SEPTEMBER 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	August 2017	YTD	One Yr	Three Yrs	Five Yrs
Growth	**0.1%**	**12.3%**	**15.0%**	**7.0%**	**11.8%**
Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)	*0.3%*	*13.3%*	*16.3%*	*5.8%*	*10.3%*
Growth & Income	**0.1%**	**10.8%**	**12.7%**	**6.3%**	**10.2%**
Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)	*0.4%*	*12.0%*	*14.1%*	*5.4%*	*9.1%*
Conservative Balanced	**0.1%**	**9.1%**	**10.1%**	**5.4%**	**7.9%**
Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)	*0.4%*	*10.6%*	*11.8%*	*4.9%*	*7.9%*
Closed-End Income	**-0.5%**	**14.1%**	**12.1%**	**N/A**	**N/A**
ETF Option Income	**0.0%**	**10.1%**	**12.3%**	**N/A**	**N/A**
Retirement Income	**0.1%**	**7.5%**	**8.5%**	**5.0%**	**6.7%**
Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)	*0.5%*	*9.7%*	*10.3%*	*4.6%*	*7.1%*
Alternative	**1.0%**	**14.2%**	**11.0%**	**0.2%**	**1.7%**
Benchmark (50% GSCI/50% Lipper Emerging Market Fund)	*0.8%*	*9.3%*	*13.1%*	*-10.1%*	*-5.0%*
Index					
S&P 500	0.3%	11.9%	16.2%	9.5%	14.3%
Russell 3000 &&	0.2%	11.2%	16.1%	9.1%	14.3%
Russell 2000 ##	-1.3%	4.4%	14.9%	7.7%	13.2%
MSCI EAFE @@	0.0%	17.1%	17.6%	2.8%	8.5%
MSCI Emerging Markets	2.2%	28.3%	24.5%	2.4%	5.3%
Barclays Aggregate Bond	0.9%	3.6%	0.5%	2.7%	2.2%
Mutual Fund/ETF Comparisons					
Vanguard LifeStrategy Growth &	0.4%	12.0%	13.5%	6.2%	10.2%
Vanguard LifeStrategy Moderate Growth #	0.5%	9.8%	10.0%	5.4%	8.2%
Vanguard LifeStrategy Conservative Gr @	0.7%	7.5%	6.7%	4.6%	6.3%
Vanguard LifeStrategy Income ^	0.8%	5.2%	3.3%	3.6%	4.2%
DB Commodity Index Tracking Fund !	0.4%	-4.7%	4.9%	-15.5%	-12.1%

YTD through 8/31/2017. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Note: *&&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. 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 and investors may experience a loss.*** *(continued on back)*

As the U.S. stock market continues to reach new highs throughout 2017, many prognosticators in the media and even among investment professionals state equities are exuberantly expensive. While they don't come out and say it, the logical response of those who nod in agreement would be to sell their equity investments and attempt to hide out somewhere else—maybe in gold and other commodities, perhaps in various structured investments like long-short products, or even just in cash.

Of these three options, we'd probably prefer cash, which, despite money-market yields still in the 1% area most places, at least has virtually no risk of absolute loss. However, instead of discussing this trio of potential alternatives, today I want to discuss whether there's ample justification for considering any of them in the first place for a large percentage of a typical investor's portfolio. In other words, I want to ask the question: is the equity market so expensive that a deep and sustained drop is likely, especially given the current economic backdrop?

Current valuations of the broad U.S. market certainly are above average. According to S&P Global, the price/earnings ratio (P/E) on trailing 12-month earnings of the S&P 500 (measured as the 12 months back from March 31) was 23.56, which is high. However, on projected 12-month earnings from August 31, the P/E falls to 18.06. While still high versus a long-term average in the mid-teens, this is not so high as to forestall the opportunity for continued gains… provided the economy continues to perform decently (which we expect) and corporate earnings meet or exceed expectations.

We would also note that given the outsized performance of a relative few large stocks so far in 2017, a majority of stocks are cheaper than the broad indexes. For example, the S&P 500 SPDR (SPY) recently had a P/E on forecast earnings of 20.45, according to Morningstar, and portfolio-wide earnings growth of 9.77%. In comparison, Guggenheim S&P 500 Equal Weight ETF (RSP), which creates an equal-weighted portfolio by cutting the weights of the larger constituents in the index and raising the weights of the smaller, recently had a P/E of 19.52 (almost a full point lower) and earnings growth of 9.42 (so, just slightly lower). In addition, the average among all funds

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and ETFs of the 'large blend' Morningstar category (in which SPY and RSP reside) was recently 19.42, with faster earnings growth than the index: 10.45%.

In fact, across investment styles, we are noticing fairly large differences in valuations when comparing index products with actively managed ones of the same investment style. Just to name a couple of such comparisons: Vanguard Value Index (VVIAX) has a P/E of 18.7 and earnings growth of 4.8%, while its quantitatively managed sibling, Vanguard U.S. Value (VUVLX), has a P/E of 17.4 and earnings growth of 7.4%, despite virtually the same sector weightings. Vanguard Small Cap Index (VSMAX) has a P/E of 19.8 and earnings growth of 11.0%, versus a P/E of 17.6 and earnings growth of 11.5% for Vanguard Strategic Equity Small Cap (VSTCX).

In sum, while broad capitalization-weighted indexes can be considered to have high current valuations, many active and so-called fundamental strategies really don't. So, if risk reduction is one of your paramount concerns, let us know and we'll consider adding some active funds with lower valuations to your account, or favoring them when designing original allocation for new accounts.

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,

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