# FEBRUARY 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 | Jan. 2019 | 12 Months | 3 Years | 5 Years |
|---|---|---|---|---|
| **Growth** | **8.6%** | **-4.8%** | **11.5%** | **7.4%** |
| *Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)* | *7.6%* | *-7.0%* | *10.1%* | *5.9%* |
| **Growth & Income** | **7.4%** | **-3.8%** | **10.2%** | **6.6%** |
| *Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)* | *6.7%* | *-5.6%* | *9.2%* | *5.4%* |
| **Conservative Balanced** | **6.4%** | **-2.7%** | **8.4%** | **5.7%** |
| **Closed-End Income** | **8.1%** | **-0.9%** | **10.6%** | **N/A** |
| **ETF Option Income** | **6.8%** | **3.1%** | **N/A** | **N/A** |
| *Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)* | *5.8%* | *-4.1%* | *8.2%* | *5.0%* |
| **Retirement Income** | **5.8%** | **-3.0%** | **7.3%** | **5.0%** |
| *Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)* | *5.2%* | *-3.2%* | *7.5%* | *4.6%* |
| **Index** | | | | |
| S&P 500 | 8.0% | -2.3% | 14.0% | 11.0% |
| Russell 3000 && | 8.6% | -2.3% | 14.2% | 10.4% |
| Russell 2000 ## | 11.3% | -3.5% | 14.7% | 7.3% |
| FTSE Global All Cap X-US@@ | 7.5% | -12.7% | 9.9% | 3.7% |
| Barclays Aggregate Bond | 1.1% | 2.3% | 2.0% | 2.4% |
| **Mutual Fund/ETF Comparisons** | | | | |
| Vanguard LifeStrategy Growth & | 6.7% | -4.6% | 10.2% | 6.9% |
| Vanguard LifeStrategy Moderate Growth # | 5.3% | -2.7% | 8.3% | 5.9% |
| Vanguard LifeStrategy Conservative Gr @ | 3.9% | -0.8% | 6.3% | 4.9% |
| Vanguard LifeStrategy Income ^ | 2.4% | 1.0% | 4.3% | 3.8% |

Through January 31, 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).

As you can see from the table, we started off the year well, as each of our composites outpaced its respective benchmark handily. Our best relative performance in January was turned in by our Closed-End Income composite, which outpaced the benchmark by 2.3 percentage points. The worst was Retirement Income, which beat its benchmark by 60 basis points.

One factor that hurt our composites in the fourth quarter of 2018 helped us this January, namely, meaningful positions in small- and mid-cap equities. (Note that the Russell 2000 Index of small-cap stocks gained 11.3% in January, beating the large-cap S&P 500 by more than three percentage points.) However, a broader factor that helped throughout our accounts was a general move by investors back to risky assets after the change in tone so far this year on monetary policy by the Federal Reserve Board.

Our Closed-End Income accounts, for example, include substantial positions in closed-end funds that invest in high-yield corporate and municipal bonds, both of which are considered somewhat risky, and which outpaced high-grade credit substantially in January. And, of course, as equities overall are considered risky assets (certainly over short periods), our substantial standard equity allocations throughout most of our accounts helped returns versus most other asset allocation products. Case in point, the Lipper Managed Account Target 2025 benchmark gained 5.2% in January, as compared with 7.4% and 6.4% for our Growth & Income and Conservative Balanced composites, respectively.

Of course, what the Federal Reserve has giveth, the Federal Reserve can taketh away. Recent statements notwithstanding, if the economy or inflationary pressures accelerate, the Fed would likely return to a rate-rising path. However, we don't expect that to happen. Our base case now is the Fed will stand pat on interest rates for the next 12 to 24 months, for the following reasons:

One, the number of signs of a slowdown are increasing in the U.S. Retail sales were down in December. The Philadelphia Fed Manufacturing Index for February fell into negative territory, while the U.S. manufacturing PMI (Purchasing Managers Index) fell to its lowest level in 17 months. While the data in aggregate do not suggest a recession is imminent, they hint at a reduction in growth of GDP to below 2% year over year in the first quarter.

Meanwhile, various measures of inflation show tame pricing pressures. One reason for this is an actual decline in aggregate prices for imports. In November, December and January, aggregate import prices dropped each month.

*Continued on back*

One reason for falling import prices has been a rise in the value of the U.S. dollar against most foreign currencies over the past year. The U.S. Dollar Index, a measure of the value of the U.S. dollar against a basket of the currencies of some of our major trading partners, is up about 7% over the past 12 months, probably thanks, in part, to higher interest rates here than in most other developed countries, certainly Western Europe and Japan.

If the Federal Reserve were to reignite rate hikes, the dollar would likely rise even higher as our debt attracted more foreign capital, hurting the competitiveness of our exports. Combined with higher borrowing costs here and less profitable (and probably less quantity) sales abroad, the hit to our economy could be more harmful than the Fed would want.

And finally, 2020 is a presidential election year, in which the Fed would be reluctant to insert itself by increasing the rates under its control. It does not want to be accused of interfering in a presidential election by raising interest rates, slowing the economy and hurting the incumbent president and his party.

If we're right that the Fed will stand pat on rates, the stock market is still inexpensive enough and earnings prospects decent enough for the market to continue its recent upward move, albeit certainly not in a straight line.

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!

SALZINGER SHEAFF LLC BROCK

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

Mark Salzinger
Chief Investment Officer and Portfolio Manager