2019 Strategic Asset Allocation: More Opportunities but More Risk

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EXECUTIVE SUMMARY

1. In our opinion, many asset classes (including US equities, developed international, emerging markets and credit-sensitive fixed income) are more attractively valued today than last year, expanding our universe of attractive investment opportunities.

2. However, despite more attractive valuations, the investment team opted for a more conservative point on the Price Matters® efficient frontier (defined below) as a baseline for 2019. The net result is that our 2019 asset allocation models have similar equity/bond weightings to 2018. This is due in part to:

   a. In a rising rate environment, the traditional inverse relationship of equites and bonds breaks down. For this reason, we do not think bonds should be expected to act as a shock absorber to offset equity weakness.

   b. Long-term, corporate bonds in our view are more attractive providing potential returns because yields are higher than at the beginning of 2018.

   c. Equity volatility has increased since last year, disproportionately affecting international equities. We believe this is a result of heightened geo-political concerns. Therefore, the composition of our equity allocation has changed, favoring more US equities and less International equities.

Our asset allocation models are a function of our strategic and tactical allocation processes. The strategic process involves two steps: setting capital market assumptions and strategic optimization.

SETTING CAPITAL MARKET ASSUMPTIONS

The setting of capital market assumptions is driven by RiverFront's proprietary Price Matters® framework. Throughout the year, RiverFront updates its Price Matters® estimates of expected returns and downside risks for a wide array of global asset classes. Price Matters® return estimates fall as prices rise and increase as prices fall, consistent with historical market behavior. Downside risks are similarly a function of price, as overvalued markets have historically suffered the largest declines. Given 2018's weak equity markets, each of the major asset classes are more attractively valued as of 11.30.18 according to Price Matters®. This can be seen in the table to the right, for example, after falling nearly 15% in

PRICE MATTERS® DISTANCE FROM TREND

Asset Class	Total Return 2018	12/31/17 Distance from Trend	11/30/18 Distance from Trend
US Large Cap	-4.38%	16.9	13.4
US Mid Cap	-11.08%	24.2	14.9
US Small Cap	-8.48%	20.2	9.8
Developed International	-13.79%	-29.6	-41.1
Emerging Markets	-14.58%	-0.9	-18.4
Investment Grade Bonds*	-1.67%	2.7	4.12
High Yield Bonds*	-2.26%	5.8	6.26

*Fixed income is measured in starting yield

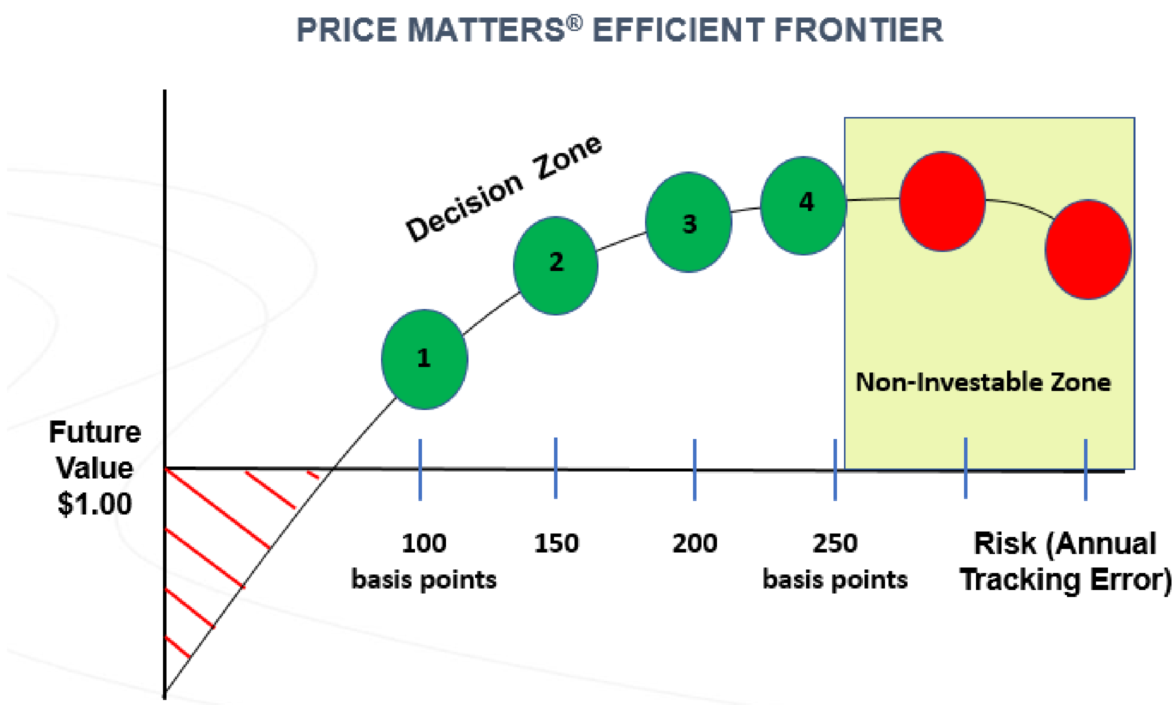
Source: SOURCE: FactSet, CRSP, Bloomberg; Past performance is no guarantee. Shown for illustrative purposes only and not indicative of RiverFront portfolio performance. *Fixed Income asset classes display yield rather than distance from trend. Yield represents Yield to Worst, see the end of this presentation for the full definition. Trend, according to Price Matters® is the slope of an exponential growth function that closely tracks a real (inflation-adjusted) long term Index for that Asset Class. Distance from Trend is the distance of the trend line relative to the current index level expressed as a percentage.

