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SUMMARY

- US long-term stock return assumptions similar to last year; International cheaper but headwinds to persist, in our view.
- Silver lining: We believe US small-cap appears to be an attractive diversifier for long-term investors.
- Fixed income returns down slightly from last year, but still offer attractive long-term risk-adjusted return potential and diversification, in our view.

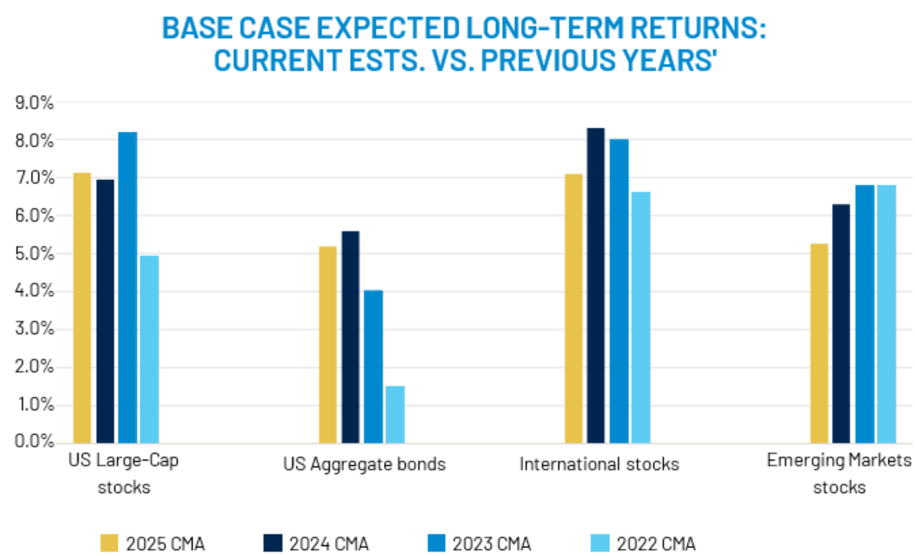
01.14.2025

2025 Long-Term Capital Market Assumptions Summary

Bonds Still Attractive, Small-Caps Now Compelling

Riverfront is proud to release our 2025 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) asset class forecasts as useful in helping to identify and monitor what we think are important long-range market drivers. In this summary we deliver an update to our capital market assumptions (see summary table on page 2) from last December, with an emphasis on what has changed in the macroeconomy and in our forecasts since our last update.

Return Forecasts Remain Below Average for US Stocks and Credit; Small-Caps Attractive



Shown for illustrative purposes. Index and asset class definitions are available in the disclosures. The table above depicts Riverfront's Capital Market Assumption (CMA) predictions for 2025 as compared to 2022, 2023 and 2024 using the Base scenario. The assessment is based on Riverfront's Investment Team's views and opinions as of December 20, 2024. 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 Base Case forecast for US Large-Cap Stocks of approximately 7% (see chart, above and table, next page) is similar to last December's forecast. This is due to our increased earnings forecast of roughly +8% annually over the next 5-to-7 years, about one percentage point higher than last year's forecast. This past year has underlined to us that 'American Economic Exceptionalism' allows US corporate earnings to remain resilient despite significant interest rate hikes and inflation...a trend we expect to continue throughout the next business cycle. In addition, we now believe there is a good possibility of corporate tax reform going forward, which could also be another driver of solid earnings. However, this more optimistic view of earnings is offset over our forecast horizon by more elevated starting valuations in most equity asset classes today, relative to a year ago. Our expected terminal multiple for US Large-Caps of roughly 18x twelve-month forward earnings suggests significant contraction in valuation multiples over the forecast horizon.

2025 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	2.1%	7.1%	9.8%
US Small-Cap Stocks	1.3%	9.1%	13.3%
Developed International Stocks	1.0%	7.1%	13.9%
Emerging Market Stocks	-0.5%	5.3%	12.0%
US Aggregate Bonds	4.2%	5.2%	4.2%
US High Yield Bonds	3.3%	5.7%	5.9%

Shown for illustrative purposes. The table above depicts RiverFront's predictions for 2025 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 20, 2024. 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 long-term forecast for US aggregate bonds is down slightly from last year, but meaningfully higher than in 2022–23. This is a function of higher starting yields, which should equate to higher total returns if held to maturity.

We believe bonds now offer longer-term focused investors attractive risk-adjusted return potential and diversification at current levels, though they may remain volatile in the near term due to fiscal and Fed uncertainty.

