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SUMMARY

- We believe US market impact of the Iran-Israel conflict will be limited.
- US energy independence, as well as Iran's reticence to close the Strait of Hormuz, is likely the reason for this limited impact, in our view.
- Geopolitical crises rarely leave lasting impacts on US stocks.

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Missiles & Missives: Why Don't Stocks Care?

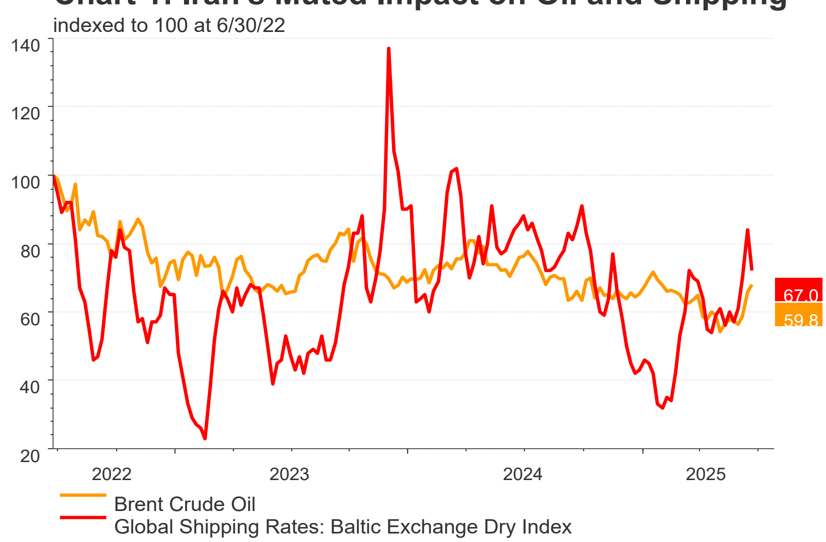
Market Impact From Geopolitics Tend to Be Short-Lived

Setting aside humanitarian and political concerns, we view the economic and market impact of the recent Iran-Israel conflict as likely to be limited. For anyone following current events, stocks' apparent apathy to these events can seem bewildering. The main transmission mechanism between Middle Eastern geopolitical risk and US markets tends to be through the price of oil. However, oil prices and shipping costs have yet to spike (see Chart 1, below), and US stock markets have generally looked through the volatility, as they eclipsed all-time-highs late last week. At the risk of oversimplifying a complicated issue, we believe this is mainly due to a few simple facets:

Iran is unlikely to shut down the Strait of Hormuz. The Strait of Hormuz, one of the world's most important shipping channels for oil and gas, is a relatively narrow waterway just south of Iran linking the Persian Gulf to the Arabian Sea. The strait sees over 20% of the world's oil and gas pass through its' channel every day. While Iran has periodically threatened to 'shut down' the channel via underwater mines, anti-ship missiles or other tactics, we believe it's unlikely to follow through… for the simple reason that Iran's economy is almost solely based on oil export. In addition, China is Iran's largest oil customer – purchasing roughly 90% of Iran's production. Shutting down the strait would massively complicate a crucial relationship for Iran.

The US is now a net energy exporter. One leg of the 'US Economic Exceptionalism' stool is North America's enviable status as an oil and gas production powerhouse… turbocharged by new technologies such as fracking. According to the Energy Information Administration (EIA), the US

Chart 1: Iran's Muted Impact on Oil and Shipping



Source: LSEG Datastream, RiverFront. Data daily as of June 27, 2025. Chart shown for illustrative purposes only. Past performance is no indication of future results.

