

## OCTOBER 2019 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 and ETF Options Income. 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.

Salzinger Sheaff Brock	Sept 2019	Year-to-date	12 Months	3 Years	5 Years
<b>Growth</b>	<b>0.7%</b>	<b>18.0%</b>	<b>0.9%</b>	<b>9.9%</b>	<b>7.9%</b>
<i>Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)</i>	2.0%	14.3%	0.8%	8.2%	6.1%
<b>Growth &amp; Income</b>	<b>0.7%</b>	<b>17.0%</b>	<b>2.6%</b>	<b>9.1%</b>	<b>7.3%</b>
<i>Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)</i>	1.6%	13.6%	2.3%	7.6%	5.7%
<b>Conservative Balanced</b>	<b>0.7%</b>	<b>15.3%</b>	<b>3.6%</b>	<b>7.7%</b>	<b>6.3%</b>
<b>Closed-End Income</b>	<b>1.5%</b>	<b>17.7%</b>	<b>7.1%</b>	<b>7.1%</b>	<b>5.7%</b>
<b>ETF Option Income</b>	<b>1.3%</b>	<b>10.8%</b>	<b>4.4%</b>	<b>8.1%</b>	<b>N/A</b>
<i>Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)</i>	1.2%	12.9%	3.7%	6.9%	5.3%
<b>Retirement Income</b>	<b>0.9%</b>	<b>14.4%</b>	<b>3.7%</b>	<b>6.7%</b>	<b>5.7%</b>
<i>Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)</i>	0.9%	12.4%	4.6%	6.5%	5.1%
<b>Index</b>					
S&P 500	1.9%	20.6%	4.3%	13.4%	10.9%
Russell 3000 &&	1.8%	20.1%	2.9%	12.8%	10.4%
Russell 2000 ##	2.1%	14.1%	-8.9%	8.2%	8.2%
FTSE Global All Cap X-US@@	2.6%	11.8%	-1.4%	6.5%	3.5%
Barclays Aggregate Bond	-0.5%	8.5%	10.3%	2.9%	3.4%
<b>Mutual Fund/ETF Comparisons</b>					
Vanguard LifeStrategy Growth &	1.6%	15.0%	3.1%	8.8%	6.9%
Vanguard LifeStrategy Moderate Growth #	1.1%	13.5%	5.1%	7.4%	6.2%
Vanguard LifeStrategy Conservative Gr @	0.5%	12.0%	7.0%	6.1%	5.4%
Vanguard LifeStrategy Income ^	0.0%	10.4%	8.9%	4.7%	4.6%

Through September 30, 2019. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Returns over 12 months annualized. 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 benchmark for the entire U.S. stock market, ##Small-cap stocks. @@ Foreign stocks, including developed foreign countries and emerging markets. Style Comparisons: &A good comparison for SSB Growth and SSB Growth & Income. #A slightly lower risk comparison for SSB Growth & Income. @A good comparison for Salzinger Sheaff Brock, LLC (SSB) Conservative Balanced. ^A good comparison for SSB Retirement Income. Composites include all fully discretionary, management fee-paying 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 maximum management fees and all trading expenses, and the reinvestment of all income. Net-of-fee performance was calculated using maximum management fees. 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. Securities mentioned in this report may be owned by clients and employees of SSB. Past performance is not indicative or a guarantee of future results (continued on back).

We lost a little ground in September in some of our core strategies as our moderate tilt toward the ‘growth’ style of investing held back returns, as ‘value’ stocks performed much better. In fact, according to the October edition of my long-running investment newsletter, *The No-Load Fund Investor*, the value equity mutual funds and ETFs in its coverage produced an average total return during the month of 3.6%, while the average equity growth product *dropped* 0.2%.

Nevertheless, our core composites of Growth, Growth & Income, Conservative Balanced and Retirement Income remain comfortably ahead of their respective benchmarks for the year (see table). Though I know I am repeating myself from previous editions of these Monthly Updates, it’s probably worth repeating that our year-to-date numbers (through September 30) have benefited not only from our style positioning, but also from above-consensus allocations to U.S. stocks versus foreign ones (for a globally diversified investment manager) and—at least for our Growth & Income, Conservative Balanced and Retirement Income composites—definitely non-consensus, substantial positions in closed-end funds.

Speaking of closed-end funds, our Closed-End Income composite was one of our two products (the other being ETF Options Income, 1.3% in September vs. 0.96% for the Lipper Long/Short Equity index) that did beat its benchmark in September, as it produced a total return of 1.5%, vs. 1.2% for a 60/40 equity/fixed-income bogy. Year-to-date, the Closed-End Income composite has produced a total return, assuming our maximum annual management fee (0.96%), of 17.7%, even though fixed-rate bonds and floating-rate loans constitute two of its largest types of underlying investments. In fact, the spread between this composite return and the return of the benchmark is the largest we’ve produced so far this year: 4.8 percentage points. Of the 17.7 percentage points of return, income has accounted for about 5 percentage points, with the rest capital appreciation.

Many closed-end funds leverage their assets by borrowing at short-term rates and using the money to invest in longer-term, lower-quality assets, such as high-yield taxable, high-yield municipal and floating-rate securities. This helps them produce outsize total returns when the spread is wide between short- and long-term rates. In last year’s fourth quarter, when the Federal Reserve Board was increasing the rates under its control and seem-

*Continued on back*

ingly hellbent on continuing to do so, most closed-end funds suffered mightily as investors feared distributions would shrink with the shrinking spread between short- and long-term rates.

This year, however, the Fed stopped raising rates and even reversed course a bit, allowing closed-end funds that leverage their assets and invest in higher-yielding assets to thrive. Looking forward, we think closed-end income funds can continue to perform well so long as the Fed cuts or even just maintains current rates and the U.S. economy avoids recession. While government regulations and simple common sense prohibit us from making any promises about performance, we think the odds for a continued benevolent environment for closed-end income funds are good for the next six to 12 months, at least. Unless the economy and inflation roar, we doubt the powers that be at the Fed would want to insert themselves into the political arena by raising rates during an election year.

The current environment also looks benevolent for equities, at

least as compared with this time last year. A year ago, we had a tightening Fed and decelerating growth in corporate earnings—historically a difficult investment environment—and the market suffered a double-digit drop within a few months. This year, we have a much friendlier posture from the Fed, while earnings, though perhaps not growing, have recently been more favorable than expected for a large percentage of reporting companies. Meanwhile, the trade environment, especially vis a vis China, has a more favorable feel than it did in the summer months, and the equity market itself has experienced a broadening of gains that suggests a more benign investing picture.

Therefore, we are generally maintaining our equity exposures.

For more information or to get started in any of our strategies, please call us at 866-575-5700, or send an email to [info@salzingersheaffbrock.com](mailto: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'.

Mark Salzinger  
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 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). 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 FTSE Global All Cap X-US is an equity index which captures most of the world's stocks ex-US. 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. Clients or prospective clients are directed to SSB's Form ADV Part 2A or to one or SSB's representatives for individualized information prior to deciding to participate in any portfolio. SSB does not provide tax advice. Clients are strongly urged to consult their tax advisors regarding any potential investment.