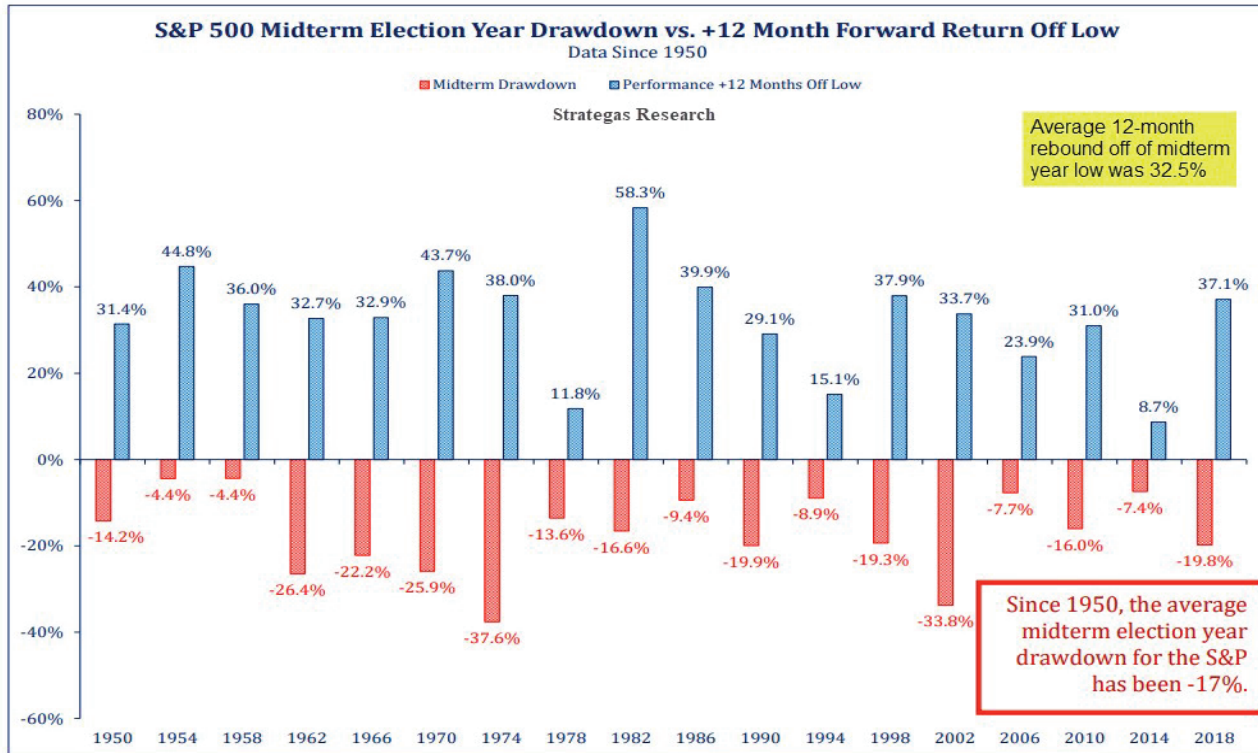
Dividend payers and dividend raisers are having a good year. As of 12/13/21, we are fully invested in 33 stocks which have an average dividend yield of over 2.4% and have average “street” target prices 13% above their current price. Between the dividends and the potential appreciation there could be more gas in the tank.

Bulls of the Dow

The ten lowest “downside risk” stocks from the thirty Dow Jones Industrials (DJIA) weren't too bullish in 2021.

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:

- 2022 brings changes to tables used by those taking required minimum distributions (RMDs) from tax-deferred accounts. These changes will ultimately require smaller RMDs, resulting in less taxation and hopefully longer lasting account balances!
- With the new year, make sure you adjust your retirement plan contributions to allow for the increase in the contribution limit. The 401(k) elective deferral is increasing to \$20,500 in 2021 and the catch-up contribution for those over age 50 is increasing to \$6,500. That's an additional \$1,000 - \$1,500 in 2022 that you can save towards your retirement!



IntelliBuild Growth™

33 growth stocks. Looking for growth, nothing but growth. Lattice Semiconductor (LSCC) was added in early December.

Outlier Growth

33 stocks with very large, institutional buy-side volume over previous months, plus growth attributes, strong technicals, and good downside risk scores = Outlier Growth, or O.G. 33.

Covered Call

Nothing fancy; buy stocks, sell calls, and hope we're called. It's been another solid year.

Real Estate Income and Growth

Head of the class of our offerings YTD. Inflation seems to be working some magic in the real estate world.

Preferred Income

Preferreds still offer quality income potential, in our opinion. Preferreds may be the best fixed income offering going.

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. It's been a really good year.

Index Income - The goal is to manufacture cash from volatility over a long period of time; additional cash in an account. Likewise, a really good year. Pressure is on for a solid 2022.

INNOVATIVE portfolios® Performance[^]

Style (as of 11/30/2021)	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year	
Fixed Income	Preferred Income Gross	1.33	3.74	7.63	5.68	6.12	
	Preferred Income Net	0.07	2.44	6.32	4.39	4.82	
Growth & Income	Covered Call Income Gross	15.64	18.93	13.07	10.89	10.25	
	Covered Call Income Net	14.23	17.48	11.70	9.53	8.89	
	Dividend Growth & Income Gross	21.56	26.65	14.55	14.22	13.10	
	Dividend Growth & Income Net	20.09	25.12	13.17	12.83	11.72	
	Real Estate Income & Growth Gross	32.63	37.63	13.87	-	-	
	Real Estate Income & Growth Net	31.07	36.01	12.51	-	-	
Growth	IntelliBuild® Growth Gross	26.60	31.34	23.41	19.21	-	
	IntelliBuild® Growth Net	25.08	29.76	21.94	17.77	-	
	Bulls of the Dow Gross	9.01	11.96	11.30	17.38	-	
	Bulls of the Dow Net	7.68	10.59	9.94	15.95	-	
	Outlier Growth Gross ¹	26.60	33.03	¹ 11/1/2020 inception. Short-term returns may be unreliable vs. long-term.			
	Outlier Growth Net ¹	25.08	31.43				
Option Overlay	Index Income - Cash Flow Gross*	7.02	7.90	6.69	5.69	-	
	Index Income - Cash Flow Net*	5.70	6.56	5.37	4.38	-	
	Index Income Total Return Gross	6.16	6.97	4.86	4.21	-	
	Index Income Total Return Net	4.84	5.64	3.58	2.92	-	

Index Returns	(Average Annual) (%)	Year to Date	1 Year	3 Year	5 Year	10 Year
Large-Cap	S&P 500®	23.18	27.92	20.38	17.90	16.16
30 Giant Stocks	Dow Jones Industrial Average	14.61	18.52	12.95	15.05	13.78
Mid-Cap	S&P MidCap 400	18.73	26.47	14.73	12.46	13.60
Covered Calls	CBOE S&P 500 BuyWrite	16.10	18.16	6.41	7.06	7.47
Fixed Income	Bloomberg Barclays US Aggregate Bond	(1.29)	(1.15)	5.52	3.65	3.04

Sheaff Brock® Performance[^]

Style (as of 11/30/2021)	(Annual) (%)	Year to Date	2020	2019	2018	2017
Option Overlay	Put Income - Realized Gain Gross*	12.10	0.78	8.50	2.98	6.90
	Put Income - Realized Gain Net*	10.85	(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®	23.18	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)