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SUMMARY

- Our US long-term stock return forecasts are mildly lower than last year.
- International forecasts slightly higher, except for emerging markets.
- Fixed Income returns significantly higher than in previous years.

01.09.2024

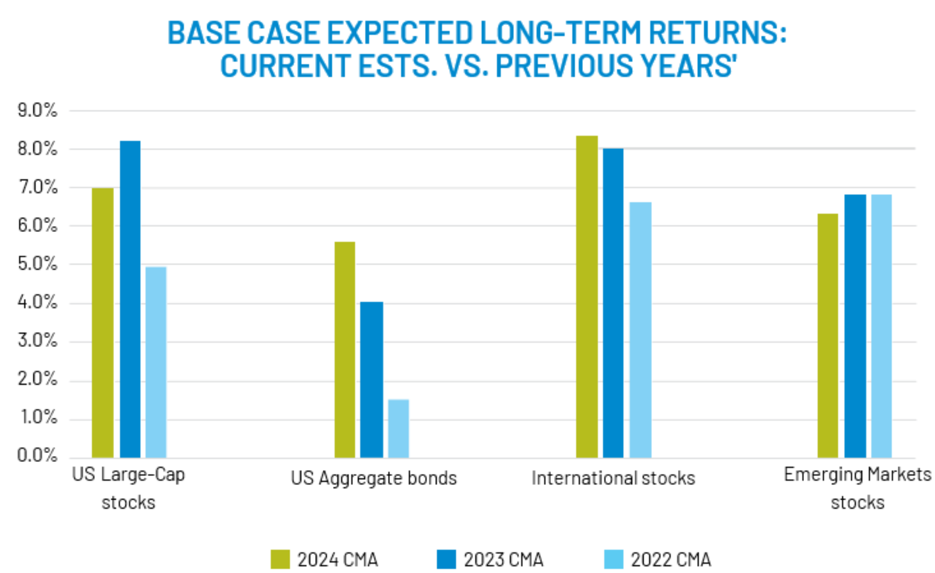
2024 Long-Term Capital Market Assumptions Summary:

Good News… Fixed Income Priced in Investors' Favor Again

RiverFront is proud to release our 2024 Long-Term Capital Market Assumptions ('CMAs'). At RiverFront, we believe in 'Process over Prediction.' This is the idea that a dynamic investment process built to adapt to unexpected events is more important to long-term investment success than being bound by any particular forecast. Nonetheless, we view long-term (5-7 year forward) capital forecasts as a useful part of our process to help identify and monitor what we think are important long-range drivers for markets. In this summary we deliver an update to our capital market assumptions (see summary table on page 2) from March 2023, with an emphasis on what has changed in the macroeconomy and in our forecasts since our last update.

Long-Term Base Case: Stocks Slightly Lower than '23 Forecast… Bonds Much Higher

Our 'Base Case' total return for US large-cap stocks over the next 5 to 7 years is down somewhat from our March 2023 forecast (see chart, below). This is primarily due to higher starting valuations, as markets have rallied double digits since then.



Shown for illustrative purposes. The table above depicts RiverFront's Capital Market Assumption (CMA) predictions for 2024 as compared to 2022 and 2023 using the Base scenario. The assessment is based on RiverFront's Investment Team's views and opinions as of December 18,2023. Each case is hypothetical and is not based on actual investor experience. These views are subject to change and are not intended as investment recommendations. The returns above are not an indication of RiverFront portfolio or product performance.

Our research suggests to us that higher starting points for stock valuations can lead to lower long-term future returns. **However, our long-term forecast for US bonds is dramatically higher than just a couple years ago.** This is a function of meaningfully higher yields, which should equate to higher total returns if held to maturity. Non-US stock forecasts are little changed from last year, with the exception of our lower forecast for emerging markets, which continues to suffer from economic, demographic, and geopolitical issues in China.

