4th Quarter Outlook... Better

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Following two recessions in seven years, we believe the evidence supports the beginning of a long, slow growth expansion.

If we are right and a slow expansion is now becoming established, then it should be accompanied by a prolonged earnings cycle, right at the time when US companies are struggling to deliver more than low-single-digit earnings growth.

Below is a summary of our current outlook for the fourth quarter:

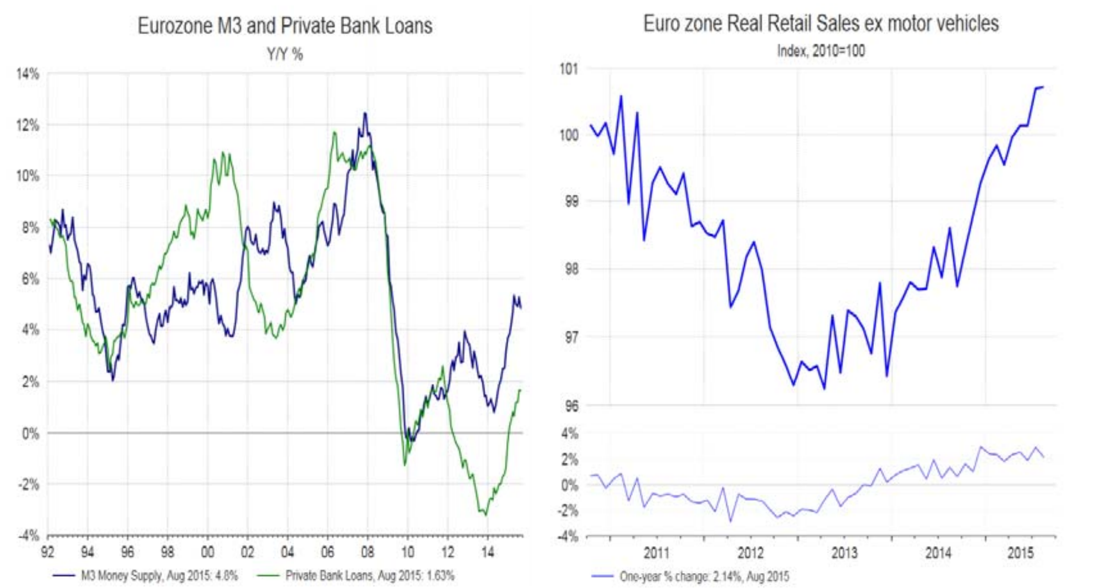
The current correction has been caused by slowing global data, especially in US and China. Key question: Will the global economy decline enough to cause a 10-15% fall in global earnings? In our view, no. If we are right, we believe the third-quarter correction will prove to be temporary.

Large-cap US stocks, especially dividend payers, are now below trend, and international markets are currently well below trend. We believe that developed international has exceptional risk/reward characteristics from current levels (see *Weekly View* dated October 5, 2015).

The China slowdown is now widely discussed, and we believe it is reflected in earnings forecasts. Furthermore, oil price expectations are finally realistic, and significant price recovery is no longer built into earnings expectations, in our view. We added exposure to US oil services to all portfolios in mid-September.

Despite Europe's stock market underperformance in the third quarter, the economic recovery is continuing to build. We believe the growth in bank lending and retail sales is evidence that quantitative easing and weaker oil prices are offsetting any negatives from the US and China.

