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SUMMARY

- The Fed is likely to hold rates steady throughout 2024, in our view.
- The US Trend is positive, but stocks remain rangebound between 4300 and 4600.
- We believe Crowd Sentiment is once again searching for direction.

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Tactical Rules, The Divide Continues:

Domestic Market Now Flashing Green while International Market is Flashing Red

RED LIGHT	FLASHING RED	YELLOW LIGHT	FLASHING YELLOW	FLASHING GREEN	GREEN LIGHT

Since the last update of our Three Tactical Rules on October 2nd, equity markets have rallied as central banks withheld additional interest rate hikes. Financial markets increasingly believe that the Fed is done hiking interest rates, highlighted by the drop in Treasury yields and the fed funds futures market now predicting two rate cuts in 2024.

In our last update we suggested focusing on earnings and Corporate America's ability to adapt to the new economic reality, in order to determine if the S&P 500 could rally and break out of its trading range. Earnings season appears to have been successful, but the fear now is the market has got ahead of itself and is now pricing in a fair amount of positive earnings news over the next year. Over the past 7 weeks, the scores on our tactical rules have changed, as the Fed has improved, the Trend decelerated slightly, and crowd sentiment has yo-yoed between neutral and extreme pessimism. "Don't Fight the Fed" is currently a yellow light, "Don't Fight the Trend" is a flashing green light, and "Beware of the Crowd at Extremes" has moved from a yellow light to a flashing yellow light since it is barely out of the extreme pessimism zone. **While the individual rules collectively would align with a flashing yellow light, we feel the heatmaps we overlay on the tactical rules are more favorable due to the recent market pullback… and thus the combined quantitative signal is a flashing green light.**

Don't Fight the Fed: Fed is Prepared for Additional Hikes, Despite Inflation Easing

YELLOW LIGHT

The Fed has held the fed funds target range steady at 5.25 -5.50% at its last two meetings but is prepared to hike interest rates further to bring inflation down to its long-term 2% target, according to Chairman Powell. The Fed's strategy of pausing rate hikes has been appropriate thus far, as inflation has shown signs of cooling, with headline inflation falling to 3.2% in October due to the recent decline in oil prices. Additionally, the Fed's preferred inflation gauge, core Personal Consumption Expenditures (PCE), has also fallen and currently sits at 3.7%. While both inflation indicators are trending in the right direction, they remain well above the 2% target. Hence, the Fed's reluctance to take further rate hikes off the table.

In our last update we pointed to the strength of the labor market as a deterrent for the Fed to declare victory over inflation. While the labor market has shown signs of softening, the economy is still creating 157,000 jobs per month, which is well above the 100,000 jobs per month that must be created to maintain full employment. Therefore, we believe that as long as the labor market remains stable, the Fed will keep rates high throughout 2024. Given this and the low probability of further hikes, we believe the Fed is now a yellow light.

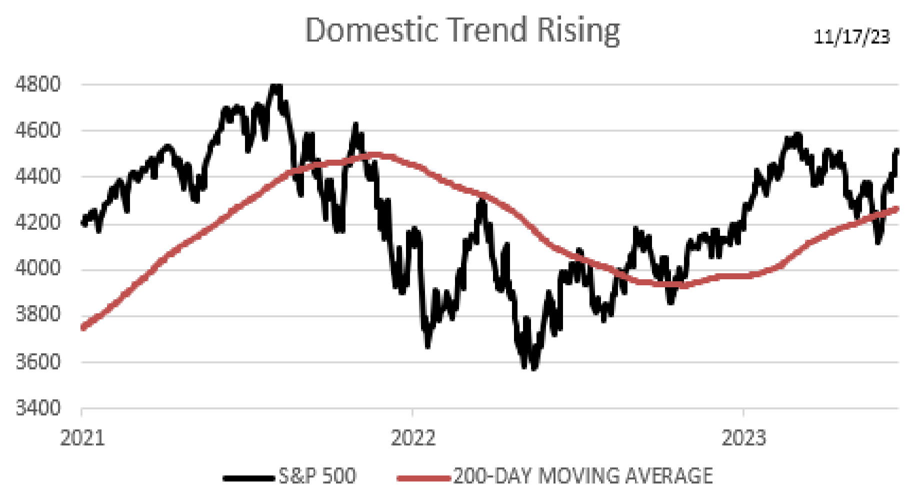
Internationally, the Bank of England (BOE) and European Central Bank (ECB) find themselves in similar positions to the Fed, holding rates steady as they wait for previous hikes to filter through to their economies. The BOE left its policy rate at 5.25%

earlier this month, and saw inflation fall in October to 4.6%. As for the ECB, it held its deposit facility to 4.00% and its main refinancing rate to 4.50% in late October, and like the other central banks, is data dependent as inflation is still well above their 2% target. While we believe the international central banks are closer to cutting than the Fed, for the time being they are maintaining their hawkish stances...thus, we believe they too warrant a yellow light.

Don't Fight the Trend: Trend is Slowing and Testing Support Levels (Domestically)

FLASHING GREEN

The trend on the S&P 500, which we define as the 200-day moving average, has decelerated since our last update, and the index has traded in a range between 4300 and 4600. Despite the recent deceleration, the trend is still rising at an annualized rate of ~10%. We believe the trend will continue to be positive for the next 5 to 6 months even if the S&P 500 holds its current level of around 4500. Historically, a positive trend is good for future stock returns, and we believe that this time is no different. Thus, domestically our rule of "Don't Fight the Trend" is signaling a flashing green light, which calls for stock exposure slightly above long-term targets, in our view.



