

“Don’t worry about what the markets are going to do, worry about what you are going to do in response to the markets.”

Michael Carr

On social media it seems a lot of people pine for the “good old days”. This week I was reminded how much better off most people are today vs. yesteryear when I read:

Women Couldn’t Have Their Own Credit Cards Until 1974

As late as the mid-1970s, women were put through a demeaning gauntlet when applying for a credit card. Married women were only issued cards under their husband’s name, and single women needed a male family member to act as co-signer. Even if a woman was able to make payments on her sole income, she could still be denied credit, effectively crippling her financial prospects. In a major step toward gender equality, the Supreme Court ruled in 1971 that assigning more financial power to men than women simply on the basis of sex was unconstitutional, violating the Equal Protection Clause of the 14th Amendment. The case laid the groundwork for the Equal Credit Opportunity Act passed in 1974, which stated that people could not be denied credit based on gender, religion, or race.

<https://historyfacts.com/science-industry/article/the-rise-of-plastic-a-history-of-credit-cards/>

Pretty wild. I don’t remember that, but why would I since I’m a guy? My grandkids think 1974 was ancient history, but many of you reading probably think otherwise.

Once again, we are just starting a Presidential election year. Woo-hoo! This is the 5th election since we started Sheaff Brock in 2001 and our 10th election year since Ron and I have been in the investment business. Every election year seems to give some of our clients the willies, a few times clients were so concerned that they needlessly liquidated stock market positions to avoid the inevitable collapse they “knew” was around the corner if their favorite candidate didn’t get elected.

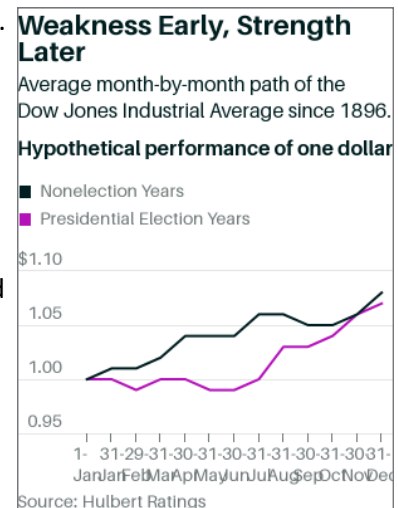
In past election years, the S&P 500 Index has seen more positive performance than negative. In the next column is a table showing S&P 500 Index performance during presidential election years. Interestingly, the vast majority of those years provided positive gains for stocks. In fact since the end of WWII, only 2 election years had negative results, 2000 and 2008. I would argue those downturns were caused by the Dot-Com bust and Great Financial Crisis more than election results.

So, I would bet that 2024 would follow precedent and be a

positive year for the S&P 500.

Even if the stock market is decent in 2024, don’t expect a smooth, easy year. Historically in election years, the stock market has a weak and choppy first half followed by a better-than-average second half, as shown by the purple line.

One common thread during EVERY election year is the occurrence of a market correction (column of red numbers below). About half of the time the pullback was a mild, single-digit haircut, but the other half were double-digit spankings. The two most turbulent years were 1980, Reagan/Carter, and 2020, Trump/Biden, with almost 50% swings! Could be a bumpy 2024; might want to tug on your seatbelt.



S&P 500 Index - Presidential Election Years					
Year	Beginning Index Price	Year Low	Maximum Annual Correction	Year Close	Total Return %
2020	3,217.86	2,237.40	-30.47%	3,756.07	18.40%
2016	2,094.65	1,829.08	-12.68%	2,238.83	11.96%
2012	1,379.61	1,277.06	-7.43%	1,426.19	16.00%
2008	1,220.04	752.44	-38.33%	903.25	-37.00%
2004	1,130.65	1,063.23	-5.96%	1,211.92	10.88%
2000	1,427.22	1,264.74	-11.38%	1,320.28	-9.10%
1996	670.49	598.48	-10.74%	740.74	22.96%
1992	415.75	394.5	-5.11%	435.71	7.62%
1988	265.88	242.63	-8.74%	277.72	16.61%
1984	160.46	147.82	-7.88%	167.24	6.27%
1980	118.71	98.22	-17.26%	135.76	32.42%
1976	102.04	90.9	-10.92%	107.46	23.84%
1972	109.13	101.67	-6.84%	118.05	18.98%
1968	98.38	87.72	-10.84%	103.86	11.06%
1964	81.37	75.43	-7.30%	84.75	16.48%
1960	55.85	52.2	-6.54%	58.11	0.47%
1956	46.64	43.11	-7.57%	46.67	6.56%
1952	24.45	23.09	-5.56%	26.57	18.37%
1948	15.51	13.84	-10.77%	15.2	5.50%
Average Annual			-11.70%	10.44%	

Total Return includes dividends. Source: <https://www.macrotrends.net/2526/sp-500-historical-annual-returns>, slickcharts.com

Financial Planning Tip! *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. Tip for this month:*

With the custodian change in 2023, you could receive a Form 1099 from each custodian. Also, 1099s sometimes get revised, so please be patient as 1099s are released.

