

# RiverFront Unplugged Thanks for Joining!

For the best experience for all participants, please keep your lines muted and video turned off.

Questions? Chat them in using the Chat feature



# RiverFront Unplugged

**Brad Wear, CDFA, CFS**

Western Regional President, National Sales Manager

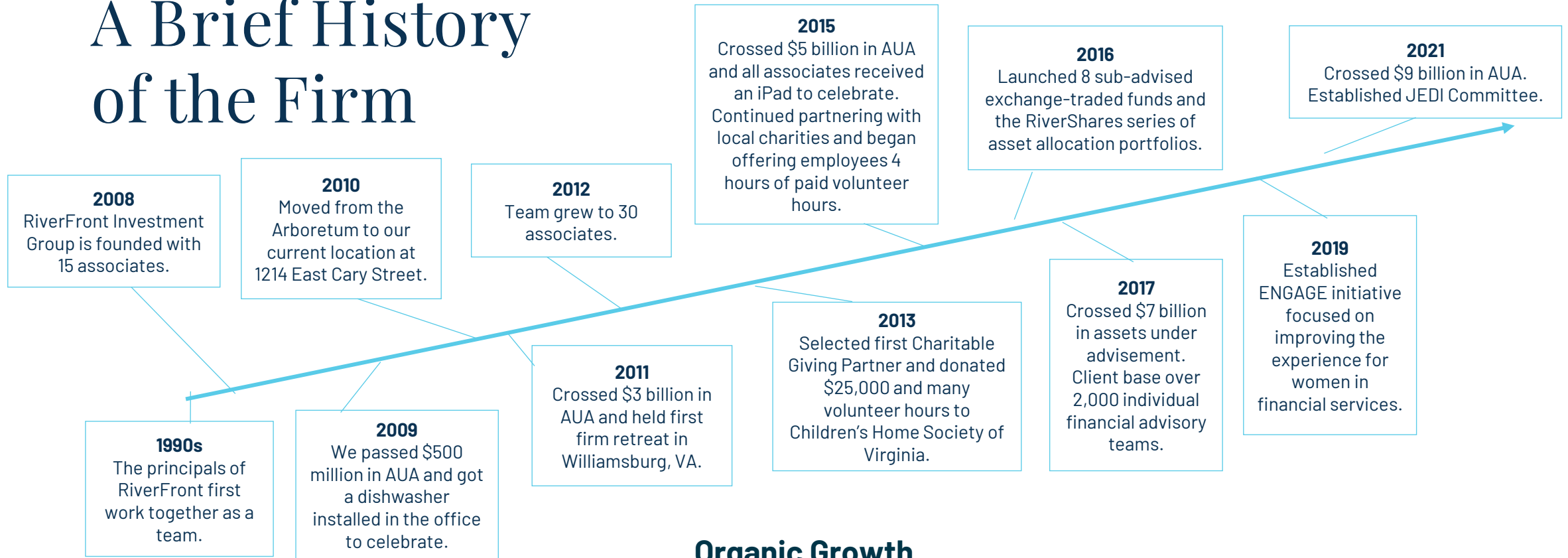


# Welcome: *Our Commitment to Our Advisors*

**Pete Quinn**

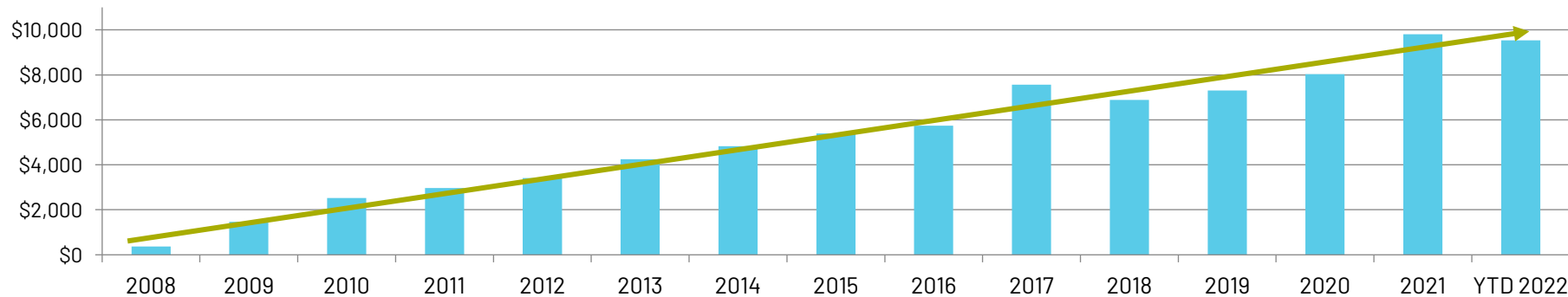
President & CEO

# A Brief History of the Firm



## Organic Growth

\$ in millions; data as of 03/31/2022; Asset growth is not an indication of performance.



# Our Values

## *Caring*

For our financial advisor partners.

## *Humility*

Admitting when we are wrong, learning, and moving forward.

## *Integrity*

Doing what we say.

## *Accountability*

Providing total transparency and taking responsibility for our actions.

## *Excellence*

Rising to every challenge in our pursuit of continuous improvement.



# Mastering Affluent Client Acquisition

Stephen Boswell, President

Oechsli

# RiverFront's Global Macro *Outlook & Positioning*

**Chris Konstantinos, CFA®**

Director of Investments | Chief Investment Strategist

# Global Macro *Summary*

The 'mechanical bull' we cited in our *2022 Outlook* as an analogy for stock markets in 2022 has turned into a 'bucking bronco'. Volatility is back in a big way as war in eastern Europe has investors rattled and commodity prices soaring.

We believe our '**Four I's**' - ***Inflation***, ***Interest Rates***, ***Innovation***, and ***Intrinsic Value*** - are as relevant now as they were before the war between Russia and the Ukraine. We revisit these market drivers here through the lens of geopolitical uncertainty overseas.

- ***INFLATION***: Faster, higher; Europe uniquely at risk due to Russian gas
- ***INTEREST RATES***: Fed on a 'tightrope'; watching inflation expectations
- ***INNOVATION***: US economy healthiest, most immune from geopolitics
- ***INTRINSIC VALUE***: Stock valuations now cheaper, rate moves and earnings key



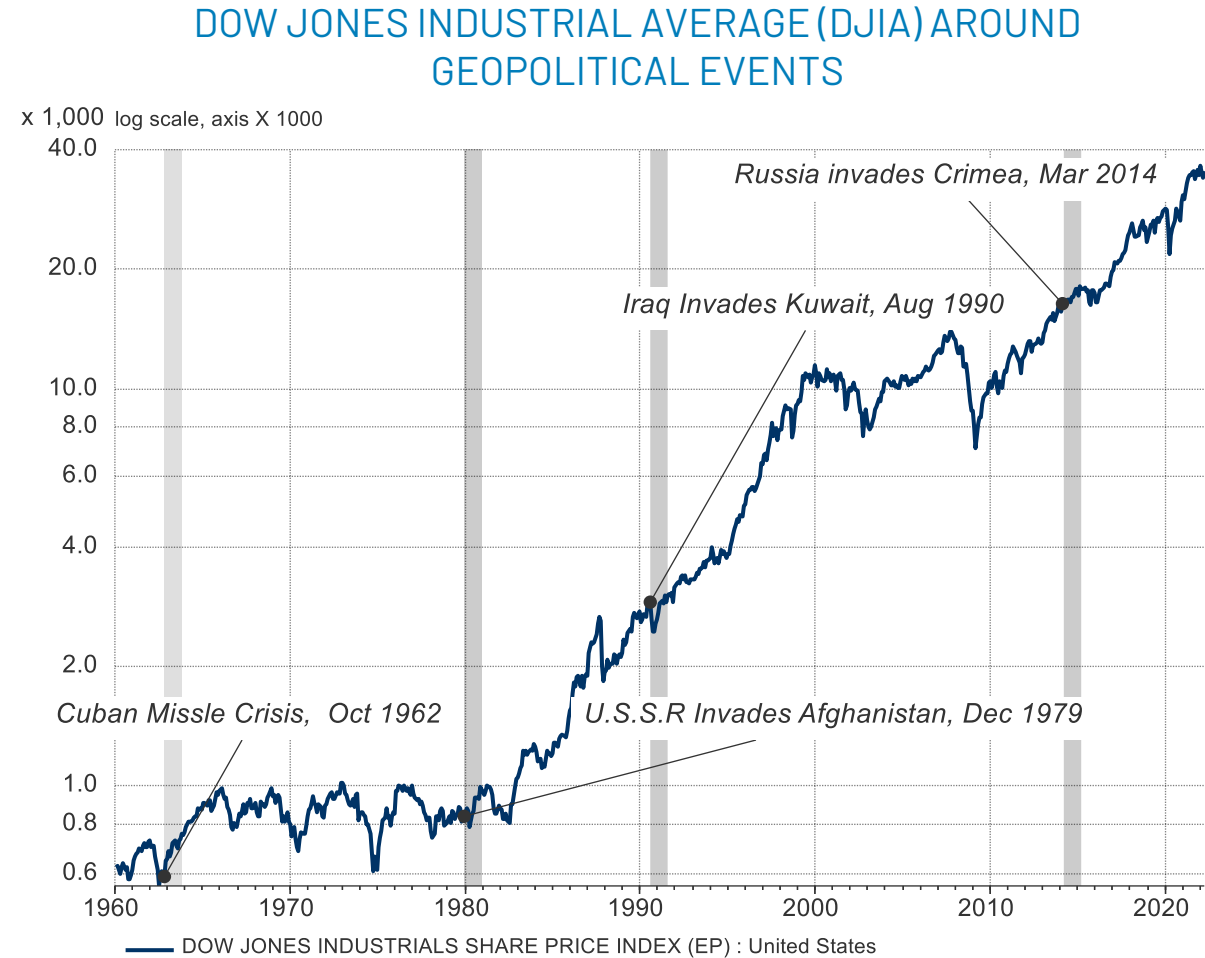
# Geopolitical Events *Rarely Leave Lasting Impacts on Stocks*

History warns investors against overreacting to frightening geopolitical events. Precedents set over the past century suggest that US stocks are often higher 6-12 months after such events.

Four relevant historical cases that share similar characteristics to the current situation in Ukraine are highlighted below...in all four instances, markets were higher six and twelve months after the incident.\*

- **'Cuban Missile Crisis', 1962:** Dow Jones Industrial Average (DJIA) higher by +24% 6 months later, and +30% 12 months later
- **USSR Invasion of Afghanistan, 1979:** DJIA +7% 6 months later, +21% 12 months later
- **Iraq Invasion of Kuwait, 1990:** DJIA higher by +16% 6 months later, +22% 12 months later
- **Russian Invasion of Crimea, 2014:** DJIA higher by +6% 6 months later, and +11% 12 months later

\*shaded bars represent 12-month period after event date



Source: Refinitiv Datastream, RiverFront,; Data monthly, as of March 2022. Chart shown for illustrative purposes only. The Dow Jones Industrial Average (DJIA) is a widely-watched benchmark index in the U.S. for blue-chip stocks. The DJIA is a price-weighted index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the Nasdaq.

# The Global Inflation Impact *of Russia and Ukraine*

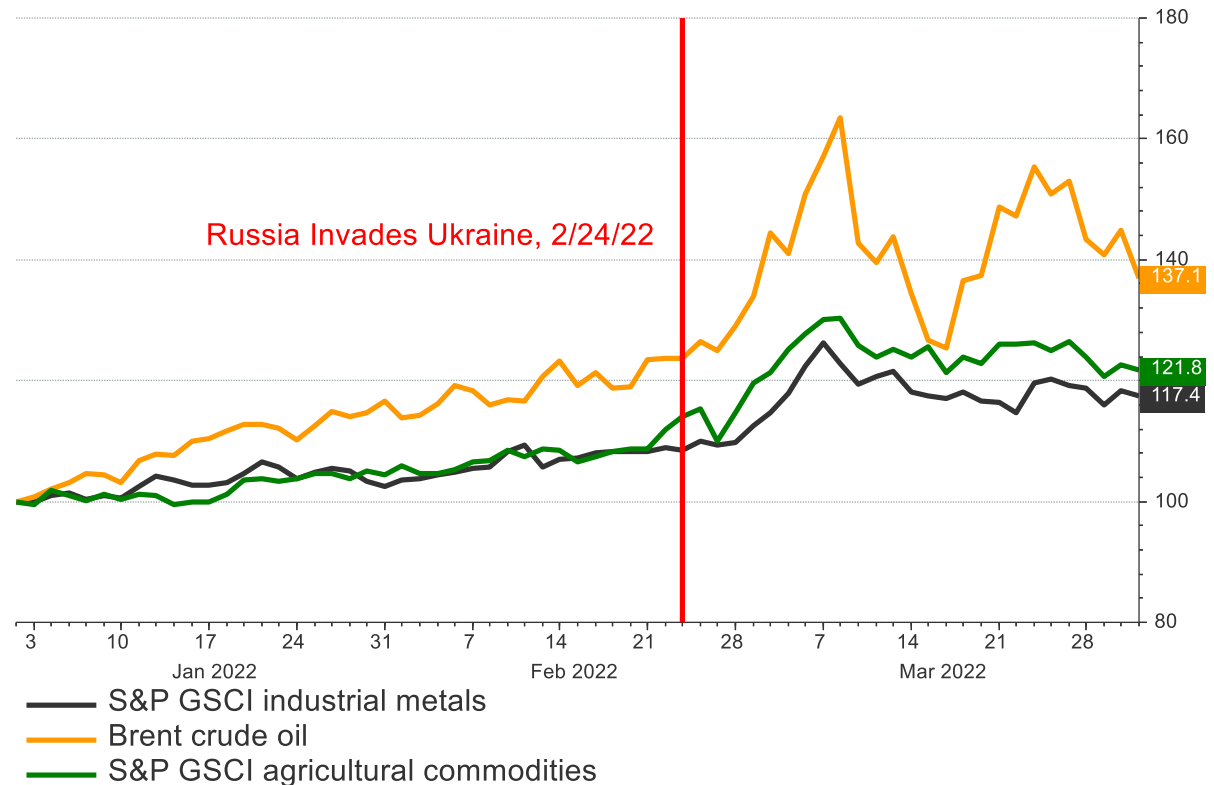
## SPIKES IN GLOBAL COMMODITIES COMPLICATE THE INFLATION PICTURE

The situation on the ground in Ukraine has taken numerous turns – some shocking, some inspirational – since Russia first invaded Ukraine on February 24, 2022. We have witnessed Russian leader Vladimir Putin target civilian areas and nuclear reactors in Ukraine. We have also witnessed inspiring levels of unity and resilience not only from Ukraine itself, but the rest of the democratic Western order.

