

JULY 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 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	YTD 2018	1 Yr	Three Yrs	Five Yrs
Growth	2.7%	12.2%	8.8%	10.8%
<i>Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)</i>	-1.2%	8.0%	7.5%	8.4%
Growth & Income	2.0%	10.5%	8.0%	9.4%
<i>Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)</i>	-1.1%	6.9%	6.9%	7.6%
Conservative Balanced	1.1%	7.8%	6.8%	7.4%
Closed-End Income	-1.0%	2.3%	7.6%	N/A
ETF Option Income	3.6%	8.6%	N/A	N/A
<i>Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)</i>	-1.1%	5.6%	6.1%	6.6%
Retirement Income	0.2%	6.1%	6.2%	6.3%
<i>Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)</i>	-1.1%	4.9%	5.6%	6.0%
Index				
S&P 500	2.7%	14.4%	11.9%	13.4%
Russell 3000 &&	3.2%	14.8%	11.6%	13.3%
Russell 2000 ##	7.7%	17.6%	11.0%	12.5%
MSCI EAFE @@	-2.8%	6.8%	4.9%	6.4%
MSCI Emerging Markets	-6.7%	8.2%	5.6%	5.0%
Barclays Aggregate Bond	-1.6%	-0.4%	1.7%	2.3%
Mutual Fund/ETF Comparisons				
Vanguard LifeStrategy Growth &	0.3%	9.4%	7.8%	9.2%
Vanguard LifeStrategy Moderate Growth #	0.1%	7.2%	6.5%	7.6%
Vanguard LifeStrategy Conservative Gr @	-0.2%	5.0%	5.1%	6.0%
Vanguard LifeStrategy Income ^	-0.5%	2.8%	3.6%	4.3%

YTD through 6/30/2018. 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 Salzinger Sheaff Brock, LLC (SSB) Growth and SSB Growth & Income. #A comparison for SSB Growth & Income. @A comparison for Conservative Balanced. ^A comparison for SSB Retirement Income. 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 SBI. **Past performance is not indicative of a guarantee of future results and investors may experience a loss.** (continued on back)

Broad indexes of U.S. stocks as well as composites of our accounts for various risk levels outpaced broad indexes of international and emerging markets equities in the first half of this year (please see table). Though our accounts include significant exposure to foreign markets, it is generally less so than the percentage invested in overseas equities by big mutual fund companies that offer global asset allocation funds, including those of Fidelity, T. Rowe Price and Vanguard, four examples of which we include in the table. The more aggressive asset allocation offerings of those providers dedicate about a third of total assets to foreign equities, versus about 15% for SSB Growth accounts, for example.

Investment management theory suggests that U.S. investors should invest considerably more in overseas equities than they typically do, because such investments have potential for significant returns with different return patterns than U.S. equities might exhibit. In other words, international investing can provide diversification, which should reduce risk, while not hurting returns over the long run, or so the theory goes. This is probably the main reason Fidelity, T. Rowe Price and Vanguard provide such high exposures to foreign markets in many of their asset allocation products.

The main problem I have with this type of thinking and practice is it

is based partially on data produced decades ago, when various foreign markets were much different than they are today. Consider: the economy of Japan grew at 10% annual rates in the 1960s, 5% annually in the 1970s and 4% annualized in the 1980s. Now, however, it struggles to grow at all. Given this dramatic difference, is it really sensible to consider how Japanese equity prices performed in decades past when considering how heavily to weight the country today in global portfolios? The country's stock market certainly isn't going to perform similarly to what it did in the past. And this is not to pick on Japan, some stocks of which may be decent buys at current prices. I could say nearly the same about many European countries, struggling to grow today anywhere near the rates of decades past, and with generally uninspiring demographic and fiscal trends.

Personally, while I want our accounts to have some exposure to international equities in case they outperform the U.S., I'd rather more heavily favor the U.S., where the potential for economic growth is generally higher than in other developed nations. And, for the international exposure I do offer, I prefer niche, actively managed funds with managers I hope can provide superior returns to overseas markets generally, and with more diversification for U.S.-centric portfolios.

Continued on back

I want to end this letter this month with a little discussion about why differences in return should matter to you. On the one hand, as long as your own portfolio grows enough to cover what you need for various purposes, it has done well enough. Often, this can be accomplished by a combination of steady savings and avoiding some common big investing mistakes, such as putting too high a percentage of your assets in the hot stock du jour; stressing high-fee, complex investment products for your capital; or sticking with an ultra-conservative asset allocation that limits your potential returns to a couple of percentage points per year.

On the other hand, even small differences in investment returns can add up over many years, thanks to the power of compounding. Consider the five-year annualized return of our SSB Growth composite (10.8%) - - the size-weighted average return of all the accounts with the heaviest equity allocations - - versus that of the

blended Lipper benchmark (8.4%) - - an equity-heavy blend (90/10) of global all-capitalization stock funds and investment-grade bond funds. Over one year, the percentage difference in five-year annualized return between the SSB Growth Composite and the blended Lipper benchmark would have created a relatively modest advantage of \$24,000 on an initial investment of \$1 million. However, over the full five-year period, the difference in annualized returns would have created an advantage for the SSB Growth composite of \$173,000—in other words, a lot of money. (Of course, past performance is no guarantee of future results, in absolute terms or relative to a benchmark.)

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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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

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 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). 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. Clients or prospective clients are directed to SSB's Form ADV Part 2A or to one or SSB's representatives for individualized information prior to deciding to participate in any portfolio. SSB does not provide tax advice. Clients are strongly urged to consult their tax advisors regarding any potential investment.