Portfolio Updates

New all-time highs! On Friday the 19th after a little more than two years, the S&P 500 finally took out the highs from January 2022, 746 days after the previous high.

This bear market felt nasty in 2022 when the S&P 500 was down over 25%, but it was fairly run-of-the-mill when compared with the biggest downturns over the past 70+ years. The average bear market since 1950 has seen a drawdown of 35%, and more than 1100 days to go from the prior peak to new all-time highs. **Most of the time new highs are followed by more new highs.** The average one, three, five and ten year total returns *following* new highs were +16%, +27%, +59% and +206%, respectively. Staying the course works.

You can't beat the market! Wait, what? It's considered gospel that investors can't beat the market, or the benchmark they are measured against. On January 8th Lipper reported, *"A look at the results of the performance of the 13,938 actively managed funds versus their benchmarks shows that active managers failed to deliver added value, since in 2023 only 34% delivered an outperformance, while 66% underperformed their respective fund manager benchmarks."* By the way, typically only about one-third beat, so 2023 was a very average year. A day later Morningstar wrote, *"...year after year in aggregate, active managers persistently fail to outperform."*

Sheaff Brock/Innovative Portfolios has seven separate account strategies and two option overlays we manage for clients. In 2023, 5 out of our 7 equity strategies beat their benchmarks on a gross-of-fee basis and 4 of 7 net-of-max-fees. Our batting average was about twice as good as the Lipper numbers. Over the last five years we had 5 out of 7 beat on a net basis, and you've got to admit there was a helluva-lot going on during those five years. And this doesn't include the option overlays where any incremental gain is additive and better than zero. See for yourself. Flip the page. There's more than that too which you can see at www.innovativeportfolios.com.

Dividend Growth & Income

Dividend payers and raisers. Beat benchmark over 1-year, 5-years, and since inception net-of-fees. We waited to rejigger the portfolio until 2024 in order to push gains into the new tax year. This month, we swapped a couple of long-term positions for newbies.

Bulls of the Dow

Beat benchmark over 10-years and since inception net-of-fees. Ten of the Dow Jones Industrials, rebalanced quarterly. There were four changes in January. Out with the old...

IntelliBuild Growth™

33 growth stocks from IBD 50 and William O'Neil lists. Beat benchmark over 1-year and 5-years net-of-fees. Growth stocks had a good 2023. Two positions changed this month.

Outlier Growth

33 growth stocks with unusually high institutional buy-side volume. Beat benchmark over 1-year net-of-fees.

Covered Call

MVP in the performance derby! A solid December allowed this to beat its benchmark over every period, 1-year, 3-, 5-, 10-years, and since inception net-of-fees. Dang!

Real Estate Income and Growth

Beat benchmark over 5-years and since inception net-of-fees. REITs are very out of favor now, historically anyway.

Preferred Income

Beat benchmark over 3-years and 5-years net-of-fees. Preferreds are also very out of favor now, historically anyway.

Put Income and Index Income Overlay

*The strategy objective is to manufacture cash-flow in exchange for the investor accepting some additional volatility. **Option overlay products are ± additive in return to other investments held in an account,** and may not be appropriate for all investors. Realized gains and losses can be inconsistent. These are long-term strategies and may not produce gains over the short-term. Remember, we aren't tax advisers. So, if you have specific tax concerns you'd best call your own tax person.*

Put Income - After 2022's worst year ever, 2023 turned out to be the best year we've ever had for realized gains. Put Income has worked over the long-run but can be a moody beast from year-to-year. Super moody at times.

Index Income - Goal = manufacture cash-flow from volatility over a long period of time. Simple, but not easy. After two years of fast-dancing, the market's record high has provided breathing room allowing positions to go out-of-the-money. Similar to Put Income, after 2022's worst year ever, 2023 turned out to be the best year we've had since 2019 for total return. Interestingly though, cash-flow was not good. Rolling in-the-money with a low VIX was a chore. Moody beast too.

