

MARCH 2017 UPDATE

Housekeeping note: Though we announced the change last month, allow me to reiterate that we have decided to group our Growth & Income and Moderate Balanced accounts into one composite for reporting performance. Moderate Balanced accounts are now included in the composite performance for Growth & Income and the benchmark has been changed to 75% equities, 25% bonds. We also combined Retirement Income and High Monthly Payout accounts into one composite, benchmarking to a 50/50 blend between stocks and bonds.

Nobody's account has been changed due to these reporting changes. If you signed up for Moderate Balanced, you'll still get a lower risk portfolio than if you signed up for Growth & Income, for example, and I still consider your account to be Moderate Balanced.

We present these net-of-fee results with SSB composites in boldface. (For the sake of comparison, we also include returns for blended benchmarks, various indexes, and mutual fund/ETFs.)

Salzinger Sheaff Brock	YTD	One Yr	Three Yrs	Five Yrs
Growth	5.5%	22.2%	6.3%	10.3%
Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)	4.7%	19.9%	4.5%	8.5%
Growth & Income	4.8%	19.3%	5.8%	9.3%
Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)	4.2%	17.7%	4.2%	7.7%
Conservative Balanced	4.0%	15.5%	5.1%	7.2%
Closed-End Income*	5.3%	22.8%	N/A	N/A
ETF Option Income*	5.6%	N/A	N/A	N/A
Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)	3.7%	15.5%	4.0%	6.8%
Retirement Income	3.4%	14.5%	4.9%	6.5%
Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)	3.4%	14.1%	3.8%	6.2%
Alternative	6.0%	15.4%	-1.4%	-0.7%
Benchmark (50% GSCI/50% Lipper Emerging Market Fund)	3.8%	24.6%	-10.3%	-7.0%
Index				
S&P 500	5.9%	25.0%	10.6%	14.0%
Russell 3000 &&	5.7%	26.3%	9.9%	13.9%
Russell 2000 ##	2.3%	36.1%	6.9%	12.9%
MSCI EAFE @@	4.4%	15.8%	-0.6%	5.2%
MSCI Emerging Markets	8.7%	29.5%	1.4%	-0.4%
Barclays Aggregate Bond	0.9%	1.4%	2.7%	2.2%
Mutual Fund/ETF Comparisons				
Vanguard LifeStrategy Growth &	4.6%	19.0%	5.8%	8.9%
Vanguard LifeStrategy Moderate Growth #	3.6%	14.5%	5.2%	7.4%
Vanguard LifeStrategy Conservative Gr @	2.6%	10.0%	4.5%	5.7%
Vanguard LifeStrategy Income ^	1.6%	5.7%	3.7%	4.0%
DB Commodity Index Tracking Fund !	-0.8%	23.3%	-15.6%	-11.7%

Through 2/28/2017. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Note: *Results are from an actual, representative account established and maintained by the portfolio manager with his own money, managed with his own tax situation in mind. Other accounts in this style might have had different results; && a good measure of the broad market, ## Small-cap stocks. @@ Developed market foreign stocks. Style Comparisons: &A comparison for SSB Growth and SSB Growth & Income. #A comparison for SSB Moderate Balanced. @A comparison for Salzinger Sheaff Brock, LLC (SSB) Conservative Balanced. ^A comparison for SSB Retirement Income. !A comparison for SSB Alternative. Composites include all fully discretionary accounts including those accounts no longer with the firm of reasonable size that are substantially invested in accordance with the composite strategy or style. Returns are presented net of management fees and all trading expenses, and the reinvestment of all income. Net-of-fee performance was calculated using actual management fees and is annualized for multi-year periods. Actual advisory fees and transaction fees will vary depending on, among other things, the portfolio, account size, and activity. Fees are described in SSB's ADV Part 2A. The securities mentioned in this report can be, and often are, owned by clients and employees SBIA. **Past performance is not indicative or a guarantee of future results.** (continued on back)

We have written before about the historical behavior of stocks and bonds during periods of rising interest rates. However, in light of the decision by the Federal Reserve Board on March 15 to increase the federal funds rate by 25 basis points, as well as the likelihood that additional increases this year are forthcoming, we think it's worthwhile to cover the topic again this month.

While rising rates have generally been associated with difficult equity and bond markets, the details matter greatly. Specifically, the pace at which the Fed raises rates, as well as the end point, will likely matter much to the markets. The faster the pace and the higher the ceiling, the worse equities and bonds are likely to perform. For example, from mid-2004 through mid-2006, the Fed raised the federal funds rate at 17 consecutive meetings, to 5.25% from 1.00%, and both bonds and equities had a difficult time sustaining significant rallies. In fact, the Barclays Aggregate Bond Index fell about 3.8% in

price level during this period, though the interest allowed the theoretical total return from the index to be in positive territory. The S&P 500 struggled to manage a positive return early in the cycle, but did well enough in 2006 to gain 11.3% for the entire period.

As far as bonds go, most of the time long-term rates increase a lot less than short-term ones during rising rate environments. However, because the interest payments on long-term securities are fixed for the life of the security, the long 'duration' can cause significant price declines as compared with shorter-term fare. Quality matters as well. The highest-quality bonds (e.g., U.S. Treasuries), priced almost entirely on their interest rates, are more vulnerable to rate rises than lower-quality bonds, which tend to benefit from the improving economy that usually factors into the decision by the Fed to continue increasing the rates under its control.

