

Quote of the week

“An optimist stays up to see the new year in, a pessimist waits to make sure the old one leaves.”
Bill Vaughan

We're optimists, but honestly we are glad this decade is over. The chart at the bottom of the page shows why.

One thing the last decade didn't squash though is our confidence about the future. The future for stock market returns is brighter since lousy decades have historically preceded really good ones.

The future for our company looks pretty good as well. Sheaff Brock started November 2, 2001, about 6 weeks after 9/11. *(Ron and Dave's spouses were very impressed with their timing)* In hindsight it was a tough time to start a money management firm...could of been worse though, at least we didn't try to start an airline!

Eight years ago Sheaff Brock consisted of 4 people and \$65 million of assets under management. Today Sheaff Brock has 7 folks and \$200 million. www.sheaffbrock.com

A couple of years ago we helped Bob Auer launch the Auer Growth Fund. The fund started with \$30 million run by Bob and his dad Bryan. Today the fund has \$173 million in it and there are 4 guys with their sleeves rolled up working away on it; Bob, Bryan, Paul Auer, and Eric McKenzie. www.sbauerfunds.com

In April of this year we formed another joint venture with a guy named Mark Salzinger. Mark writes the most successful newsletters on no-load mutual funds and ETFs and has about 10,000 subscribers. In our new venture Mark manages portfolios using the best funds around. He is a sharp guy with a bunch of experience. Before he got in the newsletter business he spent a decade as Louis Rukeyser's head of research and newsletter editor. The joint venture, Salzinger Sheaff Brock, LLC (*snappy name isn't it?*) started in April with \$0 under management and will close out the year at about \$19 million. If you

want to learn more about Salzinger Sheaff Brock, go to www.salzingersheaffbrock.com.

In the last 8 years Sheaff Brock and our associated family has grown from four of us to an even dozen; and assets under management have gone from \$65 million to about \$400 million. That is why we are optimistic. We've done pretty well in a bear market; just think what might happen in a bull market!

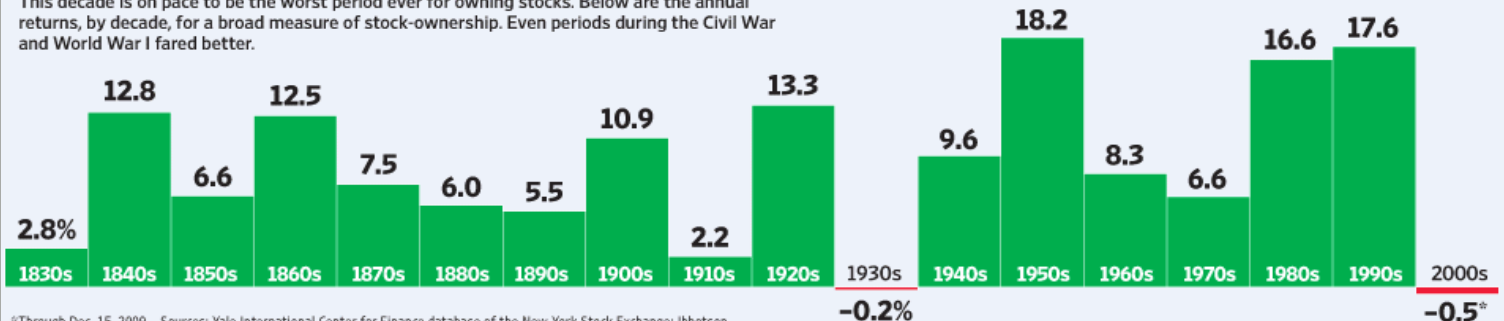
At the end of every year people always want to hear predictions of what might happen next year. Who knows? Not even Greenspan or Bernanke foresaw what happened in the last 24 months. The only thing anybody can predict with some certainty is that eventually the Fed will raise interest rates. Below is a chart of the Fed Funds rate for the last decade. You can see that short-term rates were 6% in 2000, dropped to 1% during the 2003 recession, went back up to 6%, and now are at 0.12%. When rates are zero there's nowhere to go but up.



