Sheaff Brock®

Innovative Portfolios for Intelligent Investors®

FA 100 CNBC 2022

Market Update
April 2023

3-Year Recipient: CNBC Top 100 Financial Advisors in America

(Continued from page 4) 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 2022 CNBC Financial Advisor 100 (10/4/22) 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 39,818 RIA firms for 2022 from the Securities and Exchange Commission regulatory database. AccuPoint screened the list down to 904 RIAs 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.

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"Don't worry about the world coming to an end today. It is already tomorrow in Australia."
Charles M. Schulz

Americans love to worry. We must love it because we spend so much time doing it. Today, two big worries bubbling up (which bubble up repeatedly) are first, a coming recession, and second, fears of the U.S. dollar losing its place as the reserve currency of the world.

Recession. Yes, a recession is coming. Why? Because a recession is always coming. Shown below are all eleven recessions in the last seven decades, which equates to about a recession every six-or-so years. Recessions are a normal function of a capitalist market, and if the economy is OK today, that means a recession is probably coming...sometime. Because of their own policies, the Fed said a recession could happen later this year. Even so, that doesn't mean the stock market will suffer. The table shows stocks performed worse before a recession than they did during a recession. Almost half the time stocks went up too. Counterintuitive? No, because stocks are priced on their *forward* earnings expectations while economic data is *backward* looking. In the periods after a recession, stocks did quite well the vast majority of the time.

Through Q1, the S&P 500 is down about 8% in the last year, over 2X worse than the average 12 months before a recession. Maybe the "recession" bear market is behind us. Better days could be ahead since in the year or two after recessions, stocks have usually done very well. Regardless, remember that making stock market decisions based on economic data is like driving a car while only looking in the rearview mirror.

Thank you Jared Lee at Sheaff Brock for this information.

How Do Stocks Perform Around Recessions?

On average, stocks performed worse 1 year before a recession than during a recession. In the 2 years following a recession, price returns were positive 82% of the time.

Recession Start	Length (Years)	During Recession	6M Before	12M Before	6M After	12M After	2Y After
7/31/1953	0.83	18%	-6%	-3%	17%	30%	55%
8/31/1957	0.67	-4%	5%	-5%	18%	33%	25%
4/30/1960	0.83	17%	-5%	-6%	7%	10%	1%
12/31/1969	0.92	-5%	-6%	-11%	14%	8%	34%
11/30/1973	1.33	-13%	-9%	-18%	1%	23%	18%
1/31/1980	0.50	7%	10%	14%	6%	8%	-12%
7/31/1981	1.33	6%	1%	8%	-19%	20%	18%
7/31/1990	0.67	5%	8%	3%	3%	8%	20%
3/31/2001	0.67	-2%	-19%	-23%	-6%	-18%	-7%
12/31/2007	1.50	-37%	-2%	4%	21%	12%	44%
2/29/2020	0.17	-1%	1%	6%	12%	44%	?
Average Return		-1%	-2%	-3%	7%	16%	20%
% Positive Return Periods		45%	45%	45%	82%	91%	82%

Cumulative price return of the S&P 500 during past recessions. Past performance is not indicative of future returns.

Table: Darrow Wealth Management • Source: YCharts; Nber • Created with Datawrapper

Remember, in the coming weeks Sheaff Brock may be reaching out to discuss a new third-party firm (a custodian) to hold your accounts and provide trading. In addition to TD Ameritrade, which has now changed to Schwab, we will soon be offering Fidelity as a custodian to our clients. In the last newsletter we detailed some reasons for this. More choice is good.

Stay tuned!

Fidelity

<u>The U.S. dollar</u> has been the dominant currency for global trade for about 100 years. Prior to the U.S., the dominant status was held by Great Britain in the 1800's, France in the 1700's, Netherlands in the 1600's, and Spain in the 1500's.

Despite what the fearmongers on TV say, the table below tells me the American dominance hasn't changed much in the last quarter-century.

Composition of foreign exchange reserves

	2022	2002	1995
US dollar	58.36%	66.50%	58.96%
Euro (until 1999 - ECU)	20.47%	23.65%	8.53%
Japanese yen	5.51%	4.94%	6.77%
Pound sterling	4.95%	2.92%	2.11%
Chinese renminbi	2.69%		
Canadian dollar	2.38%		
Australian dollar	1.96%		
Swiss franc	0.23%	0.41%	0.33%
Other currencies	3.45%	1.58%	4.87%

Source: IMF

The Economist (a British magazine often critical of the U.S.) this week wrote in "Riding High" that "*America's dominance of the rich world is startling. Today it accounts for 58% of the G7's GDP, compared with 40% in 1990. Average incomes have grown much faster than in western Europe or Japan. Adjusted for purchasing power, they exceed $50,000 in Mississippi, America's poorest state—higher than in France. American firms own more than a fifth of patents registered abroad, more than China and Germany put together. All of the five biggest corporate sources of research and development (R&D) are American; in the past year they have spent $200 billion. Investors who put $100 into the S&P 500 in 1990 would have more than $2,000 today, four times what they would have earned had they invested elsewhere in the rich world.*"

Even with all our worrisome problems, the U.S. is the best house in the global neighborhood. This is one of the reasons we only invest in American companies. Apple pie, Mmmm.

