

“Perseverance is not a long race; it is many short races one after the other.”  
Walter Elliot

**Gospel**, noun - gos-pel, 'gä-spəl

*Something accepted or promoted as infallible truth or as a guiding principle or doctrine.*

In the investment world, one belief that many people feel is infallible is that trying to beat the market is fruitless. Here is the gospel preached from the investment-media pulpit:

- **Forbes:** “Most managers fall behind their benchmarks in any given year, and only 1% do better over any 5-year period. A better choice is an index fund.”
- **Dow Jones MarketWatch:** “Beating the benchmark is very difficult – and especially difficult over time,” said Anu Ganti, U.S. index investment strategist at S&P Dow Jones.
- **Morningstar:** Over the trailing 5-years, just 30% of large-cap managers beat their average benchmark return.

The “experts” tell you to just give up, buy a cheap index fund, and be happy with an average return. Statistically, the longer

you invest, the less likely it is you’ll beat the index. Apparently that’s true but, at Sheaff Brock, and at our Innovative Portfolios money management arm, we don’t buy into this dogma. It goes against our principles to ‘not even try to win’. Of course, nobody beats their benchmark all the time; nobody bats 1,000 (Bernie Madoff claimed to), but to not even try seems almost un-American. I mean, who celebrates being average?

Below is performance data on both our growth and income traditional strategies. This is the same information that is on the table on the back page. I didn’t include the option overlays because those are additive to the underlying strategy, and not really competing against an index. I highlighted in green those periods in which our strategy beat its benchmark on either a gross (before management fees), net-of-maximum-fees basis, or both. The maxim that the odds are stacked against you by using active management doesn’t hold water when looking at

(as of 3/31/2024)						
Description	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Innovative Preferred Income (Gross)	4.70	13.28	0.81	3.61	4.52	4.98
Innovative Preferred Income (Net)	4.38	11.88	(0.44)	2.34	3.24	3.69
Benchmark ICE BofA Core+ Fixed Preferred Index	5.15	10.38	(1.74)	1.82	4.20	5.38
Innovative Covered Call (Gross)	7.52	21.40	7.61	11.16	8.24	9.36
Innovative Covered Call (Net)	7.18	19.89	6.29	9.80	6.91	8.02
Benchmark CBOE S&P 500 BuyWrite Index	6.02	11.89	6.18	5.93	5.94	7.04
Innovative Dividend Growth & Income (Gross)	13.61	30.78	12.97	13.90	10.60	9.86
Innovative Dividend Growth & Income (Net)	13.26	29.16	11.59	12.51	9.24	8.50
Benchmark Dow Jones U.S. Select Dividend Index	6.10	9.73	6.78	9.04	9.51	8.12
Innovative Real Estate Income & Growth (Gross)	0.65	10.60	5.13	5.88	-	6.34
Innovative Real Estate Income & Growth (Net)	0.32	9.22	3.85	4.59	-	5.04
Benchmark Dow Jones U.S. Select REIT Index	(0.39)	10.45	3.69	2.99	-	4.31
Innovative IntelliBuild Growth (Gross)	12.41	29.51	12.65	16.78	12.15	12.88
Innovative IntelliBuild Growth (Net)	12.06	27.89	11.27	15.36	10.78	11.49
Benchmark S&P 500 Index	10.56	29.88	11.49	15.05	12.96	13.57
Innovative Bulls of the Dow (Gross)	3.40	19.90	8.86	10.19	12.92	13.87
Innovative Bulls of the Dow (Net)	3.08	18.42	7.53	8.84	11.53	12.47
Benchmark Dow Jones Industrial Average Index	6.14	22.18	8.65	11.31	11.76	12.47
Innovative Outlier Growth (Gross)	23.29	54.98	13.20	-	-	17.05
Innovative Outlier Growth (Net)	22.93	53.09	11.80	-	-	15.61
Benchmark S&P 500 Growth Index	12.75	33.73	10.19	-	-	13.90

## Financial Planning Tip!

If you are expecting a taxable income bump and are charitably inclined, you should look into a Donor Advised Fund. It is a way to reduce your tax burden in the year of higher income and provide a fund with the potential to grow for future charitable giving. We have helped many clients establish Donor Advised Funds. Consider it a win for you and a win for charity.

our results. Observations:

- In 70% of all periods, our strategies beat their index.
- Gross-of-fees, our beat-rate was 80% of the periods.
- Forbes says only 1% of managers beat the benchmark over 5-years, but we have 5 out of 6 beating.
- Our Covered Call portfolio beat the benchmark (both gross and net) over every period.
- Our Outlier Growth portfolio beat the benchmark (both gross and net) over every period.
- Our Dividend Growth & Income portfolio beat the benchmark (gross of fees) over every period, and net of fees in all but one.
- Our Real Estate (REIT) portfolio beat the benchmark (gross of fees) over every period, and net of fees in all but one.
- The Bulls of the Dow has the weakest beat-rate, but interestingly, has been the best performing portfolio we've had over the trailing 10-years.

Folks celebrate the index fund because it's cheap and will likely beat most managers. Let's compare the fact that some percentage (usually about 30%) of managers beat their index in any given year to the Indy 500, a 200-lap race.

Thirty-three cars start the race, the "index-car" being one of them. And since usually 30% of the cars beat the index-car, year-after-year it averages finishing in 11<sup>th</sup> place. The owner of the index-car spends the least money, never wins, averages the 11<sup>th</sup> place finish, and the press loves it! They celebrate the fact that the index-car owner spends peanuts and beats 22 high-priced entrants every

year. Over its career, the index-car has one of the highest average finishes, even though it never won, and nearly never finished in the top-ten. Analysts gush over the index, "Look how dumb those 22 car owners are for spending so much and not beating the index-car!"

