Our Tactical Rules Favor Equities

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- **We believe the Fed will keep interest rates lower for longer in order to get its dual mandate off life support.**
- **The US Primary trend (200 day S&P 500 moving average) is rising at an annualized 9% rate as of July 24, 2020.**
- **Sentiment now firmly sits at neutral, as investors have been comforted with fiscal and monetary support during the pandemic.**

The road to reopening the economy has encountered some speed bumps, potholes, and roadblocks. The number of COVID-19 cases continues to increase, prompting some states and localities to limit or postpone reopening activities. In localities where hospital capacity is reaching its limits, lockdowns are still a possibility to contain the spread of the virus. However, we do not anticipate a national shutdown of the economy again.

At the onset of the pandemic our investment team acknowledged that we did not know what the future would hold, but we committed to being flexible in our portfolio positioning. We adapted our thinking when we found new information focusing on our mantra of 'process over prediction' to navigate the extreme uncertainty. A key component of this process is tactical and best described through our three tactical rules: "Don't Fight the Fed", "Don't Fight the Trend", and "Beware of the Crowd at Extremes". Over the last 4 months, portfolio positioning has varied, in our balanced strategies, from underweighting equities in March to preferring equities since mid-April. The shift in stance can largely be attributed to the positive changes in the trend and the crowd, while we believe the Fed has remained consistently on the investor's side, as shown in the table below.

RiverFront's Tactical Dashboard

	February 17th	March 30th	July 27th
Don't Fight The Fed	*Supportive*	*Supportive*	*Supportive*
Don't Fight The Trend	*Positive*	*Negative*	*Positive*
Beware of The Crowd at Extremes	*Extreme Optimism*	*Extreme Pessimism*	*Neutral*
Positioning	*Prefer Equities over Bonds*	*Underweight Equities*	*Prefer Equities over Bonds*

Opinions are not intended as recommendations and are subject to change. Terms used in this chart are RiverFront interpretations. Definitions for terms used above are included in the disclosures.

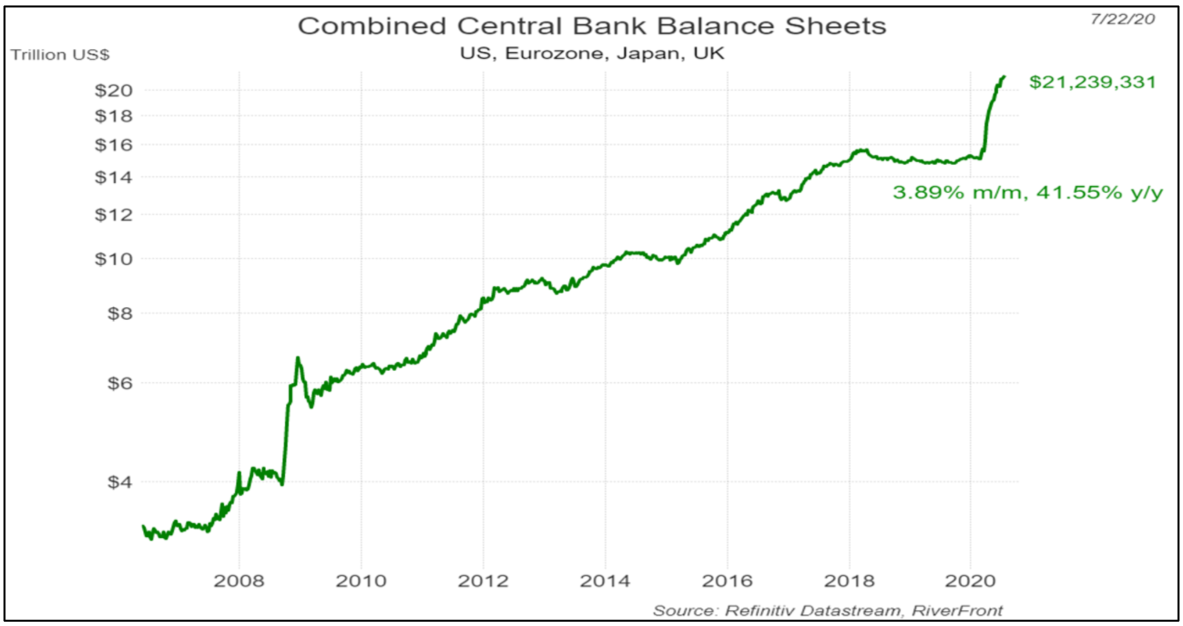
'DON'T FIGHT THE FED': Investors should not go against the policy guidance of central bankers in the US or abroad.

