

# Index Income Overlay

as of June 30, 2024

## OBJECTIVE

The investment objective of Index Income seeks positive monthly cash flow from option premiums on top of an otherwise-invested portfolio. The strategy employs a long-term, time-decay, premium-capture put credit spread on the S&P 500 or similarly situated exchange-traded funds (ETFs).

TOTAL RETURN (%)						Inception Date: 7/1/2016
Average (Annual)	2024 YTD	1-Year	3-Year	5-Year	Inception	
Index Income, Gross	2.01	4.28	2.76	4.06	4.13	
Index Income, Net	1.38	3.03	1.51	2.81	2.88	
S&P 500	15.29	24.56	10.01	15.05	14.73	

Data quoted represents past performance, which is no guarantee of future results.

Effective December 2020 Innovative Portfolios, LLC ("IP") was hired as the subadvisor for the composite. Performance after January 1, 2021 occurred while the investment management team was affiliated with IP. The same investment management team has managed the composite since its inception, and the investment process has not changed. After January 1, 2021, Sheaff Brock Investment Advisors, LLC performance has been linked to performance earned at IP.

## PORTFOLIO CONSTRUCTION

### 1ST | Universe

S&P 500 ETF or Index options.

### 2ND | Evaluate

Consider current market conditions and expected volatility measures to determine proper entry points for put credit spreads.

### 3RD | Execute

Sell a short out-of-the-money put option typically 3-5% below current levels of the S&P 500, while simultaneously purchasing a long out-of-the-money put option, typically 15% below the short put option strike price at the same expiration, which creates a put credit spread.

CASH FLOW YIELD (%)						Inception Date: 7/1/2016
Average (Annual)	2024 YTD	1-Year	3-Year	5-Year	Inception	
Index Income, Gross	2.14	3.87	3.97	5.27	5.13	
Index Income, Net	1.51	2.62	2.72	4.02	3.88	
S&P 500	15.29	24.56	10.01	15.05	14.73	

Data quoted represents past performance, which is no guarantee of future results.

ANNUAL CASH FLOW YIELD (%)										Inception Date: 7/1/2016
Average (Annual)	2016 <sup>A</sup>	2017	2018	2019	2020	2021	2022	2023	2024 YTD	
Index Income, Gross	2.90	4.80	3.65	6.54	7.36	7.75	3.43	2.44	2.14	
Index Income, Net	2.28	3.55	2.40	5.29	6.11	6.50	2.18	1.19	1.51	
S&P 500	7.83	21.83	(4.38)	31.49	18.40	28.71	(18.11)	26.29	15.29	

<sup>A</sup>For the period 7/1/2016 -12/31/2016

## PORTFOLIO MANAGERS

**Tom Kaiser, CFA, CPA**  
Portfolio Manager  
Research Analyst  
Industry since 2010

**Nathan Harshman**  
Senior Equity &  
Derivatives Trader  
Industry since 2007

**Dave Gilreath, CFP®**  
Managing Director  
Chief Investment Officer  
Industry since 1981

## STRATEGY HIGHLIGHTS

Seeks cash flow in exchange for additional market volatility in existing portfolio.

Targets additional income alongside dividends and interest.

The purchase of a long put as part of the spread limits downside risk.

Underlying portfolio can be managed by us or the client.

## CONSIDERATIONS & RISKS

If both put options expire worthless, the maximum gain is the net credit received when initiating the position.

Each option transaction produces tax consequences for U.S. taxpayers. Gains and losses can be long-term and short-term in nature.

Sharp stock market correction to the downside may cause unrealized loss on the put credit spread.

Short equity options carry assignment risk which can result in a realized loss.

Shares of underlying securities run the risk of being sold if the option(s) is exercised or the need arises to close a losing position.

Positions may be bought back for a gain or loss and rolled out in the future to create a new spread. This may occur outside of the normal systematic strategy execution and may require a spread larger than 15%.

In a strong market decline where the buyback involves an in the money (i.e. an option with a strike price less than the current level of the benchmark index) option, and volatility levels have increased, there may be a "debit" roll, whereby the cash needed to close out the option position exceeds the new sale's proceeds.

If the underlying collateral of the account drastically decreases in value, the margin requirements carried by the options may force us to close options that cannot be rewritten at that time, potentially resulting in realized losses.

## COMPANY PROFILE

- Founded 11/2/2001
- Principals: David S. Gilreath, CFP®, and Ron Brock
- \$1.3 billion total assets under management (as of 6/30/2024)