With current rates relatively low on longer-term,

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high-quality bonds, the weight on their prices from higher rates could be significant over the next year or two. For this reason, we are avoiding much exposure to these investments. Instead, we favor bond funds and ETFs that emphasize intermediate-term, lower-quality bonds (taxable and municipal), which pay higher interest and are likely to hold up much better during the foreseeable future, unless the economy underperforms the expectations of the Fed, which then puts off further rate increases.

As for stocks, it's important to realize that in the last six Fed tightening cycles since 1983, the S&P 500 had an average gain of 16.1% in the two years following the first rate hike of the cycle, according to Strategas Research Partners and T. Rowe Price. Price adds that in periods of rising U.S. rates going back to 1970, U.S. large-cap stocks were not hurt much until 10-year U.S. Treasury yields rose to 5% to 6%.

With a current rate on the 10-year Treasury of about 2.5%, we are far from that level. However, we will worry if short-term rates begin to overtake longer-term ones (a condition called an inverted yield curve), which historically has been associated with a poor equity market. Of course, we are quite far from that now, as even now the current level of federal funds is just 1.0%.

Therefore, though now (like always) is a time to be vigilant about your money, it is not a time to be scared away from a sound investment program that can build wealth for you over time. To get started in any of our strategies, please call us at 866-575-5700, or send an email to info@salzingersheaffbrock.com.

We look forward to hearing from you!



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Thank you for your continued interest in Salzinger Sheaff Brock (SSB), the only source of actual personalized money management by me,

A handwritten signature in black ink that reads 'Mark Salzinger'. The signature is fluid and cursive, with a prominent 'M' and 'S'.

Chief Investment Officer and Portfolio Manager

The S&P 500 Index is a market capitalization-weighted index comprised of the 500 stocks with the largest market capitalizations trading in the United States. This is not a managed portfolio and does not reflect the deduction of fees or expenses; The Lipper Global Multi-Cap Index is comprised of the 30 largest funds by asset size investing in a variety of market cap equities without concentrating 75% of their assets in any one market cap over an extended time. 25% to 75% of their assets are in companies both inside and outside of the U.S. The Lipper General Bond Index consists of the 30 largest funds by assets that do not have any quality or maturity restrictions, and keep a bulk of their assets in corporate and government debt issues. The Lipper Emerging Market Index consists of the 30 largest funds by assets that keep a bulk of their assets in emerging market equities. Lipper indices reflect the deduction of fund fees or expenses; returns include dividends. The GSCI commodity index is a leading measure of inflation and commodity prices using world production weighted commodities with liquid active futures markets. The Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market in the United States, including Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and CMBS (agency and non-agency). DB Commodity Index Tracking Fund (DBC) seeks to track changes, whether positive or negative, in the level of the DBIQ Optimum Yield Diversified Commodity Index Excess Return™ (DBIQ Opt Yield Diversified Comm Index ER) plus the interest income from the Fund's holdings of primarily US Treasury securities less the Fund's expenses. The Fund is designed for those who want a cost-effective and convenient way to invest in commodities. The Index is composed of futures contracts on 14 of the most heavily traded physical commodities in the world. The Alternative portfolio is a commodity centric portfolio of ETFs and mutual funds whose constituents' profits are highly sensitive to general commodity prices. It may perform differently than DBC since the composite does not hold futures contracts. Russell 3000 and Russell 2000 indices are market capitalization weighted equity indices maintained by the Russell Investment Group. The 3000 seeks to be a benchmark of the entire U.S. stock market, and the 2000 seeks to be a benchmark of the small-cap U.S. stock market. More specifically, they encompass the 3,000 largest, or 2000 smallest U.S.-traded stocks respectively, in which the underlying companies are incorporated in the U.S. The MSCI EAFE Index is an equity index which captures large and mid cap representation across Developed Markets countries* around the world, excluding the US and Canada. With 928 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 835 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Indexes are unmanaged and unavailable for direct investment. Benchmark returns include reinvestment of income, but do not reflect taxes, or other fees that would reduce performance. Two general types of benchmarks are provided. The first type is a well-known and widely-recognized index, such as the S&P 500 Index and the Barclays US Aggregate Bond Index (both described above). These types of indices are not selected to represent an appropriate benchmark with which to evaluate a composite's performance, but rather to allow for comparison of a composite's performance to that of a widely recognized index. The second type of index is a more narrowly-focused index selected based on one or more characteristics, such as asset class, style or strategy. A more narrowly-focused index may have characteristics similar to those of a composite, actual composite holdings will differ significantly from the index. Consequently, use of a narrowly-focused index does not indicate that a composite will achieve returns, volatility or other results similar to the index. Clients should NOT expect performance comparable to the narrowly-focused index in an actual account. Securities may be mentioned in a portfolio description, and if so a list of a transactions/recommendations for the trailing 12 months is available upon request. There is the chance that market conditions or portfolio performance may deteriorate in the future, and clients may experience real capital losses in their managed accounts. None of the indices may be an appropriate comparison index as our managed accounts may own companies not represented in the benchmarks. Salzinger Sheaff Brock, LLC (SSB) provides this Newsletter for general informational and educational purposes, and where appropriate, to assist in explaining the portfolios and composites. It is not investment advice for any person. Information is obtained from sources SSB believes are reliable, however, SSB does not audit, verify, or guarantee the accuracy or 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. SSB does not assume liability for any loss that may result from reliance by any person upon any material in this Newsletter. 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