Russia's invasion is wreaking havoc on global commodity prices. Russia is a major exporter of oil and gas, and Ukraine is a major supplier of grains. Invasion-related disruptions in energy and agricultural supply chains, as well as the economic effect of sanctions, drove commodities to multi-year highs in the first quarter.

### Dramatic Rise in Commodities Following War in Ukraine

Price Percentage change, indexed to 100% at beginning of 2022



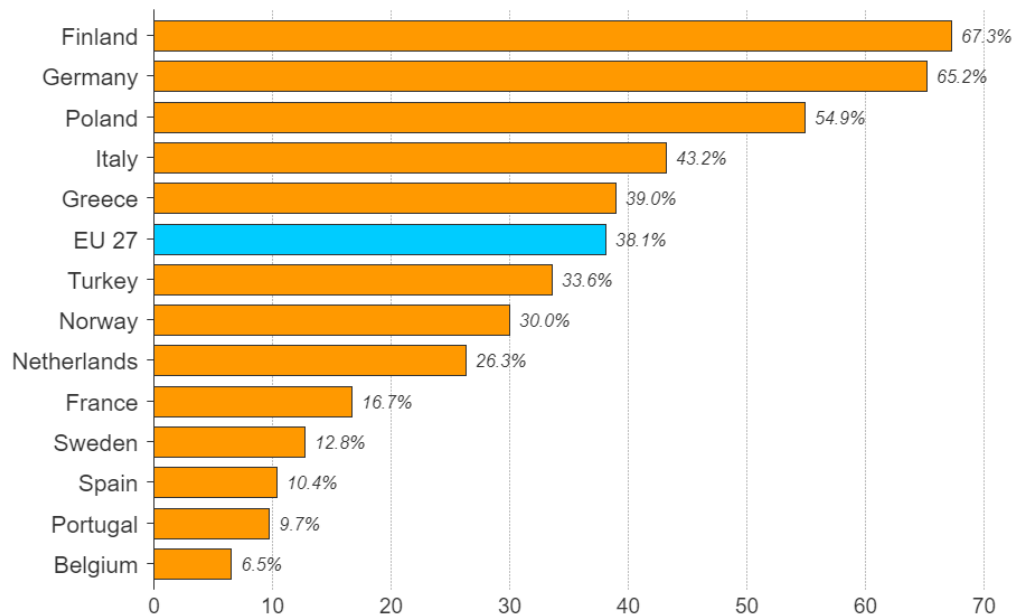
Source: Refinitiv Datastream, Fathom Consulting, RiverFront; data daily, as of 3.31.2022. Chart shown for illustrative purposes only. The S&P GSCI is a composite index of commodities that measures the performance of the commodities market. The index often serves as a benchmark for commodities investments. The index's components qualify for inclusion in the index based on liquidity measures and are weighted in relation to their global production levels.

# The European Inflation Impact *of Russia and Ukraine*

COMMODITY PRICES AND INFLATION IN EUROPE LIKELY TO BE HIGHER FOR LONGER DUE TO DEPENDENCE ON RUSSIAN GAS, IN OUR VIEW

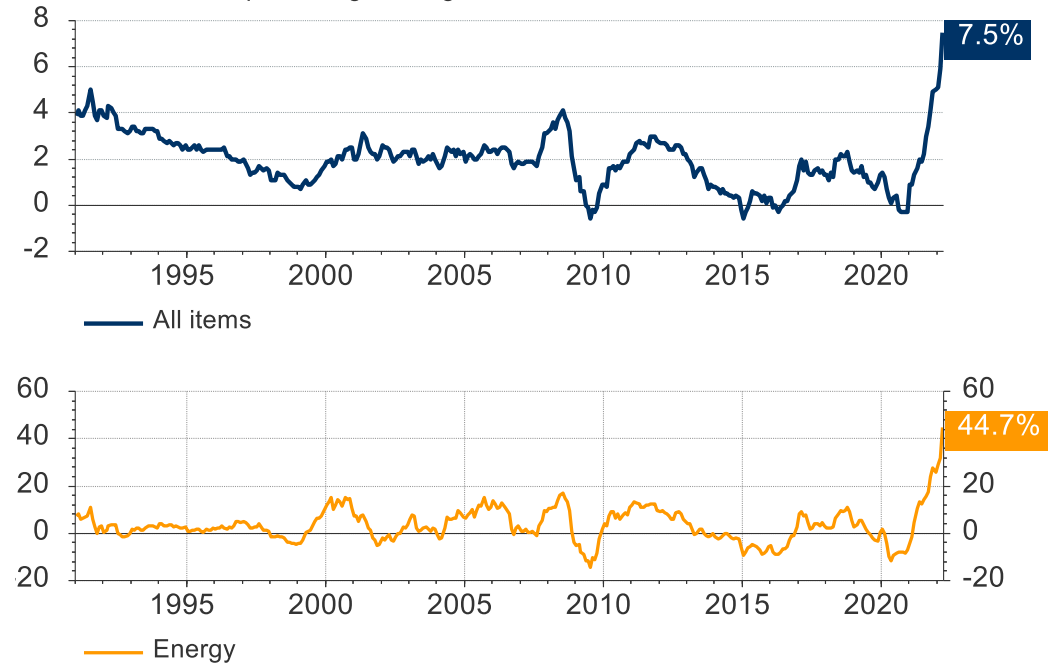
## Europe natural gas imports from Russia

Per cent of total natural gas imports, 2020



## Euro area Consumer Inflation (HCIP)

Twelve-month percentage changes, both axes



Source (Chart Left): Refinitiv Datastream, RiverFront; data annually as of 2020, 03.31.2022. Source (Chart Right): Refinitiv Datastream, RiverFront; data monthly, last data release as of 03.15.2022. Charts shown for illustrative purposes only. The Harmonised Index of Consumer Prices (HICP) measures consumer price inflation - the average change over time in the prices paid by people for a specific, regularly updated basket of consumer goods and services.



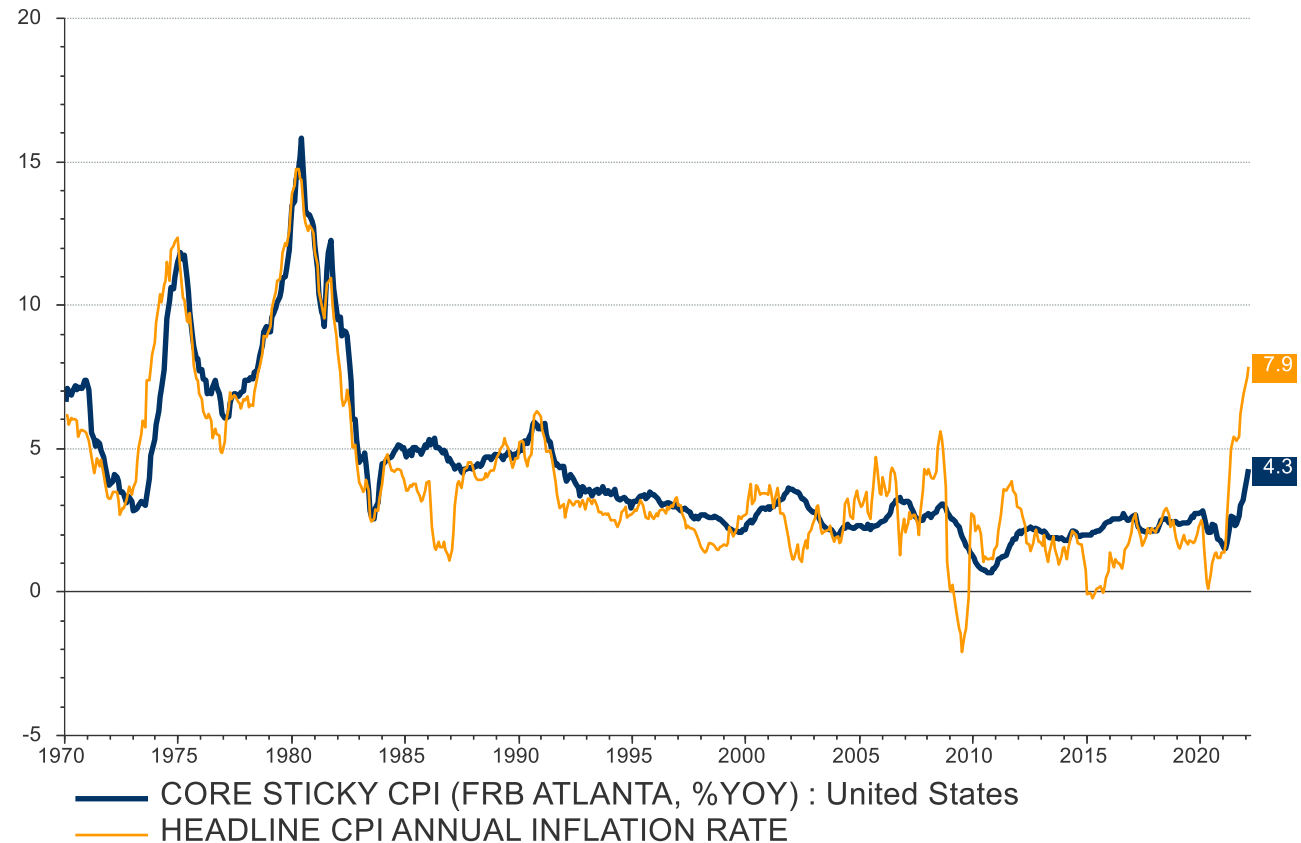
## US Inflation: *Core Lower, but Moving in Wrong Direction*

Energy and food prices are moving up sharply in the US, creating fears of 1970s-style 'stagflation'. **Headline Consumer Price Index (CPI)** (orange line) **is currently at 7.9%, its highest level since the early 1980s.**

However, under the surface, core inflation appears tamer. In our view, the "stickiest" parts of the Consumer Price Index (CPI) basket —like household furnishings, medical care, eating out, and education — represent a more accurate picture of inflation than food, energy and auto prices, which are more volatile.

**Currently, core 'sticky' CPI (blue line) is trending at ~4.3%. This is different than the 1970s, when even sticky CPI items skyrocketed (see chart). However, we recognize that the trend is alarming.**

### Year-Over-Year Change in Core 'Sticky' CPI



*Stagflation is characterized by slow economic growth and relatively high unemployment—or economic stagnation—which is at the same time accompanied by rising prices (i.e. inflation). Headline inflation is the raw inflation figure reported through the Consumer Price Index (CPI) that is released monthly by the Bureau of Labor Statistics. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. "Sticky" refers to consumer goods whose prices are relatively slow to fluctuate. FRB Atlanta = Federal Reserve Bank of Atlanta. Source: Refinitiv Datastream, RiverFront; data monthly, last data release February 2022. Chart shown for illustrative purposes only.*

# Recession Watch: *US Economy Still Appears Intact In Our View*

OIL PRICES CONCERNING, BUT YIELD CURVE AND LEADING ECONOMIC INDICATORS STILL HEALTHY

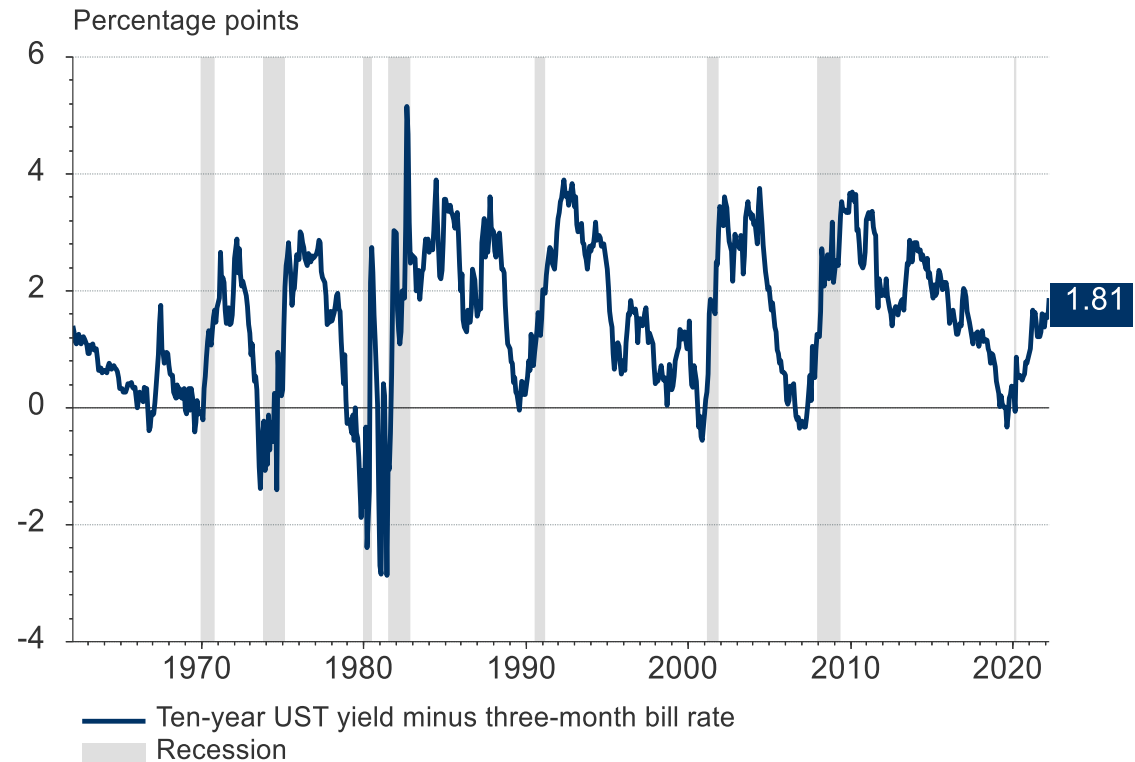
**Whether a major stock pullback is followed by a subsequent economic recession matters for future returns:**

- A Ned Davis Research study shows that, over the past 50 years, cyclical bear markets in the Dow Jones Industrial Average (DJIA) that are not overlapped by recession have an average peak-to-trough loss of roughly 18% and last about 7 months;
- When overlapped by recession, bear markets are far worse: -33% loss and last about 17 months on average.