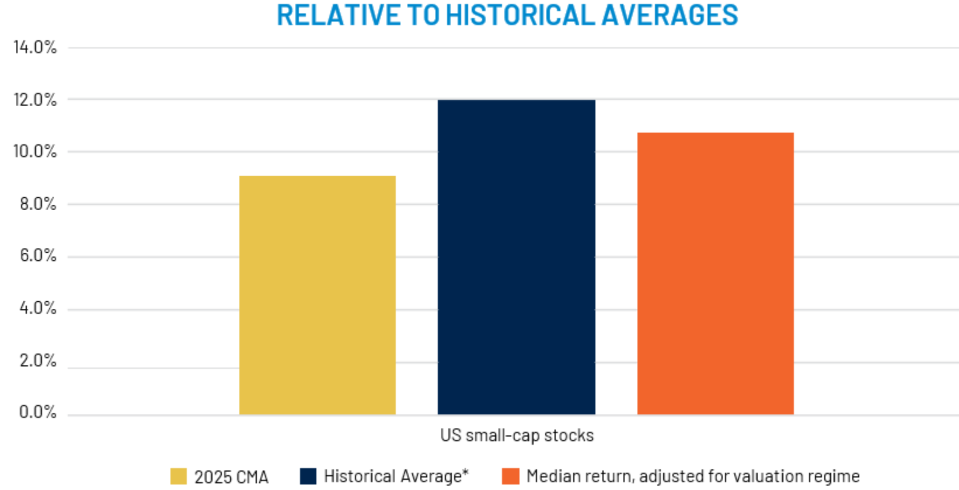
International and Emerging Market stock forecasts are lower versus last year. These markets continue to suffer from economic and geopolitical issues, exacerbated by renewed US political will to reshape terms of global trade.

Stock Forecast in Line with Higher Historical Valuation Periods; Small-Caps the Standout

Our Base Case for US Large-Cap Stocks of +7.1% annualized return over the next business cycle seems low, but is commensurate with average 7-year forward historical returns when the S&P 500 was in the most expensive quintile (top 20%) of starting valuations, as they are now.

Our Base Case for US Small-Cap Stocks of +9.1% annualized return over the next business cycle (see yellow bar, right) also seems low compared to the average 7-year return from 1925-present of over 12% (blue bar). However, US small-caps have higher Base Case expected returns than US Large, Developed International or Emerging Markets. **Thus, we increasingly view US small- caps as an attractive allocation option relative to international stocks for**

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

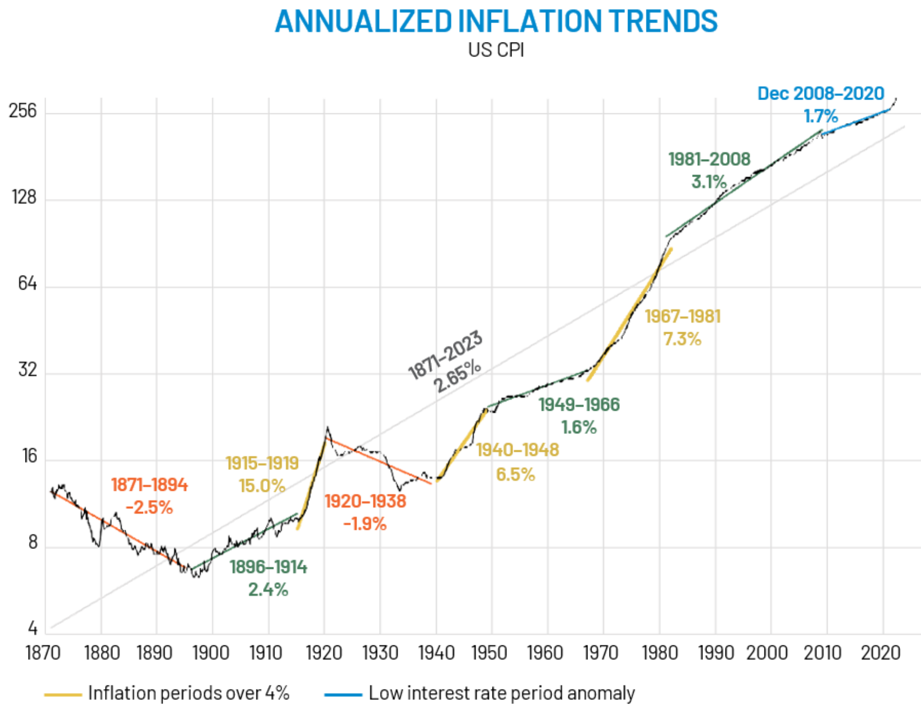


*Source: Datastream, NDR Research (returns in nominal terms, in USD). *Historical: average of annualized 7-year rolling returns. NDR median adjusted for valuation analysis looks at the overall average of median historical returns for 7 years when in highest quartile of each of the following: Price to 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 12.20.24. 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.*

longer-term focused, more risk tolerant equity investors.