## ADDITIONAL STRATEGIES

### GROWTH

- Bulls of the Dow
- IntelliBuild® Growth
- Outlier Growth

### GROWTH & INCOME

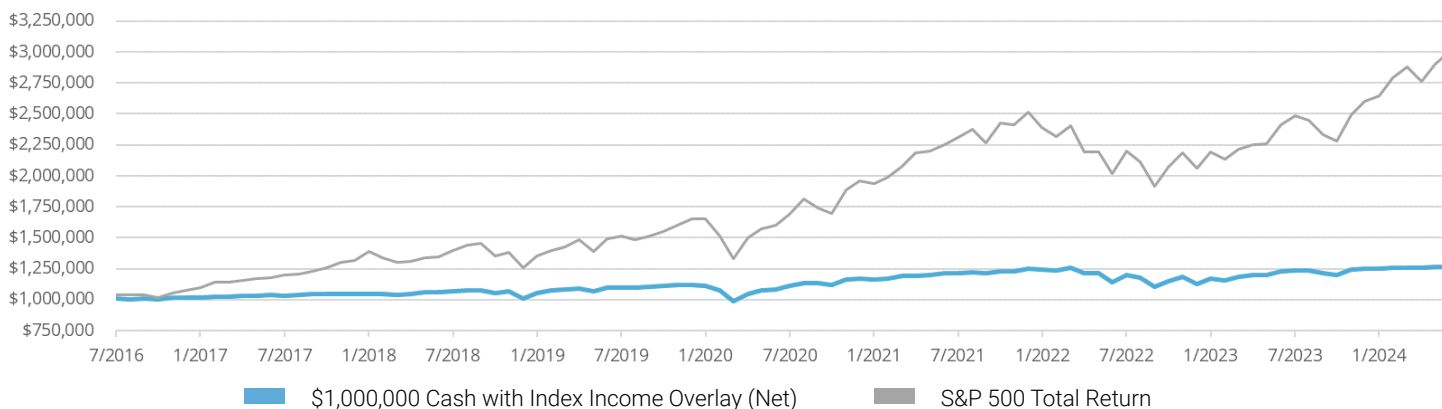
- Covered Call Income
- Dividend Growth & Income
- Real Estate Income & Growth

### FIXED INCOME

- Preferred Income

### OPTION OVERLAY

- Index Income Overlay



**Intended Audience** The presentation above reflects hypothetical performance that is intended for all clients or prospective clients of Sheaff Brock. This performance is to illustrate (visually) the return of the Index Income strategy over time, and the volatility of the market and of the strategy. The Index Income strategy is presented with the S&P 500 Index as a market indicator. **Criteria Used and Assumptions Made in Calculating Hypothetical Performance** The criteria and assumptions of the above hypothetical performance are as follows: The firm has begun the hypothetical performance with an initial investment of \$1 million which will be used as collateral to employ the option overlay strategy. For the presented time periods, the firm has calculated the growth amounts by adding or subtracting the net total return for the same time period.

**Risks and Limitations of Using Hypothetical Performance in Making Investment Decisions** The above performance is hypothetical in nature and does not reflect the performance of a single investor or investors with Sheaff Brock. There are inherent limitations to hypothetical performance. The hypothetical performance may differ from an actual portfolio in that it does not reflect the impact that material economic conditions and market factors would have had on the firm's decision making on individual clients, or the impact of timing of actual client cash flows into or out of an actual portfolio. Results do not reflect the volatility in the underlying collateral of the investor which can impact the employment of the Index Income strategy. Hypothetical past performance is no guarantee of future results.

**Organization:** Sheaff Brock Investment Advisors, LLC ("SBIA"), established in 2001, is registered as an investment advisor with the Securities and Exchange Commission. SBIA is wholly owned by Sheaff Brock Capital Management, LLC ("SBCM").

Effective December 2020 Innovative Portfolios, LLC ("IP"), an SEC registered investment advisor and wholly owned subsidiary of SBCM, was hired as the subadvisor for the composite. Performance after January 1, 2021 occurred while the investment management team was affiliated with IP. The same investment management team has managed the composite since its inception, and the investment process has not changed. Performance after January 1, 2021 has been linked to performance earned at IP. IP policies for valuing investments and calculating performance are available upon request.

**Description:** The Index Income Composite includes portfolios where a client's marginable collateral (whether managed by SBIA or the client) is used to invest in three put credit spread trades on the S&P 500. The investment objective of the composite is income. Composite performance is calculated on overlay exposure which is the notional value of the strategy being managed. The performance does not include income or appreciation/depreciation from the underlying collateral. The Index Income composite consists of fully discretionary portfolios, including those accounts no longer with the firm. Although the put credit spreads are sold against the S&P 500, the intent is not to earn returns similar to the S&P 500, but instead attempt to profit from the volatility of the S&P 500. Although there is no applicable benchmark because the composite seeks an absolute return based only upon the volatility of the S&P 500, for comparison purposes the composite is measured against the S&P 500 Index as a market indicator. The Composite inception date is July 1, 2016.

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. 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, applied the first month of each quarter. Actual advisory fees incurred by clients may vary.

The S&P 500 Index is a market value weighted index comprised of 500 of the largest publicly traded U.S. companies. The material differences between an S&P 500 index and the composite performance are as follows: the total return from an index is derived from price appreciation/depreciation plus the reinvestment of dividends and the performance from the composite is derived from the option premium credit received only, there is not participation in the appreciation/depreciation or dividends of the 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. There can be no assurances that a composite will match or outperform any particular benchmark.

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). Cash flow yield 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, applied the first month of each quarter.

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 strategy 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. 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 herein.

Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future performance, nor is it intended to speak to any future time periods. The information and data in the composite overview does not constitute legal, tax, accounting, investment, or other professional advice. The information provided in the composite overview should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in the composite at the time you receive the composite overview or that securities sold have not been repurchased. The securities discussed may not represent the entire portfolio. 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.

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