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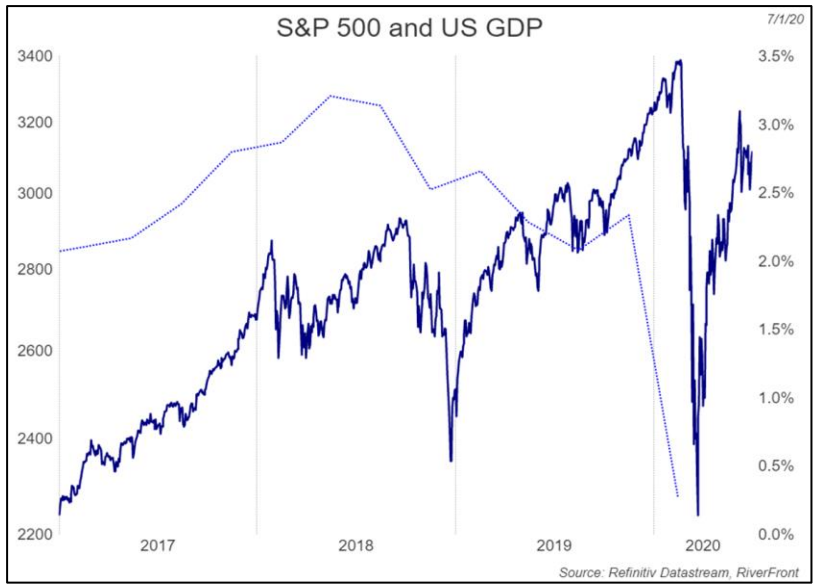
- **We think Wall Street appears to be signaling that the worst of COVID-19 is behind us.**
- **We raised our equity allocations throughout the second quarter and are positioned slightly bullish.**
- **Given low levels of visibility, we remain humble and flexible and continue sticking to our mantra of 'process over prediction'.**

Quarterly Review: Q2 2020

WALL STREET AND MAIN STREET ARE OUT OF SYNC…THIS IS NOT UNUSUAL

One of the most confusing but useful lessons that investors learn over time is that Main Street (the economy) and Wall Street (the stock market) are not always synchronized. There are times when Main Street looks optimistic and stocks drop and times when Main Street looks pessimistic, but stocks rise. Q2 2020 was a great example of the latter.



Past performance is no guarantee of future results. Shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

Equity markets around the world showed resilience with US market posting the highest returns in a quarter since 1998 with the S&P 500 rising over 20% (Chart, Bold Line); while the economy is expected to contract by nearly 10% y/y (based on GDP), the largest decline post World War II era (Chart, Dotted Line). The reason for that discrepancy is that Wall Street and Main Street reflect two different perspectives: stocks look forward, while the economy looks backward, in our view. In our view, during periods of transition and volatility, like the last four months, the two will often be out of sync for a period of time.

We have often found the market prescient and that a rising stock market signals better times ahead. Therefore, as global stock markets began their abrupt rebound in the second quarter, we paid attention. The market's unusual strength, combined with discounted valuations and our positive long-term outlook, led our portfolio managers to add equities throughout the quarter. As of June 30, 2020; the Advantage balanced portfolios are roughly 2-4% overweight stock relative to their respective benchmarks. This is a significant increase from their 5-9% underweight to equities on March 31st.

Going forward, we believe that human ingenuity will beat COVID-19 and policymakers will be able to re-start their stalled economies through unprecedented levels of stimulus. However, it is important to acknowledge that visibility is unusually low as to the length and magnitude of the current economic downturn, as there is no historical 'playbook' for navigating the COVID-19 crisis. A second wave of infections that leads to further lockdowns could change our outlook and thus we need to resist the urge to become too obstinate in our views. In times like this, we strive to stay humble and flexible, relying on our mantra of 'process over prediction'. For us, this means that a disciplined process for managing risks and opportunities is more effective than anchoring on any one forecast, in our view.

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