Instead of accepting average, we try to win. We never give up and always try to improve the odds of beating our index. We are more like a guy named Ralph DePalma. In the 1912 Indian-

apolis 500, Ralph DePalma drove a Mercedes and led every lap for 196 laps, and had just 10 miles to go. He was over 12 miles ahead of the second place car and then his engine started failing. Still in the lead he limped along, but the car finally stopped with 3 miles left. Knowing that prize money was only paid to the top-ten finishers, Ralph and his riding mechanic started pushing the broken hulk for the last 3 miles.

DePalma won the hearts of the fans, but finished 11<sup>th</sup>, out of the money. DePalma refused to give up and was eventually rewarded as he won the race 3 years later. Like DePalma, we try to win. Watch this year's Indy 500 on Sunday, May 26<sup>th</sup> on NBC.



## Portfolio Updates

The first quarter was good for equities and OK for fixed income. So far, April has taken back some of the Q1 gains. In an election year you can usually expect messy markets until late summer. But, that's enough on our traditional strategies.

### **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 quarter was quite good for this overlay with gains across the book of over \$12MM. Since inception, we've delivered about 5% gross of fees (3.74% net of maximum fees) annually in additional income on a portfolio. In Q1 we had 4.31% additional gains net of fees. Good start.

**Index Income** - Goal = manufacture cash-flow from volatility over a long period of time. In Q1 of 2024, volatility of the S&P 500 was lower than average and our cash-flow was slightly lower than average. But, cash-flow is running well ahead of 2022 and 2023. Messy summer markets could be OK for this.



## INNOVATIVE portfolios® Performance

Style (as of 3/31/2024)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception
Fixed Income	Preferred Income Gross	10/1/2011	4.70	13.28	0.81	3.61	4.52	4.98
	Preferred Income Net	10/1/2011	4.38	11.88	(0.44)	2.34	3.24	3.69
	Benchmark ICE BofA Core+ Fixed Rate Pfd Index*		5.15	10.38	(1.74)	1.82	4.20	5.38
Growth & Income	Covered Call Income Gross	9/1/2010	7.52	21.40	7.61	11.16	8.24	9.36
	Covered Call Income Net	9/1/2010	7.18	19.89	6.29	9.80	6.91	8.02
	Benchmark CBOE S&P 500 BuyWrite Index		6.02	11.89	6.18	5.93	5.94	7.04
	Dividend Growth & Income Gross	7/1/2005	13.61	30.78	12.97	13.90	10.60	9.86
	Dividend Growth & Income Net	7/1/2005	13.26	29.16	11.59	12.51	9.24	8.50
	Benchmark Dow Jones U.S. Select Dividend Index		6.10	9.73	6.78	9.04	9.51	8.12
	Real Estate Income & Growth Gross	5/1/2017	0.65	10.60	5.13	5.88	-	6.34
	Real Estate Income & Growth Net	5/1/2017	0.32	9.22	3.85	4.59	-	5.04
Benchmark Dow Jones U.S. Select REIT Index		(0.39)	10.45	3.69	2.99	-	4.31	
Growth	IntelliBuild® Growth Gross	10/1/2013	12.41	29.51	12.65	16.78	12.15	12.88
	IntelliBuild® Growth Net	10/1/2013	12.06	27.89	11.27	15.36	10.78	11.49
	Benchmark S&P 500® Index		10.56	29.88	11.49	15.05	12.96	13.57
	Bulls of the Dow Gross	2/1/2013	3.40	19.90	8.86	10.19	12.92	13.87
	Bulls of the Dow Net	2/1/2013	3.08	18.42	7.53	8.84	11.53	12.47
	Benchmark Dow Jones Industrial Average Index		6.14	22.18	8.65	11.31	11.76	12.47
	Outlier Growth Gross	11/1/2020	23.29	54.98	13.20	-	-	17.05
	Outlier Growth Net	11/1/2020	22.93	53.09	11.80	-	-	15.61
Benchmark S&P 500® Growth Index <sup>b</sup>		12.75	33.73	10.19	-	-	13.90	
Option Overlay*	Index Income - Cash Flow Gross**	7/1/2016	1.13	3.33	4.24	5.37	-	5.16
	Index Income - Cash Flow Net**	7/1/2016	0.82	2.08	2.99	4.12	-	3.91
	Index Income Total Return Gross	7/1/2016	1.23	7.52	3.16	4.17	-	4.17
	Index Income Total Return Net	7/1/2016	0.91	6.27	1.91	2.92	-	2.92
	Market Indicator S&P 500® Index		10.56	29.88	11.49	15.05	-	14.62

## Sheaff Brock® Performance

Style (as of 3/31/2024)	(Average Annual) (%)	Inception Date	Year to Date	1 Year	3 Year	5 Year	10 Year	Inception <sup>^^</sup>
Option Overlay <sup>^</sup>	Put Income - Realized Gain Gross <sup>^</sup>	11/1/2016	4.62	12.64	4.27	4.96	-	4.99
	Put Income - Realized Gain Net <sup>^</sup>	11/1/2016	4.31	11.39	3.02	3.71	-	3.74
	Market Indicator S&P 500® Index		10.56	29.88	11.49	15.05	-	15.01

### 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.