DECEMBER 2020 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) and Closed-End 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	Nov. 2020	YTD	12 Months	3 Years	5 Years
Growth	**10.6%**	**18.1%**	**21.2%**	**12.0%**	**12.2%**
Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)	*11.4%*	*10.5%*	*13.6%*	*7.5%*	*9.5%*
Growth & Income	**9.0%**	**13.6%**	**16.3%**	**10.3%**	**10.7%**
Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)	*9.8%*	*10.5%*	*13.2%*	*7.5%*	*9.0%*
Conservative Balanced	**7.5%**	**9.3%**	**11.5%**	**8.2%**	**8.8%**
Closed-End Income	**9.0%**	**2.4%**	**5.2%**	**6.2%**	**9.1%**
Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)	*8.3%*	*10.3%*	*12.6%*	*7.3%*	*8.4%*
Retirement Income	**5.6%**	**3.2%**	**5.4%**	**5.6%**	**6.9%**
Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)	*7.2%*	*10.1%*	*12.1%*	*7.2%*	*8.0%*
Index					
S&P 500	11.0%	14.0%	17.5%	13.2%	14.0%
Russell 3000 &&	12.2%	15.7%	19.0%	13.2%	14.0%
Russell 2000 ##	18.4%	10.5%	13.7%	7.1%	10.3%
FTSE Global All Cap X-US@@	13.5%	5.6%	10.3%	4.2%	7.9%
Barclays Aggregate Bond	1.0%	7.4%	7.3%	5.5%	4.3%
Mutual Fund/ETF Comparisons					
Vanguard LifeStrategy Growth &	10.1%	11.0%	13.9%	8.8%	10.1%
Vanguard LifeStrategy Moderate Growth #	7.8%	10.2%	12.3%	8.1%	8.7%
Vanguard LifeStrategy Conservative Gr @	5.4%	9.2%	10.5%	7.3%	7.3%
Vanguard LifeStrategy Income ^	3.1%	7.8%	8.4%	6.3%	5.8%

Through 11-2020. PLEASE SEE IMPORTANT DISCLAIMER ON BACK. Returns over 12 months annualized. Notes: &&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).

Happy Holidays! Excellent trial results of multiple vaccine candidates for the prevention of COVID-19 enabled the stock market to post huge gains in November.

While the large-cap S&P 500 Index posted an 11% gain during the month, small-cap stocks did even better. The Russell 2000 Index of such companies marched 18.4% higher.

Though stocks across the style spectrum produced significant gains, ‘value’ bested ‘growth.’ The Russell 2000 Pure Value Index, which represents the most beaten-down portion of the larger universe of small-cap value stocks, rose nearly 29% in the month, for example.

Clearly, investors in November were looking past the current public-health situation and likely near-term economic decline with hope that vaccines will protect many millions of Americans and others from COVID-19 by the spring of 2021. If these hopes prove justified, the economically sensitive companies they bid upwards in November should achieve huge boosts in revenue and experience a dramatic decline in the likelihood of financial distress by the middle of next year.

Though extensive results for three vaccine candidates have been released, those of Pfizer and its German partner on the one hand and Moderna on the other were most impressive. This pair of vaccines, which use a similar, novel approach, achieved efficacy rates in the range of 95%, which apparently is amazing. This contrasts with more modest results from the Oxford/AstraZeneca vaccine, a more conventional vaccine, which achieved efficacy more in the range of 65% to 70%. However, the trial for the latter candidate was marred by a dosage mishap that shorted the amount of vaccine for some recipients but, surprisingly to some, produced higher efficacy than the “correct” dose.

This month, both the Pfizer and (very recently) Moderna vaccines have been approved for distribution; the former is being given primarily to healthcare workers as I write this. No surprise, then, that the stock market has continued to rise by another four percentage points or so the first three weeks of December.

As impressive as vaccine results have been so far, and though I am trained neither in virology nor medicine of any kind, I believe significant questions remain unanswered and that investors have responded too positively to the news.

I suppose my main concern is that I don’t see how people can know at this stage how long immunity produced by a vaccine will last. Dr. Fauci said recently he thought it would last at least a year, but how can he know that for sure? Over the weekend just past (Dec. 19/20) news emerged that a current strain of COVID-19 in the United Kingdom had mutated and was likely even more contagious than before. If immunity from any vaccine lasts less than a year, or if the virus mutates such that vaccines are less a match for it, COVID-19 could be around to cost lives and stifle economic activity far beyond the spring of 2021.

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As far as the stock market goes, if it had risen a bit on the vaccine news, I would not be concerned. As I see it, the problem is that the market has reacted as if the vaccines will conquer COVID-19 such that it already reflects an excellent result. In other words, the market already "discounts" excellent future news. The price/earnings ratio (P/E) of the Russell 1000, an index of 1,000 large U.S. companies, was recently about 27.5; that of the Russell 1000 Growth Index (the 'growth' stocks in that index) was more than 35. The S&P 500's was recently more than 27; I get concerned that the index is too expensive relative to earnings when the P/E is much above 20.

Now, it's definitely true that if the vaccines work, are widely disseminated and allow economic recovery to resume unimpeded by risks to public health, corporate earnings will skyrocket (especially for service-oriented businesses and energy) and the valuations will no longer be as high. That would be great. However, as an investment adviser who cares about risk as well as return, I don't want to bet the house on that. I want to balance the accounts such that they reflect the possibility both of a prosperous future and a more difficult 2021 than the market seems to expect.

Therefore, while I haven't been engaging in wholesale selling of long-established equity positions, I have trimmed equity exposures across many accounts. On a few occasions, I have done so actively by trimming various positions. More often, I have done so by allowing the sometimes-substantial capital-gains distributions paid in November and so far in December by mutual fund holdings to remain in cash. Or, I have invested such distributions mainly in Treasury Inflation Protection bond funds, which provide diversification and should perform relatively well if inflation rises more than the market expects over the next few years. That's a reasonable possibility, in my view, given all of the stimulus from the Federal Reserve Board and federal government.

For new clients, I would rather wait to invest much new money in stock funds and ETFs until stock prices reflect a more balanced outlook.

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

Mark Salzinger

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