

Forget artificial intelligence - in the brave new world of big data, it's artificial idiocy we should be looking out for.  
Tom Chatfield

I learned something new today from historyfacts.com.

*In the 1870s, a new era emerged at the world's largest stock market with the arrival of continuous trading. This resulted in a need for a daily signal to open and close the market. The chosen signal was loud and distinct so as to be heard by everyone on the trading floor: a Chinese gong. From the 1870s until 1903, the thunderous disk was ceremoniously struck with a padded hammer to signal the beginning and end of the trading day. However, this particular tradition came to an end. In 1903, the NYSE underwent changes, including moving to its current location at 18 Broad Street and discontinuing the gong, which was replaced by an electrically operated brass bell. Today, the NYSE bells sound twice daily, at the open and the close of trading.*

In 2017 when a Chinese company went public, as a nod to history they brought a gong to ring along with the bell.

I'm guessing in today's political environment the bell is here to stay and will not be replaced by a Chinese gong.



Regarding China, there is a lot of discourse in Congress and the high-tech world about Artificial Intelligence, or "AI". Some think AI will be the greatest boon to mankind, and some feel it may destroy mankind, especially in the hands of nefarious folks. Although, it seems like those have been the opinions of nearly every new invention, from electricity to CRISPR and everything in between, except maybe the Whoopie Cushion.

Like 8-year-old boys, even really bad guys probably think a well placed Whoopie Cushion is hilarious, and mankind isn't threatened a bit.

For fun, I went to the AI site ChatGPT and asked this question: *Does the S&P 500 index rise with corporate earnings growth?* In about 5 seconds I got this sort of boring answer:

*In general, there is a positive correlation between corporate earnings growth and the performance of the S&P 500 index. The S&P 500 includes 500 of the largest publicly traded companies in the United States. As such, the index is influenced by the overall health and profitability of these companies.*

Earnings Drive Stock Prices: When companies report strong earnings growth, it often reflects positive business performance. Investors tend to value stocks based on their expected future earnings. As a company's earnings increase, its stock price may also rise.

Market Sentiment: Positive earnings reports are likely to boost confidence among investors, leading to increased demand for stocks. This demand can contribute to a rising stock market.

Valuation Metrics: Investors often use valuation metrics, such as the price-to-earnings (P/E) ratio, to assess whether stocks are overvalued or undervalued. Earnings growth can help justify higher stock prices, supporting overall market appreciation.

However, other factors also influence stock market movements. Economic indicators, interest rates, geopolitical events, and investor sentiment can all play roles in shaping market trends. Additionally, stock prices are forward-looking, meaning they reflect expectations for future earnings rather than just current performance.

While a positive correlation between corporate earnings growth and the S&P 500 is common, it's not a perfect relationship, and there can be periods of divergence. It's essential for investors to consider many factors and conduct thorough research before making investment decisions.

A decent 230 word write-up for 5 seconds, but also doesn't really say much (told you it was a yawner). To me, the answer is overweighted in "artificial" and an underweighted in "intelligence". Maybe the reason the AI output was sort of milk-toast was because my question, the input, was too vague. Regardless, here is my answer to the same question: *Does the S&P 500 index rise with corporate earnings growth?*

**"HECK YEAH!!** Sentiment, geopolitics, valuation, and the economy all influence prices in the short-term, but over multi-year periods or say a decade, the ONLY thing that drives the S&P 500 higher is rising earnings of the companies in it".

Straight to the point in 39 words. Maybe not all that intelligent

**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:

Give the gift of education. Starting with the 2024-2025 academic year, 529 accounts will no longer impact financial aid eligibility. This is a major incentive for family members, like grandparents, to save for the children in their family. Anyone can gift up to \$17,000 per beneficiary without filing a gift tax return, and the amount doubles for married couples filing jointly. Although there are no federal tax deductions for contributing to a 529 plan, there could be state tax savings. Several states offer tax deductions for residents who contribute to their state-owned 529 plan. Residents in the following nine states may be eligible for a state income tax benefit regardless of which plan they contribute to: Arizona, Arkansas, Kansas, Maine, Minnesota, Missouri, Montana, Ohio, and Pennsylvania.

either, but genuine instead of artificial.

Stocks ultimately don't follow headlines, but instead follow earnings. The most accurate market strategist I've ever followed is Ed Yardeni. His earnings per share for the S&P 500 index and the S&P 500's target price are shown in the table. The last column shows the percentage gain from today's index level of 4600 if those targets were hit.

Year End	S&P 500 Earnings	S&P 500 Target	Potential Percentage Gain
2023	\$225	4600	0%
2024	\$250	5400	17%
2025	\$270	6000	30%

Source: Yardeni Research, Inc. and I/B/E/S data by Refinitiv.

A thirty percent gain over a couple of years would not be a yawner. Here's a chart from another source showing earnings growth expectations reaccelerating.



## Portfolio Updates

Growth stocks have had a really good 2023 while value stocks have been muted. Sheaff Brock has two portfolios tilted toward growth, Outlier Growth and IntelliBuild Growth. The other equity portfolios have more of a value tilt; a tortoise vs. hare, or "slow and steady wins the race" kind of outlook.