2018, emerging markets are now more attractively valued at 18% below their trend-line as of 12.31.17 when they were less than 1% below their trend-line.

OPTIMIZATION

At least annually, we incorporate these capital market assumptions into our Mean Reversion Optimization (MRO) process to update our strategic asset allocations. MRO calculates asset allocations for five investment time horizons ranging from three years to more than ten years. Each asset allocation is stress tested to minimize potential losses under the most severe historical economic and market scenarios and then optimized to seek maximum upside returns in 90% of potential scenarios in which these worst-case outcomes do not occur. The outgrowth of Price Matters and MRO is a series of asset allocation combinations (Price Matters® efficient frontier) that seek to maximize upside potential for a given level of risk.

The optimized portfolios on the Price Matters® efficient frontier serve as a road map for the asset allocation team to tilt the portfolios. An example of the Price Matters® efficient frontier is shown below, where multiple optimal portfolios (1-4) representing different risk levels are shown in the 'Decision Zone'.



Source: RiverFront. Provided for illustrative purposes only. Alpha refers to the performance differential between a specific investment and its benchmark.

The next step of the strategic asset allocation process determines which asset combination on the Price Matters® efficient frontier is most appropriate given the team's investment outlook. Collaboratively, the asset allocation team and the rest of the Investment Committee select the option that they believe should serve as the strategic asset allocation guidelines for each investment strategy. *Note, actual portfolio asset allocations will differ from the selected strategic asset allocations.* We believe that the tilting process is critical, because valuation alone can be a poor timing signal and our tilts can help lower the risk of getting into or out of an asset class too early. Together, these processes incorporate value (Price Matters®) and momentum.

The team uses a momentum discipline, and 'weight of evidence' approach that consists of measuring the trend, the Relative Strength Index (RSI), and sentiment. The process was developed to quantitatively capture two of the most important tenets of RiverFront's tactical disciplines: 'Don't Fight the Trend' and 'Beware of the Crowd at Extremes'. The goal of the asset allocation process is to provide guidelines on the overall risk level of the portfolio and to recommend strategic asset allocations for the four main asset classes: US equity, international equity, fixed income and cash. In 2019, for reasons explained later in this piece, the asset allocation team choose a more risk averse point on the Price Matters® efficient frontier to set its strategic asset allocation targets. RiverFront's 2019 strategic asset allocation targets are shown in the table below.

RIVERFRONT'S 2019 STRATEGIC ASSET ALLOCATION TARGETS

Investment Time Horizon Equities/Fixed Income (%)	3-5 Years 30/70	5-7 Years 50/50	7-10 Years 70/30	7-10 Years 80/20	10+ Years 100/0
US Large Cap	27%	45%	22%	29%	33%
US Mid Cap			6%	3%	
US Small Cap			6%	5%	10%
Developed International	8%	15%	35%	38%	43%
Emerging Markets			11%	12%	12%
Investment Grade Bonds-Short Term	32%	14%			
Investment Grade Bonds-Intermediate Term	23%	17%	7%	8%	
High Yield - Short Term	3%	7%	4%		
Treasuries	5%		7%	3%	
Cash	2%	2%	2%	2%	2%
	100%	100%	100%	100%	100%

Source: RiverFront. Past performance is no guarantee of future results. Strategic Asset Allocations shown above are a guide used by RiverFront in managing the Firm's asset allocation portfolios and do not reflect the actual asset allocations of the current RiverFront portfolios.