While a spike in commodity prices often precedes recession, **two other well-established indicators of impending recession remain healthy:**

- **The US 3 month-to-10-year Treasury yield curve remains well above zero, a positive in our opinion** (see chart, right)
- **Leading economic surveys such as the Purchasing Managers' Index remain in expansionary territory for the US.**

## US yield curve slope and recessions



The yield curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. The Dow Jones Industrial Average (DJIA), also known as the Dow 30, is a stock market index that tracks 30 large, publicly-owned blue-chip companies trading on the New York Stock Exchange (NYSE) and the Nasdaq. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. Source: Refinitiv Datastream/Fathom Consulting; data monthly, as of 03.31.2022. Chart shown for illustrative purposes only.

# What We Are Watching: *Implied Inflation Expectations*

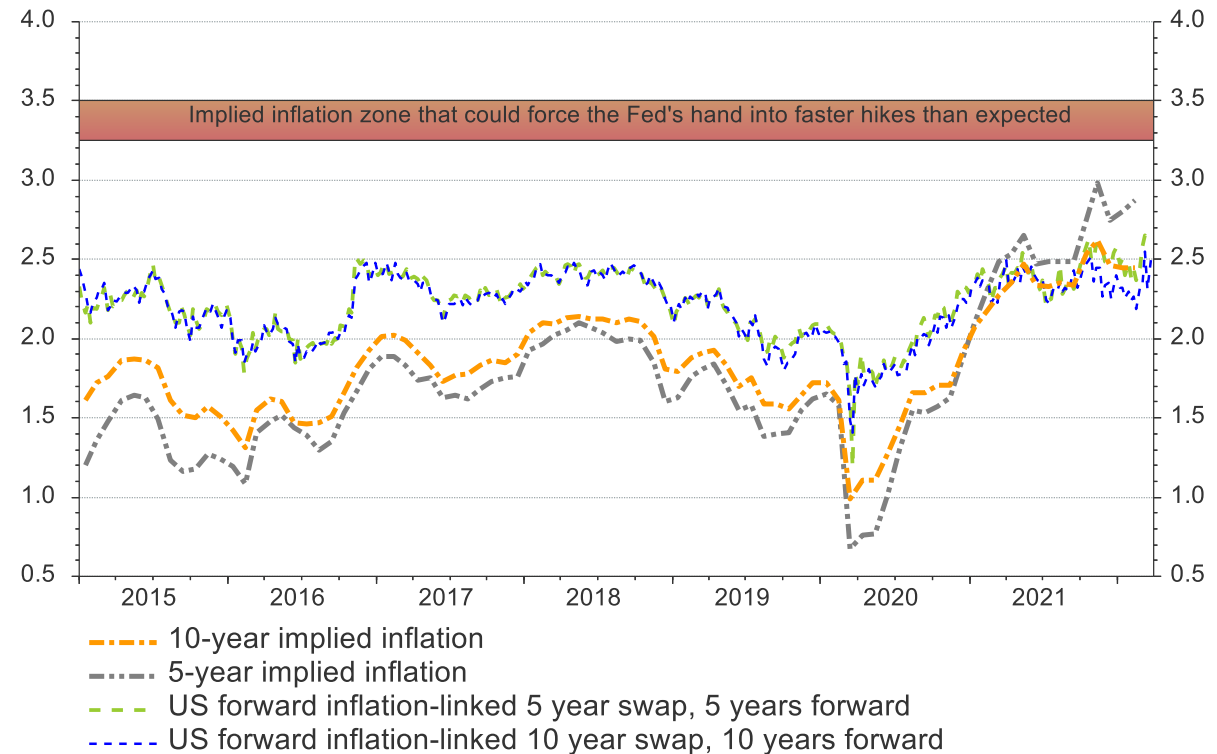
**We believe the Fed watches market-implied inflation expectations closely for signals into how quickly to raise interest rates.**

One way to gauge investors' perception of inflation is to compare the yield of US government Treasury notes to the yield of Treasury Inflation Protected Securities (TIPS) of the same maturity date. The difference between the two can be interpreted as 'implied inflation' (see chart).

**If implied inflation remains below 3.25% (see shaded region on chart), we believe that the Fed's tightening cycle can remain gradual and inline with market expectations .**

## Implied Inflation

Treasuries minus TIPS yield of same maturity; also inflation-linked swaps



*Implied inflation expectations are market-based estimates of future price inflation over a given time period. Treasury inflation-protected securities (TIPS) are a type of Treasury security issued by the US government. TIPS are indexed to inflation in order to protect investors from a decline in the purchasing power of their money. As inflation rises, TIPS adjust in price to maintain its real value. Source: Refinitiv Datastream, RiverFront; data monthly, as of February 2022; swaps daily, as of 03.31.2022. Chart shown for illustrative purposes only.*



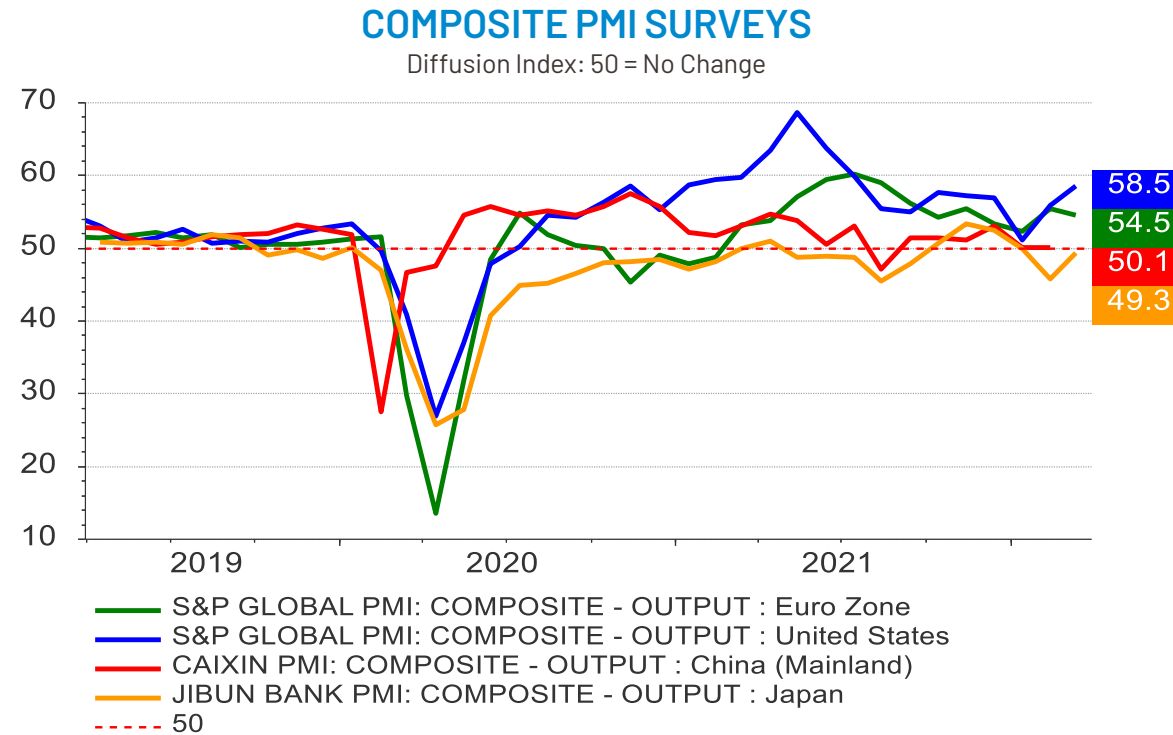
# US Economy... *Healthiest Heading into Uncertainty*

## FLEXIBILITY, INNOVATION AND PRODUCTIVITY POWERS US PAST GLOBAL PEERS

Current readings well above 50 on the composite Purchasing Manager Index (PMI) surveys (see chart) suggest that US corporate managers are feeling relatively optimistic about their future business prospects, despite inflation pressures.

**This suggests to us that the US economy is in healthy shape as it heads into an uncertain time for Fed policy...a crucial positive in our opinion.** We attribute this to not only the US's geographic and energy production advantages, but also the benefits of a more flexible, innovative, and productive economy vs. international peers.

While Europe PMIs also appear healthy, these surveys were conducted throughout February, before the war broke out. We expect Euro sentiment to suffer going forward due to the economic impact of higher inflation and Russian sanctions. China and Japan have been at or under 50 for most of the year, reflecting muted business sentiment.



*Source: Refinitiv Datastream, Riverfront; data monthly, as of 03.15.2022. Shown for illustrative purposes only. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision-makers, analysts and investors. The Diffusion Index, used in technical analysis, measures the number of stocks that have advanced in price or are showing positive momentum. The value of securities may decline as a result of various catastrophic events, such as pandemics, natural disasters and terrorism. Losses resulting from these catastrophic events can be substantial and could have a material adverse effect on RiverFront's business and client portfolios.*

# Stock Market Can Shake Off *Initial Rate Hikes*

SINCE 1946, STOCKS HAVE PERFORMED WELL IN THE YEAR AFTER THE FIRST RATE HIKE

Across the last sixteen tightening cycles starting in 1946, US stock gains have averaged +5.1% and +4.3% respectively in the first and second years after the first rate hike, according to a Ned Davis Research study. More recent results have been even more promising: Over the last thirty years, the market has averaged +12.8% in the year after the first hike (see red dots on chart).

**Stocks can produce positive returns during hike cycles, if rates rise gradually and are rising due to economic growth.**

We believe that the Fed will do a credible job in walking the 'tightrope' between hiking fast enough to eventually curb inflation but not so fast that it plunges the US into recession. **We will closely monitor our recession risk indicators for signs we may be wrong.**

## S&P 500 INDEX AND FIRST RATE HIKE: 1992-2016

Log Chart; Rate Hike Dates: 02.14.1994, 03.25.1997, 06.30.2004, and 12.16.2015

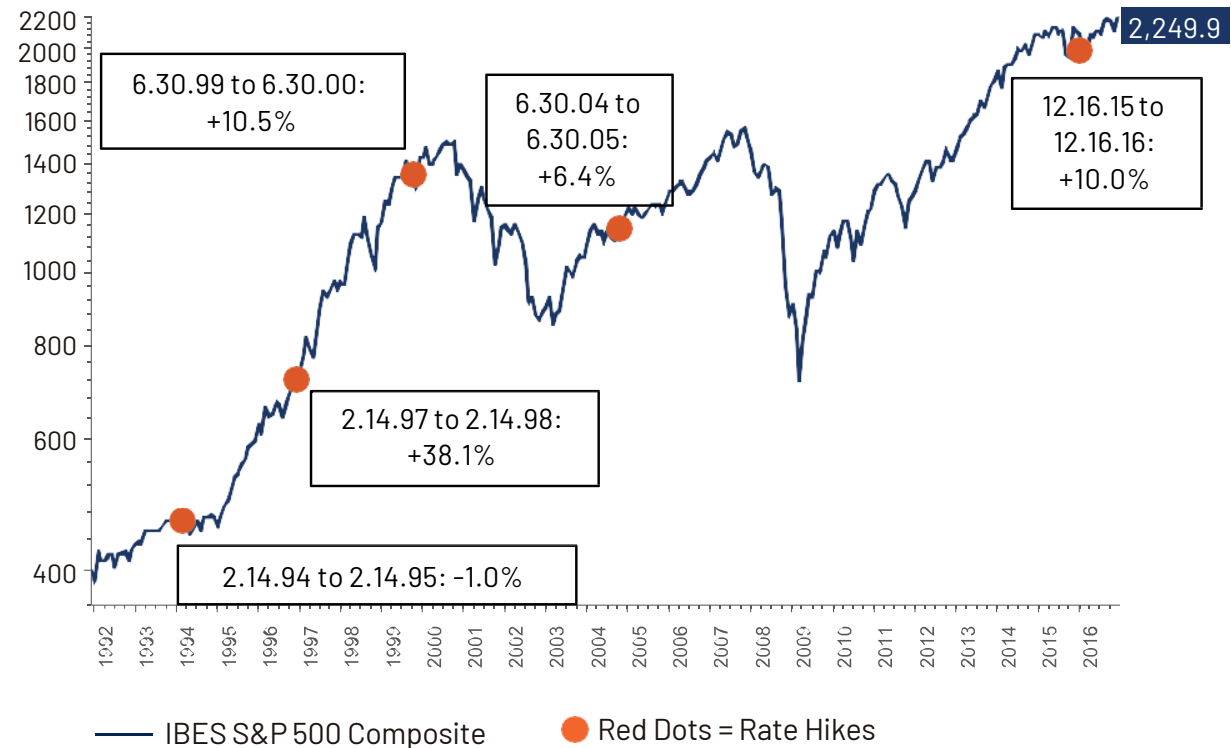


Chart Source: Refinitiv Datastream, RiverFront; data monthly, as of 12.30.2016. The Institutional Brokers' Estimate System (IBES) is a database used by brokers and active investors to access the estimates made by stock analysts regarding the future earnings of publicly traded American companies. Past performance is no guarantee of future results. Shown for illustrative purposes and not reflective of RiverFront portfolio performance. See Definitions & Disclosures section for index definitions.

