FEBRUARY 2018 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	Jan. 2018	1 Yr	Three Yrs	Five Yrs
Growth	**5.0%**	**23.5%**	**11.5%**	**12.5%**
Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)	*4.5%*	*23.1%*	*11.0%*	*10.3%*
Growth & Income	**4.0%**	**20.2%**	**10.2%**	**10.7%**
Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)	*3.7%*	*19.9%*	*9.5%*	*9.1%*
Conservative Balanced	**2.9%**	**16.0%**	**8.3%**	**8.3%**
Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)	*2.9%*	*16.7%*	*8.0%*	*7.8%*
Closed-End Income	**2.9%**	**15.5%**	**9.5%**	**N/A**
ETF Option Income	**1.8%**	**13.3%**	**N/A**	**N/A**
Retirement Income	**2.3%**	**13.5%**	**7.6%**	**7.0%**
Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)	*2.4%*	*14.6%*	*7.6%*	*7.0%*
Alternative	**3.4%**	**17.4%**	**5.0%**	**1.7%**
Benchmark (50% GSCI/50% Lipper Emerging Market Fund)	*5.6%*	*24.0%*	*4.0%*	*-3.3%*
Index				
S&P 500	5.7%	26.4%	14.7%	15.9%
Russell 3000 &&	5.3%	25.2%	14.1%	15.5%
Russell 2000 ##	2.6%	17.2%	12.1%	13.3%
MSCI EAFE @@	5.0%	27.6%	9.4%	7.9%
MSCI Emerging Markets	8.3%	41.0%	11.8%	5.7%
Barclays Aggregate Bond	-1.2%	2.2%	1.2%	2.0%
Mutual Fund/ETF Comparisons				
Vanguard LifeStrategy Growth &	4.2%	21.6%	10.4%	10.7%
Vanguard LifeStrategy Moderate Growth #	2.9%	16.5%	8.1%	8.6%
Vanguard LifeStrategy Conservative Gr @	1.6%	11.6%	5.8%	6.5%
Vanguard LifeStrategy Income ^	0.3%	6.8%	3.5%	4.3%
DB Commodity Index Tracking Fund !	3.0%	8.6%	-0.6%	-9.7%

YTD through 1/31/2018. 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 returns are net of model fees and are derived by deducting the highest applicable fee rate of 0.96% from the gross returns each quarter. 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)*

The stock market has been very volatile since the returns for this letter were generated. While the market had a great January, by the second week of February it had given back all of the year's gains in fierce downward moves. It has since clawed back to positive 2% or so in the U.S., though, of course, nobody knows where it will be by the time this letter is printed, mailed/posted online and finally read.

It's best to expect more of the same sort of increased volatility, due to rising inflation as well as interest rates, including the short-term rates likely to be increased several times this year by the Federal Reserve Board. As a result, for current clients who have relatively short-term needs for cash from their accounts, I am likely to sell ahead of time, when I get the opportunity to raise cash by reducing a bit of equity exposure after a strong up day.

However, long-term money should still be invested mainly in equity mutual funds and ETFs. Given the current economic backdrop, the market is unlikely to go down and stay down, at least for now. In fact, I don't expect a bear market to begin until the yield curve is inverted and corporate earnings shrink. The yield inversion probably won't happen for at least another year. Meanwhile, corporate earnings growth should be very strong, because of the expanding global economy and the tax reform, which lowered corporate tax rates and even included accelerated depreciation of capital expenditures, which is likely to increase demand for technological and industrial products.

Most market observers attributed the swift downward moves in February to rising inflation and interest rates. A few also noted that investor sentiment had gotten too optimistic as the New Year began, and that the 'weak hands' of new investors in the current bull market folded at the first signs of trouble, causing the market to fall further than it otherwise would have. I think they have a point. However, it's also probably true that program trading, whereby computers implement trades automatically based on market action, also played a role. In this particular downdraft, program trading tied to volatility likely contributed to the plummet in equities, as well as to a catastrophic demise of products that directly benefited from a stable, rising market.

When asked which part of the U.S. market performed best in 2017, I suspect that most participants would point to large-cap growth equities, including Facebook, Google, Amazon et al. In fact, a more accurate response would be investments designed to move inversely to

Continued on back

futures prices of the VIX, a complex amalgam of prices paid to hedge equity exposure. Such exchange traded products as Velocity Shares Daily Inverse VIX (XIV) and ProShares Short VIX Short-Term Futures (SVXY) gained more than 180% in 2017, nearly tripling in value during a year in which the S&P 500 produced a total return of slightly more than 20%.

As these investments had also gone up gangbusters in some (though not all) of the years this decade prior to 2017, I had noticed them. In fact, I believed that because of their structure and the normal behavior of the futures markets, they were likely to continue to provide substantial gains—unless the stock market crashed similarly to 1987 or 2008. As I did not expect such a crash, I actually believed that holding a small amount of one's capital in inverse VIX products could made sense for someone who understood the risk and could afford to lose virtually the entire investment.

Unfortunately for their holders, that's exactly what happened in early February. After normal trading hours were over, the VIX shot up and the inverse VIX products lost virtually all of their value, so much so that XIV has even been liquidated by its sponsor.

The good news is, despite the sterling past performance and inherent structural advantage of inverse VIX products, I hadn't invested in them for any of my clients. I decided years ago that the 'tail risk' in these investments was too high for clients; despite my opinion that the products would make money the vast majority of the time, the small chance of a catastrophic loss was too great a risk to take, especially with other people's money.

I mention this to highlight the fact that I carefully consider risk when managing client assets. ***Even if I believe a particular investment is highly likely to make a lot of money, I will not put client money in it if I believe the investment also has a chance of declining to zero, or close to it.***

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!

8801 River Crossing Blvd.
Suite 100
Indianapolis, Indiana 46240

salzingersheaffbrock.com
866-575-5700

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

Mark Salzinger
Chief Investment Officer and Portfolio Manager