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Of the top 10 companies in the MSCI World Stock Index, 9 are US companies, including Apple, Microsoft, Google, Amazon and Facebook.

Picking the winners in a rapidly changing technology environment is very hard, which is why we often prefer to invest in index vehicles such as ETFs.

US Dominance of Technology and Innovation

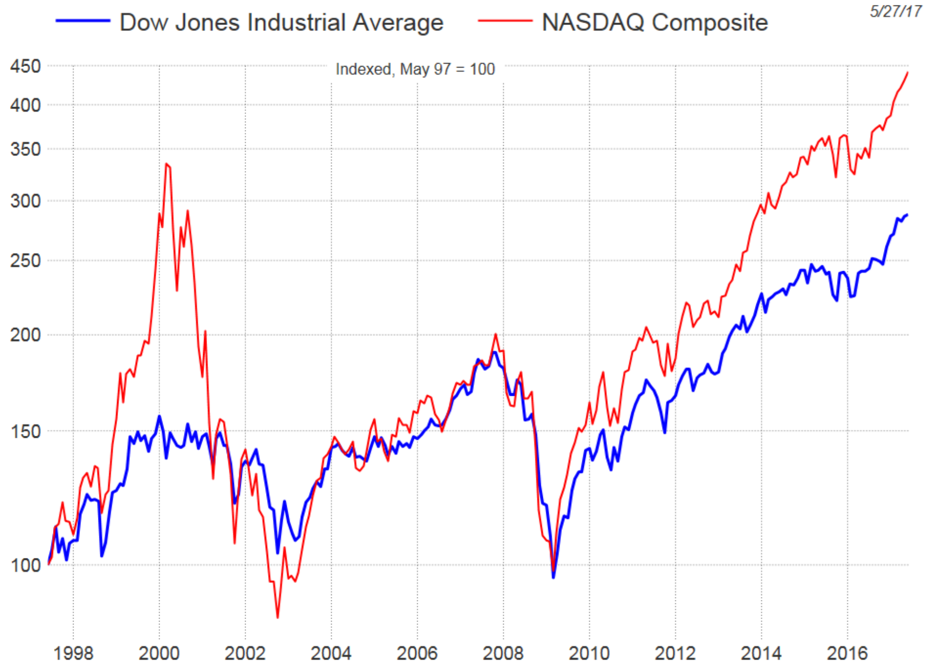
Our asset allocation portfolios are positioned for outperformance by non-US markets in 2017. Our preference for non-US markets is based on relative valuations and cyclical factors which we believe will continue. That said, when it comes to our holdings in technology stocks, our focus remains very US-centered. In points 1 and 2 below, we highlight why, in our view, the US outperformed both developed and emerging markets until recently, and why we believe that is changing at the margin. Point 3 shows the importance of the leading technology stocks in the current bull market and the extent of US dominance.

1. **Economic and corporate management.** US corporations and policymakers (especially the Federal Reserve) were among the first and most innovative responders to the financial crisis in 2008. Once the economic cycle turned up in mid-2009, the expansion has been steady and is still progressing eight years later. The Eurozone, by contrast, returned to recession in 2011, only re-emerging in 2013. We believe a multi-year economic and earnings cycle has begun for the Eurozone. Japan has also struggled to maintain economic growth, but Japanese companies have delivered strong earnings growth over the last five years. Economic and corporate mismanagement in many emerging market economies combined with the collapse of oil and commodity prices in 2014 led to significant underperformance from 2011 to 2016. We believe commodity prices will remain range-bound, and that the upturn in emerging markets reflects justified confidence in a brighter outlook for earnings.
2. **Strong dollar.** The dollar started to rise steadily against emerging currencies in 2011, turned sharply upward versus the yen in late 2012, and surged against all currencies from mid-2014 to mid-2015, since which time it has been volatile but range bound. The weakness of overseas currencies has detracted from their relative performance. For us the dollar is no longer a high conviction currency and we have removed most of our currency hedges.
3. **US leadership in technology**. Investors were right to be enthusiastic about the US technology sector over the last 20 years. Of the top 10 companies in the MSCI World Stock Index, 9 are US companies, including Apple, Microsoft, Google, Amazon and Facebook. Three Asian technology companies make it into the top 20; Tencent, Samsung and Taiwan Semiconductor, and the largest European technology company, SAP is number 64. That the US currently dominates this industry, which has in many ways changed the way the world works, is beyond dispute.

Since technology extends well beyond the tech sector, and the NASDAQ has been the index of choice for so many high growth companies, we seek to illustrate the contrast between the NASDAQ and the Dow Jones Industrial Average (a bellwether for more established companies) over the last 20 years. The relative performance between the two is shown in our Weekly Chart on page 2. The first thing that stands out is the boom and bust in relative performance from 1998 to 2002. In our view, this reinforces the importance of a valuation discipline. As we said in point 3 above, investors recognized the potential growth of NASDAQ companies, but also greatly overpaid for that potential in 1999 and 2000.

The second thing that strikes us is the persistent outperformance by NASDAQ companies in the current economic expansion. It is worth remembering that technology is ever-changing and that many of the perceived winners in the 1990s have lost their dominance or disappeared, to be replaced by the new leaders. For example, Apple's share price had been flat in the 10 years from 1988 to 1998. The first iPhone was only introduced in 2007, leading to Apple's dominance of the smartphone and tablet market and ultimately to its current position as the company with the largest weighting in the MSCI World Index (Apple was finally added to the Dow Jones in March 2015). Amazon is another company whose dominance of the retail sector has accelerated since 2009. Other companies that have driven the NASDAQ are also relatively recent additions: Netflix was listed in 2002, Google in 2004, Tesla in 2010 and Facebook in 2012. Picking the winners in such rapidly changing environment is very hard, which is why we often prefer to invest in index vehicles such as ETFs.

WEEKLY CHART: NASDAQ HAS STEADILY OUTPERFORMED THE DOW SINCE 2009



Source: RiverFront Investment Group, Thomson Reuters Datastream. Past performance is no guarantee of future results.

While the outperformance by NASDAQ companies has been persistent in recent years, it is different from the mania of the late 1990s. This is because most of the outperformance has been driven by stronger relative earnings. When evaluating technology companies, we place considerable weight on the ratio of price to free cash flow, and also to price momentum, which currently remains robust. Thus, within the US portion of our asset allocation portfolios, technology is currently our largest sector allocation.

Important Disclosure Information:

The comments above refer to generally to financial markets and not RiverFront portfolios or any related performance.

Past results are no guarantee of future results and no representation is made that a client will or is likely to achieve positive returns, avoid losses, or experience returns similar to those shown or experienced in the past.

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

Diversification does not ensure a profit or protect against a loss.

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.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

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.

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.

ETFs are subject to substantially the same risks as those associated with the direct ownership of the underlying securities owned by the ETF. Additionally, the value of the investment will fluctuate in response to the performance of the securities. ETFs typically charge and/or incur fees. Therefore, investments in ETFs will result in the layering of expenses.

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Index Definitions:

***NASDAQ Composite** is a stock market index of common stocks and similar securities (ADRs, trading stocks, limited partnership interests) listed on the NASDAQ stock market.*

***Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

***MSCI World Index** is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries.*

It is not possible to invest directly in an index.