

"Diligence is the mother of good luck".  
Ben Franklin

### **Frequency of S&P 500 declines (1928-2023)**

**3% decline - 7 times a year**  
**5% decline - 3 times a year**  
**10% decline - 1 time a year**  
**15% decline - Once every 2 years**  
**20% decline - Once every 3-4 years**

Source: CFRA

As you can see in the box above, declines in the stock market are common. So far in 2024, the S&P 500 has been remarkably calm. Other than the roughly 6% dip in April, and a couple of 2% drops, it has mostly been a rising market giving the S&P 500 a gain of over 15% for the year through 6/20/24.

A closer examination reveals something interesting. Of the 112 trading days thus far in the year, 53 have been negative for the index and 59 have been positive. Day-to-day it's basically a coin flip, and just focusing on the daily win-rate would give the impression that 2024 hasn't been so hot. In reality, 2024 has been a very good year for the index.

Recently, I saw a clip of a Dartmouth graduation speech given by Roger Federer (Google it, it's worth watching). A fascinating part of the speech was this:



*"In tennis, perfection is impossible... In the 1,526 singles matches I played in my career, I won almost 80% of those matches... Now, I have a question for all of you... what percentage of the POINTS do you think I won in those matches?"*

*Only 54%.*

*In other words, even top-ranked tennis players win barely more than half of the points they play. When you lose every second point, on average, you learn not to dwell on every shot.*

*You teach yourself to think: OK, I double-faulted. It's only a point.*

*OK, I came to the net and I got passed again. It's only a point.*

*Even a great shot, an overhead backhand smash that ends up on ESPN's Top Ten Plays: that, too, is just a point. Here's why I am telling you this:*

*When you're playing a point, it is the most important thing in the world. But when it's behind you, it's behind you..."*

Federer won 80% of his matches but only 54% of the points in those matches. It's the magic of consistent compounding.

According to Wikipedia, Federer was ranked world No. 1 in singles for 310 weeks, including a record 237 consecutive weeks, and finished as the year-end No. 1 five times. He won 103 singles titles on the ATP Tour, the second most of all time, including 20 major men's singles titles.

One of the most dominant tennis players of all-time won most of his matches but not always in dominating fashion. It was more like slight advantages over the short-run that compounded through consistency over the long-run.

As we stated above, of the 112 trading days thus far in the year, 53 have been negative for the index and 59 have been positive giving it a 53% win rate. What is really wild is that over the last 75 years the stock market has identical short-term stats as Roger Federer and even better long-term stats! Each point, or trading day, is almost a coin flip. But the small advantage of positive flips compounds into a big advantage.

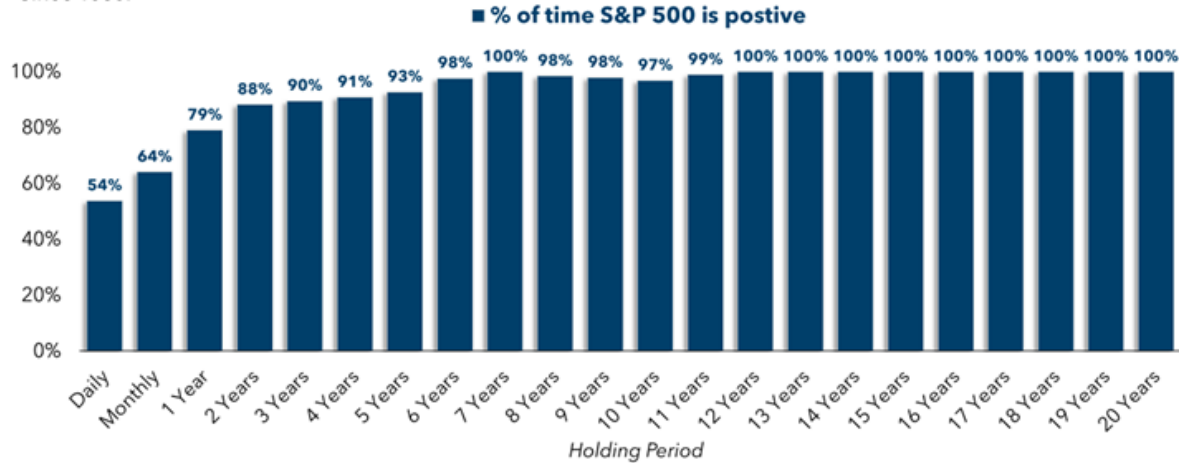
The bar chart on the next page shows the "win rate" of the S&P 500. On a daily basis, 54% of the days have been positive, the exact same as Federer's points win rate. Long-term, over his 20-year career Federer won 80% of his matches, while the stock market has a 100% win rate after a dozen years.