The Federal Reserve reacted with unprecedented speed to the pandemic by increasing its balance sheet approximately $3 trillion to stabilize financial markets. Recently the Fed's balance sheet has contracted slightly, as financial markets healed and asset purchases slowed, signaling that extreme financial market support is no longer needed. However, capacity still exists for additional support if warranted.

Now that the immediate financial market crisis has passed, the Fed will need to refocus on its dual mandate, which in our view is on 'life support' because unemployment is too high, and inflation is too low. The Fed will need to continue to stimulate the economy to promote lower unemployment and somewhat higher inflation, given unemployment is at 11.1% and inflation as measured by core PCE, the Fed's preferred gauge, is at 1.02%. We believe that the Fed will accomplish this by using forward guidance as its primary tool by telegraphing its policy stance well out into the future. We believe this means that the Fed will commit to leaving interest rates low beyond its earlier indicated timeframe of 2022. In the words of Fed Chairman Jay Powell after the June FOMC meeting, "We're not even thinking about thinking about raising rates."

While the Fed continues to explore Yield Curve Targets (YCT), a process where it caps the level of interest rates of a specific maturity along the yield curve, we do not believe it will officially adopt the process. Quantitative easing (QE) purchases have provided an implicit YCT, pinning interest rates on the front-end of the yield curve near zero without creating an explicit target, ultimately providing the Fed more flexibility to respond to market data. Forward guidance and periodic adjustments to the QE program will be the way forward, in our opinion, as the Fed concludes its July 29th meeting, further reinforcing that the Fed remains on the investor's side. As our chart below shows, this is also true of central banks in Europe and Japan.

In short, the central banks around the world appear to be telling investors they will do whatever it takes to support the global economy.



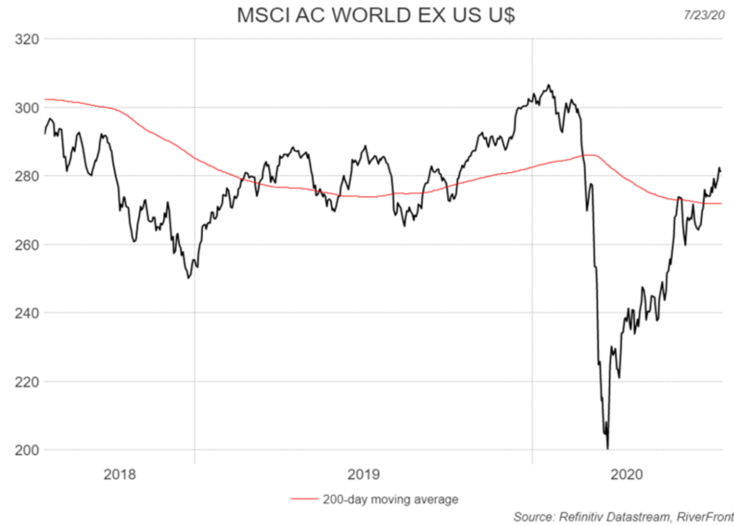
Past performance is no guarantee of future results. Shown for illustrative purposes. Not indicative of RiverFront portfolio performance.

'DON'T FIGHT THE TREND': Investors should determine the direction and strength of the trend and adjust their investment decisions accordingly.

Currently the US primary trend, which we define as the S&P 500's 200-day moving average, is rising at an annualized 9% rate as of July 24th (it is currently being calculated from October 9, 2019… last year on October 9th, the S&P 500 was sitting at 2919). As of July 24, the S&P 500 is trading less than 5% below its all-time closing high of 3386. We believe 3386 will serve as near-term overhead resistance as financial markets assess the dual uncertainties of COVID-19 and November's elections. If the S&P 500 fails to move any higher from current levels, the trend can remain positive for the next two to three months. This strong trend has given our investment team the confidence to prefer domestic equities, while incorporating trailing stops in our shorter time horizon portfolios for portfolio protection.

International stocks also have strengthened, but the trend looks less certain. The international primary trend, which we define as MSCI All Country World ex-US index's (ACWX) 200-day moving average, has improved from the March lows, but to a lesser degree than the US primary trend. The international primary trend is falling at a -2.4%

annualized rate and continues to have has less support than the S&P 500 as international markets are trading only slightly higher than their October 2019 level. Therefore, the international trend continues to be lower than in the US. However, given the recent economic rebounds in Europe and Asia, we are hopeful the trend may turn up.