2024 RIVERFRONT LONG-TERM TOTAL RETURN FORECASTS (ANNUALIZED, NOMINAL, IN USD)

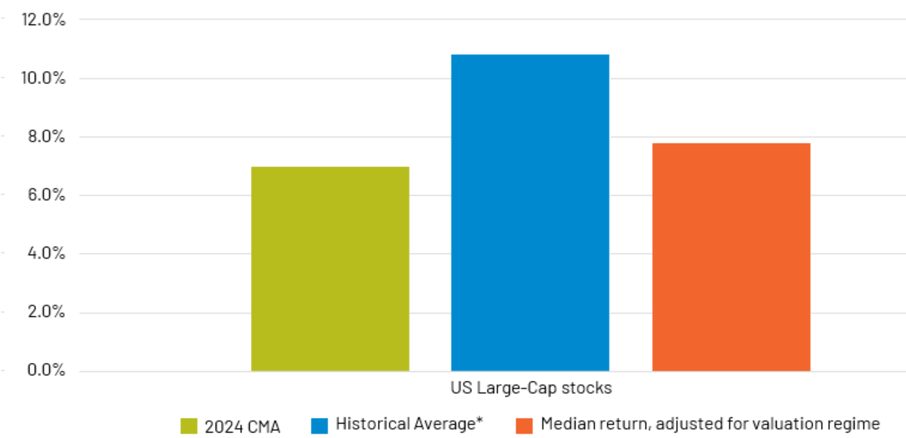
Long-Term Total Return Forecast (Annualized, Nominal, in USD)	Pessimistic: 'Bear' Case	Base Case	Optimistic: 'Bull' Case
US Large-Cap Stocks	1.6%	7.0%	11.5%
Developed International Stocks	1.0%	8.3%	15.2%
Emerging Market Stocks	0.5%	6.3%	13.0%
US Aggregate Bonds	5.2%	5.6%	5.9%
US High Yield Bonds	3.5%	6.5%	7.9%

Shown for illustrative purposes. The table above depicts RiverFront's predictions for 2024 using three scenarios (Pessimistic (Bear), Base, and Optimistic (Bull)). The assessment is based on RiverFront's Investment Team's views and opinions as of December 18, 2023. Each case is hypothetical and is not based on actual investor experience. The returns above are not an indication of RiverFront portfolio or product performance.

Our US Stock Forecast in Line with Higher Valuation Periods

Some might say our Base Case for US Stocks of +7.0% annualized return over the next business cycle (see green bar, chart below) seems low compared to the average 7-year return from 1925-present of over 10% (see blue bar, chart below). However, our forecast is more commensurate with an average of 7-year forward historical returns at times when the S&P 500 was in the most expensive quintile (top 20%) of starting valuations, as they are now (see orange bar, chart below). This gives us some confidence that we are in the right ballpark with our estimates.

