

JULY 2017 UPDATE

We provide composite returns for Growth, Growth & Income (a combination of “Growth & Income and “Moderate Balanced” accounts), Conservative Balanced, Retirement Income (a combination of “Retirement Income” and “High Monthly Payout” accounts), Closed-End Income, ETF Options Income and Alternative. We present net-of-fee results in the following table. (SSB composites are in boldface.) For the sake of comparison, we also include returns for various indexes and blended benchmarks that we believe are commensurate in risk to our strategies, as well as passively managed funds of funds from Vanguard, and a PowerShares ETF.

Salzinger Sheaff Brock	2nd Qtr.	YTD	One Yr	Three Yrs	Five Yrs
Growth	3.8%	10.0%	17.7%	6.8%	12.1%
<i>Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)</i>	4.2%	10.4%	18.3%	5.0%	10.5%
Growth & Income	3.5%	8.9%	15.0%	6.2%	10.6%
<i>Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)</i>	3.8%	9.3%	15.7%	4.7%	9.3%
Conservative Balanced	3.1%	7.4%	11.8%	5.3%	8.2%
<i>Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)</i>	3.5%	8.2%	13.2%	4.3%	8.1%
Closed-End Income	5.2%	11.7%	16.0%	N/A	N/A
ETF Option Income	2.9%	8.7%	12.6%	N/A	N/A
Retirement Income	2.6%	6.1%	10.1%	4.7%	7.0%
<i>Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)</i>	3.2%	7.4%	11.5%	4.0%	7.3%
Alternative	2.2%	10.3%	9.8%	-1.2%	1.8%
<i>Benchmark (50% GSCI/50% Lipper Emerging Market Fund)</i>	0.0%	3.4%	6.0%	-12.3%	-4.7%
Index					
S&P 500	3.1%	9.4%	17.9%	9.6%	14.6%
Russell 3000 &&	3.0%	8.9%	18.5%	9.1%	14.6%
Russell 2000 ##	2.4%	4.8%	24.1%	6.9%	13.2%
MSCI EAFE @@	6.1%	13.8%	20.3%	1.2%	8.7%
MSCI Emerging Markets	6.3%	18.4%	23.8%	1.1%	4.0%
Barclays Aggregate Bond	1.4%	2.3%	-0.3%	2.5%	2.2%
Mutual Fund/ETF Comparisons					
Vanguard LifeStrategy Growth &	3.5%	9.3%	14.9%	5.7%	10.3%
Vanguard LifeStrategy Moderate Growth #	3.0%	7.4%	10.9%	5.1%	8.3%
Vanguard LifeStrategy Conservative Gr @	2.3%	5.5%	7.0%	4.3%	6.3%
Vanguard LifeStrategy Income ^	1.7%	3.6%	3.2%	3.5%	4.3%
DB Commodity Index Tracking Fund !	-5.0%	-8.8%	-5.9%	-18.4%	-10.9%

YTD through 6/30/2017. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Note: && 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)

At first glance, the U.S. financial markets would seem to suggest a modern, macroeconomic tale of two cities. While robust returns so far this year in the stock market suggest that the economy is growing strongly, lower yields and increased prices of long-term, high-quality bonds suggest the economy is weakening, and that even a recession may be around the corner.

I believe the answer is somewhere in the middle. On the plus side, an uptick in growth in many major overseas economies should have a modestly positive impact on our own economy as demand increases for American exports. Also, employment is up and wages are starting to pick up, which should put more money into the hands of folks who will devote a substantial portion of their slightly larger financial resources to spending.

On the other hand, the subpar performance so far this year of small-cap value stocks (the most economically cyclical segment of the U.S. market), combined with the leading performance of mega-cap

growth stocks, suggests that investors, at least, don't expect the U.S. economy to lift all boats for the time being. In fact, the performance disparity between these groups is among the largest it has been in years, with the **Vanguard Small-Cap Value** ETF (VBR) up only 3.3% year-to-date through July 16, versus 18.1% for the same firm's **Mega-Cap Growth** ETF (MGK).

It's worth noting that the performance disparity so far this year between small value and large growth reverses the performance in 2016, when small-cap value led the market and large, so-called blue-chip growth companies struggled to make any gains at all. Nevertheless, it seems clear that investors, optimistic last year on the strength of the country's near-term economic future, believe their expectations have not been met yet.

In fact, weighing more data, it seems to me that the economy is growing at a modest pace, perhaps a real annualized rate of about 2.0%. One interesting indicator of this is that tax

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revenue to the federal government was up 3.75% in the first half of calendar 2017 versus the same period last year, reflecting this modest level of growth plus the progressivity of our income tax code. Federal tax laws (mainly rates) basically haven't changed this year, so if the economy were very strong, the increase in revenue would be higher; however, if it were weak, the increase would be even smaller. Also, investments tied to industrial metals have done all right so far this year, suggesting reasonable demand. Case in point: the **PowerShares Base Metals** ETF (DBB) gained 9.8% in the year's first half, slightly outpacing the S&P 500.

Assuming we're correct, what does this mean about the stock market? In the broad sense, it means pretty good things. The economy seems good enough to support moderate growth in corporate earnings and cash flows, yet not hot enough to produce substantial inflation. In turn, this should temper the temptation of the Federal

Reserve Board to tighten credit via various measures, including the raising of short-term interest rates.

It also suggests that investors would benefit from a modest tilt toward growth stocks and away from value, especially highly cyclical and tiny stocks that need an exuberant economy to thrive. However, financially strong companies with somewhat depressed stock prices but at least partial control over their own destinies should be able to perform acceptably, while providing diversification in case the prices of growth stocks get ahead of themselves.

Our accounts continue to perform well, with especially compelling three- and five-year performances versus reasonable benchmarks and some Vanguard 'equivalents' in the fund world. 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,

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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