## Dividend Growth & Income

Dividend payers and raisers. Although not always the case, our dividend portfolio has performed well this year, especially compared to our benchmark, the Dow Jones Select Dividend Index. We made a couple of changes last month to do some tax loss harvesting, but will push further switcheroos (especially realizing gains) into 2024.

## Bulls of the Dow

Ten of the Dow Jones Industrials. The ten stocks that are the Bulls picked up their pace in November. In January, the beginning of the new quarter, the portfolio will be tweaked again.

## IntelliBuild Growth™

33 growth stocks from IBD 50 and William O'Neil lists. Growth stocks have had a good 2023. The portfolio's growth metrics are strong, but valuations aren't cheap...fair, but not cheap.

## Outlier Growth

33 growth stocks with unusually high institutional buy-side volume. Some names you have heard of, some you haven't. It's an exciting portfolio, but fasten your seatbelt.

## Covered Call

Lagging the benchmark this year, but still ahead long-term.

## Real Estate Income and Growth

Second verse, same as the first. Lagging the benchmark this year, but still ahead long-term.

## Preferred Income

Third verse, reverse of the first. Beating the benchmark this year, but (slightly) lagging long-term.

## 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 a lousy 2022, this year is shaping up to be one of the best we've ever had for realized gains.

**Index Income** - Goal = manufacture cash-flow from volatility over a long period of time. Simple, but not easy. The current S&P 500 rally has allowed our current positions to go out-of-the-money. Sort of a "Get Out Of Jail Free" card. If the market can hang on, we'll "Pass Go" and maybe collect \$200, hopefully more. As of today, your patience should be rewarded.

## INNOVATIVE portfolios® Performance

Style (as of 11/30/2023)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception
Fixed Income	Preferred Income Gross	10/1/2011	8.85	5.56	(0.63)	3.35	4.40	4.56
	Preferred Income Net	10/1/2011	7.53	4.28	(1.86)	2.08	3.11	3.27
	Benchmark ICE BofA Core+ Fixed Rate Pfd Index		6.92	1.35	(3.74)	1.90	4.00	4.88
Growth & Income	Covered Call Income Gross	9/1/2010	8.20	4.08	6.81	8.18	7.28	8.51
	Covered Call Income Net	9/1/2010	6.87	2.80	5.50	6.86	5.95	7.17
	Benchmark CBOE S&P 500 BuyWrite Index		9.69	8.27	6.03	3.98	5.59	6.60
	Dividend Growth & Income Gross	7/1/2005	10.74	6.25	10.71	10.00	8.93	8.92
	Dividend Growth & Income Net	7/1/2005	9.37	4.94	9.36	8.66	7.59	7.58
	Benchmark Dow Jones U.S. Select Dividend Index		(4.03)	(6.96)	10.37	7.01	8.85	7.60
	Real Estate Income & Growth Gross	5/1/2017	2.93	(2.22)	6.61	5.38	-	5.49
Real Estate Income & Growth Net	5/1/2017	1.67	(3.41)	5.31	4.11	-	4.19	
Benchmark Dow Jones U.S. Select REIT Index		3.58	(1.84)	4.93	2.26	-	3.09	
Growth	IntelliBuild® Growth Gross	10/1/2013	21.46	14.54	9.78	13.62	10.77	11.39
	IntelliBuild® Growth Net	10/1/2013	19.96	13.12	8.43	12.24	9.41	10.01
	Benchmark S&P 500® Index		20.80	13.84	9.76	12.51	11.82	12.44
	Bulls of the Dow Gross	2/1/2013	11.29	6.82	8.69	9.59	12.64	13.59
	Bulls of the Dow Net	2/1/2013	9.92	5.50	7.36	8.25	11.26	12.18
	Benchmark Dow Jones Industrial Average Index		10.72	6.19	8.85	9.41	10.89	11.76
	Outlier Growth Gross	11/1/2020	28.14	20.98	6.36	-	-	8.74
	Outlier Growth Net	11/1/2020	26.57	19.49	5.04	-	-	7.36
Benchmark Russell 3000 Index		19.61	12.61	8.26	-	-	12.13	
Option Overlay*	Index Income - Cash Flow Gross**	7/1/2016	2.24	2.36	4.81	5.24	-	5.21
	Index Income - Cash Flow Net**	7/1/2016	0.99	1.11	3.56	3.99	-	3.95
	Index Income Total Return Gross	7/1/2016	11.21	5.96	3.58	4.13	-	4.14
	Index Income Total Return Net	7/1/2016	9.96	4.71	2.33	2.88	-	2.88
	Market Indicator S&P 500® Index		20.80	13.84	9.76	12.51	-	13.09

## Sheaff Brock® Performance

Style (as of 11/30/2023)	(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	13.99	10.82	5.67	3.91	-	4.54
	Put Income - Realized Gain Net^	11/1/2016	12.74	9.57	4.39	2.66	-	3.28
	Market Indicator S&P 500® Index		20.80	13.84	9.76	12.51	-	13.43

### 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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**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.