INNOVATIVE portfolios® Performance

Style (as of 12/31/2023)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception
Fixed Income	Preferred Income Gross	10/1/2011	10.94	10.94	(0.78)	3.98	4.84	4.69
	Preferred Income Net	10/1/2011	9.59	9.59	(2.01)	2.70	3.55	3.40
	Benchmark ICE BofA Core+ Fixed Rate Pfd Index		9.62	9.62	(3.54)	2.50	4.42	5.06
Growth & Income	Covered Call Income Gross	9/1/2010	15.02	15.02	7.99	11.68	7.67	8.95
	Covered Call Income Net	9/1/2010	13.61	13.61	6.67	10.32	6.34	7.62
	Benchmark CBOE S&P 500 BuyWrite Index		11.82	11.82	6.09	6.08	5.58	6.71
	Dividend Growth & Income Gross	7/1/2005	17.67	17.67	11.44	13.56	9.19	9.24
	Dividend Growth & Income Net	7/1/2005	16.21	16.21	10.08	12.17	7.85	7.90
	Benchmark Dow Jones U.S. Select Dividend Index		1.53	1.53	11.16	10.05	9.26	7.89
	Real Estate Income & Growth Gross	5/1/2017	10.02	10.02	7.66	8.89	-	6.48
Real Estate Income & Growth Net	5/1/2017	8.68	8.68	6.36	7.57	-	5.18	
Benchmark Dow Jones U.S. Select REIT Index		13.96	13.96	7.18	6.12	-	4.54	
Growth	IntelliBuild® Growth Gross	10/1/2013	28.76	28.76	10.58	17.47	10.99	11.93
	IntelliBuild® Growth Net	10/1/2013	27.17	27.17	9.22	16.05	9.62	10.55
	Benchmark S&P 500® Index		26.29	26.29	10.00	15.69	12.03	12.82
	Bulls of the Dow Gross	2/1/2013	15.51	15.51	9.07	12.39	12.62	13.86
	Bulls of the Dow Net	2/1/2013	14.08	14.08	7.74	11.02	11.23	12.46
	Benchmark Dow Jones Industrial Average Index		16.18	16.18	9.38	12.47	11.08	12.16
	Outlier Growth Gross	11/1/2020	37.49	37.49	7.10	-	-	10.93
	Outlier Growth Net	11/1/2020	35.79	35.79	5.77	-	-	9.56
Benchmark Russell 3000 Index		25.96	25.96	8.54	-	-	13.63	
Option Overlay*	Index Income - Cash Flow Gross**	7/1/2016	2.44	2.44	4.54	5.50	-	5.18
	Index Income - Cash Flow Net**	7/1/2016	1.19	1.19	3.29	4.25	-	3.93
	Index Income Total Return Gross	7/1/2016	11.15	11.55	3.36	5.41	-	4.14
	Index Income Total Return Net	7/1/2016	10.30	10.30	2.11	4.16	-	2.89
	Market Indicator S&P 500® Index		26.29	26.29	10.00	15.69	-	13.61

Sheaff Brock® Performance

Style (as of 12/31/2023)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception**
Option Overlay^	Put Income - Realized Gain Gross^	11/1/2016	14.17	14.17	5.05	4.55	-	4.52
	Put Income - Realized Gain Net^	11/1/2016	12.92	12.92	3.80	3.30	-	3.27
	Market Indicator S&P 500® Index		26.29	26.29	10.00	15.69	-	13.97

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

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 all the composites except Put Income. 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. 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. Composite performance consists of fully discretionary portfolios, including those accounts no longer with the firm.

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.

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(Continued from page 3) completeness of any material contained therein. The statements and opinions reflect the judgment of the firm, and along with the information from third-party sources and calculations, are made on the date hereof and are subject to change without notice. SBIA does not assume liability for any loss that may result from reliance by any person upon any material in this Newsletter.

Benchmark Indexes: *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. *Dow Jones Industrial Average (DJIA)* is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. *Dow Jones U.S. Select Dividend Index* is an index of the leading 100 U.S. stocks by dividend yield, subject to screens for dividend-per-share growth rate, dividend payout ratio and average daily trading volume. *Dow Jones U.S. Select REIT Index* is an index designed to track the performance of publicly traded REITs and REIT-like securities and serve as a proxy for direct real estate investments, in part by excluding companies whose performance may be driven by factors other than the value of real estate. *ICE BofA Core Plus Fixed Rate Preferred Securities Index* is 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. *Russell 3000* is a market-capitalization-weighted equity index that provides exposure to the entire U.S. stock market, tracking 3,000 of the largest U.S. traded stocks. *S&P 500 Index* is a market value weighted index comprised of 500 of the largest publicly traded U.S. companies. *S&P U.S. Preferred Stock Index* is an index designed to measure the performance of the U.S. preferred stock market and consists of U.S. preferred stocks with a market capitalization greater than \$100 million and a maturity of at least one year or longer.

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.

+Inception represents a blended benchmark which consists of S&P U.S. Preferred Stock Index prior to April 1, 2012 and the ICE BofA Core Plus Fixed Rate Preferred Securities Index thereafter. *Composite performance is calculated on overlay exposure, which is the notional value of the strategy being managed. Performance presented are arithmetic returns and do not include income (dividends/interest) or appreciation/depreciation from the underlying collateral. **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). ^Realized gain/loss returns are arithmetic returns calculated on the realized gains/losses on the sale of put options divided by the average account value for the period. ^^Effective October 31, 2016, Put Income was managed by SBIA and as such, the returns reflect performance from that period forward.

The 2023 CNBC Financial Advisor 100 (ranked 10th, 9/12/23), 2022 CNBC Financial Advisor 100 (ranked 68th, 10/4/22), 2021 CNBC Financial Advisor 100 (ranked 82nd, 10/6/21) & the 2020 CNBC Financial Advisor 100 (ranked 95th, 10/6/20) 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 40,646 RIA firms for 2023, 39,818 RIA firms for 2022, 38,302 for 2021 and 37,369 for 2020 from the Securities and Exchange Commission regulatory database. AccuPoint screened the list down to 812 RIAs for 2023, 904 RIAs for 2022, 749 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 regulatory/compliance record, number of years in the business, number of certified financial planners, 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.