

DECEMBER 2022 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 2022	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Growth - Inception 2/1/2010	5.33	-17.25	-15.12	6.55	7.00	9.80	9.95
Benchmark (90% Lipper Multi-cap Core/10% Lipper General Bond Fund)	7.89	-13.91	-10.43	6.09	5.48	8.00	8.20
Growth & Income - Inception 9/1/2009	4.79	-16.11	-14.15	4.70	5.76	8.25	8.98
Benchmark (75% Lipper Multi-cap Core/25% Lipper General Bond Fund)	7.19	-13.45	-10.50	5.18	4.98	7.12	7.57
Conservative Balanced - Inception 10/1/2009	4.12	-14.16	-12.46	2.94	4.37	6.30	6.67
Benchmark (60% Lipper Multi-cap Core/40% Lipper General Bond Fund)	6.48	-13.05	-10.64	4.18	4.41	6.18	6.62
Closed-End Income - Inception 10/1/2014	6.36	-15.02	-12.81	1.57	3.59	-	4.45
First Trust Closed-End Fund Composite Total Return*	6.98	-16.32	-14.30	0.78	3.06	-	4.02
Retirement Income - Inception 11/1/2010	4.12	-12.37	-10.69	0.71	2.66	4.79	5.15
Benchmark (50% Lipper Multi-cap Core/50% Lipper General Bond Fund)	6.01	-12.82	-10.77	3.45	3.98	5.52	5.75
Index							
S&P 500	5.59	-13.10	-9.21	10.91	10.98	13.34	-
Russell 3000	5.22	-14.18	-10.80	10.28	10.33	12.95	-
Russell 2000	2.34	-14.91	-13.01	6.44	5.45	10.13	-
FTSE Global All Cap X-US	11.48	-15.40	-11.78	2.46	2.00	4.91	-
Barclays Aggregate Bond	3.68	-12.62	-12.84	-2.59	0.21	1.09	-
Mutual Fund/ETF Comparisons							
Vanguard LifeStrategy Growth &	7.35	-13.81	-11.18	5.33	5.71	8.19	-
Vanguard LifeStrategy Moderate Growth #	6.38	-13.21	-11.35	3.42	4.47	6.52	-
Vanguard LifeStrategy Conservative Gr @	5.30	-12.73	-11.62	1.47	3.14	4.79	-
Vanguard LifeStrategy Income ^	4.26	-12.24	-11.94	-0.64	1.71	2.99	-

Through 11-30-22. Returns over 12 months annualized. Performance data quoted represents past performance. Past performance does not guarantee future results and there is a risk of loss of all or part of your investment. Salzinger Sheaff Brock, LLC (“SSB”), is a federally registered investment adviser founded in 2009. Performance presented are time-weighted returns. Valuations and performance is reported in U.S. dollars. Composite performance is presented on a net-of-fees basis and includes the reinvestment of income (dividends/interest). Net-of-fees returns are calculated by deducting a model management fee of 0.24%, ¼ of the highest annual management fee of 0.96%, from the quarterly gross composite return, applied the first month of each quarter. Actual advisory fees incurred by clients may vary. Composite performance consists of fully discretionary portfolios, including those accounts no longer with the firm. (continued on back).

International stock markets performed especially well in November, while U.S. small-cap stocks generally gained much less. As most of our accounts have below-average weightings in international stocks but above-average exposure to small caps, many accounts gained less than their benchmarks. Over longer periods, we are still comfortably ahead of them, however.

Looking toward 2023, I am looking at modestly increasing exposure to foreign stocks and even a bit to small stocks. Both of these areas of the world market are inexpensively priced versus U.S. large caps (though, admittedly, foreign stocks have had lower valuations than U.S. stocks for many years without doing well). Within both broad areas, however, I am looking for funds and ETFs that invest in higher-quality stocks, not those that are highly leveraged to the world economy and/or the credit markets.

The reason is, I want to protect clients from the impact on certain stocks of a global recession that could come about in 2023 or 2024. Though a recession isn’t a certainty, I think it’s more likely to occur in that timeframe than not. The reason is Federal Reserve policy. Namely, in order to reduce inflation down in to the 2% range it prefers, the Fed will probably have

to raise rates high enough and for long enough to cause a recession by reducing aggregate demand for goods and especially services such that wages stop rising at such high rates (recently an annualized rate of about 6%).

If I’m right, stocks of companies with predictable, stable demand profiles virtually regardless of the economic climate should hold up especially well. Many of these companies offer substantial dividends, or at least the wherewithal to pay them should they choose to do so. Many of the most prominent funds that invest in them are the so-called dividend-growth funds and ETFs, in which most of our accounts have considerable exposure, sometimes even growing. However, we’ve been lacking a bit in this area in our exposure to foreign stocks, so I’m looking to add a bit to funds that invest at least part of their assets in some of the most stable, defensive companies domiciled in Western Europe and Japan.

Meanwhile, broad indexes of smaller stocks in the U.S. are trading at price/earnings ratios in the very low teens or even less on earnings of the past 12 months, compared to about 20 for the S&P 500 index of large U.S. stocks. That’s as cheap relative to the large caps as I can recall. And it’s not just the small-cap value area, either, but the small-cap (and even some mid-

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cap) area as a whole. In fact, I'm generally avoiding funds that invest a lot in small-cap value stocks, because a recession would likely hurt this market area disproportionately, as many of their operations are highly cyclical and may suffer, especially, once the excess pandemic savings have been whittled down even further by consumers than they already have been. So, I'm going for small-cap index funds that invest in the profitable part of the small-cap universe, or in actively managed small-cap fund holdings of longstanding that have suffered awful years more because of valuation compression than declining earnings.

Of the market generally, I see a mixed picture (of course!). On the negative side, we have Fed policy, and the likely declines in aggregate corporate earnings that would likely arise during a recession. On the positive side, we have declining month-to-month inflation numbers and historical parallels

that suggest higher stock prices over the next 12 months. As noted in previous of these monthly letters, the 12-month periods after midterm elections have been virtually always positive since the 1940s. Also, the equity market is down two consecutive years only very rarely. (The same is true for Treasuries, by the way.)

As 2022 draws to a close, I have been selling some positions with losses within taxable accounts to save clients on taxes, especially for long-term capital gains. Though taxable distributions look low for 2022, capital losses can be carried over into future years, if necessary.

To get started in any of our strategies, please call us at 866-575-5700, or email info@salzingersheaffbrock.com.

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For more information on our strategies, call us at 866-575-5700, or send an email to info@salzingersheaffbrock.com. We look forward to hearing from you!

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

Mark Salzinger
Chief Investment Officer and Portfolio Manager

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Indexes: Lipper Global Multi-Cap Core 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. 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. First Trust Composite Closed-End Fund Index is a capitalization weighted index designed to provide a broad representation of the US municipal, fixed income and equity closed-end fund universe. 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. Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. Russell 3000 Index measures the performance of the largest 3,000 US companies. Bloomberg US Aggregate Index is 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). FTSE Global All Cap X-US is an equity index which captures most of the world's stocks ex-US. Indexes are unmanaged and unavailable for direct investment. Style Comparisons: & A comparison for SSB Growth and SSB Growth & Income. # A slightly lower risk comparison for SSB Growth & Income. @ A comparison for SSB Conservative Balanced. *A comparison for SSB Retirement Income. An index should only be compared with a mandate that has a similar investment objective. *Effective 10/31/22 the SSB Closed-End Income Composite changed the benchmark from 25% Lipper Global Multi-Cap Core Index/75% Lipper General Bond Index to the First Trust Composite Closed-End Fund Index.