Source: Bloomberg, RiverFront. Data daily as of November 17, 2023. Charts shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

International Trend

RED LIGHT

The trend of International (as represented by the MSCI ACWI) is decelerating at a rapid pace. The international primary trend is currently falling at an annualized rate of -6%. We believe, unlike its US counterpart, the international trend will remain negative for most of the next 7 to 8 months if it does not reaccelerate. Therefore, we feel the international trend is signaling a red light for lower stock exposure relative to long-term targets.

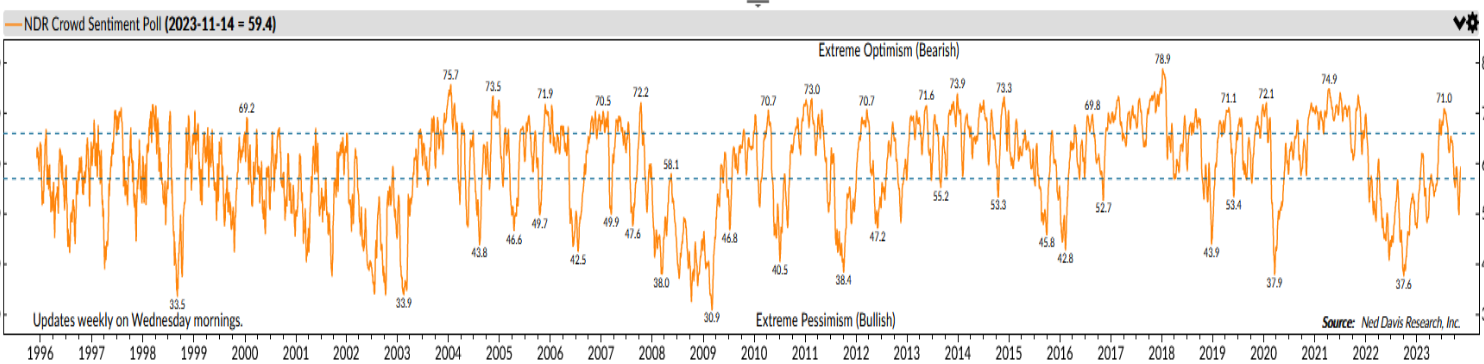
Source: Bloomberg, RiverFront. Data daily as of November 17, 2023. Chart right shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

Beware of the Crowd at Extremes: Once Again Searching for Direction

FLASHING YELLOW

We regard Crowd Sentiment as the 'contrary' indicator of the Three Tactical Rules. Since the beginning of the year, the crowd has been either neutral or in extreme pessimism, as investors attempted to handicap and navigate the evolving monetary policy landscape. The chart at the top of the next page shows a measure of investor sentiment as calculated by Ned Davis Research. When the line is high, it shows extreme optimism, and when it is low, extreme pessimism. This is our preferred data source to measure investor psychology, although we also run this data through our own analytical framework to draw our final conclusions.

Currently, the indicator is in the neutral zone and searching for direction, a state that is typically 'good but not great' for stocks. However, our quantitative process, which combines sentiment and trend, is more positive. Thus, viewing the Crowd at Extremes through this lens only would indicate a flashing yellow light in our rating continuum, given the crowd is at the lower end of the neutral zone.



Conclusion: Signals are Mixed, but Quantitative Process Signaling a Flashing Green Light Domestically

In the US, the 'three rules' - in isolation is signaling a flashing yellow light and would warrant a neutral to slight stock overweight in the portfolios, in our view. However, when combined with our quantitative process, which forecasts the probability of the S&P 500 having positive returns over the next three months, we arrive at a more positive conclusion…thus we rate the signal a 'flashing green light'. We continue to slightly favor stocks over bonds in our balanced portfolios.

International appears to be at the other end of the spectrum, since both our qualitative and quantitative signals are signaling a flashing red light. Hence, our balanced portfolios continue to favor US stocks over international stocks.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. 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. Please see the end of this publication for more disclosures.

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.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

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.

Index Definitions:

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 approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

Definitions:

Personal consumption expenditures (PCE), also known as consumer spending, is a measure of the spending on goods and services by people of the United States.

The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

The European Central Bank (ECB) is the central bank responsible for monetary policy of the European Union (EU) member countries that have adopted the euro currency. This currency union is known as the eurozone and currently includes 19 countries. The ECB's primary objective is price stability in the euro area.

The Bank of England (BoE) is the central bank of the United Kingdom. The BoE oversees monetary policy and issues currency. It also regulates banks, financial firms, and payment systems. Like other central banks, the BoE may act as a lender of last resort in a financial crisis.

Interest rate sensitivity is a measure of how much the price of a fixed-income asset will fluctuate as a result of changes in the interest rate environment. Securities that are more sensitive have greater price fluctuations than those with less sensitivity. This type of sensitivity must be taken into account when selecting a bond or other fixed-income instrument the investor may sell in the secondary market. Interest rate sensitivity affects buying as well as selling.

Don't Fight the Fed – 'Supportive' means the Fed's monetary policy regarding inflation and employment is in what we believe based on our analysis to be the investors' best interest; 'Against' means the Fed's monetary policy, in our view, is going against the investors' best interest; 'Neutral' means the Fed's monetary policy is neither supportive or against the investors' best interest in our view. Don't Fight the Trend – Terms correlate to the 200-day moving average as it relates to the equity indexes: 'Positive' means that the trend is rising, 'Flat' means the trend is flat, 'Negative' means the trend is falling. Beware the Crowd at Extremes – Terms correlate to the NDR Crowd Sentiment Poll and its measurement of Extreme Optimism (Bearish), Neutral, or Extreme Pessimism (Bullish).

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