If you read the whole speech he explains how early in his career he would dwell on lost points and get angry. But, he learned to focus on the long-term and forget about the missed past points. And just the same with investing, if you put too much weight on short-term outcomes in the stock market it's hard to be a successful investor. Just like professional tennis, the slight advantages over the short-run compound through consistency over the long-run.

# Win Rate by Holding Period

## Daily, Monthly, and by # of years (Through 20 Years)

Since 1950.



Source: Ritholz Wealth Management, Returns 2.0, YCharts. Total returns with dividends reinvested.

### Portfolio Updates

The economy is slowing by many measures, but the stock market keeps on climbing; a puzzling dichotomy to many. Most of the rise has really been due to less than a handful of tech stocks, most notably Nvidia (NVDA). Since the S&P 500 index performance is skewed by the biggest companies in it, and in 2024 the biggest companies have been on a tear, the index has gained over 15% year-to-date through today. However, the same index with each company weighted equally, which tells us how the “average stock” has done, is only up a bit over 5%. Some people are warning this smells a bit like the late 90’s Dot-Com boom, and that a bust must be lurking nearby. Maybe, but we’d encourage you to stay invested and remember Warren Buffett’s 2021 comment to, “Never bet against America.”

At the opening we mentioned volatility has been low, which is generally good for stocks, but not so hot for option overlays. Overlay clients should hang tight because we experienced similar calm in 2016 and 2017 which preceded a burst of volatility.

### Dividend Growth & Income

Dividends are being raised and the portfolio has done very well. We have about 20% of the portfolio in dividend paying technology stocks.

### Bulls of the Dow

The DJIA hasn’t been as strong as the S&P 500 since the S&P 500 is dominated by big tech stocks and the DJIA isn’t.

### IntelliBuild Growth™

An eclectic blend of growth stocks from IBD 50 and William O’Neil lists. Only 40% of the portfolio is technology, so this year it’s lagging, but still solid long-term. The nascent broadening market could help the other 60% of holdings.

### Outlier Growth

“Boom Baby!” (the Pacer’s radio announcer would yell that every time Reggie Miller hit a 3-pointer). Works here too.

### Covered Call

The rally has allowed more stocks to get called, which is our goal. Call premiums can cushion a downdraft too.

### Real Estate Income and Growth

REITs are very out of favor (historically, anyway). If/when interest rates start falling, good things may happen here.

### Preferred Income

At over 6%, this is the highest yielding portfolio we offer. And most of the income is taxed at the lower dividend/LT capital gain rate. If you want income, what’s not to like?

### 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** - Net-of-fees through May, we have booked as many gains as our average YEAR. June should be strong too. Nobody knows how the year will end, but we’re happy so far.

**Index Income** - Goal = manufacture cash-flow from volatility over a long period of time. It’s a simple concept, but not easy. Through May, cash-flow was about 80% of our long-term average. Given the fact the VIX has been at the lowest level since 2019, we’ll stay the course cautiously running at 60 mph on an unknown road vs. charging ahead at 75 mph into a potential blind turn. Yields are a little low now, but will likely increase. Patience should pay off since a point is just a point.