# Market Valuation Lower Than in 2021

AS LONG AS EARNINGS STAY ROBUST, US LARGE-CAP VALUATIONS LOOK MORE ATTRACTIVE TO US

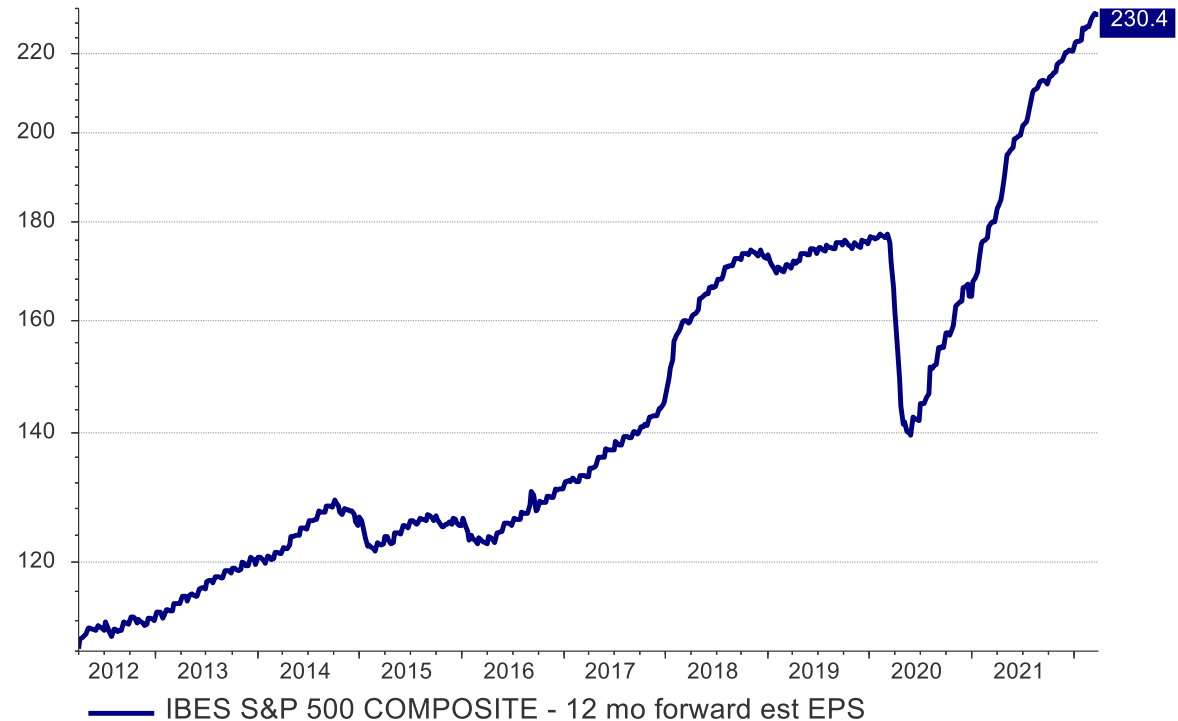
To start the year, one of the least attractive aspects to us of the stock market was its' high valuation.

At the time, the S&P 500 level was around 4750 and was trading for roughly 22 times 2022 estimated earnings. Today, the market multiple is about 2 multiple points cheaper (19x) on 12-month forward earnings, making US stocks more attractive to us.

The stock market's lower valuation is a mirage if earnings subsequently collapse, and thus we are watching analyst earnings revisions closely. **Thus far earnings forecasts have stayed robust. Currently, analysts estimate the S&P 500 12-month forward earnings at close to \$230 per share, a meaningful increase over the last year** (see chart).

## S&P 500 12-mo fwd Earnings-per-Share estimate

IBES database, Weighted Average, log scale, in USD



*The Institutional Brokers' Estimate System (IBES) is a database used by brokers and active investors to access the estimates made by stock analysts regarding the future earnings of publicly traded American companies. 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. Source: Refinitiv Datastream; data weekly, as of 3.31.2022. Chart shown for illustrative purposes only. See Definitions & Disclosures section for index definitions.*



# Stocks Cheap *Relative to Bond Yields, in Our Opinion*

While US stock valuations are still elevated, we don't believe you should value stocks in a vacuum. Rather, asset allocators should weigh stock returns relative to returns on the 'risk-free' alternative - the US 10-year Treasury.

The difference between the expected earnings yield on the S&P 500 on 12-month forward earnings and the 10-year Treasury is +2.9 percentage points as of quarter-end (green line). Despite recent moves higher in the Treasury yield, **these lines are still high relative to history, suggesting to us that stocks are still reasonably valued relative to bonds... particularly compared to the peak market times of the late 1990s or mid-2000s.**

Dividend yields are also attractively high relative to their historical relationship with treasury yields (blue line).

## Earnings and Dividend Yields Vs. Bond Yield

'earnings yield' is the inverse of the price-to-earnings ratio



Source: Refinitiv Datastream, RiverFront, data weekly, as of 03.31.2022. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. "Risk-Free" rate is the theoretical rate of return of an investment with zero risk, which we define by using the 10-year US Treasury Yield. See Definitions & Disclosures section for S&P 500 definition.

# Stock & Bond *Weights*

(AS OF 04.01.2022)

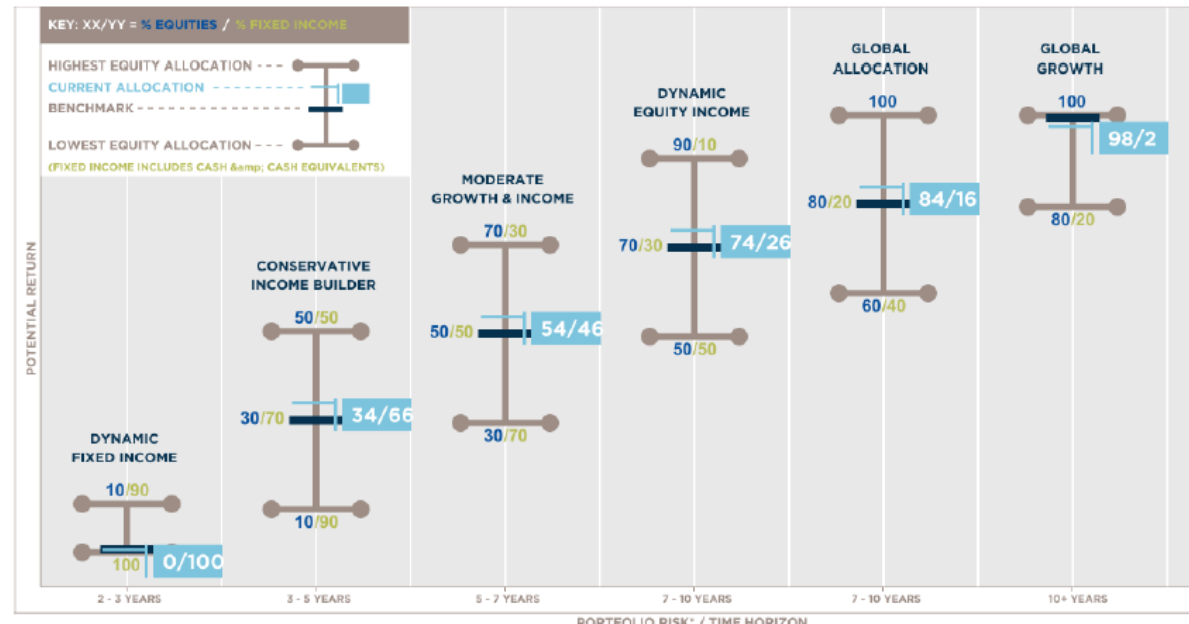
The horizontal dark line shown for each strategy indicates the benchmark weighting of equities to fixed income.

The ratios in the light blue box show the weightings of equities to fixed income in each strategy as of April 1, 2022.

The ratio at the top of each strategy indicates the most bullish weighting of equities to fixed income that are likely for each strategy.

## RIVERFRONT ASSET ALLOCATION STRATEGIES\*

Current Allocations as of 04.01.2022



\*Strategies seeking higher returns and thereby greater allocations to equities will also carry higher risks and be subject to a greater degree of market volatility. Allocations subject to change. Source: RiverFront. Cash is included in the weighting for fixed income. The specific benchmark for each strategy is listed in Definitions & Disclosures section. The portfolio weights and statistics shown above are based on RiverFront's Advantage separately managed accounts (SMA) only. They do not reflect other RiverFront portfolios or UMA/MDP models. While our SMAs and models for UMAs and MDPs will have similar investment weightings, there may be differences between the models; as such, there will be differences in the current portfolio weights/statistics in actual client accounts. Not all listed investment products or services are available at all broker/dealer firms.

# Dynamic Asset Allocation: *Strategic & Tactical Processes*

**Adam Grossman, CFA®** | Global Equity CIO



# Asset Allocation for *The Real World*

## **CONDITION: How does the current price compare relative to its history?**

- We believe that the **PRICE** paid is the best determinant of **long-term** returns
  - These opportunities are captured by **Strategic Asset Allocation**

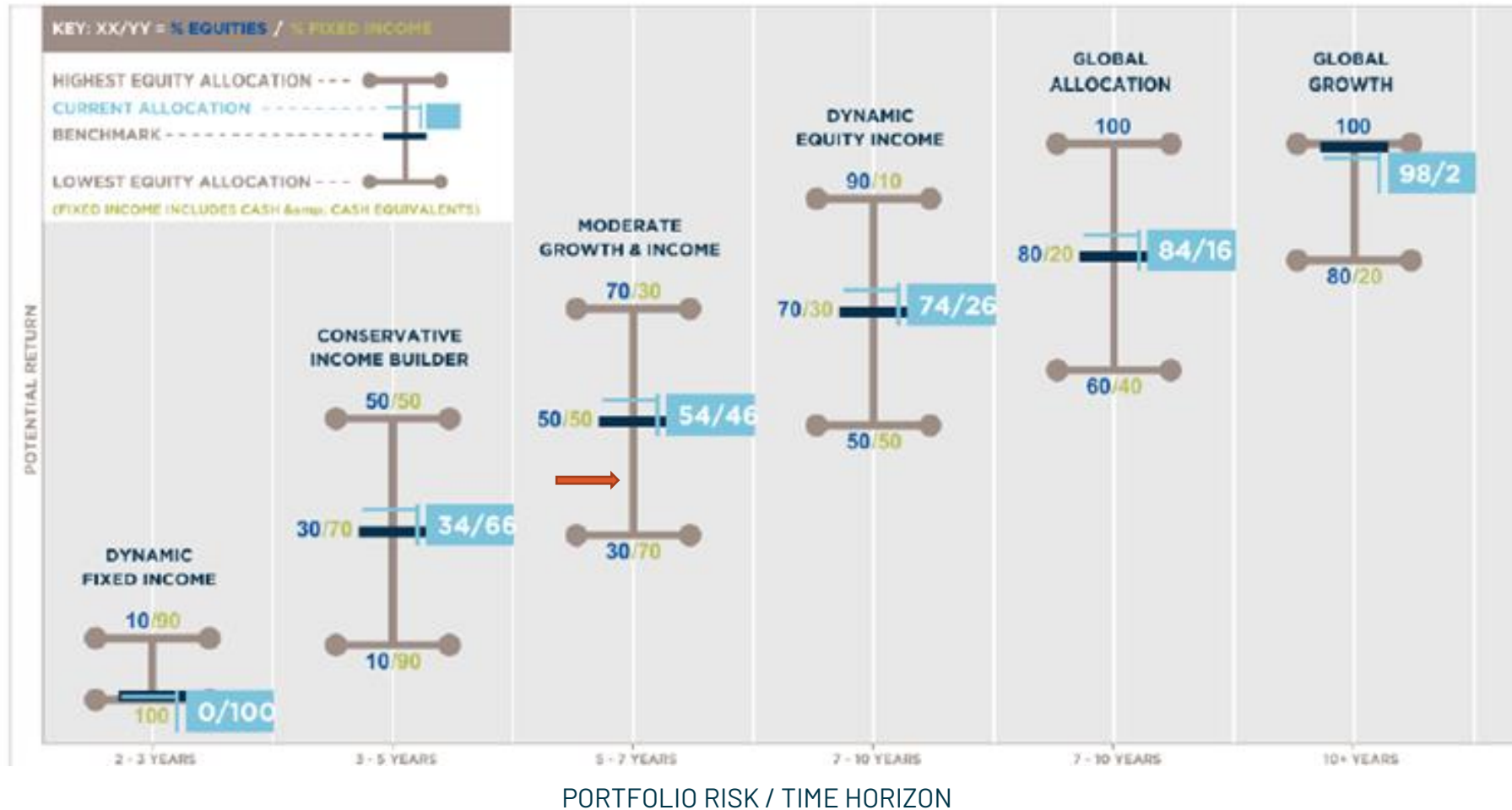
## **CATALYST: What is the spark to unleash long-term value?**

- Over the **short-term**, markets are driven by central banks, momentum, and the crowd
  - These opportunities are captured by **Tactical Asset Allocation**

# Our *Current Positioning*

Current Allocations as of 04/01/2022

**Current Allocations are located in our Investments Solutions Overview**



Strategies seeking higher returns and thereby higher allocations to equities will also carry higher risks and be subject to a greater degree of market volatility. The Portfolio Allocations chart shows the portfolios' asset class weightings for the strategy's Advantage Separately Managed Account (SMA) as of the date cited and are subject to change, see the end of this presentation for benchmark definitions. Not all listed investment products or services are available at all broker/dealer firms.

# The Asset Allocation Process – *Strategic*

## **Team discussion about the history/stability of the trendlines**

- Regime bias, Geopolitical events, Technology impact
- Emerging Markets – more of an art than science
- What might be different this time?

