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SUMMARY

- The Fed is becoming less hawkish, in our opinion, as it nears the end of its rate hiking cycle.
- The trend is positive, and we continue to look for confirmation to come.
- Crowd Sentiment is showing early signs of turning bullish, in our view.

DATE 06.05.2023

Entering the Roundabout, Potential Green Light Exit

Our Tactical Rules Becoming More Positive

RED LIGHT	FLASHING RED	YELLOW LIGHT	FLASHING YELLOW	FLASHING GREEN	GREEN LIGHT

Since the last update of our Three Tactical Rules on April 4th, financial markets continue to wrestle with inflation, rate hikes/cuts, and fears of recession. Gone from April's list of macro concerns is the threat of a banking crisis, which appears to have diminished post fiscal and monetary intervention. Some progress has been made over the last two months with individual rules; collectively, the tactical rules are a flashing green light, and currently circling a roundabout in search of their next direction. We believe that the rules will take the green light exit once the Fed fully pauses in the coming months.

Don't Fight the Fed: Becoming Less Hawkish

FLASHING RED

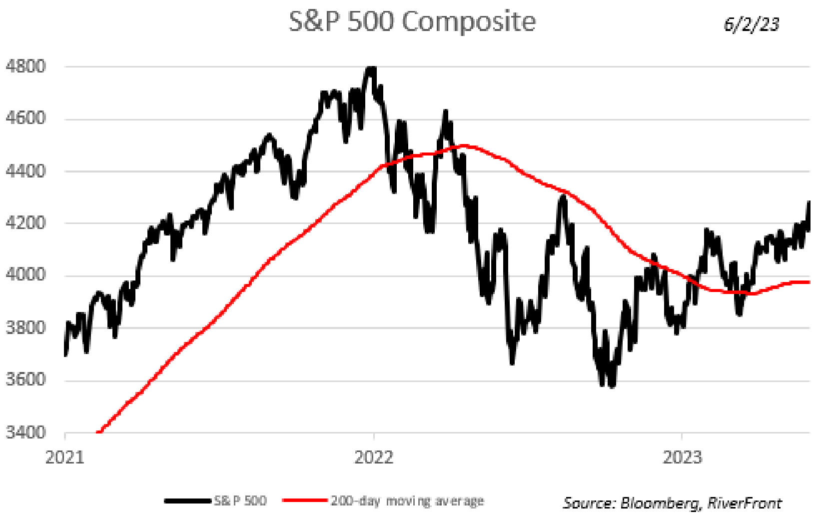
What a difference a week makes. A week ago, the market had expected the Fed to be finished with rate hikes and to subsequently cut the fed funds rate as many as 3 times by year-end. Then the economic data changed, and investors reduced their expectations of the Fed easing. While the Fed may be leaning toward pausing rate hikes on June 14, they have been clear that such a pause should not be viewed as an end to the rate hiking cycle, especially if the data continues to come in strong and the lag effects of monetary policy does not take hold. Today, the market is now only expecting one rate cut in 2023 and we believe that even that lowered expectation may be overly ambitious. Our base case scenario is for one additional rate hike in 2023 before pausing for the remainder of the year. This less hawkish tone is positive for markets, but far from a 'coast is clear' signal. For this reason, we continue to give the Fed a flashing red light.

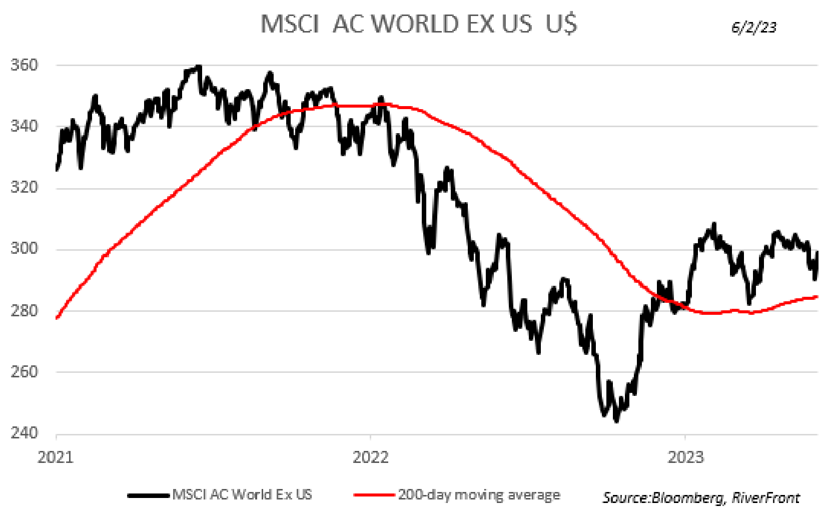
Internationally, the Bank of England (BoE) and the European Central Bank (ECB) find themselves in similar positions to the Fed, wrestling with whether to hike rates further, slow the pace of hikes, or pause. Persistent inflation remains the culprit for each of the central banks, as they attempt to calculate the impact of previous hikes, and the likelihood they will reach their 2% inflation targets with or without additional hikes. While we anticipate more hikes are on the horizon for the BoE and ECB, we believe that the pace of hikes will slow, and that they too will pause in the coming months. Therefore, the Fed and foreign central banks are becoming less hawkish and are showing signs of beginning to move closer to the investor's side.