2019 ASSET ALLOCATION VS 2018

The table below highlights the changes between the 2019 and the 2018 Strategic asset allocations.

CHANGES IN STRATEGIC ASSET ALLOCATION TARGETS 2019 COMPARED TO 2018

Investment Time Horizon Equities/Fixed Income (%)	3-5 Years 30/70	5-7 Years 50/50	7-10 Years 70/30	7-10 Years 80/20	10+ Years 100/0
US Large Cap	+3%	+11%	-12%	-5%	+3%
US Mid Cap			+6%	+3%	
US Small Cap			+6%	+5%	+7%
Developed International	-4%	-8%	-1%	-7%	-10%
Emerging Markets			+3%	+3%	
Investment Grade Bonds-Short Term	-9%	-3%	-6%	-2%	
Investment Grade Bonds-Intermediate Term	+8%	-5%	-4%		
High Yield - Short Term	+3%	+7%	+1%		
Treasuries	-1%	-2%	+7%	+3%	
Cash					

Source: RiverFront. Past performance is no guarantee of future results. Strategic Asset Allocations shown above are a guide used by RiverFront in managing the Firm's asset allocation portfolios and do not reflect the actual asset allocations of the current RiverFront portfolios.

EQUITY ALLOCATION UNCHANGED, BUT COMPOSITION DIFFERENT

International Equity: In 2019 our strategic allocations to international equities dropped, despite the fact that the asset class was cheaper, in our opinion, than it was in 2018. There are two main reasons for the lower allocations. First, the risk (volatility) of international stocks rose in 2018 offsetting some of the positive impact from cheaper valuations. Second, unlike in 2018 when developed international represented one of the only asset classes at an attractive valuation, 2018's market weakness made additional asset classes like US small-caps and credit sensitive bonds meaningfully more attractive, in our view.

Domestic Equity: The lower international weightings were offset by higher domestic equity allocations, as valuations cheapened according to our Price Matters® framework. Our latest Price Matters® model shows US large cap moving 3.5% closer to trend, mid-caps 9.30% closer to trend, and small-caps 10.4% closer to trend. Not only have domestic equities become more attractively valued, in our view, they have also been less volatile and thus their inclusion should lower overall portfolio risk relative to international equities, in our view.

Fixed Income: Yields moved higher in 2018 as the Federal Reserve (Fed) began its search to find the "neutral rate". While Treasury yields moved higher due to the Fed, corporate bond yields moved even higher due to spread widening as implied credit risk increased from slowing growth. Our 2019 strategic asset allocation recognizes the higher yields offered by corporate and high-yield bonds and prefers them to equities as a vehicle to deliver potential returns at the investment time horizon.

BROKEN RELATIONSHIPS CREATE ADDITIONAL RISKS

In 2018 the risk, as measured by volatility, rose in equities and credit sensitive bonds. We believe risk rose due to the break-down of two important relationships that have been in place since the Great Recession. The first relationship is the fact that bonds have served as a shock absorber against equity risk. Over the last few years, when stocks traded down, bond prices were either unchanged or rose. The second relationship is that the three major central banks (Fed, European Central Bank (ECB) and Bank of Japan (BOJ)) have been applying stimulus to their capital markets through quantitative easing (QE) and low interest rates, which helped serve as a backstop to equity weakness.

In 2018 both of these relationships broke down. Central banks were no longer as stimulative and interest rates began to rise. This means that investors could no longer rely on the Fed or the ECB to 'bail out' the equity markets and investors could no longer rely upon bonds to be 'protective' when interest rates were rising. Essentially, over the past year both equities and bonds are now riskier in our view. Additionally, the team recognizes the higher risk investment environment due to geo-political concerns including uncertainty surrounding trade, slowing global growth and European politics.

