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- **Emerging markets posted the highest return for asset classes during the quarter.**
- **Consumer Discretionary, Materials, and Industrials were the highest performing sectors over the third quarter.**
- **We remain bullish but focused on selection.**

Quarterly Review: Global Stocks add to 2Q Gains

ECONOMY AND EARNINGS BEAT EXPECTATIONS

A good quarter for stocks: The third quarter provided investors positive absolute returns across global asset classes (see chart below). Emerging Market equities led all asset classes in the quarter posting a 9.6% total return after trailing US equities in Q2. US Large caps continued to rise after a historic Q2 recovery and returned 8.9% in Q3. Developed International equities (EAFE) posted a 4.9% return in the third quarter, which in isolation was a strong quarter, but in relative terms lagged due to a lower weighting of growth-oriented industries within international markets. Out of the asset classes listed below, bonds were the worst performing during the third quarter as the Bloomberg Barclays US Aggregate index (Fixed Income Investment Grade) rose just 0.6% as 10-year Treasury rates remained roughly unchanged at 0.7%.

Our table below shows the performance of asset classes on the left and US sectors on the right. In each case, we show returns for both the 3rd quarter and the last 12 months (Trailing Twelve Months, TTM). The table is anchored by the performance of US Large-Cap stocks (shaded) so that it is easy to see which asset classes and sectors posted higher and lower returns in each timeframe.

Performance: A Closer Look

PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 9/30/20

ASSET CLASSES

Q3 2020		TTM	
EMERGING MKT EQUITIES	9.56%	GOLD	27.04%
US LARGE-CAP	**8.93%**	**US LARGE-CAP**	**15.15%**
GOLD	6.72%	EMERGING MKT EQUITES	10.54%
EAFE	4.88%	TREASURY BONDS	8.04%
HIGH YIELD	4.71%	FIXED INCOME INV. GRADE	6.98%
US SMID CAP	4.30%	HIGH YIELD	2.30%
FIXED INCOME INV. GRADE	0.62%	CASH	0.96%
TREASURY BONDS	0.17%	EAFE	0.93%
CASH	0.03%	US SMID CAP	-3.97%

US SECTORS

Q3 2020		TTM	
CONSUMER DISCRETIONARY	15.06%		
MATERIALS	13.31%		
INDUSTRIALS	12.48%	INFORMATION TECHNOLOGY	47.23%
INFORMATION TECHNOLOGY	11.95%	CONSUMER DISCRETIONARY	28.89%
CONSUMER STAPLES	10.38%	HEALTH CARE	20.11%
COMMUNICATION SVCS	8.94%	COMMUNICATION SVCS	18.37%
US LARGE-CAP	**8.93%**	**US LARGE-CAP**	**15.15%**
UTILITIES	6.14%	MATERIALS	12.19%
HEALTH CARE	5.87%	CONSUMER STAPLES	7.79%
FINANCIALS	4.45%	INDUSTRIALS	1.32%
REAL ESTATE	1.92%	UTILITIES	-4.97%
ENERGY	-19.72%	REAL ESTATE	-7.28%
		FINANCIALS	-11.87%
		ENERGY	-47.87%

Source: RiverFront, Morningstar, FactSet. Past performance is no guarantee of future results. Shown for illustrative purposes. Not indicative of RiverFront portfolio performance.

Cyclical sectors respond to economic recovery: We believe the main driver for global markets in Q3 was the continued economic recovery from COVID-19 as global economies re-opened. US sector performance showed changing leadership between Q2 and Q3. Energy went from producing the highest returns to producing negative returns, while Industrials and Materials continued to recover and build off their momentum from Q2. Technology continued to climb for the first two months of the quarter, followed by a correction in September. Consumer Discretionary continued its outperformance from Q2 propelled by the resurgence of consumption, online shopping, and home improvement.

We remain bullish: Going forward, we expect stocks to rise over the next 12-18 months, recognizing that short-term risk remains high with the 2020 election looming and continued COVID-19 concerns. Across our portfolios we are slightly overweight equities compared to our benchmarks. From a selection standpoint, we believe asset classes and stocks that can deliver growth should continue to be valued at a premium to their peers. All our portfolios tilt towards US stocks over international equities, due to our current preference for growth-oriented business models such as technology.

Focus on selection: Furthermore, with the post-COVID-19 snapback behind us, we do not anticipate that the tide will rise for all stocks and selection will become increasingly important. In our longer-horizon portfolios we are utilizing more focused ETFs and individual securities to be more selective among countries such as Germany and sectors such as Technology, Healthcare, and Financials. Lastly, we caution investors against getting too bearish ahead of the election. There are several potential catalysts on the near-term horizon including another stimulus bill, further advances in COVID-19 treatment, and 3rd quarter earnings season. It is also important to point out that the S&P 500 has already experienced a pullback in September, ending the quarter roughly 6% lower than its September 2nd high.

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.

Based on Global Industry Classification Standard (GICS) a standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's. The GICS hierarchy begins with 11 sectors and is followed by 24 industry groups, 67 industries, and 147 sub-industries.

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

S&P 1000 Index TR USD (US SMID Cap) is a combination of the S&P Mid Cap 400 Index TR USD & S&P Small Cap 600 Index TR USD.

MSCI EAFE Index TR USD (Developed International Equities) is an equity index that captures large and mid cap representation across developed market countries around the world, excluding the US and Canada.

MSCI Emerging Markets Index NR USD (Emerging Market Equities) is an equity index that captures large and mid cap representation across 23 emerging markets (EM) countries.

Bloomberg Barclays Capital US Treasury Index TR USD (Treasury Bonds) measures the performance of the US Treasury bond market.

Bloomberg Barclays 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.

ICE BofA Merrill Lynch High Yield Index TR USD (High Yield) which tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest.

Bloomberg Barclays Capital 1–3 Month US Treasury Bill Index TR USD (Cash) includes all publicly issued zero-coupon US Treasury Bills with a remaining maturity between 1 and 3 months, are rated investment-grade, and have an outstanding face value of $250 million or more.

LBMA Gold Price PM ($/OZt) (GOLD) – the London gold price per troy ounce of gold for delivery in London through a member of the LBMA authorized to effect such delivery, stated in U.S. Dollars, as calculated and administered by independent service provider (S) and published by the LBMA on its website at www.lbma.org.uk

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