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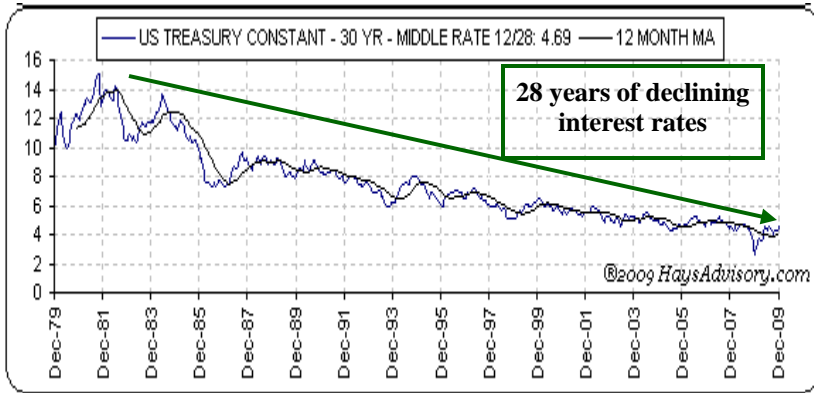
Dubious Distinction

This decade is on pace to be the worst period ever for owning stocks. Below are the annual returns, by decade, for a broad measure of stock-ownership. Even periods during the Civil War and World War I fared better.

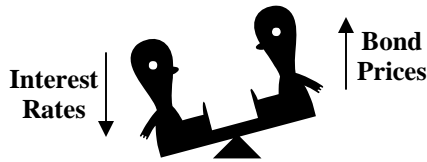


*Through Dec. 15, 2009 Sources: Yale International Center for Finance database of the New York Stock Exchange; Ibbotson

One thing that is indisputable is that the interest rate paid on high quality bonds has been dropping for 28 years. Below is the rate paid on long-term Treasury bonds going back 30 years. In 1981 yields peaked at 15% and they have been trending down since.



When interest rate drop, what do bond prices do? They go up. Think of it like a teeter-totter.



Bonds have been in a 28 year bull market, but eventually the Fed will raise the Fed Funds rate. The see-saw can only go so low before the chubby interest rate boy hits bottom. The Fed will start raising it when the economy shows clear signs of recovery.

What areas of the investment world have historically done well when the Fed starts raising rates? The next column has a table that goes back to 1962 and shows the performance of sectors for the six months before the Fed

starts to raise rates and then which does the best for the 6 months after the Fed starts raising rates.

**Performance Before/After the Beginning of Fed Funds Rate Increase Cycle
Average Returns Since 1962**

	Returns prior to raise 6 Months	Returns after start of raise 6 Months
S&P 500	3.56%	3.01%
Cons Disc	3.41	1.20
Cons Stap	5.57	2.40
Energy	9.09	4.23
Financials	1.69	0.72
Health Care	3.42	5.08
Industrials	3.94	-0.47
Materials	5.44	4.33
Technology	6.14	5.67
Telecomm	2.58	-1.02
Utilities	2.11	-2.45
Crude Oil	16.22	16.97
Gold	3.15	2.96
Dollar Index	-0.30	-2.86
10y Treasury	-2.55	-7.59
Small Stocks	6.37	5.14

As far as stocks go, history has favored energy, technology, small companies, materials and health care. Already our managed accounts are most heavily weighted in those four sectors and the Auer Growth Fund is about 60% invested in small companies. We are ready and waiting for the green flag to drop.

Nearly all of our clients hung with us through the tumult of the last 24 months. Thank-you, and you, and you too.

And this year we look more than half-way smart as our managed accounts have done very well. We hope history will repeat itself when the Fed starts raising rates. If so, we all will have a nice head-start for the next decade.

Happy New Year and Happy New Decade!!

Performance year-to-date as of 12/30/09

Sheaff Brock Growth Model	+35%
Sheaff Brock Dividend Growth	+25%
Auer Growth Fund	+37%
S&P 500	+26%
Dow Jones Select Dividend Index	+11%

You should carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the Fund's prospectus by calling 1-888-711-2837 or visiting www.sbauerfunds.com. Past performance is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Sheaff Brock Investment Advisors, LLC (SBIA) does not guarantee the accuracy or completeness of this report, nor does SBIA assume any liability for any loss that may result from reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice and are for general information only. Index return and yield data is from *The Wall Street Journal and Thomson*. Past performance does not indicate future results. Model account returns are net of fees and commissions and include the payment of dividends which are held in money market funds pending reinvestment in other portfolio securities. Client returns may differ because all securities in the model may not be owned by each client. The securities mentioned in this report can be, and often are, owned by clients and employees SBIA. Clients and prospective clients should understand that there is no assurance that capital gains made in the past will continue. There is always the chance that market conditions or portfolio performance may deteriorate in the future, and clients may experience real capital losses in their managed accounts. The Classic Growth model and Dividend Growth and Income model are compared to the performance of the S&P 500 and sometimes to the Dow Jones Industrial Index (DJIA) although the model positions may not reflect the securities making up these indices. Neither comparable index may be an appropriate comparison index as our model accounts may own small and mid-cap companies not represented in the S&P 500 or the DJIA. There were no other strategies employed to obtain the results portrayed other than those strategies disclosed in the Sheaff Brock Investment Advisors, LLC Form ADV or other disclosure brochure.