Don't Fight the Trend: Market Breakout Above 4200 a Positive, Looking for Longer-term Confirmation

FLASHING GREEN

The trend of the S&P 500 has decelerated after peaking near a 10.5% annualized rate in late April, due to the index trading in a narrow range between 4050 and 4200. The rangebound nature of the index caused the primary trend, which we define as the 200-day moving average, to hardly move over the past month. As of June 2, 2023, the primary trend is rising at a 1.50%





Data daily as of June 2, 2023. Charts shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

annualized rate. However, given the recent breakout of the trading range, the trend will become more positive in a couple of weeks if the index remains near its current level. Historically, a positive trend is good for stock returns. Therefore, the trend is signaling a flashing green light to us which calls for equity exposure that is roughly in line to slightly above long-term targets.

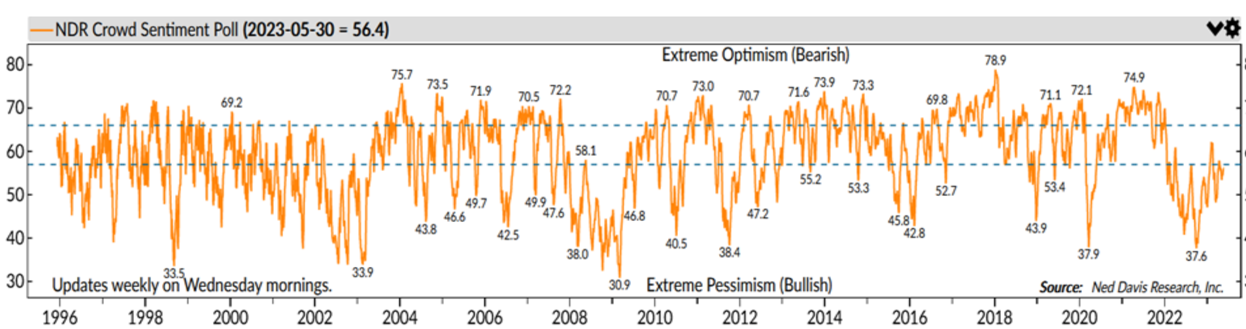
Internationally, the trend of the MSCI All Country World ex-US index is also decelerating but from a much higher peak. The international primary trend is rising at an annualized rate of 5.7% as of June 2, 2023, after peaking near 15% just under a month ago. While the international trend is under pressure as well, if current levels were to hold, the 200-day moving average would not turn negative. Therefore, the international trend is signaling a flashing yellow light to us that has the ability under the right conditions to turn green.

Beware of the Crowd at Extremes: Early Signs of Turning Bullish

FLASHING GREEN

We regard Crowd Sentiment as the contrary indicator of the Three Tactical Rules. Since the beginning of the year, the crowd has been either neutral or in extreme pessimism as investors attempted to handicap and navigate the evolving monetary policy landscape. The chart below shows a measure of investor sentiment as calculated by Ned Davis Research. When the line is high it shows extreme optimism, and when it is low, extreme pessimism. This is our preferred data to measure investor psychology, though we use our own analytical framework from which to draw conclusions on sentiment.

Generally, we believe sentiment is a contrarian indicator, meaning we look for opportunities to buy when there is extreme pessimism and vice versa. Currently, the crowd is pessimistic, which has historically been a contrarian (bullish) signal. However, like our previous two updates, the crowd is not at an extreme within the pessimism zone, thus we have not reached a level which could warrant significantly increasing our stock holdings. By historical standards, we do not believe sentiment is depressed enough to ignite a significant stock rally.



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Conclusion: Signals Still Mixed but Improving

The message of the tactical rules is still mixed. In our opinion, the most likely scenario is for the Fed to hike once more and pause, and for the trend to improve. Thus, we think the rules will change to a green light over the next 3 months, giving us an opportunity to add stocks. If we are wrong, it will likely be because the recent breakout is not sustained, and the Fed hikes more than once after pausing in June. Our portfolios are currently positioned roughly in alignment with our long-term stock and bond targets. If the signals continue to improve, we anticipate adding to our stock allocation.

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.

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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.

Ned Davis Research (NDR) is a global provider of independent investment research, solutions and tools. Founded in 1980, NDR helps clients around the world make objective investment decisions.

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.

MSCI ACWI ex USA Index 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.

Definitions:

The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

The European Central Bank (ECB) is the central bank responsible for monetary policy of the European Union (EU) member countries that have adopted the euro currency. This currency union is known as the eurozone and currently includes 19 countries. The ECB's primary objective is price stability in the euro area.

The Bank of England (BoE) is the central bank of the United Kingdom. The BoE oversees monetary policy and issues currency. It also regulates banks, financial firms, and payment systems. Like other central banks, the BoE may act as a lender of last resort in a financial crisis.

Interest rate sensitivity is a measure of how much the price of a fixed-income asset will fluctuate as a result of changes in the interest rate environment. Securities that are more sensitive have greater price fluctuations than those with less sensitivity. This type of sensitivity must be taken into account when selecting a bond or other fixed-income instrument the investor may sell in the secondary market. Interest rate sensitivity affects buying as well as selling.

Don't Fight the Fed – 'Supportive' means the Fed's monetary policy regarding inflation and employment is in what we believe based on our analysis to be the investors' best interest; 'Against' means the Fed's monetary policy, in our view, is going against the investors' best interest; 'Neutral' means the Fed's monetary policy is neither supportive or against the investors' best interest in our view. Don't Fight the Trend – Terms correlate to the 200-day moving average as it relates to the equity indexes: 'Positive' means that the trend is rising, 'Flat' means the trend is flat, 'Negative' means the trend is falling. Beware the Crowd at Extremes – Terms correlate to the NDR Crowd Sentiment Poll and its measurement of Extreme Optimism (Bearish), Neutral, or Extreme Pessimism (Bullish).

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