THOUGHT FOR THE QUARTER: EUROZONE RECOVERY REMAINS ON TRACK



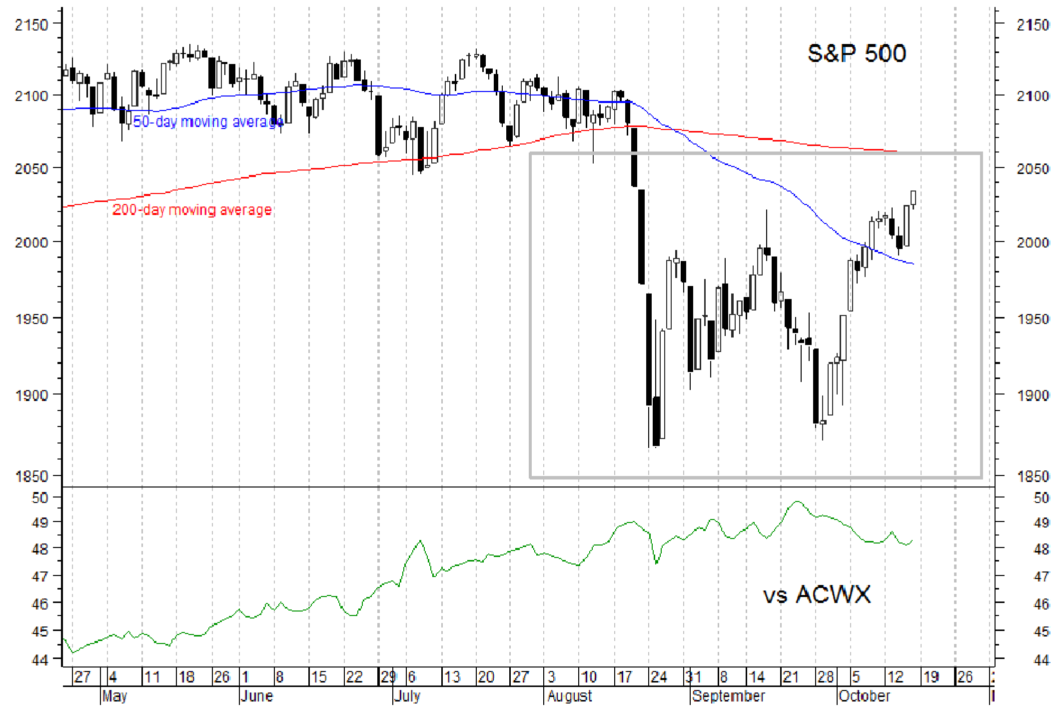
Source: Thomson Reuters Datastream, RiverFront Investment Group

Short-Term Outlook, a Decision Box. We believe the S&P 500 is in a "decision box" over the issue of growth in 2016 (see the Weekly Chart, below). Until global growth numbers and or additional policy stimulus tilt the balance of probabilities, we believe that stocks are unlikely to break out of the box, as depicted below in gray. The bottom of the box, at 1870, has been tested twice and held; the top, in our view, is around the current 200-day moving average at 2060. The clip below shows the US's performance versus an index of global stocks. The US has underperformed during the recent rally. The next month or so could provide the answer as it so often does in the late October/ early November time frame.

When investors are feeling confident about the growth outlook, oil, stocks, the dollar, and government bond yields typically rise. On these days, our portfolios tend to do well both in absolute terms and relative to benchmarks. As optimists about 2016, this would suggest that our portfolios are positioned the way we want them, but we must be mindful of the bear case.

We recognize that if our expectations are wrong and global earnings decline next year, 1850 is unlikely to be the low. We have therefore developed a risk management plan that we monitor closely, especially for our shorter timeframe portfolios. Having enjoyed a recovery to the upper end of the box, we would be concerned if the index loses more than half of the move off the bottom (falls below 1940). A convincing breakout off the top of the box accompanied by a clear break above the 200-day moving average would be very supportive of our view.

THE WEEKLY CHART: STOCKS IN A DECISION BOX



Source: RiverFront Investment Group. Past performance is no guarantee of future results. See below for relevant index definitions.

Important Disclosure Information

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.

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.

Buying commodities allows for a source of diversification for those sophisticated persons who wish to add this asset class to their portfolios and who are prepared to assume the risks inherent in the commodities market. Any commodity purchase represents a transaction in a non-income-producing asset and is highly speculative. Therefore, commodities should not represent a significant portion of an individual's portfolio.

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

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Index Definitions

It is not possible to invest directly in an index.

MSCI All Country World Index (ACWX) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 75% of the total US equities market.