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- **Investment management is about discipline, process, and humility.**
- **All three have been important as we navigated the stock market's steep decline and subsequent recovery.**
- **We have reinvested the cash raised and returned portfolios to a more neutral position.**

Being Right or Making Money

THE IMPORTANCE OF FLEXIBILITY AND HUMILITY

"The aim is to make money, not to be right." - Ned Davis

Ned Davis is the founder of the research firm that bears his name. In the 1970s he was one of the highest profile market strategists in the US. When he studied the track record of his predictions, he was reminded just how difficult it is to be consistently "right" about future moves in the market. He knew many of the great money managers of that time and while they had many different styles and processes, they all had the following things in common: **They adhered to their processes and knew how to manage risk when things changed.** Generally, they were intellectually flexible, and humble enough to realize that the collective wisdom of the market was something worth listening to.

He set about building tools that would help investors analyze the enormous amount of economic and financial information and thus help his clients make portfolio decisions. We have been clients of his research service for nearly 20 years and we find the many tools his firm has built help us in our goal of making money for clients. When he wrote a book about his career, he called it *Being Right or Making Money* to reflect his belief that investment management is about discipline, process and humility.

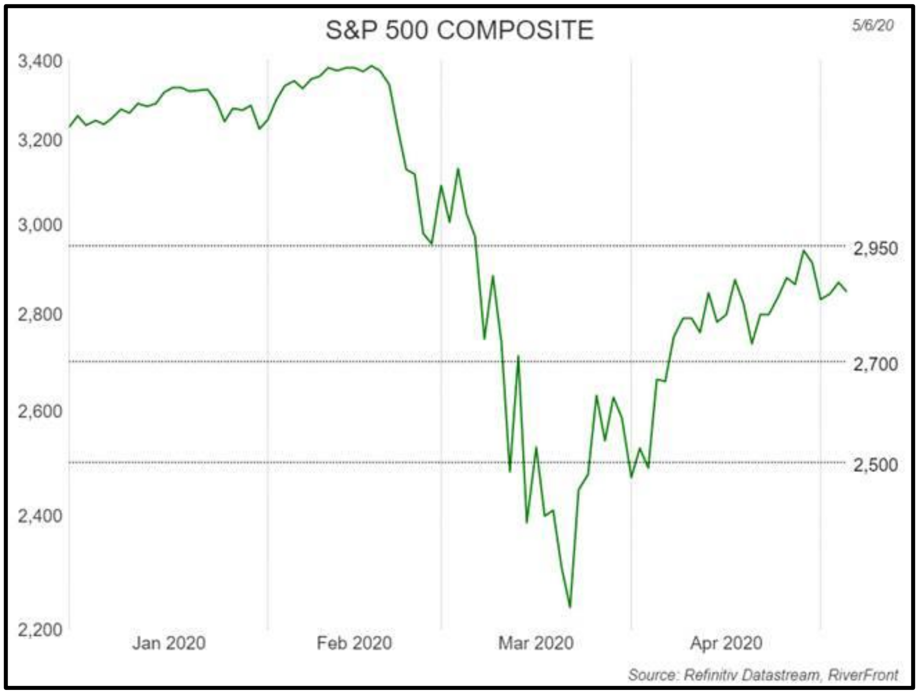
APPLYING DISCIPLINE, PROCESS AND HUMILITY TO TODAY'S MARKETS

In RiverFront's annual *Outlook*, our process is to build scenarios of how the year might play out, rather than make a single prediction. Our views are expressed in the probabilities we assign to each scenario. When an unexpected event, like the COVID-19 pandemic occurs, we change our probabilities, and if necessary, build new scenarios. The three scenarios we built in March for COVID-19, in order of best to worst, involved a V, U, and L-shaped recovery for the economy and markets (see the Weekly View from 3/24/20 here). At that time, the prospect of a swift market recovery seemed the least likely. However, the unprecedented amount of money provided to the economy from both the Federal Reserve and from government programs combined with recent signs that the virus infection curve is 'flattening' in Western countries, offset many of the short-term risks in our opinion (see our Weekly View from 4/27/20 here).

It is important to acknowledge that visibility is unusually low as to the length and magnitude of the current economic downturn, as there is no historical 'playbook' for the COVID-19 lockdown. In times like this, we attempt to stay humble and flexible, relying on our mantra of 'process over prediction.' For us, this means that an unemotional, disciplined process for managing risks and opportunities that we think is more effective than anchoring on any one forecast. Our disciplines caused us to raise cash as the markets turned down, and to subsequently add back to stocks as the S&P 500 broke back up through what we regarded as significant resistance levels (see chart, next page). Our balanced portfolios have now returned close to the benchmark weightings that we believe are an appropriate 'neutral' position for each portfolio's long-term objectives.

THE PRICE OF AN INSURANCE POLICY

When the outlook is highly uncertain and some of our projected outcomes involve the potential for further significant losses, we think it is appropriate to reduce risk and raise cash. We believe risk management is like buying an insurance policy against bad outcomes. In our lives we pay a premium to insure against unwanted events. Sometimes the net effect of raising cash and reinvesting it also has a price, but if we can successfully navigate through turbulent times we can minimize or eliminate that cost. Insurance is about peace of mind, and we believe it can be very important to an investors' ability to navigate the emotional journey of investing. The chart (right) shows the S&P 500 with technical levels that we used both as signals of distress and recovery. The initial break below 2950 in early March was an important signal to us that the trend was changing. Likewise, a decisive break above 2950 would be an important signal that investors are willing to look beyond the current economic and earnings slowdown. We think remaining above the 2700 level will be important in sustaining the current rally.



Disclosures: Past performance is no guarantee of future results. Shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are

WHEN THE 'MIDDLE LANE' IS THE RIGHT PLACE TO BE

Think of the middle lane of a freeway as your portfolio's neutral position, the position you and your financial advisor have agreed on to meet your goals. Most of the time, that is where your portfolio should be. Risk management is like moving to the slow lane when visibility is poor and safety is paramount. Equally, we believe there are times when the outlook is especially favorable and there is an opportunity to move into the fast lane by taking additional risk to potentially improve returns.

In conclusion, we believe the uncertainty surrounding COVID-19 warranted moving to the slow lane. The recent cresting of new COVID-19 cases around the world, combined with the unprecedented commitment by governments and central banks to assist in the transition to re-opening economies, now justifies a more neutral positioning, in our view. The outlook is still uncertain and there is no precedent for re-opening economies that have been shut down for two or more months. Therefore, we will continue to remain humble and flexible as we drive in the middle lane.

types of investors. Recipients should consider the contents of this report as a single factor in making an investment decision. Additional fundamental and other analyses would be required to make an investment decision about any individual security identified in this report.

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

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.

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.

You cannot 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.*

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