

NOVEMBER 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	Oct. 2017	YTD	One Yr	Three Yrs	Five Yrs
Growth	1.4%	16.4%	22.1%	8.5%	12.6%
<i>Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)</i>	1.7%	17.6%	21.2%	8.1%	10.6%
Growth & Income	1.3%	14.5%	18.8%	7.7%	10.9%
<i>Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)</i>	1.5%	15.4%	18.2%	7.2%	9.3%
Conservative Balanced	0.8%	11.8%	14.9%	6.5%	8.3%
<i>Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)</i>	1.2%	13.3%	15.1%	6.3%	8.0%
Closed-End Income	-0.5%	14.1%	15.6%	6.6%	N/A
ETF Option Income	0.0%	11.4%	14.6%	N/A	N/A
Retirement Income	0.6%	9.7%	12.5%	5.9%	6.9%
<i>Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)</i>	1.0%	11.9%	13.1%	5.7%	7.1%
Alternative	0.1%	14.6%	12.4%	2.1%	1.2%
<i>Benchmark (50% GSCI/50% Lipper Emerging Market Fund)</i>	3.2%	14.5%	16.0%	-5.9%	-4.0%
Index					
S&P 500	2.3%	16.9%	23.6%	10.8%	15.2%
Russell 3000 &&	2.2%	16.4%	24.0%	10.5%	15.1%
Russell 2000 ##	0.9%	11.9%	27.9%	10.1%	14.5%
MSCI EAFE @@	1.5%	21.8%	23.4%	6.1%	8.5%
MSCI Emerging Markets	3.5%	32.3%	26.5%	5.7%	4.8%
Barclays Aggregate Bond	0.1%	3.2%	0.9%	2.4%	2.0%
Mutual Fund/ETF Comparisons					
Vanguard LifeStrategy Growth &	1.7%	15.9%	18.9%	7.7%	10.6%
Vanguard LifeStrategy Moderate Growth #	1.3%	12.5%	14.1%	6.5%	8.5%
Vanguard LifeStrategy Conservative Gr @	1.0%	9.1%	9.6%	5.2%	6.4%
Vanguard LifeStrategy Income ^	0.6%	5.9%	5.1%	3.9%	4.3%
DB Commodity Index Tracking Fund !	4.0%	1.1%	7.0%	-10.5%	-10.3%

YTD through 10/31/2017. 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. 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 SSB. **Past performance is not indicative or a guarantee of future results and investors may experience a loss.** (continued on back)

I'm writing this monthly update a little later than usual this month. Thanksgiving has come and gone, and, despite the minimal trading the Friday after, the holiday did give me some time to pause and reflect on the financial year we've had so far. Of course, while conversation with family and friends happily revolved around the various activities and accomplishments of our children and their cousins, inevitably it ranged a bit toward financial matters, given that I'm the only 'investment professional' in the family.

Though approached in various ways, the main financial concern this visit with extended family and friends was the same as it has virtually always been over the past seven or eight years: that the stock market may be exuberantly expensive, and therefore due for a significant fall—maybe even a bear market decline on the order of 10%, 20% or more.

At the risk of kissing away the conclusion too soon, let me say that no, I do not think a big downward move is right around the corner for the stock market. Of course, it's possible, but so are many other outcomes, including (believe it or not) a strong return over the next six to 12 months for many stocks.

However, upon reflection and subsequent analysis, it's fair to say that

certain areas of the markets are expensive and more likely to fall, and that even the vaunted S&P 500 is more vulnerable than it has been in years to subpar performance versus other stock indexes and even actively managed equity funds.

As of Nov. 24, 2017, the Russell Top 200 Pure Growth Index of larger stocks with the purest growth characteristics (very little in terms of value characteristics, such as a low price relative to fundamental measures of value) has a year-to-date total return of 35.9%, and a price/earnings ratio of 32.6. Some of the constituents within this index are technology stocks, which, aggregated in terms of sector, have performed about twice as well this year as any other sector. Consider: **Vanguard Information Technology** ETF (VGT) has gained 39.3% year to date, while the next best Vanguard sector ETF, **Health Care** (VHT), has produced a total return of 21.7%. And, many of the largest holdings within the best-performing so-called blue-chip growth funds have gone up 30%, 40% or 50% (or more) this year, creating wonderful returns but leaving me concerned about the potential for rockier performance from funds in this market area over the next half year or so.

As a small number of large-cap growth stocks have appreciated more

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than the rest of the stock market, so have their weightings in large-cap indexes that, like the S&P 500, are weighted mainly by market capitalization. As a result, the S&P 500 has become more concentrated, and slightly riskier than in recent years, at least in my opinion. Consider: though investors in S&P 500 index investments believe they are getting standard core exposure to a broad array of large American companies, with an investment style corresponding to large-cap blend, according to Morningstar the index is now almost in the camp of large-cap growth. And, according to Vanguard, its own S&P 500 index fund was 24.5% in information technology stocks as of the end of October, dwarfing the next largest sector allocations by nearly 10 percentage points.

Back in the heyday of the Internet bubble, the technology sector's weighting in the S&P 500 was significantly higher—even above 30%. So, we aren't anywhere close to the sector concentration of that dangerous period. I'm also not arguing that the strong performance of some of the sector's stocks is unjustified. I merely want to point out that with such concentration in these stocks, the S&P 500 has more

concentration (and valuation) risk than it has in some time, and we as investors should be aware of it.

Indexes that cover market segments beyond the largest 500 companies currently have less of these kinds of risks. For example, **Vanguard Extended Market Index** ETF (VXF) had 18.8% of its assets in information technology stocks as of Oct. 31, nearly six percentage points less than had the S&P 500.

In response to all this, I am avoiding new investments in large-cap growth funds—and even the S&P 500—for new money. Also, while I am not selling down current positions in these investments in most cases, I am favoring funds and ETFs with a true 'blend' orientation, while attempting to make sure that each account is broadly diversified. This is especially important when valuations are high in certain market segments, like they are now.

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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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 GSCI commodity indexT 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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