Given the higher inherent risk, the investment team opted for a more risk averse point on the efficient frontier as a base-line. The net result is that our 2019 Strategic asset allocation models have similar equity/bond weightings to 2018 despite significantly lower equity valuations. Throughout the year, the team re-evaluates its tilts and may make adjustments if central banks become more supportive, the trend improves, or geo-political concerns de-escalate to the team's satisfaction.

asset classes, fixed income returns. Long-term expected returns for fixed income asset classes are based on the simulated inflation environment and the historical relationship between inflation and the level of interest rates. These return expectations are used by RiverFront to assist in portfolio allocation and security selection. RiverFront relies on historical data to create these simulations; however, there is no guarantee that these outcomes will occur. Despite our best efforts, there is no certainty that the assumptions for the model will accurately estimate asset class return rates going forward. Extreme market movements are modeled consistent with historical experience, but future crises could occur more frequently than this historical experience would indicate. Some asset classes have relatively short histories. Actual long-term results for each asset class may differ from our assumptions, with those for classes with limited histories potentially diverging more.

Disclosures Continued:

The analysis does not use all asset classes. Other asset classes may provide different returns or outcomes than those used.

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.

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Principal Risks:

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.

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.

Strategies seeking higher returns generally have a greater allocation to equities. These strategies also carry higher risks and are subject to a greater degree of market volatility. Diversification does not ensure a profit or protect against a loss.

Dividends are not guaranteed and are subject to change or elimination.

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.

Using a currency hedge or a currency hedged product does not insulate the portfolio against losses.

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Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.

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

High-yield securities (including junk bonds) are subject to greater risk of loss of principal and interest, including default risk, than higher rated securities.

Treasury Inflation Protected Securities (TIPS) are Treasury securities that are indexed to inflation in an effort to protect investors from the negative effects of inflation. The principal value of TIPS is periodically adjusted according to the rate of inflation as measured by the Consumer Price Index (CPI), while the interest rate remains fixed. TIPS will decline in value when real interest rates rise. Portfolios that invest in TIPS are not guaranteed and will fluctuate in value. The Consumer Price Index (CPI) is an *unmanaged index representing the rate of inflation in U.S. consumer prices as determined by the U.S. Bureau of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time. It is not possible to invest directly in an unmanaged index.*

Index Definitions:

Bloomberg Barclays US Aggregate Bond Index (Barclays Agg) is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The issues must be rated investment grade, be publicly traded, and meet certain maturity and issue size requirements.

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

CRSP 1925 US Indices Database ©2017 Center for Research in Security Prices (CRSP®), Booth School of Business, The University of Chicago.Used as a source for cap-based portfolio research appearing in publications, and by practitioners for benchmarking, the CRSP Cap-Based Portfolio Indices Product data tracks micro, small, mid- and large-cap stocks on monthly and quarterly frequencies. This product is used to track and analyze performance differentials between size-relative portfolios. CRSP ranks all NYSE companies by market capitalization and divides them into ten equally populated portfolios. Alternext and NASDAQ stocks are then placed into the deciles determined by the NYSE breakpoints, based on market capitalization. The series of 10 indices are identified as CRSP 1 through CRSP 10, where CRSP 10 has the largest population and smallest market-capitalization. CRSP portfolios 1-2 represent large cap stocks, portfolios 3-5 represent mid-caps and portfolios 6-10 represent small caps.

Asset Class Definitions:

Asset Class	**Indices**	
US Large Cap	*Large Cap Real Return Index, source CRSP*	*See definition above*
US Mid Cap	*Mid Cap Real Return Index, source CRSP*	*See definition above*
US Small Cap	*Small Cap Real Return Index, source CRSP*	*See definition above*
Developed International	*MSCI EAFE (IN US$) Real Total Return Index*	*The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.*
Emerging Markets	*MSCI Emerging Market Equities Real Return Index*	*MSCI Emerging Markets Index measures equity market performance of emerging markets. The index consists of 23 countries representing 10% of world market capitalization.*
*Investment Grade Bonds**	*Bloomberg Barclays US AGG Bond TR USD*	*See definition above*
*High Yield Bonds**	*BofAML US HY Master II TR USD*	*BofAML US HY Master II TR USD is a measure of the broad high yield market. The index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.*

It is not possible to invest directly in an index.

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