by Dan Zolet, CFA

THE WRITING TEAM

ADAM GROSSMAN, CFA
Global Equity CIO | Partner

CHRIS KONSTANTINOS, CFA
Managing Partner |
Chief Investment Strategist

KEVIN NICHOLSON, CFA
Global Fixed Income CIO | Partner

DOUG SANDLER, CFA
Vice Chairman

ROD SMYTH
Chairman of the Board of Directors

DAN ZOLET, CFA
Associate Portfolio Manager

SUMMARY

- China led the way in Q3 after a huge rally in the final week.
- US Value and International outpaced US Growth.
- Weak US dollar improved developed international returns.

10.08.2024

Q3 Recap: Value Begins to Take Leadership

Quarterly Recap: Fed Rate Cut and Chinese Stimulus Take the Spotlight

The third quarter of 2024 culminated a year-long 'pivot' from the Federal Reserve ('the Fed'). After quarters of speculation, the Fed surprised markets with a 50-basis point (basis point = 1/100th of a percent) cut, double what the market was expecting. As the Fed began their cutting in earnest, markets reacted with a bit of a 'value' rotation (as can be seen in both US Sector returns and International Returns).

This entire quarterly market recap may have been focused solely on the Fed, if not for the People's Bank of China (PBOC) announcing stimulus to help their ailing economy. In a single week, Chinese equities returned 21.2%, catapulting them, and thus emerging markets to the top of asset class returns for the quarter as shown in Table 1, below. With both Fed and PBOC stimulus, we believe it is important to look at the market's reaction to determine where we expect things to shake out further.

Table 1: Q3 2024 Asset Class Performance

PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 09/30/2024

Broad Assest Classes	Q3 2024	Trailing Twelve Months
Emerging Market Equities	8.7%	26.1%
Global Ex-Us Equities	8.1%	25.4%
Us Smid Cap	7.9%	26.6%
Developed Int'L Equities	7.3%	24.8%
Global Equities	6.6%	31.8%
Us Large-Cap	**5.9%**	**36.4%**
High Yield	5.3%	15.7%
Fixed Income Inv Grade	5.2%	11.6%
Us Treasuries	4.7%	9.7%
Cash	1.4%	5.5%

Source: Factset, Morningstar. Data as of September 30, 2024. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. See disclosures at the end of this publication for description of asset classes and the indices for which the returns above are based. Returns above do not reflect any fees or costs associated with investing in the applicable asset classes. It is not possible to invest directly in an index.

US Sectors: 'Value' and Rate Sensitive Sectors Lead the Way

Table 2 below shows sector performance. In the first 2 quarters, 'growth' sectors such as Technology and Communication Services outperformed the S&P 500, but in Q3 they trailed this index. At the top of the third quarter return table were the rate sensitive sectors of Utilities and Real Estate. Both of these were boosted by the by the well anticipated Fed cuts, in our view.

Table 2: Q3 2024 US Sector Performance

PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 09/30/2024

US Sector	Q3 2024	Trailing Twelve Months
Utilities	19.4%	41.8%
Real Estate	17.2%	35.8%
Industrials	11.6%	35.8%
Financials	10.7%	38.9%
Materials	9.7%	25.2%
Consumer Staples	9.0%	25.3%
Consumer Discretionary	7.8%	28.1%
Health Care	6.1%	21.7%
S&P 500	**5.9%**	**36.4%**
Communication Services	1.7%	42.9%
Information Technology	1.6%	52.7%
Energy	-2.3%	0.8%

Source: Bloomberg. Data as of September 30, 2024. Chart left shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns shown do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

Joining Utilities and Real Estate this quarter on the leader board were the 'value' sectors of Industrials, Financials, and Materials. The strong quarter from this trio could be pointing towards the start of a 'value' rotation, as discussed in last month's *Weekly View.* Similar to Utilities and Real Estate, we believe lower rates should begin to bolster the fundamentals of these three sectors.

On the other hand, Energy posted its second consecutive negative quarter with falling oil prices applying downward pressure to the sector. We remain bullish on Energy stocks, believing that oil prices will remain above the breakeven rates for US Energy companies, allowing them to continue to produce attractive free cash flows. Furthermore, looking forward, increasing tensions in the Middle East as well as recent Chinese stimulus could provide some upside to oil prices.

International Stocks: China Rallies, Japan Lags

Moving to Table 3 below, China had far and away the highest quarterly returns of any major market. As mentioned above, the majority of these returns came in the last week of the quarter, after the announcement of their stimulus package. While this economic stimulus could be a significant tailwind for the next few months or quarters, we still have reservations regarding China's long-term prospects. Both their domestic and global political agenda place their equity markets in a tough spot for international investors. Despite this caution, we will continue to keep an eye on the effects of the stimulus.

