Doug Sandler, CFA
CHIEF EQUITY OFFICER

Adam Grossman, CFA
CHIEF GLOBAL EQUITY OFFICER

Chris Konstantinos, CFA
DIRECTOR OF INTERNATIONAL PORTFOLIO MANAGEMENT

Paul Louie
DIRECTOR OF SMALL/MID CAP PORTFOLIO MANAGEMENT

Sam Turner, CMT
DIRECTOR OF LARGE CAP PORTFOLIO MANAGEMENT

As the Cycle Turns: Buying Mid-Stage Cyclicals and Neutralizing Defensives

We continue to believe we are in the middle innings (5th or 6th inning) of an equity bull market in the US, and we do not currently see the next bear market on the horizon. Equity valuations remain "fair" according to our Price Matters® discipline, and global accommodation has raised the likelihood that the current bull market could go into extended innings. We are also encouraged by the fact that earnings expectations for US companies have been significantly reduced recently as analysts have quickly incorporated worst-case scenarios for crude oil and currencies into their financial models. We expect that these rushed estimate reductions will prove overly pessimistic and too one-sided in nature, failing to consider the many positive economic implications of cheap gasoline and a strong dollar.

With that macro outlook in mind, we wanted to highlight some of the changes we have been making recently in the domestic equity portion of the RiverFront portfolios.

WHAT WE'VE BEEN BUYING — MID-STAGE CYCLICALS & DEFENSIVES

Buying Banks

Today's banks are a far cry from the giant, opaque, complicated, and risky institutions they were just 10 years ago. We see evidence of that every year when the Federal Reserve releases the results of their annual Comprehensive Capital Analysis and Review (CCAR), commonly referred to as the bank "stress tests." These results reveal that banks today *exit* the Fed's stressed scenarios with more capital than when they *entered* the 2008 financial crisis. In the Fed's latest review, which was released in early March, 31 of 31 banks were awarded a passing grade.

In addition to banks being cleaner, more transparent, and significantly less risky than they had been in the past, banks have historically been in the "sweet spot" during the middle innings of a bull market, since they have benefitted from improving loan growth and low levels of credit delinquencies. We also appreciate the fact that banks remain one of the most attractively valued industry groups within the US market and have resumed paying attractive and growing dividends. *Past performance is no guarantee of future results. Dividends are not guaranteed and are subject to change or elimination.*

Buying Consumer Stocks

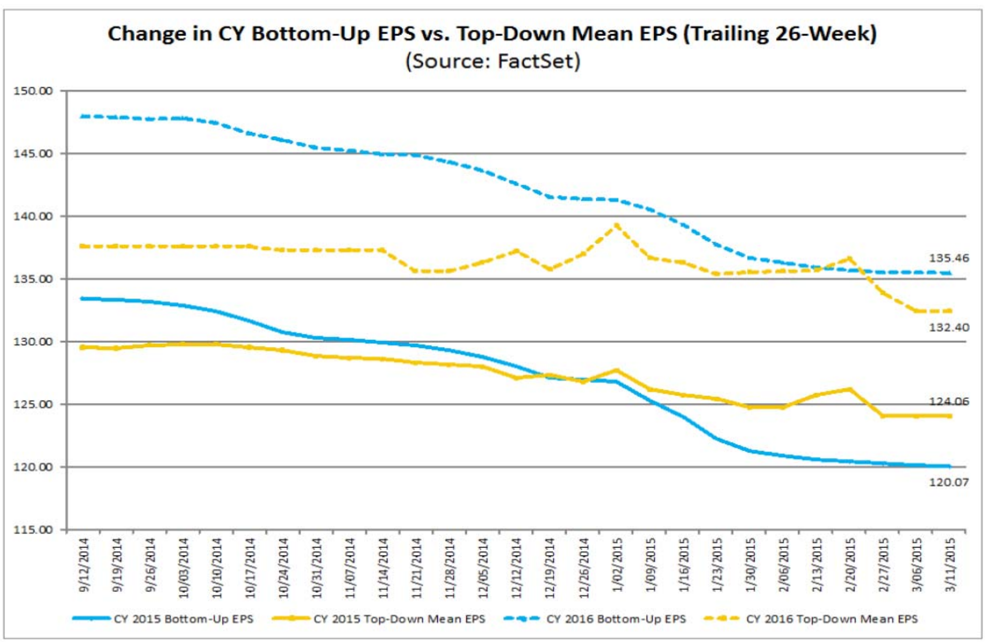
We are bullish on American consumers and the companies that cater to them. The average consumer has only recently begun to feel what the investment community has been celebrating for the past six years. The things that matter to consumers, such as employment, job security, wage growth, and stable home values have, in our opinion, evolved beyond just hopeful “green shoots” and appear to have entered a sustained uptrend. Sustainability is what builds confidence, and confidence is what ignites spending. We anticipate growth in consumer spending throughout 2015 and believe that low gasoline prices and cheaper prices on imported goods, as a result of the strong dollar, will be the icing on the cake. For these reasons, we have increased our consumer exposure through the purchase of Retailers and Homebuilders, and we continue to favor consumer-oriented stocks over all other cyclical sectors.

Buying Defensives

While we feel confident that there are a few more innings remaining in the current bull market, we also recognize our view is contingent on a number of exogenous factors, including the Fed and the dollar. Consequently, we have begun to tilt the US equity portfolio to be slightly more conservative, by moving up in market capitalization and by removing our underweight to the defensive sectors. Recent purchases have included companies in the Telecommunication Services, Consumer Staples, Pharmaceuticals, and Aerospace & Defense sectors and industries.

In shoring up our defensive underweight, we have been intentional in not introducing additional levels of interest rate sensitivity to the portfolio, since ultimately we believe interest rates will rise over the next few years. To meet this objective, we have significantly lowered our exposure to Real Estate Investment Trusts (REITs) and constrained our exposure to companies in the Utility sector.

BOTTOM UP EPS ESTIMATES: REVISIONS



Earnings Estimate Expectations for calendar year (CY) 2015 and 2016 have declined markedly over the past 26 weeks. We believe this is a reflection of analysts becoming overly pessimistic regarding the economic implications of lower oil prices and a stronger dollar. We see analysts’ gloomy expectations as a margin of safety for US equity investors, because it sets a low bar, allowing companies to more easily exceed expectations throughout the year.

Source: FactSet Research Systems