BASE CASE EXPECTED LONG-TERM RETURNS: RELATIVE TO HISTORICAL AVERAGES



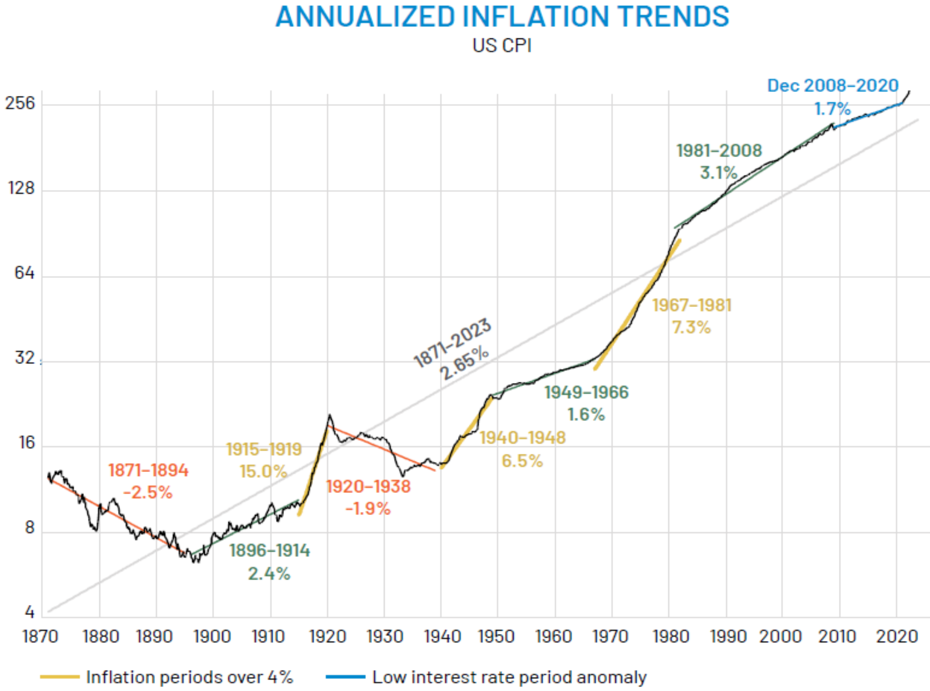
*Source: Datastream, NDR Research (returns in nominal terms, in USD). *Historical: average of annualized 7-year rolling returns. NDR median adjusted for valuation analysis looks at the overall average of median historical returns for 7 years when in highest quartile of each of the following: Price to GAAP Earnings, Price to Forward Earnings, Cash-adjusted P/E, price-to-cash flow, and dividend yield. Shown for illustrative purposes only. The assessment is based on RiverFront's Investment Team's views and opinions as of December 18, 2023. Each case is hypothetical and is not based on actual investor experience. The returns above are not an indication of RiverFront portfolio or product performance.*

Key Inputs: Inflation Likely to Be Structurally Higher

Our longer-term view on inflation is one key input to our long-term forecasts. While we believe that the ultra-high inflation levels of 2020-2022 were related to pandemic imbalances and will continue to moderate, we also believe core inflation will average above 2% over the next 5-7 years, across all three of our scenarios. This is related to a host of factors, including the advent of 'onshoring' and 'friendshoring' (shifting supply chains to domestic or to geographies perceived as aligned with the US), as well as reasonable global economic growth.

We believe the low inflation levels experienced from 2008 to 2020 (blue trend line) were an anomaly, driven by China's entrance into world trade with a large low-cost workforce unlikely to be replicated again. For this reason, we anticipate that inflation will return to something resembling its long-term historical trend (see chart right). Inflation has trended at or above 2% per annum for most of the US's history, other than directly after WWII and two deflationary periods in the late 1800s and early 20th century (orange lines).

Source: RiverFront, BLS, Robert J. Schiller (before 1913), data as of 10.31.2023. Trend lines are RiverFront's best approximation and are subjective. Shown for illustrative purposes only.