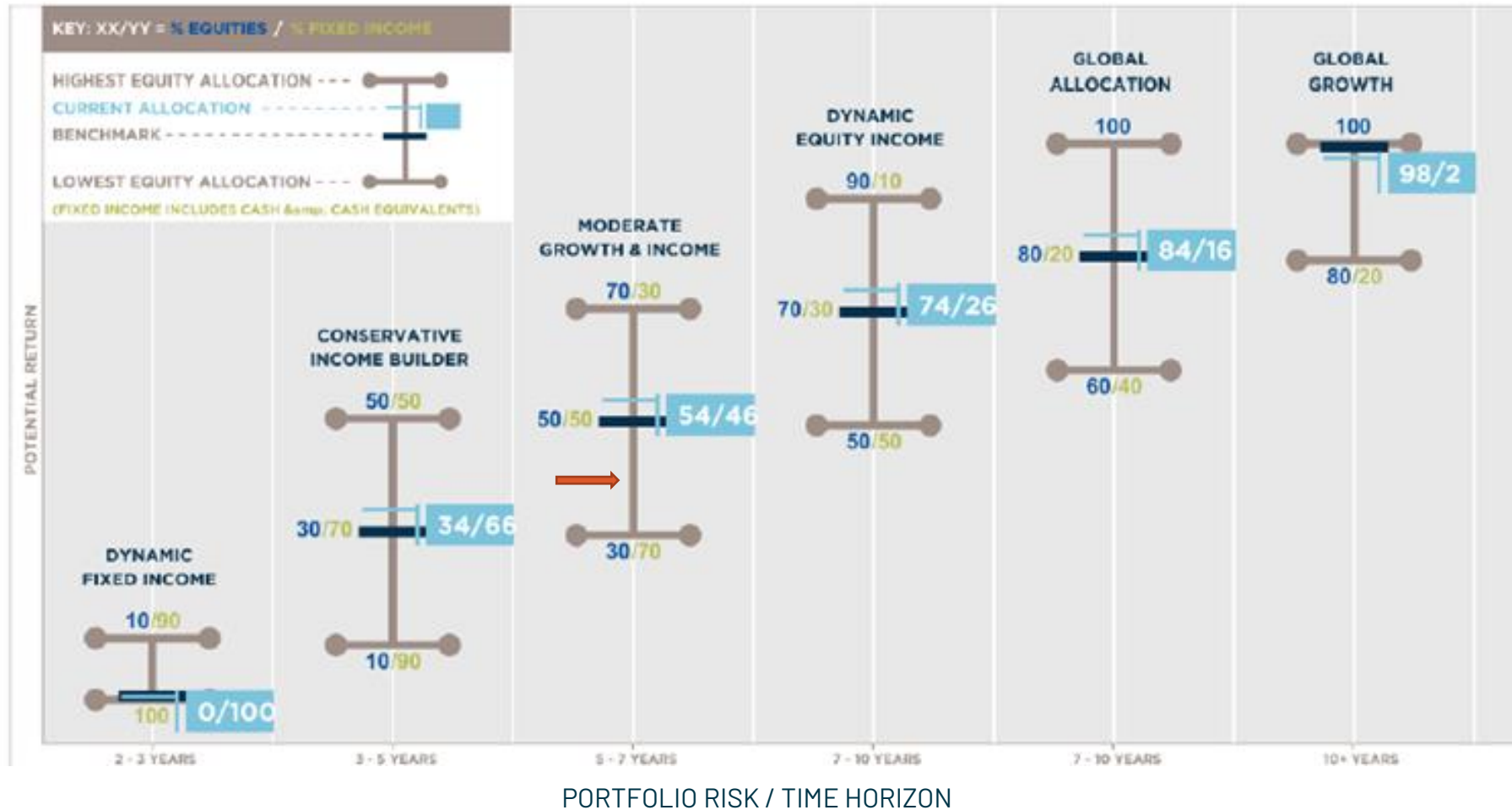
## **Develop forward return estimates and capital market assumptions**

- This guides our thinking about long-term value

**BUT...**

# Our *Current Positioning* – Revisited

Current Allocations as of 04/01/2022 **Current Allocations are located in our Investments Solutions Overview**



Strategies seeking higher returns and thereby higher allocations to equities will also carry higher risks and be subject to a greater degree of market volatility. The Portfolio Allocations chart shows the portfolios' asset class weightings for the strategy's Advantage Separately Managed Account (SMA) as of the date cited and are subject to change, see the end of this presentation for benchmark definitions. Not all listed investment products or services are available at all broker/dealer firms.



# The Rationale Behind Our *Product Offerings*

- Risk  $\neq$  Standard Deviation
- We think clients think of risks as “losing money”
- Our products are centered on this definition of risk, relative to time periods

# The Asset Allocation Process – *Strategic*

## **Consider the Policy Benchmark with Humility**

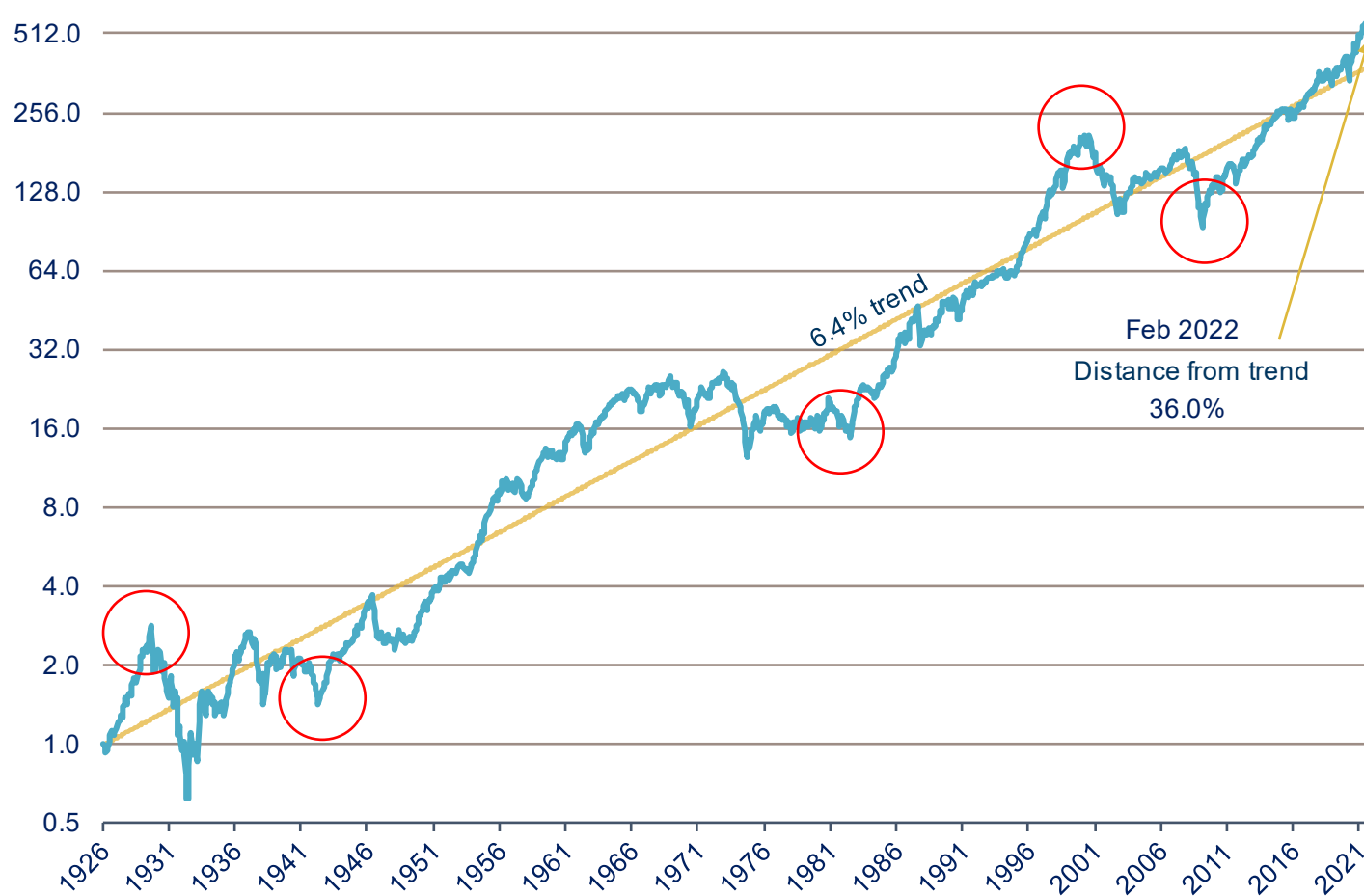
- NOT a “set-it-forget-it approach”: Need to increase the chance of staying invested

## **Identify conditions where long-term value exists for broad asset classes**

- Where is the current price relative to the trendline?
- We believe in reversion to the mean – PRICE MATTERS®!

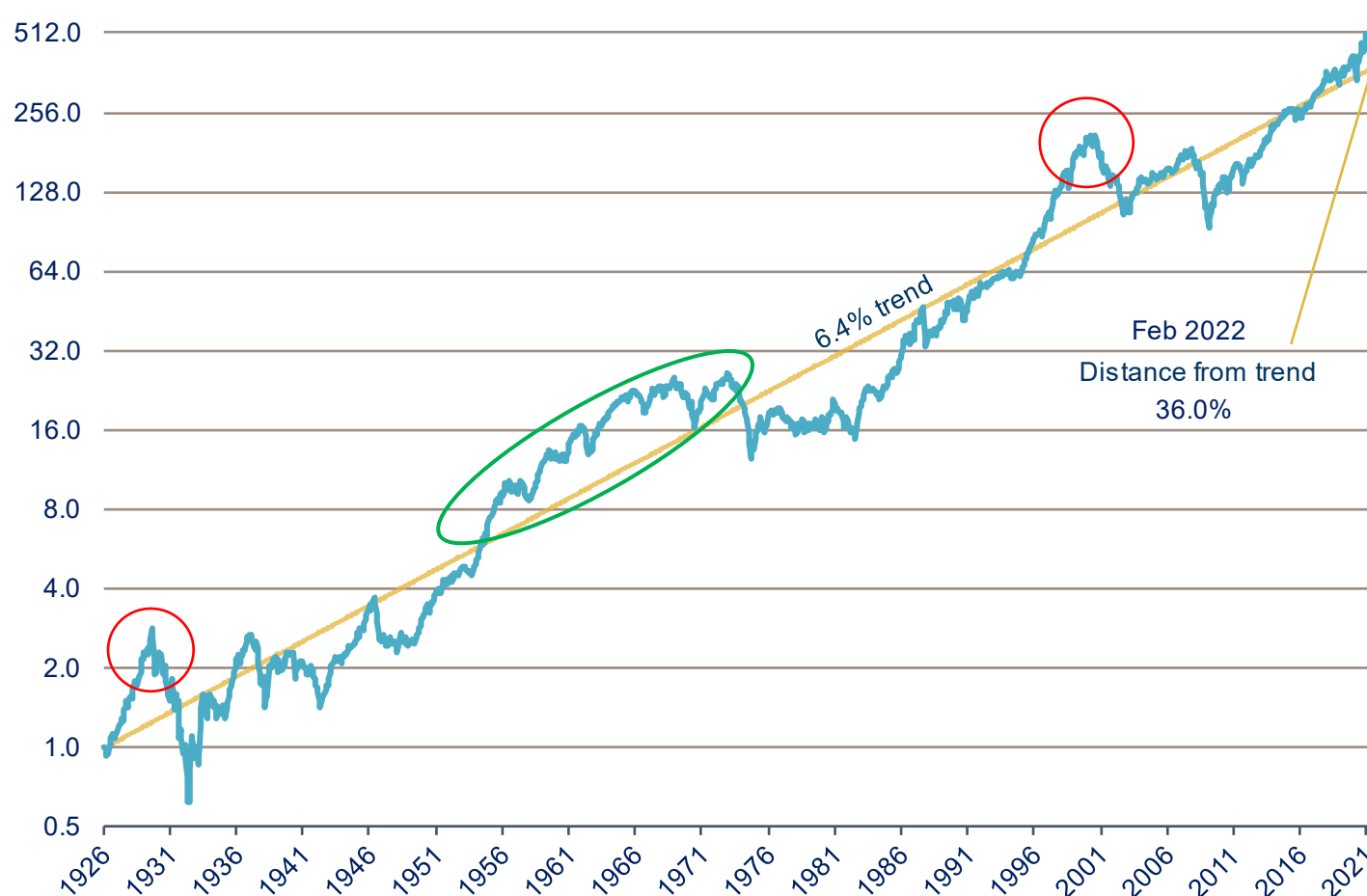
RiverFront's Price Matters® discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation.

# Large Cap Stock Prices from 1926 to 2022:



Source: RiverFront Investment Group, calculated based on data from CRSP 1925 US Indices Database ©2022 Center for Research in Security Prices (CRSP®), Booth School of Business, The University of Chicago. Data from Jan 1926 through February 2022. Past performance is no guarantee of future results. It is not possible to invest directly in an index. RiverFront's Price Matters® discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation. Blue line represents the Large Cap Real Return Index. Yellow line represents the Annualized Real Trend Line of Large Cap Real Total Return Index according to Price Matters®. Shown for illustrative purposes only, not indicative of RiverFront portfolio performance. Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed. The chart above uses a logarithmic scale. Line movements will be dampened/subdued based on the exponential y-axis. The red circles highlight relative market highs in 2000 and the relative low in 2009. However, markets can trade above trend and remain above trend, as shown from about 1955 to the late 1960s.

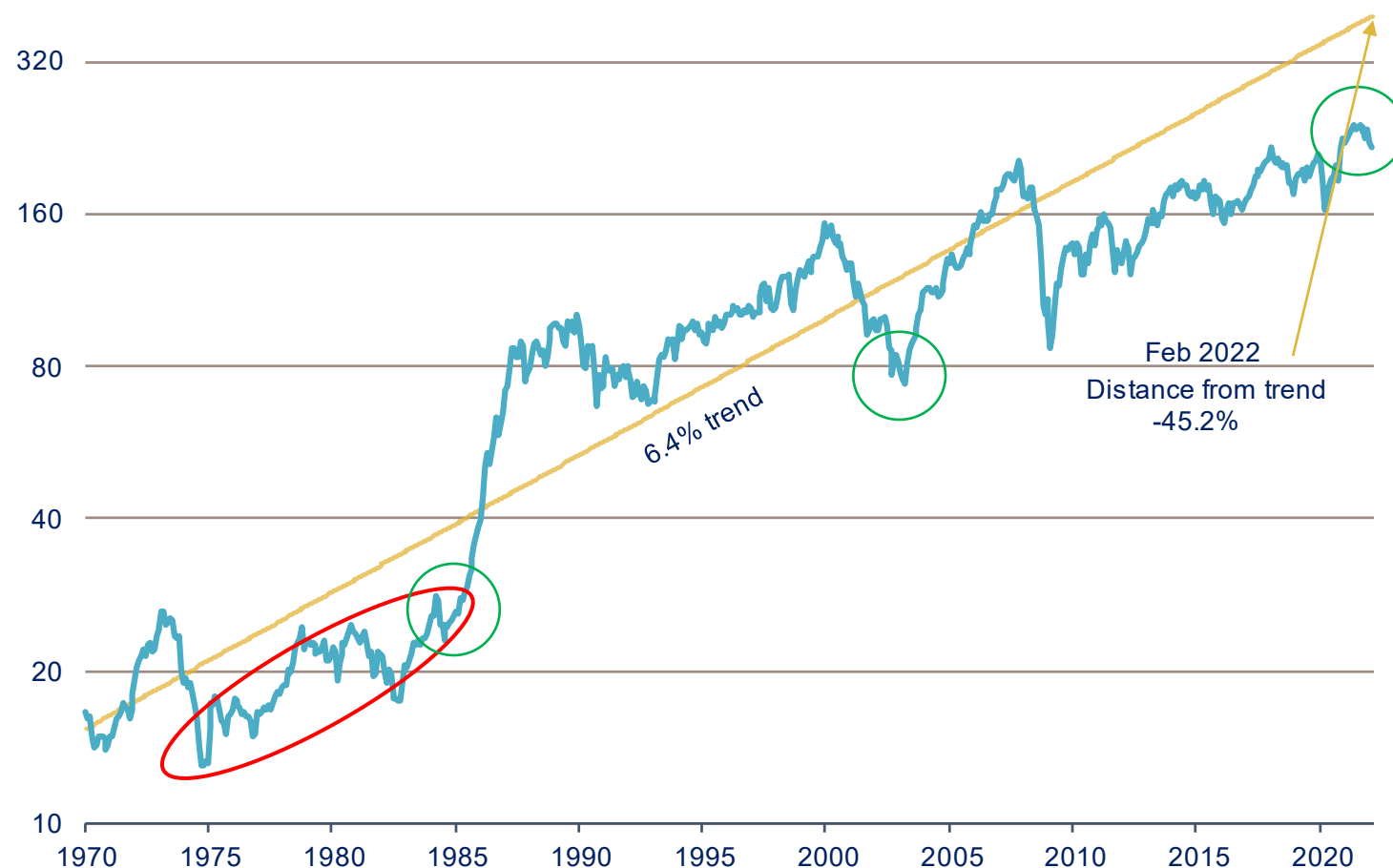
# Large Cap Stock Prices from 1926 to 2022:



Source: RiverFront Investment Group, calculated based on data from CRSP 1925 US Indices Database ©2022 Center for Research in Security Prices (CRSP®), Booth School of Business, The University of Chicago. Data from Jan 1926 through February 2022. Past performance is no guarantee of future results. It is not possible to invest directly in an index. RiverFront's Price Matters® discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation. Blue line represents the Large Cap Real Return Index. Yellow line represents the Annualized Real Trend Line of Large Cap Real Total Return Index according to Price Matters®. Shown for illustrative purposes only, not indicative of RiverFront portfolio performance. Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed. The chart above uses a logarithmic scale. Line movements will be dampened/subdued based on the exponential y-axis. The red circles and green circle highlight periods where the market was above trend. The green circle highlights the 1960s, which was a closer analogue to today, in our view (low interest rates and accommodative Federal Reserve).



# International Price Matters® : 1969 to 2022



Source: RiverFront Investment Group, FactSet. Data from Jan 1970 through February 2022. Past performance is no guarantee of future results. It is not possible to invest directly in an index. RiverFront's Price Matters® discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation. Blue line represents the MSCI EAFE (US\$) Real Return Index. Yellow line represents the Annualized Real Trend Line of MSCI EAFE (US\$) Real Total Return Index according to Price Matters®. Shown for illustrative purposes only, not indicative of RiverFront portfolio performance. Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed. The chart above uses a logarithmic scale. Line movements will be dampened/subdued based on the exponential y-axis. The green and red circles highlight cheap valuation periods with an unfavorable backdrop on earnings, in our view.

# Tactical *Adjustments*

Three Rules Guide Our Tactical Tilt Decisions

1

DON'T FIGHT  
THE FED

(Both Domestic & Foreign Central Banks)

2

DON'T FIGHT  
THE TREND

3

BEWARE THE  
CROWD  
AT EXTREMES

RiverFront uses the "Fed" to describe any nation's or region's central banking system (Federal Reserve Bank in the US, European Central Bank [ECB] in Eurozone, etc.). The investment team primarily focuses on the 200-day moving trend of the S&P 500. The team generally acknowledges a primary trend, unless technical support and resistance levels are hit. RiverFront believes the trend is an important force in momentum for markets. When investor sentiment reaches extremes of either optimism or pessimism, the investment team will consider implementing decisions that attempt to protect the portfolios from a reversion to the mean.

# Measuring the Catalysts – *An Example*

We use relative strength and the slope of the S&P 500 200 day moving average

## Sample Current Conditions

Relative Strength: **65-75**

200 Day MA Slope: **15-20%**

When the current condition exists	Current Signal	3 Month Avg	Difference
% of Positive Returns	78.9%	62.1%	16.8%
Observations	247	23,175	

Source: RiverFront Investment Group and Standard & Poor's. The table above shows the historical odds of a positive return and the probability-weighted average return for the scenario over the subsequent three months following a signal from RSI. The above table shows the results when RSI was between 65 and 75 and the primary trend was rising at a 15% to 20% annualized rate. The odds of a positive return were 16.8 percentage points more than the overall S&P 500 in the table, with 1.5 percentage points greater weighted average return. The statistics presented above are for illustrative purposes only and are not meant as a recommendation. These statistics are in no way a guarantee of future performance or positive gain. Every portfolio investment decision has a risk of loss.

Relative Strength Index (RSI) is a momentum indicator that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of the asset. RSI is displayed as an oscillator and can have a reading between 0 and 100.

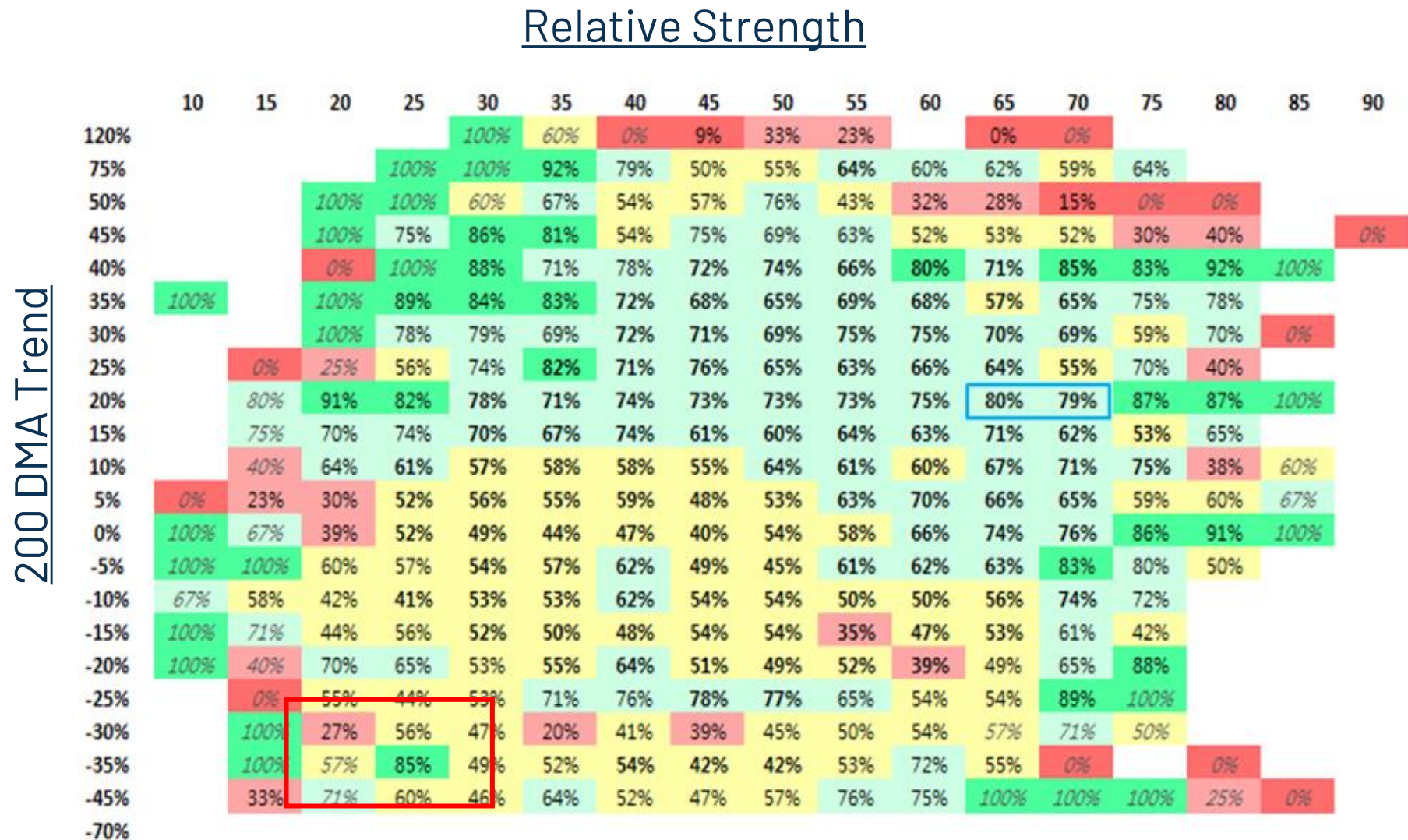
Primary trend is the trend created by the price movement of the index over long periods of time. In the case of RiverFront's tactical modeling, 200 trading days is the measurement period to monitor price movements.

In this case we are looking at the 200 day moving average of the S&P 500

200 day moving average - is the average closing price of the index for the last 200 trading days.

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

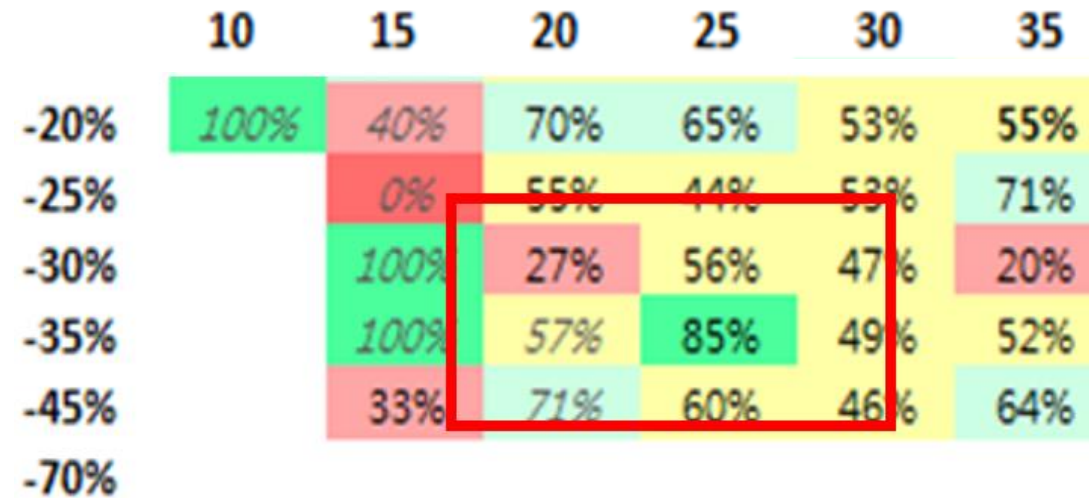
# A View of the Heat Map: *Understand the Same Neighborhood*



Source: RiverFront Investment Group. Chart provided is for illustrative purposes only and is shown as an example. Not intended as an investment recommendation. Past performance is no guarantee of future results.



# A View of the Heat Map: *Understand the Same Neighborhood*



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# TAA- Process *Over* Prediction



# Dynamic Asset Allocation – *Summary*

- We believe price is the best determinant of long-term returns – PRICE MATTERS®!
- A strategic asset allocation model, in our view, isn't valuable if clients **can't stay invested** throughout the journey
- Tactical Asset Allocation is needed to **smooth the ride** and keep clients invested
- RiverFront makes its largest asset allocation shifts when long-term value and short-term momentum align

RiverFront's Price Matters® discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation.

# Break

*5 minutes*



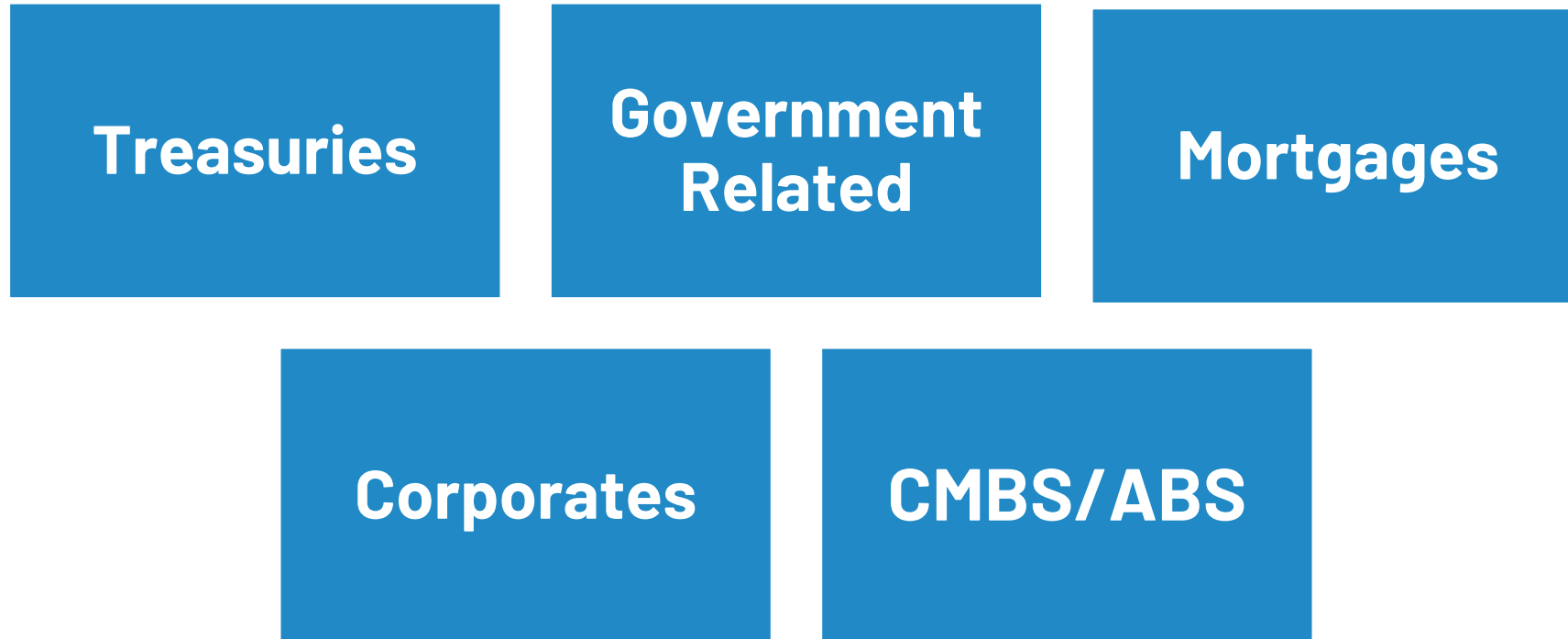
# Fixed Income Investment Process

**Tim Anderson, CFA®**

Lead Multi-Asset Portfolio Manager

# Fixed Income Investment Process

- Benchmark Review: Bloomberg Aggregate Bond Index



*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. Commercial mortgage-backed securities (CMBS) are fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate. An asset-backed security (ABS) is a type of financial investment that is collateralized by an underlying pool of assets—usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, or receivables. It takes the form of a bond or note, paying income at a fixed rate for a set amount of time, until maturity.*