When looking at developed markets, the thing that sticks out is how strong currency returns were in the third quarter relative to the US dollar. This led to much higher returns for US-based investors versus local investors. While the weakening dollar boosted returns this quarter, this could create a headwind for more export driven markets in the future. For these exporters, a stronger domestic currency makes exports more expensive, and less attractive for foreigners. Specifically, we believe a strong yen and pound can often hurt the local returns of Japanese and UK equities.

While we have been underweight International relative to our policy benchmarks because we believe in diversification for times like these, our portfolios maintained an allocation to international markets. Once again, we will have to determine whether this is another short-term relative bounce or a more sustainable trend.

Table 3: Q3 2024 Global Region Performance

International Market Returns	In USD		In Local		Currency Impact	
MSCI Total Return Net	**Q3 2024**	**Year Over Year**	**Q3 2024**	**Year Over Year**	**Q3 2024**	**Year Over Year**
China	**23.5%**	**23.9%**	**22.2%**	**22.4%**	**1.3%**	**1.5%**
Canada	**12.0%**	**26.8%**	**10.6%**	**26.7%**	**1.4%**	**0.1%**
Emerging Markets	**8.7%**	**26.1%**	**6.6%**	**25.0%**	**2.1%**	**1.1%**
United Kingdom	**7.9%**	**23.3%**	**1.7%**	**12.2%**	**6.2%**	**11.1%**
EAFE	**7.3%**	**25.4%**	**0.9%**	**18.1%**	**6.4%**	**7.3%**
Europe	**6.6%**	**25.2%**	**1.6%**	**17.2%**	**5.0%**	**8.1%**
United States	**5.9%**	**36.4%**	**5.9%**	**36.4%**	**0.0%**	**0.0%**
Japan	**5.7%**	**21.6%**	**-6.0%**	**16.5%**	**11.7%**	**5.0%**

Source: Bloomberg. Data as of September 30, 2024. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns above do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

Looking Forward: Portfolio Positioning Remains Mostly the Same

One positioning point of note is our cyclical exposure across our portfolios. In both the short and long horizon portfolios we hold international value and large cap industrials, while the long horizon portfolios also hold small cap equities. These positions give us exposure to the burgeoning value rotation we were seeing in both returns and earnings. Additionally, we still hold positions in large cap technology across our portfolios.

We remain underweight Chinese equites in any portfolio with China exposure in the benchmark. However, as mentioned above, we will look for effects of the Chinese stimulus, specifically on company earnings, in order to determine if we need to pivot our positioning. We could do this either through direct China exposure or using Chinese-sensitive securities headquartered outside of China.

Finally, our portfolios are underweight fixed income relative to our asset allocation benchmarks. While the Fed began their cutting with a surprising 50 bps (bps = basis point) cut, we believe the rate path won't be as clear cut as the market believes. Specifically, we believe that there is some upside to 10-year yields, and we will wait for higher long-term rates or a shift in economic and monetary fundamentals before we add duration back to our portfolios.

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.

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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.

Index Definitions

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

Standard & Poor's (S&P) 1000 Index (US SMID Cap) – the S&P MidCap 400 Index and the S&P SmallCap 600 Index are combined to form the S&P 1000.

MSCI EAFE Index NR USD (Developed International Equities) is designed to represent the performance of large and mid -cap securities across approximately 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 nonresident institutional investors who do not benefit from double-taxation treaties.

MSCI Emerging Markets Index NR USD (Emerging Market Equities) is an equity index that captures large and mid-cap representation across approximately 25 emerging markets (EM) countries.

MSCI Europe Index represents the performance of large and mid-cap equities across approximately 15 developed countries in Europe.

MSCI Japan Index designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI United Kingdom Index (USD) is designed to measure the performance of the large and mid cap segments of the UK market.

MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI ACWI Index (Global Equities) 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 ACWI ex USA Index (Global ex US Equities) captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

ICE BofA High Yield Index TR USD (High Yield) tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest.

Bloomberg Capital US Treasury Index TR USD (Treasury Bonds) measures the performance of the US Treasury bond market.

Bloomberg US Aggregate Bond Index TR USD (Fixed Income Investment Grade) 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.

Bloomberg Capital 1–3 Month US Treasury Bill Index TR USD (Cash) includes all publicly issued zero-coupon US Treasury Bills with a remaining maturity between one and three months, are rated investment-grade and have an outstanding face value of $250 million or more.

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

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.

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

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.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

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.

Definitions:

Mega cap is a designation for the largest companies in the investment universe as measured by market capitalization. While the exact thresholds change with market conditions, mega cap generally refers to companies with a market capitalization above $200 billion.

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