Key Inputs: Inflation Likely to be Structurally Higher

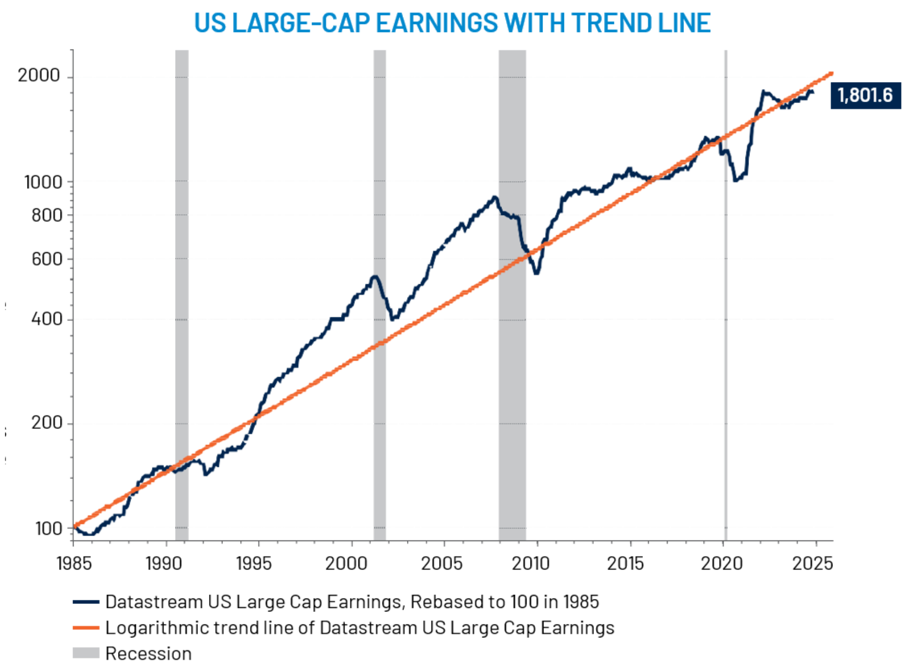
Our view on structural inflation is one key input to our long-term forecasts. While we believe that the ultra-high inflation levels of 2020–2022 were related to pandemic imbalances and will continue to moderate, **we also believe core inflation will average above 2% over the next 5-7 years, across all 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 aligned with the US), as well as reasonable economic growth and more insular trade policies. We believe the low inflation experienced from 2008 to 2020 (blue trend line on chart, right) were an anomaly, driven by China's entrance into world trade. 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 (red lines).



The assessment above is based on RiverFront's Investment Team's views and opinions as of 12.20.24. Source: RiverFront, BLS, Robert J. Schiller (before 1913), data as of 10.31.2024. Trend lines are RiverFront's best approximation and are subjective. Shown for illustrative purposes only.

Key Inputs: Earnings Growth Remains on 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 assume around 8% earnings growth per year across the forecast period.** This is roughly in line with the logarithmic trend of +7.6% over the time period from 1985-to present (see red line in chart). We increased this by one percent from our '24 forecast, as the last year has given us higher conviction in the earnings power evident in [American 'Economic Exceptionalism'](). 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 5% per year, as the below-trend economic growth, higher inflation and interest rates, and higher US dollar assumed in that scenario would sap earnings power.



Source: LSEG Datastream, RiverFront; data monthly, as of 12.09.2023. Chart shown for illustrative purposes only. Past performance is no indication of future results.

Key Inputs: Terminal 10-Year Rate Around 4.5%

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 now expect the US 10-year treasury to yield around 4.5%. This assumption is 50 basis points lower than our 2024 forecast. We have been encouraged by the moderation in inflation over the last 12 months, increasing our conviction that much of the 2020–22 inflation was due to pandemic-specific factors. This forecast also suggests to us that the worst of the downside in bond prices witnessed in 2021–23 is behind us, and that long-term balanced investors will be rewarded by owning bonds again.

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.

US large cap equities include equities of companies with a market capitalization of over $10 billion. Although large cap equities are generally considered to be safer securities, large cap equities are still subject to the risks associated with stocks.

SMID Cap is represented by the S&P 1000 which combines two leading indicies, the S&P Mid Cap 400 and the S&P Small Cap 600, to form an investable benchmark for the Mid-Small Cap universe of the US equity market. S&P 1000 measures the performance of widely available and highly liquid stocks.

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.

Emerging Market Equities is represented by the MSCI Emerging Markets Index (NET), a free-float adjusted market capitalization index that is designed to measure the equity market performance of emerging markets. The index consists of indices from approximately 25 emerging market country indices. 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.

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.

Developed Int'l Equities is represented by the MSCI EAFE Index (NET) (Europe, Australasia, Far East), a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The Index consists of indices from approximately 21 developed markets. 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:
Diversification does not ensure a profit or protect against a loss.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

Deflation is a general decline in prices for goods and services, typically associated with a contraction in the supply of money and credit in the economy. During deflation, the purchasing power of currency rises over time.

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.

A recession is a significant, widespread, and prolonged downturn in economic activity. A common rule of thumb is that two consecutive quarters of negative gross domestic product (GDP) growth indicate a recession. However, more complex formulas are also used to determine recessions.

A basis point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. (bps = 1/100th of 1%)

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.

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