

# Preferred Income

as of December 31, 2023



Innovative Portfolios for Intelligent Investors®

## OBJECTIVE

The Preferred Income strategy seeks current income as its primary objective. The portfolio invests in a wide variety of preferred stocks that display high, steady, and consistent income.

PERFORMANCE (%)		Inception Date: 10/1/2011				
Average (Annual)	2023 YTD	1-Year	3-Year	5-Year	10-Year	
Preferred Income, Gross	10.94	10.94	(0.78)	3.98	4.84	
Preferred Income, Net	9.59	9.59	(2.01)	2.70	3.55	
ICE BofA Core+ Fixed Rate Preferred Index	9.62	9.62	(3.54)	2.50	4.42	

## STRATEGY HIGHLIGHTS

Seeks potential income from higher-yielding preferred stocks and capital securities, some of which may be U.S. tax-advantaged.

Active management to potentially exploit inefficiencies such as credit quality, interest rate structure and call risk.

Diversification from traditional equity and fixed income strategies.

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

## PORTFOLIO CONSTRUCTION

### 1ST | Macro Outlook

Develop views about the economy, markets, and interest rates.

### 2ND | Screen

Filter retail and institutional for yield, duration, liquidity, credit quality, and coupon structure.

### 3RD | Decision

Select 25-30 stocks from the screened holdings based on pricing and attractive opportunities which can include undervalued sectors and/or companies. Positions are reviewed regularly.

## TOP 10 HOLDINGS<sup>3</sup> (%)

Ford Motor Company Pfd 6.20% Ser. B	2.69
Air Lease Corp Pfd 6.15% Ser. A	2.65
GM Financial Co Inc Pfd 5.70% Ser. C	2.62
Athene Holding Ltd Pfd 6.35% Ser. A	2.58
Vornado Realty Trust Pfd 5.25% Ser. N	2.56
JP Morgan Pfd 6.00% Ser. R	2.42
Citigroup Pfd 5.95% Ser. P	2.41
Enstar Group Pfd 7.00% Ser. D	2.39
iShares Preferred & Income Securities ETF	2.39
American Eq. Invst. Life Pfd 6.625% Ser. B	2.35

## SECTOR ALLOCATION<sup>3</sup> (%)

Financials - Banking	39.9
Financials - Insurance	17.4
Financials - Financial Services	10.1
Consumer Discretionary	6.7
Real Estate	6.6
Utilities	4.5
Financials - Consumer Finance	3.7
Communications	2.9
Other	2.8
Financials - Commercial Finance	2.8
Industrials	1.7
Consumer Staples	0.9

## CURRENT YIELD<sup>1</sup> (%)

Preferred Income, Gross	5.90
Preferred Income, Net	4.65
ICE BofA Core+ Fixed Rate Preferred Index	5.37

## ISSUER CREDIT BREAKDOWN<sup>2</sup>

Credit Quality (%)	Weight (%)
AA	10.4
A	33.3
BBB	35.3
BB	6.3
B	0.2
NR	9.3
Cash & Equivalents	5.2

Holdings and portfolio weights are subject to change without notice. Portfolio holdings are provided for informational purposes only and should not be deemed as a recommendation to buy, sell or hold any security.

## PORTFOLIO MANAGERS

### JR Humphreys, CFA, CAIA

Senior Portfolio Manager  
Industry since 1990

### Tom Kaiser, CFA, CPA

Portfolio Manager, Research Analyst  
Industry since 2010

## COMPANY PROFILE

- Founded 11/2/2001
- Principals: David S. Gilreath, CFP®, and Ron Brock
- \$1.4 billion total assets under management (as of 12/31/2023)

## 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

# Disclosures

**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"), a 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 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 Preferred Income Composite invests in approximately 25-30 U.S. preferred equity positions. The investment objective of the composite is income. The Preferred Income Composite consists of fully discretionary portfolios, including those accounts no longer with the firm. For comparison purposes the composite is measured against the ICE BofA Core Plus Fixed Rate Preferred Securites Index. The Composite inception date is October 1, 2011.

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

The benchmark is the ICE BofA Core Plus Fixed Rate Preferred Securites Index, an index designed to track the performance of fixed rate U.S. dollar-denominated preferred securities issued in the U.S. domestic market with a rating of at least B3 and an investment-grade country risk profile, is used subsequently. An index should only be compared with a mandate that has a similar investment objective. 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.

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. 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.

<sup>1</sup> Current yield is calculated by dividing the annual income (dividends and interest) by the current price of the preferred security. Current yield is presented gross-of-fees and net-of-fees. Net-of-fees is calculated by deducting the highest annual management fee of 1.25% from the gross yield. The current yield is based on average-weighted composite holdings as of 12/31/2023. Current yield does not account for any realized or unrealized gain/loss on the holdings in the composite. Current yield is a measurement at a point in time which may differ significantly in the future based upon the holdings in the composite, the price of the securities and the actual income paid.

<sup>2</sup> Issuer credit ratings represent the issuer's overall credit creditworthiness and financial strength and not the issue rating which refers to specific financial obligations and considers ranking in the capital structure. Ratings shown are the highest rating given by one of the following national rating agencies: S&P, Moody's, Fitch, DBRS or AM Best. Credit ratings are subject to change. AAA, AA, A and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. Holdings designated NR are not rated by these national rating agencies.

<sup>3</sup> Portfolio characteristics are computed based on SBIA composite subadvised by IP.

**866.575.5700**

**sheaffbrock.com**

info@sheaffbrock.com



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8801 River Crossing Boulevard, Suite 100 | Indianapolis, Indiana 46240