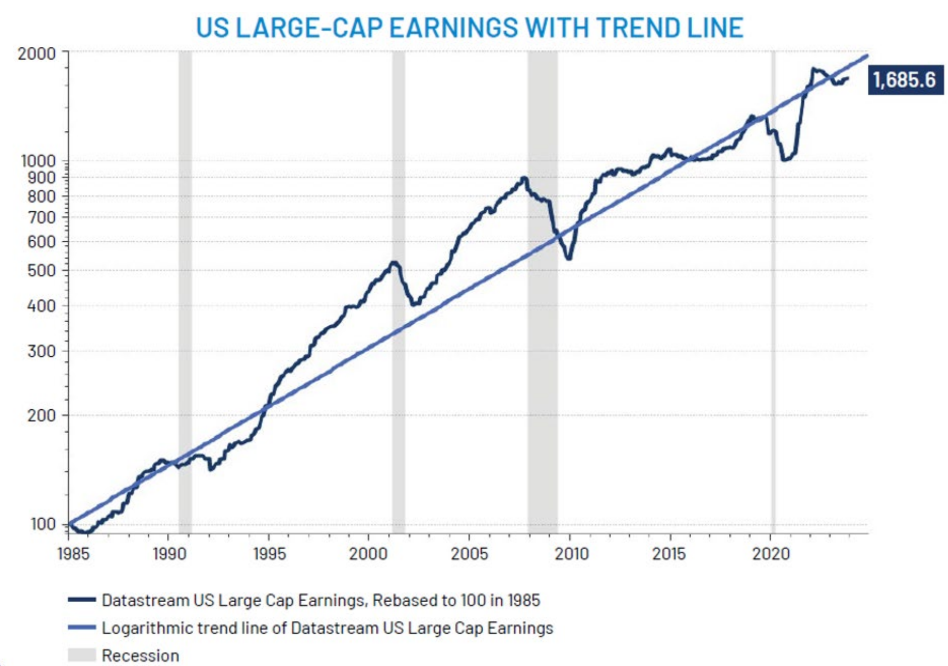


Key Inputs: Terminal 10-Year Rate Around 5%

Another key input to our long-term forecasts is our view on the 'terminal' interest rates on US government bonds (where rates will be at the end of the forecast period). In our Base Case, by the end of the 5-7 year forecast horizon, we expect the US 10-year treasury to yield around 5%, more in line with long-term historical averages. If we are correct, this assertion has meaningful impacts on asset allocation and security selection. **When we analyze 10-year Treasury yields since 1962, the data suggests to us that the worst of the downside in bond prices is behind us, and that long-term balanced investors will be rewarded by owning bonds again.** Classic yield plays like staples and utilities may struggle, beneficiaries of higher rates like financials may do better, and stable, high cash flow growth companies should continue to do well.

Key Inputs: Earnings Growth Remains Near Trend

Yet another key input to our long-term forecasts is our view on how corporate earnings trend over our forecast horizon. **Our Base Case for US Large-cap stocks assumes around 7.0% earnings growth per year across the forecast period.** This is slightly lower than the trend of roughly +7.7% over the time period from 1985-to present (see lighter blue line in chart), but still represents what we would consider to be solid trend growth through the next business cycle. Our Bull Case assumes stronger earnings of around +10% per year, commensurate with a stronger economic backdrop and lower interest rates. Our Bear Case assumes trend earnings of just +3.5% per year, as the below-trend economic growth, higher inflation and interest rates and higher US dollar assumed in that scenario would sap corporate earnings power.



Source: LSEG Datastream, RiverFront; data monthly, as of 12.01.2023. Chart shown for illustrative purposes only. Past performance is no indication of future results.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

Important Disclosure Information:

The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.

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

This report does not provide recipients with information or advice that is sufficient on which to base an investment decision. This report does not take into account the specific investment objectives, financial situation or need of any particular client and may not be suitable for all 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.

The comments above are subject to change and are not intended as investment recommendations. There is no representation that an investor will or is likely to achieve positive returns, avoid losses or experience returns as discussed for various market classes.

Chartered Financial Analyst is a professional designation given by the CFA Institute (formerly AIMR) that measures the competence and integrity of financial analysts. Candidates are required to pass three levels of exams covering areas such as accounting, economics, ethics, money management and security analysis. Four years of investment/financial career experience are required before one can become a CFA charterholder. Enrollees in the program must hold a bachelor's degree.

All charts shown for illustrative purposes only. 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.

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.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

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.

Index Definitions:
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.

Bloomberg US Aggregate Bond Index measures the performance of the US investment grade bond market. The index invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than one year.

MSCI Emerging Markets Index captures large and mid cap representation across approximately 26 Emerging Markets (EM) countries.

MSCI ACWI Index is designed to represent performance of the full opportunity set of large- and mid-cap stocks across approximately 23 developed and approximately 25 emerging markets.

MSCI EAFE Index NR 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 US and Canada. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Definitions:
The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. The CPI is one of the most popular measures of inflation and deflation. The CPI report uses a different survey methodology, price samples, and index weights than the producer price index (PPI), which measures changes in the prices received by U.S. producers of goods and services.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. It is common for a company to report EPS that is adjusted for extraordinary items and potential share dilution.

Treasury bond yields (or rates) are tracked by investors for many reasons. The yields are paid by the U.S. government as interest for borrowing money via selling the bond. The 10-year Treasury yield is closely watched as an indicator of broader investor confidence. Because Treasury bonds (along with bills and notes) carry the full backing of the U.S. government, they are viewed as one of the safest investments.

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