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The vote to leave significantly increases economic and political uncertainty, and we believe this warranted a further reduction in stock weightings. We focused our selling on Europe, and to a lesser extent, Japan.

Tactically Cautious

At RiverFront, we look at market opportunities both strategically and tactically. Communicating our views is easiest when both are aligned and most challenging when they are at odds, as is currently the case. Last week, we implemented a second round of risk reduction trades in our portfolios. This trade involved selling international stocks and buying long-maturity Treasury bonds. Our Price Matters® discipline continues to highlight the long-term value offered by international stocks and the low long-term yields offered by bonds. Despite this, we believe there is sufficient risk in stocks and adequate opportunity in Treasury bonds in the coming months to move temporarily away from our strategic stance, so these trades were based on our tactical view.

The United Kingdom's referendum on the European Union ("Brexit") was the catalyst for our first risk reduction move (in the week before the vote), and the results were the catalyst for what we did last week. The vote to leave the EU significantly increases economic and political uncertainty, and we believe this warranted a further reduction in stock weightings. We focused our selling on Europe, and to a lesser extent, Japan.

In our view, volatility is likely to remain high. The Brexit vote poses many questions, few of which are likely to be answered quickly. In order to leave the EU, the UK must invoke Article 50 of the EU treaty, and thus the decision to leave lies with the UK. The referendum is not binding, so any decision to withdraw will be made by the government, which is now leaderless following David Cameron's decision to resign as party leader and prime minister. At this point, we do not know who will succeed him, what approach they will take with Europe, or how Europe will respond. These "known unknowns" will continue to keep volatility high, in our view.

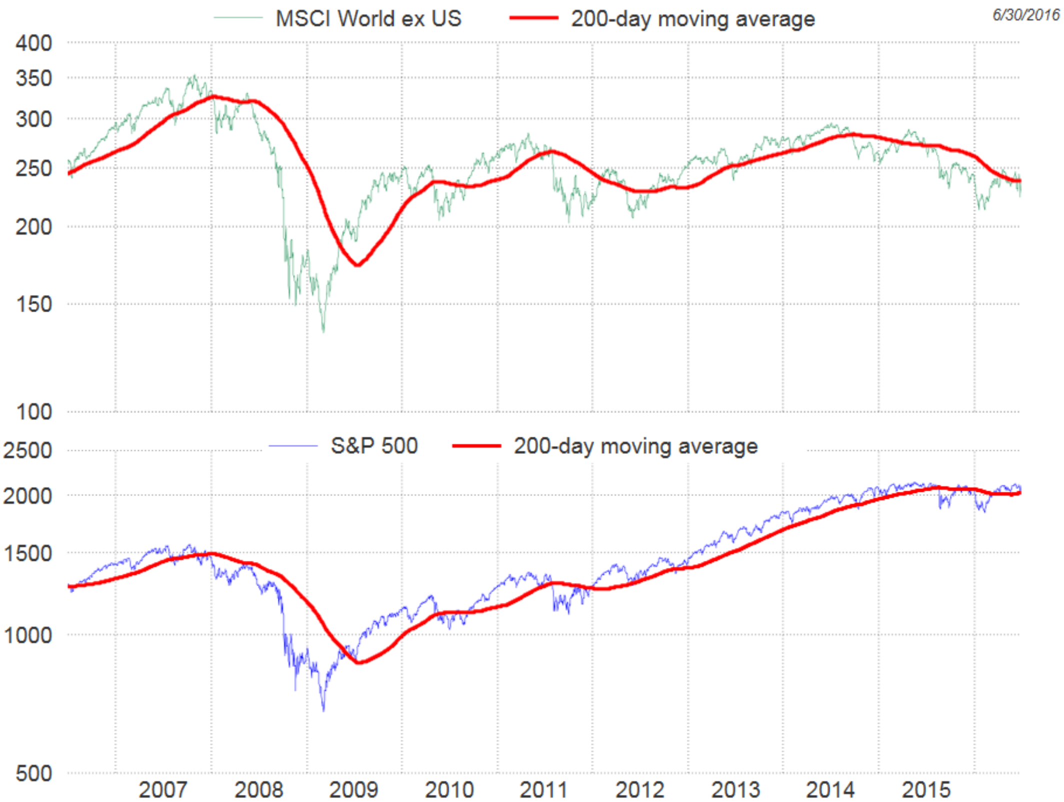
We also believe ***economic uncertainty*** creates greater ***policy certainty*** of lower interest rates for longer. Thus, we see a tactical opportunity to benefit from falling long-term rates in the US and are investing in long-maturity Treasury bonds. With 10-year interest rates in Germany and Japan both below zero, the US 10-year yield at 1.46% offers a very low, but positive income stream. We think US long-term interest rates will continue to trend lower as investors focus on the relative value presented by the US rather than the low absolute level of yields.

These adjustments seek to position our portfolios for what we think will be a challenging summer for risk assets, especially stocks. Reducing risk also gives us some time to analyze the decisions that have yet to be made within the EU and think through the longer-term consequences of a changed political landscape in Europe and potentially the US.

Timing: our proprietary risk models indicate that the odds of having a positive return over the next three months have fallen below their long term average for both domestic US and developed international markets. As part of our discipline, we incorporate stop losses with the risk models to ensure that we do not react to a false signal too quickly. Our stop loss was breached on June 27th as equity indices closed on the second trading session after the Brexit vote. Markets recovered during the rest of the week, presenting an opportunity to lower risk closer to technical resistance levels.

As always, we are prepared to take additional risk management actions or reverse course as political and market events dictate.

THE WEEKLY CHART: NON-US STOCKS FALL BELOW DECLINING TREND



Source: RiverFront Investment Group, Thomson Reuters Datastream. Past performance is no guarantee of future results. It is not possible to invest directly in an index. The MSCI World Index ex US is a free float-adjusted market capitalization weighted index that designed to measure the equity performance of developed markets excluding the United States. The Standard & Poor's (S&P) 500 Index is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange or NASDAQ.

Our tactical and risk management disciplines incorporate market trends. We use the 200-day moving average in our model. International markets in dollar terms (top clip) fell sharply from June 2015 through February 2016, ending that decline well below a declining 200-day moving average. The subsequent rally failed to break above technical resistance at 250 on this index.

In the US, the S&P 500 has stalled out. The highs from 2015 are also acting as resistance and the trend is now flat. Both of these are caution flags.

Important Disclosure Information

Past performance is no guarantee of future results.

ETFs are subject to substantially the same risks as those associated with the direct ownership of the securities comprising the index on which the ETF is based. Additionally, the value of the investment will fluctuate in response to the performance of the underlying index. ETFs typically incur fees that are separate from those fees charged by RiverFront. Therefore, investments in ETFs will result in the layering of expenses.

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.

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.

Strategies seeking higher returns generally have a greater allocation to equities. These strategies also carry higher risks and are subject to a greater degree of market volatility.

Using a currency hedge or a currency hedged product does not insulate the portfolio against losses.

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

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

RiverFront Investment Group, LLC, is an investment advisor registered with the Securities Exchange Commission under the Investment Advisors Act of 1940. The company manages a variety of portfolios utilizing stocks, bonds, and exchange-traded funds (ETFs). Opinions expressed are current as of the date shown and are subject to change. They are not intended as investment recommendations.

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