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Markets registered sound performance in the 2nd quarter despite deteriorating economic conditions.

Market performance and economic fundamentals should eventually reconcile, which we believe will occur through strengthening global growth and an eventual trade deal.

Until then, our portfolios are slightly overweight stocks.

2Q'19: Decent Quarter Despite Macro Deterioration

Investing can be frustrating because markets do not always cooperate with the fundamentals in the near-term. The 2nd quarter of 2019, in our view, serves as just such an example. In the quarter, two out of three of our economic guideposts, which we refer to as the '3 R's', soured; yet stock markets throughout the world generally posted positive returns (table below). The first of the '3 R's', 'Recession Risk', worsened over the quarter as global GDPs slowed and several recessionary indicators flashed their warning lights. The second 'R', 'Trade Resolution', also deteriorated with the US' decision in early May to impose additional tariffs on China. The only 'R' that strengthened was 'Rates', which was positively impacted by the Fed's more accommodative stance. **Ultimately, market performance and economic fundamentals should eventually reconcile, which we believe will occur through strengthening global growth and an eventual trade deal.**

Asset Class	Index	Q2 2019	12 Mos
US Equities	S&P 500 TR USD	4.30	10.42
Developed International Equities	MSCI EAFE NR USD	3.68	1.08
Emerging Market Equities	MSCI EM NR USD	0.61	1.21
Traditional Fixed Income	Bloomberg Barclays US AGG Bond TR USD	3.01	7.24
High Yield Fixed Income	ICE BofAML US High Yield TR USD	2.57	7.58
Cash	BBgBarc US Treasury Bill 1-3 Mon TR USD	0.62	2.27

Source: Morningstar Direct. Past performance is no guarantee of future results. It is not possible to invest directly in an index. Returns through June 30, 2019. Index returns are provided for informational purposes and are not indicative of RiverFront portfolio performance.

OUTLOOK: REMAINING POSITIVE

We continue to favor stocks to bonds over short and long-term investment horizons. Our long-term outlook, which is guided by our *Price Matters®* methodology remains positive. According to *Price Matters®*, US markets are not expensive and international markets (developed and emerging) remain significantly undervalued. Conversely, the long-term prospects for global bonds, in our view, is negative given that most bonds offer little or even negative real yields. From a short-term perspective, we are also positive as our three tactical rules (Don't Fight the Fed, Don't Fight the Trend, and Beware of the Crowd at Extremes) are generally constructive. Investors are no longer fighting the Fed, or any other central bank for that matter, as global financial conditions remain extraordinarily stimulative. Investors are also not fighting the trend. The trend, which we define as the slope of the 200-day moving average, is neutral in the US and only slightly negative overseas, a significant improvement from the beginning of the year. Finally, investor sentiment is far from the optimistic extremes that have historically preceded a market decline.

BOTTOM LINE:

While our quantitative disciplines (*Price Matters®* and *3 Tactical Rules*) are generally positive, our qualitative outlook will remain cautious until we see an improvement in the economic guideposts noted above. Recognizing that periods of uncertainty often precede

attractive periods for investing, our portfolios are neutral to slightly overweight equities. However, given the enormity of the stakes tied to the economic guideposts, we do not believe that the current risk/reward potential justifies excessive risk taking.

Important Disclosure Information

The comments above refer 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.

Registration as an investment adviser does not imply any level of skill or expertise.

Information or data shown or used in this material is for illustrative purposes only and was received from sources believed to be reliable, but accuracy is not guaranteed.

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

It is not possible to invest directly in an index.

When referring to being "overweight" or "underweight" relative to a market or asset class, RiverFront is referring to our current portfolios' weightings compared with the 2016 strategic allocations for each portfolio, as opposed to compared with the portfolios' composite benchmarks.

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.

Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.

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.

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.

MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 developed markets (DM) countries (excluding the US) and 23 emerging markets (EM) countries.

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