<u>Portfolio Updates</u>

In Q1, growth stocks were strong, value stocks struggled, and bank stocks headed the wrong way. Half of the S&P 500's Q1 gains came from 3 stocks, AAPL, MSFT, and NVDA.

Dividend Growth & Income
Our dividend stocks performed well in Q1. After earnings we will likely reinvest the rest of the funds we parked in the ETF from our end-of-year tax harvesting.

Bulls of the Dow
The Bulls have started a bit slow as value stocks stumbled in Q1. Long-term still is solid.

IntelliBuilD Growth™ and Outlier Growth
33 growth stocks in each portfolio. These two are our standouts and as of Q1 both ahead of their benchmarks. We only buy stocks with lower downside risk (according to our research), so we're happy with performance so far in 2023.

Covered Call
After a tough February, the covered call accounts regained their footing. Our accounts have more "value" names than the index, but still finished the quarter in OK shape.

Real Estate Income and Growth
REITs are still suffering from pandemic hangover. Some parts are strong (apartments), and some very weak (office). Rising interest rates haven't helped. Value here? We think so.

Preferred Income
Bank woes took the wind out of the preferred stock sails in March. Prices dipped. If you think the banks' problems are less than feared, this could be a good buying opportunity.

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 - The first three months of 2023 saw gains that almost wiped out 2022's losses. It's a good start, and with a little luck we could be in a better-than-good place soon.

Index Income - Goal = manufacture cash-flow from volatility over a long period of time. That's it. The in-the-money rolling has crimped cash-flow in the last several months. Total return has been good YTD, but cash in the pocket is a better goal. The recent recovery in the S&P 500 might let us to partially get back to the old out-of-the-money days. Come on S&P, get back, get back, get back to where you once belonged.

INNOVATIVE portfolios® Performance

Style (as of 3/31/2023)	(Average Annual) (%)	*Inception Date*	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception
Fixed Income	**Preferred Income** Gross	*10/1/2011*	2.54	(7.58)	3.17	1.64	3.42	4.29
	Preferred Income Net	*10/1/2011*	2.25	(8.71)	1.90	0.39	2.15	3.01
	Benchmark *ICE BofA Core+ Fixed Rate Pfd Index*		4.42	(9.85)	1.12	0.87	3.44	4.96
Growth & Income	**Covered Call Income** Gross	*9/1/2010*	1.87	(6.13)	15.33	7.13	8.02	8.46
	Covered Call Income Net	*9/1/2010*	1.56	(7.26)	13.92	5.82	6.69	7.13
	Benchmark *CBOE S&P 500 BuyWrite Index*		5.95	(6.86)	12.25	4.25	5.83	6.66
	Dividend Growth & Income Gross	*7/1/2005*	2.21	(1.67)	21.99	8.84	10.00	9.40
	Dividend Growth & Income Net	*7/1/2005*	1.90	(2.85)	20.52	7.51	8.65	8.05
	Benchmark *Dow Jones U.S. Select Dividend Index*		(1.82)	(4.58)	21.52	8.54	10.48	10.33
	Real Estate Income & Growth Gross	*5/1/2017*	0.12	(16.62)	14.94	7.38	-	5.63
	Real Estate Income & Growth Net	*5/1/2017*	(0.17)	(17.62)	13.55	6.09	-	4.35
	Benchmark *Dow Jones U.S. Select REIT Index*		2.77	(20.98)	11.32	4.66	-	3.31
Growth	**IntelliBuilD® Growth** Gross	*10/1/2013*	11.75	4.70	24.56	11.82	-	11.25
	IntelliBuilD® Growth Net	*10/1/2013*	11.43	3.46	23.06	10.46	-	9.89
	Benchmark *S&P 500® Index*		7.50	(7.73)	18.60	11.19	-	11.98
	Bulls of the Dow Gross	*2/1/2013*	(0.38)	(3.82)	12.48	10.05	13.02	13.30
	Bulls of the Dow Net	*2/1/2013*	(0.69)	(4.97)	11.11	8.70	11.64	11.91
	Benchmark *Dow Jones Industrial Average Index*		0.93	(1.98)	17.31	9.01	11.15	11.56
	Outlier Growth Gross	*11/1/2020*	9.37	(9.69)	-	-	-	4.22
	Outlier Growth Net	*11/1/2020*	9.04	(10.80)	-	-	-	2.93
	Benchmark *Russell 3000 Index*		7.18	(8.58)	-	-	-	10.59
Option Overlay*	**Index Income - Cash Flow** Gross**	*7/1/2016*	0.24	2.27	5.83	5.50	-	5.43
	Index Income - Cash Flow Net**	*7/1/2016*	(0.07)	1.02	4.58	4.25	-	4.18
	Index Income Total Return Gross	*7/1/2016*	5.26	(4.60)	7.04	3.74	-	3.67
	Index Income Total Return Net	*7/1/2016*	4.94	(5.85)	5.79	2.49	-	2.42
	Market Indicator *S&P 500® Index*		7.50	(7.73)	18.60	11.19	-	12.52

Sheaff Brock® Performance

Style (as of 3/31/2023)	(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*	6.15	(5.58)	4.64	2.82	-	3.79
	Put Income - Realized Gain Net^	*11/1/2016*	5.84	(6.83)	3.39	1.57	-	2.54
	Market Indicator *S&P 500® Index*		7.50	(7.73)	18.60	11.19	-	12.86

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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