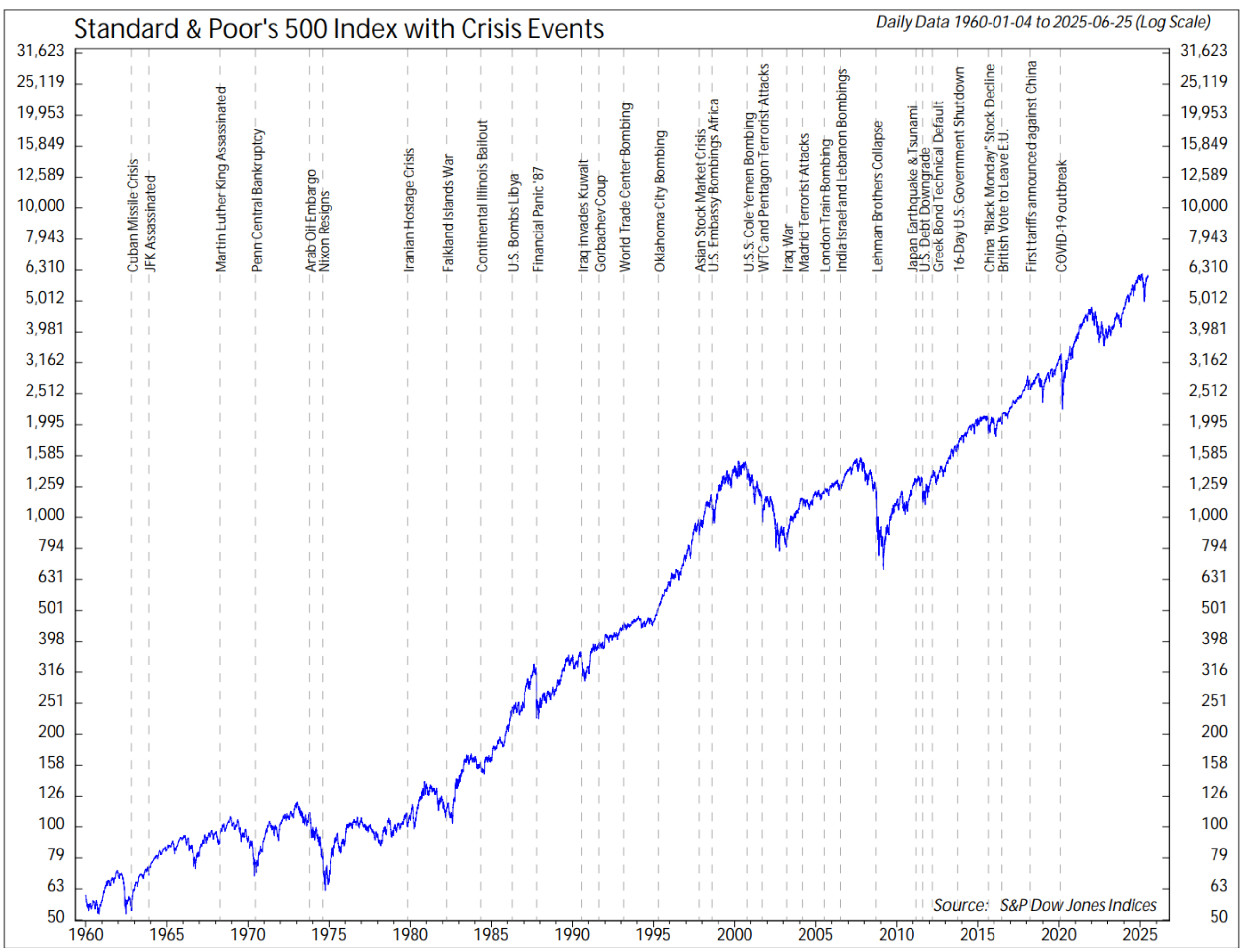
has been a net energy exporter since 2019 and produced record amounts of crude oil in the last year. This helps insulate the US from a major inflationary spike in the advent of global supply disruption, such as the shutting of the Strait of Hormuz would pose. We would note that most of Europe and Asia do not enjoy the same advantage as the US in this regard; major countries like China, India, Germany, South Korea and Japan are all major oil importers and thus more exposed to supply constraints.

CONCLUSION: Even Outside the Middle East, Crisis Events Rarely Have Lasting Impact on US Stocks

Some of the facts above relate specifically to Iran's tenuous economic and diplomatic position - Iran has few friends, particularly in terms of larger countries. However, some may be surprised to learn that, even outside of the Middle East, the market's response to significant geopolitical events is often quite muted and short-lived, as the NDR Research chart below visually suggests. Thus, we see little reason for the situation in Iran to change our constructive positioning towards US stocks in our balanced portfolios.

Conducting an even broader study using the long-lived Dow Jones Industrial Average (DJIA) in order to go back well over a century, NDR Research studied the market impact of 58 acute crisis events starting in 1907. Their findings were conclusive: US stocks on average were higher 1, 3, 6 and 12 months after the crisis event. In the minority of times when markets were lower – for instance, when Russia invaded Georgia in August 2008– the geopolitical crisis happened concurrently in the midst of an unrelated economic downturn.

CHART 2: NDR ANALYSIS ON CRISES SUGGESTS ONLY NEAR-TERM AFFECT ON S&P500



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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.

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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.

The Dow Jones Industrial Average (DJIA) is a stock market index that tracks 30 large, publicly owned blue-chip companies trading on the New York Stock Exchange (NYSE) and Nasdaq. The Dow Jones is named after Charles Dow, who created the index in 1896 with his business partner, Edward Jones. Also referred to as the Dow 30, the index is considered a gauge of the broader U.S. economy.

Definitions:

Fracking is the process of injecting liquid at high pressure into subterranean rocks, boreholes, etc. so as to force open existing fissures and extract oil or gas. Also called hydraulic fracturing.

The Energy Information Administration (EIA) is a semi-independent agency under the U.S. Department of Energy and is the nation's premier source for impartial energy information. By collecting, analyzing and sharing information on renewable energy, petroleum, natural gas, alternative fuels, and more, EIA helps policymakers and industry stakeholders make informed, data-driven decisions.

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.

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