# Fixed Income Investment Process

- Non-Benchmark Assets

**High Yield**

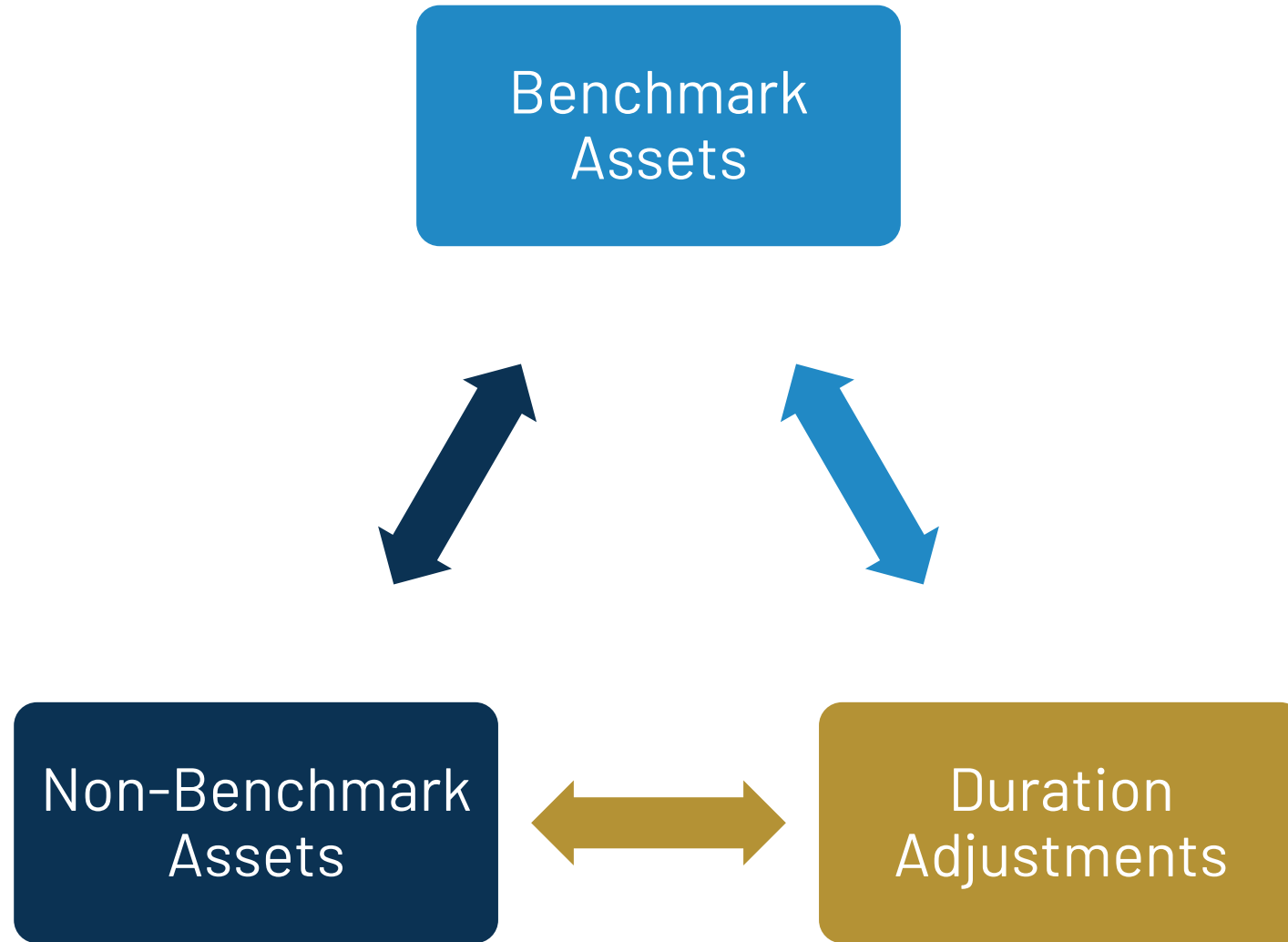
**Bank Loans**

**Preferred  
Stock**

**Emerging  
Market Debt**

**Convertibles**

# Tactical Adjustments





# Fixed Income Sector Returns

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Long Treasury	High Yield	JPM EMBI Global Diversified	JPM EMBI Global Diversified	High Yield	Long Treasury	Long Treasury	High Yield	High Yield	Long Treasury	JPM EMBI Global Diversified	High Yield	Long Treasury	JPM EMBI Global Diversified	High Yield	Long Credit	Global Fixed (hdg)	Long Credit	Long Treasury	CS Leveraged Loans
16.73%	28.97%	11.62%	10.25%	11.85%	9.81%	24.03%	58.21%	15.12%	29.33%	17.44%	7.44%	25.07%	1.18%	17.13%	12.21%	1.76%	23.36%	17.30%	5.40%
Global Fixed Income	JPM EMBI Global Diversified	High Yield	Long Treasury	JPM EMBI Global Diversified	Global Fixed Income	Global Fixed (hdg)	CS Leveraged Loans	JPM EMBI Global Diversified	Long Credit	High Yield	CS Leveraged Loans	Long Credit	Global Fixed (hdg)	Long Credit	JPM EMBI Global Diversified	Gov/Credit 1-3 Yr	JPM EMBI Global Diversified	Long Credit	High Yield
16.53%	22.21%	11.13%	6.74%	9.86%	9.48%	5.58%	44.86%	12.24%	17.11%	15.81%	6.12%	15.31%	1.02%	10.22%	10.26%	1.60%	15.04%	13.32%	5.28%
JPM EMBI Global Diversified	Global Fixed Income	Long Credit	CS Leveraged Loans	CS Leveraged Loans	U.S. Fixed Income	U.S. Fixed Income	JPM EMBI Global Diversified	Long Credit	U.S. Fixed Income	Long Credit	Gov/Credit 1-3 Yr	Global Fixed (hdg)	Intermediate Credit	JPM EMBI Global Diversified	Long Treasury	CS Leveraged Loans	Long Treasury	Global Fixed Income	Gov/Credit 1-3 Yr
13.65%	11.51%	9.38%	5.69%	7.33%	0.97%	5.24%	29.82%	10.69%	7.84%	12.73%	0.64%	7.59%	0.90%	10.15%	8.53%	1.14%	14.83%	9.20%	-0.47%
Long Credit	CS Leveraged Loans	Global Fixed Income	Global Fixed (hdg)	Global Fixed Income	Gov/Credit 1-3 Yr	Gov/Credit 1-3 Yr	Long Credit	CS Leveraged Loans	JPM EMBI Global Diversified	CS Leveraged Loans	Global Fixed (hdg)	JPM EMBI Global Diversified	Gov/Credit 1-3 Yr	CS Leveraged Loans	High Yield	Intermediate Credit	High Yield	U.S. Fixed Income	Intermediate Credit
11.92%	11.02%	9.27%	4.28%	6.64%	6.83%	4.97%	16.80%	9.99%	7.35%	8.74%	-0.14%	7.43%	0.65%	9.88%	7.50%	0.01%	14.72%	7.51%	-1.03%
U.S. Fixed Income	Long Credit	Long Treasury	Long Credit	Intermediate Credit	JPM EMBI Global Diversified	Global Fixed Income	Intermediate Credit	Long Treasury	Global Fixed Income	Intermediate Credit	Intermediate Credit	U.S. Fixed Income	U.S. Fixed Income	Global Fixed (hdg)	Global Fixed Income	U.S. Fixed Income	Intermediate Credit	High Yield	Long Credit
10.26%	10.43%	7.70%	3.76%	4.49%	6.15%	4.79%	15.93%	9.38%	5.64%	8.10%	-0.17%	5.97%	0.55%	3.95%	7.39%	0.01%	1.52%	7.11%	-1.18%
Intermediate Credit	Intermediate Credit	CS Leveraged Loans	High Yield	U.S. Fixed Income	Intermediate Credit	Intermediate Credit	Global Fixed Income	Intermediate Credit	Global Fixed (hdg)	Global Fixed (hdg)	U.S. Fixed Income	Intermediate Credit	CS Leveraged Loans	Intermediate Credit	CS Leveraged Loans	Global Fixed Income	U.S. Fixed Income	Intermediate Credit	Global Fixed (hdg)
10.14%	6.91%	5.60%	2.74%	4.33%	5.60%	-2.76%	6.93%	7.76%	5.40%	5.72%	-2.02%	4.16%	0.39%	3.68%	4.25%	-1.20%	8.72%	7.08%	1.39%
Global Fixed (hdg)	U.S. Fixed Income	Global Fixed (hdg)	U.S. Fixed Income	Gov/Credit 1-3 Yr	Global Fixed (hdg)	Long Credit	U.S. Fixed Income	U.S. Fixed Income	Intermediate Credit	Global Fixed Income	Global Fixed Income	High Yield	Long Treasury	U.S. Fixed Income	Intermediate Credit	Long Treasury	Global Fixed (hdg)	Global Fixed (hdg)	U.S. Fixed Income
8.45%	4.10%	4.89%	2.43%	1.25%	5.32%	-3.92%	1.93%	6.54%	5.37%	1.32%	-2.60%	2.45%	-1.21%	2.65%	3.67%	-1.84%	8.22%	5.58%	-1.54%
Gov/Credit 1-3 Yr	Global Fixed (hdg)	U.S. Fixed Income	Gov/Credit 1-3 Yr	Global Fixed (hdg)	Long Credit	JPM EMBI Global Diversified	Global Fixed (hdg)	Global Fixed Income	High Yield	U.S. Fixed Income	JPM EMBI Global Diversified	CS Leveraged Loans	Global Fixed Income	Global Fixed Income	U.S. Fixed Income	High Yield	CS Leveraged Loans	JPM EMBI Global Diversified	JPM EMBI Global Diversified
6.28%	3.11%	4.34%	1.77%	3.64%	3.60%	-12.03%	5.09%	5.54%	4.98%	4.21%	-5.24%	2.05%	-3.15%	2.09%	3.54%	-2.08%	8.17%	5.26%	-1.83%
CS Leveraged Loans	Gov/Credit 1-3 Yr	Intermediate Credit	Intermediate Credit	Long Credit	CS Leveraged Loans	High Yield	Gov/Credit 1-3 Yr	Global Fixed (hdg)	CS Leveraged Loans	Long Treasury	Long Credit	Gov/Credit 1-3 Yr	High Yield	Long Treasury	Global Fixed (hdg)	JPM EMBI Global Diversified	Global Fixed Income	Gov/Credit 1-3 Yr	Long Treasury
1.11%	2.82%	4.08%	1.42%	3.41%	1.88%	-26.16%	3.81%	4.61%	1.82%	3.56%	-6.61%	0.77%	-4.47%	1.33%	3.04%	-4.26%	6.84%	3.33%	-4.65%
High Yield	Long Treasury	Gov/Credit 1-3 Yr	Global Fixed Income	Long Treasury	High Yield	CS Leveraged Loans	Long Treasury	Gov/Credit 1-3 Yr	Gov/Credit 1-3 Yr	Gov/Credit 1-3 Yr	Long Treasury	Global Fixed Income	Long Credit	Gov/Credit 1-3 Yr	Gov/Credit 1-3 Yr	Long Credit	Gov/Credit 1-3 Yr	CS Leveraged Loans	Global Fixed Income
-1.37%	2.48%	1.30%	-4.49%	1.85%	1.87%	-28.75%	-12.50%	2.80%	1.59%	1.26%	-12.56%	0.59%	-4.56%	1.28%	0.84%	-6.76%	4.03%	2.78%	-4.71%

Source: Callan; please see the disclosures at end for index definitions. It is not possible to invest directly in an index. Table provided for illustrative purposes only and not intended as an investment recommendation. For more information, visit <https://www.callan.com/research/periodic/>. Past performance is no guarantee of future results. The table depicts the returns from year to year in various fixed income sectors. The red line through the Long Credit sectors is provided by RiverFront Investment Group to help illustrate how varied sector returns can be from year to year.

