# JUNE 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), 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 | May 2020 | YTD | 12 Months | 3 Years | 5 Years |
|---|---|---|---|---|---|
| **Growth** | **7.0%** | **-2.9%** | **12.0%** | **8.2%** | **7.2%** |
| *Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)* | *4.1%* | *-9.2%* | *3.5%* | *3.5%* | *4.4%* |
| **Growth & Income** | **6.2%** | **-4.0%** | **8.9%** | **7.0%** | **6.4%** |
| *Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)* | *3.7%* | *-7.2%* | *4.3%* | *3.8%* | *4.5%* |
| **Conservative Balanced** | **5.3%** | **-4.7%** | **6.2%** | **5.5%** | **5.4%** |
| **Closed-End Income** | **5.0%** | **-10.1%** | **0.1%** | **2.5%** | **4.6%** |
| **ETF Option Income** | **1.4%** | **-12.2%** | **-1.9%** | **3.3%** | **N/A** |
| *Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)* | *3.3%* | *-5.3%* | *4.9%* | *4.0%* | *4.5%* |
| **Retirement Income** | **4.0%** | **-6.8%** | **2.9%** | **3.8%** | **4.4%** |
| *Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)* | *3.0%* | *-4.2%* | *5.2%* | *4.2%* | *4.4%* |
| **Index** | | | | | |
| S&P 500 | 4.8% | -5.0% | 12.9% | 10.2% | 9.9% |
| Russell 3000 && | 5.3% | -5.9% | 10.8% | 8.9% | 8.6% |
| Russell 2000 ## | 6.5% | -15.9% | -3.4% | 2.0% | 3.7% |
| FTSE Global All Cap X-US@@ | 3.8% | -14.7% | -2.9% | 0.0% | 1.3% |
| Barclays Aggregate Bond | 0.5% | 5.5% | 9.4% | 5.1% | 4.0% |
| **Mutual Fund/ETF Comparisons** | | | | | |
| Vanguard LifeStrategy Growth & | 4.2% | -6.2% | 6.5% | 5.7% | 5.7% |
| Vanguard LifeStrategy Moderate Growth # | 3.3% | -3.5% | 7.2% | 5.6% | 5.4% |
| Vanguard LifeStrategy Conservative Gr @ | 2.3% | -0.8% | 7.7% | 5.5% | 5.0% |
| Vanguard LifeStrategy Income ^ | 1.4% | 1.8% | 7.9% | 5.2% | 4.5% |

Through 5-31-2020. 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).

Though things can change at any time, the stock market hasn't been nearly as bad so far this year as the economic data would suggest. As of the third week of June, for example, the large-cap area of the U.S. stock market was down only about 3%. However, this modest loss disguises a huge disparity among investment styles and market sectors.

For example, among large stocks, the growth style is actually up about 10%, while the value style is down more like 15%. In fact, many pure value stock mutual funds are down about 20%. So, there's a performance gap between value and growth of about 25 percentage points, which is amazing, really. The gaps are similar between growth and value in the mid-cap and small-cap universes as well, though the performance overall hasn't held up as well there. For example, the Russell 2000 Small-Cap Value Index is down about 25% as I write this on June 26.

If something isn't a growth stock or fund, it usually has had a difficult year. Even so-called dividend-growth funds, which emphasize the highest quality stocks, are down three or four percentage points more than the S&P 500. While dividend-growth funds are not value funds, generally speaking, the S&P 500 is becoming increasingly growth oriented the better growth performs, as market capitalizations determine the weightings of this index. This makes the S&P 500 a momentum index, basically, and should allow it to perform relatively well so long as growth maintains its positive trend.

In terms of sectors, only technology is up in the strong double digits so far this year, while healthcare and communication services are about even. Virtually everything else is down, some considerably. The worst have been energy and financial services, but even REITs and utilities are down double digits.

I have been thinking lately about potential beneficiaries of a possible exodus from urban areas, due to fears of increasing crime and declining quality of life as well as concerns about current and future pandemics. There are a lot of growth industries that could benefit, of course, which we have mentioned multiple times in these monthly letters as well as in our monthly conference calls. But it also occurs to me that two other industries may benefit, including traditional energy stocks, as driving increases thanks to longer commutes to work and to various activities in the suburbs, while some people even avoid mass transit and air travel due to fears of pandemics. So, while traditional energy is disadvantaged probably for the long run, I am looking at it a little for clients who could afford a little risk in this area and aren't against energy investing for moral reasons. It also stands to reason that if more families move to the suburbs, they will want houses, which should certainly benefit the homebuilding industry.

The best performing area of the markets so far this year has been

*Continued on back*

long-term Treasuries. The yields are so low now on Treasuries and most other high-quality bonds that I am unlikely to invest much in them, except very short-term ones as a money-market alternative. But Treasury Inflation Protection Securities (TIPS) still look reasonable and provide diversification, while mortgage-backed and municipals also look OK. I also continue to invest in multisector bond funds, which balance risks among different kinds of bonds.

The stock market yields more than Treasuries, which is an advantage for stocks for people with longer time horizons. Performance near term depends on treatments and vaccines for COVID-19, which are difficult to predict.

The year-to-date performances across our composites through May were a mixed bag. The Growth and Growth & Income composites thrashed heir benchmarks and are comfortably ahead of the S&P 500 for the year. Given our diversification, this is quite an accomplishment. We've achieved this both because of a preference in recent months for the growth style, but also because some of our individual selections have done much better than their benchmarks, of various styles. On the other hand, the Retirement Income composite was down more than its blended benchmark, while Closed-End Income and ETF Options Income posted considerable declines.

As we wrote last month, one reason is diversification, which is broader in the Conservative Balanced and Retirement Income accounts than in Growth and Growth & Income. Another reason is Conservative Balanced, Retirement Income and Closed-End Income include more credit-sensitive investments for income, which have yet to fully recover from the beatings they took earlier this year. I am hopeful they will continue to recover as treatments and preventatives for COVID-19 come on line.

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. 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