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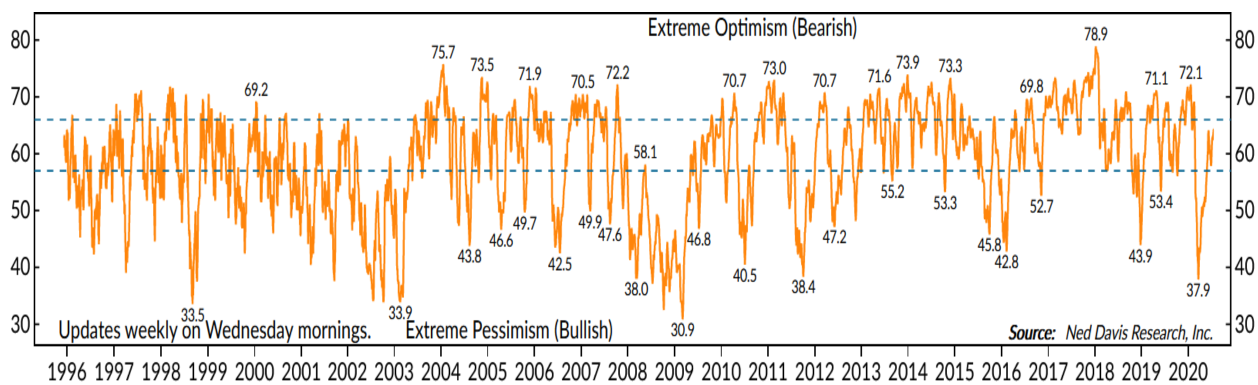
'BEWARE OF THE CROWD AT EXTREMES': Analyze sentiment by determining if it is sustainable at current levels. If sentiment is identified to be unsustainable, then as investors we must be willing to lean in the other direction and be prepared to act aggressively once the condition changes**.**

Ned Davis Research's (NDR) Weekly Crowd Sentiment Poll (see chart below) has rebounded from the plunge into the extreme pessimism zone experienced at the time of our last update on March 30th. Sentiment now firmly sits at neutral, as investors have been comforted with fiscal and monetary support during the pandemic.



We acknowledge that there is the potential for sentiment to revisit extreme pessimism if the economy fails to reopen and unemployment does not fall considerably, but we believe that worst is behind us and the economy will heal from here. **Sentiment is at a level that is bullish for equities, however, given stocks sharp rebound some digestion may be needed. We recommend proceeding with caution by employing trailing stop levels for risk mitigation.**

THE FINAL VERDICT:

In the US, collectively our three tactical rules continue to favor equities. While we acknowledge that stocks may require some risk management in the near-term, we continue to believe stocks will be higher than current levels 12-18 months from now. Equities should benefit from the global economy reopening and a rebound in earnings growth in 2021.

Important Disclosure Information

The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Past results are no guarantee of future results and no representation is made that a client will or is likely to achieve positive returns, avoid losses, or experience returns similar to those shown or experienced in the past.

Information or data shown or used in this material is for illustrative purposes only and was received from sources believed to be reliable, but accuracy is not guaranteed.

In a rising interest rate environment, the value of fixed-income securities generally declines.

Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

When referring to being "overweight" or "underweight" relative to a market or asset class, RiverFront is referring to our current portfolios' weightings compared to the composite benchmarks for each portfolio. Asset class weighting discussion refers to our Advantage portfolios. For more information on our other portfolios, please visit www.riverfrontig.com or contact your Financial Advisor.

It is not possible to invest directly in an index.

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 developed markets (DM) countries (excluding the US) and 23 emerging markets (EM) countries.

Definitions: Don't Fight the Fed – 'Supportive' means the Fed's monetary policy regarding inflation and employment is in what we believe based on our analysis to be the investors' best interest; 'Against' means the Fed's monetary policy, in our view, is going against the investors' best interest; 'Neutral' means the Fed's monetary policy is neither supportive or against the investors' best interest in our view. Don't Fight the Trend – Terms correlate to the 200-day moving average as it relates to the equity indexes: 'Positive' means that the trend is rising, 'Flat' means the trend is flat, 'Negative' means the trend is falling. Beware the Crowd at Extremes – Terms correlate to the NDR Crowd Sentiment Poll and its measurement of Extreme Optimism (Bearish), Neutral, or Extreme Pessimism (Bullish).