## INNOVATIVE portfolios® Performance

Style (as of 5/31/2024)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception
Fixed Income	Preferred Income Gross	10/1/2011	5.32	15.03	0.41	3.54	4.21	4.96
	Preferred Income Net	10/1/2011	4.67	13.61	(0.83)	2.27	2.93	3.66
	Benchmark <i>ICE BofA Core+ Fixed Rate Pfd Index*</i>		3.72	9.74	(2.72)	1.25	3.71	5.19
Growth & Income	Covered Call Income Gross	9/1/2010	5.49	20.15	5.43	11.26	7.81	9.09
	Covered Call Income Net	9/1/2010	4.82	18.65	4.14	9.90	6.48	7.74
	Benchmark <i>CBOE S&amp;P 500 BuyWrite Index</i>		5.72	9.26	5.12	6.23	5.61	6.93
	Dividend Growth & Income Gross	7/1/2005	11.89	28.52	10.01	14.70	10.22	9.68
	Dividend Growth & Income Net	7/1/2005	11.18	26.90	8.65	13.29	8.87	8.32
	Benchmark <i>Dow Jones U.S. Select Dividend Index</i>		7.20	19.76	5.02	10.31	9.32	8.11
	Real Estate Income & Growth Gross	5/1/2017	(0.41)	11.46	1.42	5.42	-	6.02
Real Estate Income & Growth Net	5/1/2017	(1.07)	10.04	0.17	4.13	-	4.71	
Benchmark <i>Dow Jones U.S. Select REIT Index</i>		(3.21)	9.62	(0.28)	2.51	-	3.79	
Growth	IntelliBuild® Growth Gross	10/1/2013	6.15	24.35	9.72	15.58	11.31	12.06
	IntelliBuild® Growth Net	10/1/2013	5.47	22.78	8.37	14.17	9.94	10.67
	Benchmark <i>S&amp;P 500® Index</i>		11.30	28.19	9.57	15.80	12.69	13.42
	Bulls of the Dow Gross	2/1/2013	2.49	18.02	6.74	11.69	12.65	13.57
	Bulls of the Dow Net	2/1/2013	1.84	16.54	5.44	10.32	11.27	12.16
	Benchmark <i>Dow Jones Industrial Average Index</i>		3.52	19.97	6.00	11.62	11.25	12.03
	Outlier Growth Gross	11/1/2020	19.20	41.86	10.22	-	-	15.11
	Outlier Growth Net	11/1/2020	18.45	40.10	8.84	-	-	13.65
Benchmark <i>S&amp;P 500® Growth Index<sup>6</sup></i>		15.50	31.77	8.97	-	-	13.98	
Option Overlay*	Index Income - Cash Flow Gross**	7/1/2016	1.73	3.49	4.01	5.30	-	5.13
	Index Income - Cash Flow Net**	7/1/2016	1.10	2.24	2.76	4.05	-	3.87
	Index Income Total Return Gross	7/1/2016	1.65	6.16	2.89	4.43	-	4.13
	Index Income Total Return Net	7/1/2016	1.03	4.91	1.64	3.18	-	2.87
	Market Indicator <i>S&amp;P 500® Index</i>		11.30	28.19	9.57	15.80	-	14.39

## Sheaff Brock® Performance

Style (as of 5/31/2024)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception <sup>AA</sup>
Option Overlay <sup>A</sup>	Put Income - Realized Gain Gross <sup>A</sup>	11/1/2016	4.71	8.08	3.36	4.64	-	4.89
	Put Income - Realized Gain Net <sup>A</sup>	11/1/2016	4.09	6.83	2.11	3.39	-	3.62
	Market Indicator <i>S&amp;P 500® Index</i>		11.30	28.19	9.57	15.80	-	14.76

### 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. *S&P 500* is a market value weighted index comprised of 500 of the largest publicly traded U.S. companies. *S&P 500 Growth* is an index that measures the performance of the large-cap growth sector selected by sales growth, the ratio of earnings change to price, and momentum from the S&P 500. *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.

<sup>9</sup>In March 2024, the benchmark was changed from the Russell 3000 to the S&P 500 Growth for all periods due to availability of the previous index. <sup>†</sup>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. <sup>\*</sup>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. <sup>\*\*</sup>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). <sup>††</sup>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. <sup>†††</sup>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. Sheaff Brock does not pay for applying for the award; however, Sheaff Brock does pay for use of the CNBC Financial Advisor 100 logo. 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.