# Fixed Income Process Summary

- Make the largest portfolio moves when fundamental valuations and technicals align
- Choose fixed income sectors based on relative value versus traditional assets of the Bloomberg Aggregate
- Attempt to maximize yield per unit of duration (Income) and create portfolio downside protection using Cash/Treasuries

# Process Over Prediction: *Security Selection–Equities*

**Adam Grossman, CFA®**

Global Equity CIO | Co-Head of Investment Committee



# Security Selection Challenges

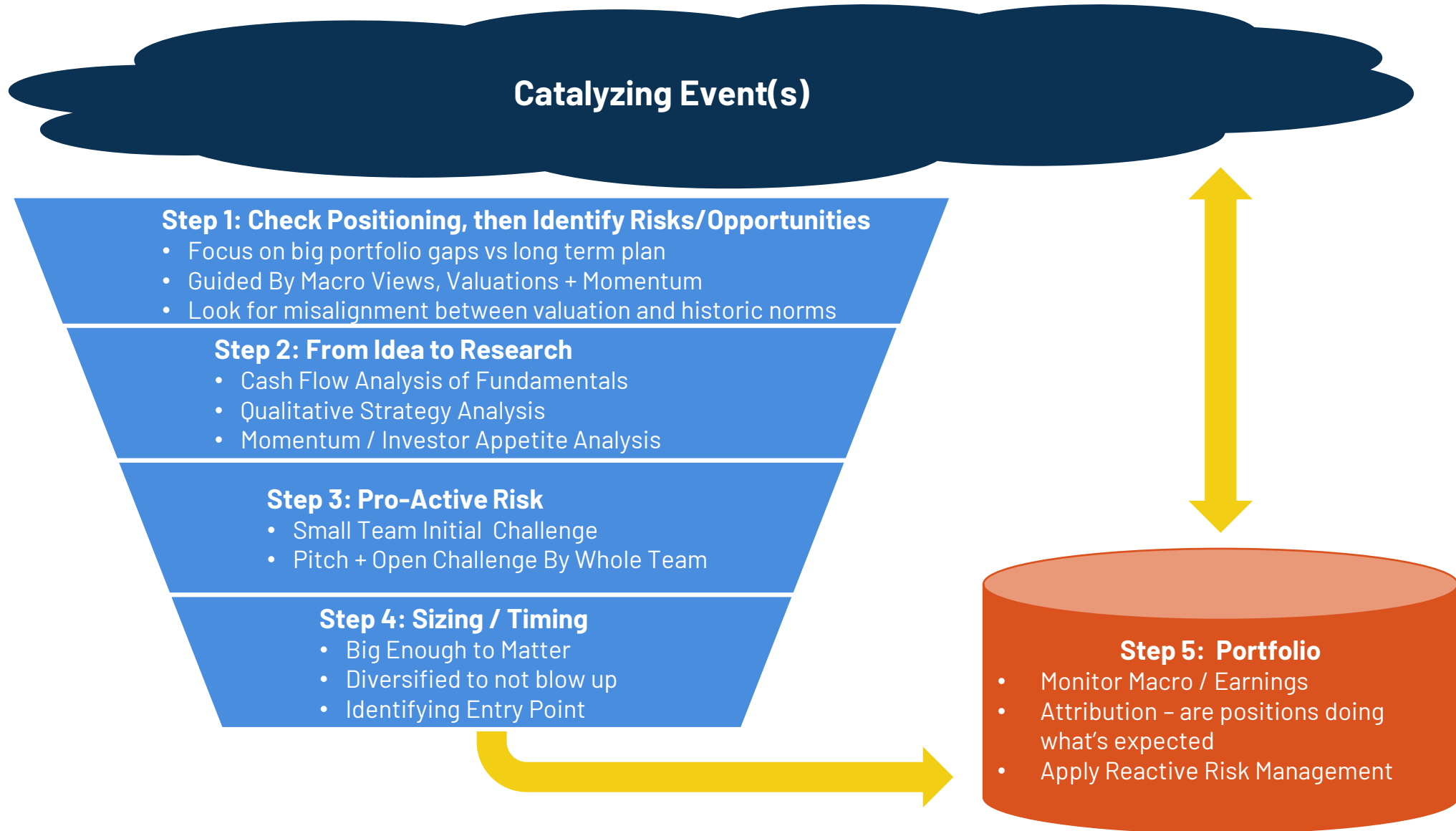
## What We Believe it Takes to Succeed

- **A Good Team Requires Good Players AND Process to Get Results**
  - Diversity of thought / disciplines
  - Concept Coach: *Abraham Lincoln*
- **Models ≠ Reality: Embrace Measurements Over “The Answer”**
  - For markets, nothing repeats, but most everything rhymes
  - Focus on measurements from tools that you understand
  - Best investments tend to “work” from multiple angles – combine disciplines
  - Concept Coach: *Martin Brody*
- **Accept the 60/40 Principal:  
Expect Even Good Measurements to Have Losing Periods**
  - Pre-Underwrite, but don’t expect miracles
  - Lean on team to continue to look at options with fresh eyes
  - Improvement + care of team > results of any 1 decision
  - Concept Coach: *Ted Lasso*





# Investment Process



# Risk Management

**Chris Konstantinos, CFA®**

Director of Investments | Chief Investment Strategist

# Removing Emotions from *Decision Making*

- The primary goal of our Risk Management discipline is to remove human emotions from our investment decisions.
- Regardless of time horizon or investment objective, every RiverFront solution has a risk management overlay.
- Having Risk Management as part of our process creates an environment of collaboration and psychological safety across the Investment Team.

# Risk Management is Integral to *Our Investment Team's Culture*

The Process Embodies 3 of RiverFront's Core Values:

1. **Accountability** – Before a security goes into a strategy, the Portfolio Manager builds a trade memo which documents expectations with the team –both good and bad– for that position. The trade memo becomes the road map for accountability and future decisions.
2. **Excellence** – Our Risk Management discipline dates back to the early 2000s, but our emphasis on excellence requires we constantly re-evaluate for potential improvements and to incorporate evolving best practices.
3. **Humility** – We acknowledge when portfolio changes need to be made in an orderly, timely fashion. We believe this results in a better outcome for our clients.



# Risk Management *at RiverFront*

We Believe in Approaching Portfolio Risk Both Proactively & Reactively

Less considered is the *proactive* element of risk management:

- 'Antilock Brakes'
- Goal: avoid accident in first place



Risk management often thought of as a *reactive* function:

- 'Airbag'
- Goal: limit damage in accident



# 4 Questions Frame the *Process*



# What Does it Mean for *You & Your Clients*?

- Having Risk Management as a cornerstone of our process helps reduce the impact of emotions on our decisions.
  - **PROACTIVE:** *provides the foundation for our tactical decisions*
  - **REACTIVE:** *seeks to mitigate situations where a particular exposure is underperforming our expectations*
- We believe our process highlights our emphasis on accountability.

# Break

*5 minutes*



# Portfolio Manager Panel

# Financial Advisor Panel

# Capital Partner Program

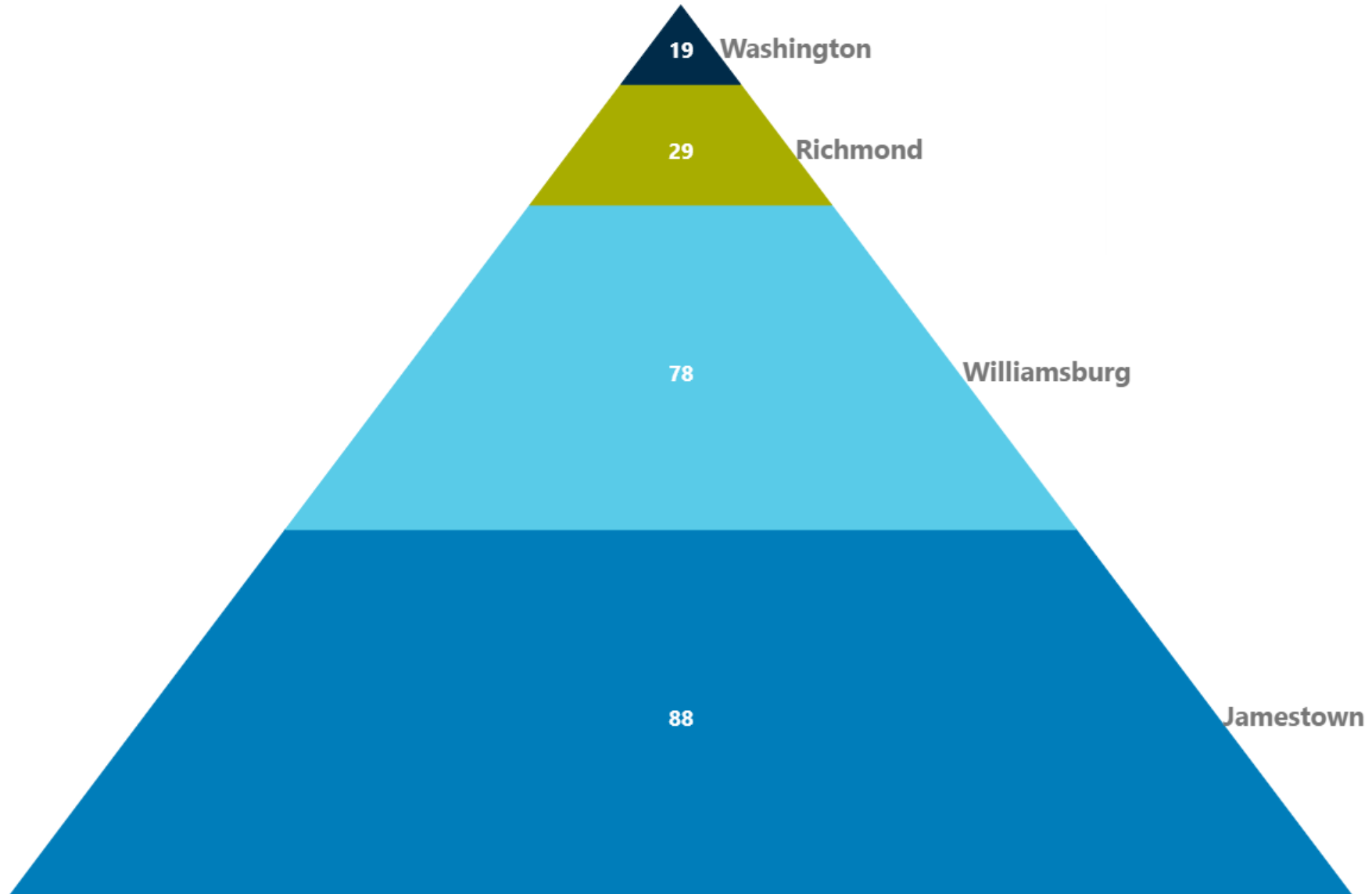
Our Capital Partners represent our top Financial Advisor teams.

We are committed to delivering the highest level of service through recognition, business assistance, prioritization and access.

BENEFITS		Jamestown \$10M - \$19.99M	Williamsburg \$20M - \$39.99M	Richmond \$40M - \$74.99M	Washington \$75M+
RECOGNITION	Capital Partner Board Listing & Plaque	✓	✓	✓	✓
	Recognition at RiverFront Events	✓	✓	✓	✓
BUSINESS ASSISTANCE	RiverFront Investment Professionals Available for Client Calls	✓	✓	✓	✓
	Oechsli Learning Center Subscription	✓	✓	✓	✓
	Client Event Sponsorship*	✓	✓	✓	✓
	Practice Management Content	✓	✓	✓	✓
	Exclusive Invitation to Next Up Program	✓	✓	✓	✓
PRIORITIZATION	Exclusive Updates During Market Volatility	✓	✓	✓	✓
	First Announcements of Firm News	✓	✓	✓	✓
	Preferred Invitations to RiverFront Events	✓	✓	✓	✓
	Priority Scheduling of Sales Meetings	✓	✓	✓	Anchor
ACCESS	Priority Scheduling of Investment Professionals For Client Events	✓	✓	✓	Anchor
	Monthly Sales Calls	✓	✓	✓	✓
	Exclusive Virtual Events	✓	✓	✓	✓
	Capital Partner Website Portal	✓	✓	✓	✓
	Direct Calls from Investment Professionals	Quarterly	Quarterly	Monthly	Monthly
	1:1 Business Review	Quarterly	Quarterly	Quarterly	Upon Request
	PM Questions Answered	Within 48 HRS	Within 24 HRS	Same Day	Same Day
	Semi-Annual CEO Fireside Chat			✓	✓
	Private Due Diligence Event Hosted At RiverFront				✓

\*RiverFront professional must be in attendance. Sponsorships require prior authorization and approval by RiverFront Investment Group.

# Capital Partner Exclusivity





# THANK YOU!

CFP CE Credit: 3.5 Hours

Program ID:299082

CIMA CE Credit: 3 Hours

Course ID: 222305

**Please take our survey and check out our resources page:**

<https://www.riverfrontig.com/unplugged>

# Disclosures

*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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*Individual investors cannot directly purchase an index.*

## **Benchmark Definitions:**

**Dynamic Fixed Income Composite Benchmark (Benchmark):** The Benchmark is the Bloomberg Barclays US Aggregate Bond Index TR, which 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.

**Conservative Income Builder Composite Benchmark (Benchmark):** The Composite Benchmark is currently a blend consisting of 30% S&P 500 Index TR and 70% Bloomberg Barclays US Aggregate Bond Index TR that is rebalanced monthly. The S&P 500 Index TR measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market. The Bloomberg Barclays US Aggregate Bond Index TR is an unmanaged index that covers the investment grade fixed rate bond market index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

**Moderate Growth and Income Composite Benchmark and Conservative Growth Composite Benchmark (Benchmark):** The Composite Benchmark is currently a blend consisting of 40% S&P 500 Total Return Index TR, 10% MSCI EAFE Net Total Return (NR) USD Index and 50% Bloomberg Barclays US Aggregate Bond Index TR that is rebalanced monthly. The S&P 500 Index TR measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market. MSCI EAFE Net Total Return (NR) USD Index: The index captures large and mid-cap representation in 21 develop markets around the world, excluding the US and Canada. The index covers approximately 85% of the adjusted free- float market capitalization in each country. For Net returns, the regular cash dividend is reinvested after deduction of withholding tax by applying the maximum rate of the company's country of incorporation applicable to institutional investors. The Bloomberg Barclays US Aggregate Bond Index TR is an unmanaged index that covers the investment grade fixed rate bond market index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

**Dynamic Equity Income Composite Benchmark (Benchmark):** The Composite Benchmark is currently a blend consisting of 70% MSCI ACWI NR and 30% Bloomberg Barclays US Aggregate Bond Index TR that is rebalanced monthly. The MSCI ACWI NR is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging 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. The Bloomberg Barclays US Aggregate Index TR 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.

**Global Allocation Composite Benchmark (Benchmark):** The Composite Benchmark is currently a blend consisting of 80% MSCI ACWI NR and 20% Bloomberg Barclays US Aggregate Bond Index TR that is rebalanced monthly. The MSCI ACWI NR is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging 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. The Bloomberg Barclays US Aggregate Bond Index TR is an unmanaged index that covers the investment grade fixed rate bond market index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

**Global Growth Composite Benchmark (Benchmark):** 100% MSCI ACWI NR. The MSCI ACWI NR is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging 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.

**International Opportunities Composite Benchmark (Benchmark):** 100% MSCI ACWI ex US NR. The MSCI ACWI ex US NR captures large and mid-cap representation across a broad selection of developed markets countries (excluding the United States) and emerging markets countries. The index targets coverage of approximately 85% of the global equity opportunity set outside the US.

# Disclosures

## *Principal Risks*

*All charts shown for illustrative purposes only.*

*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.*

*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.*

*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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