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THE EQUITYVIEW

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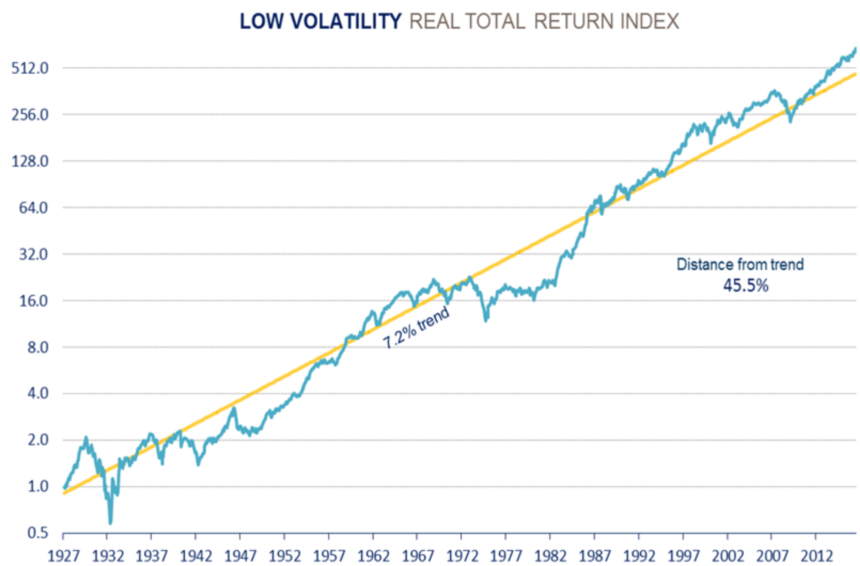
GROWTH IS WHERE THE VALUE IS

Skepticism has been one of the defining characteristics of the current bull market, and worry continues to dominate the minds of investors, despite the fact that the S&P 500 now sits 300% above its 2009 lows and 40% above the peak of the 2007 bull market. Some of the key issues about which investors have expressed doubt include the effectiveness of new monetary tools utilized by central banks, the accuracy of government data measuring employment, and the durability of corporate earnings.

Historically, when skepticism and worry pervade, the investing public tends to overpay for companies that offer "safer" or "more certain" returns and underpay for those companies whose future prospects are less clear. When these conditions last for an extended period of time, like the seven-year period that has passed since the financial crisis of 2008, the levels of overpaying for certainty and underpaying for uncertainty can approach historical extremes. One needs to look no further for evidence of this than our current Price Matters® graph that shows that Low Volatility stocks are currently 45% above their historical trend (chart below).



Source: RiverFront Investment Group, calculated based on data from CRSP 1925 US Indices Database ©2016 Center for Research in Security Prices (CRSP®), Booth School of Business, The University of Chicago. Data from Feb 1927 through June 2016. Past performance is no guarantee of future results.

Low Volatility Index: Attempts to replicate the S&P 500® Low Volatility Index, using the CRSP Daily Historical Returns Series and Historical S&P Series. It is constructed by inverse volatility weighting the 100 least volatile stocks in the S&P 500 (meaning the least volatile stocks get the highest weights in the index). From 1926-1957, CRSP deciles 1-4 are used for the universe of stocks from which the index is constructed. From 1957 on, the S&P 500's historical holdings are used. It is not possible to invest directly in an index.

One great example of this extreme level of risk aversion can be seen when comparing the valuations of a historically "certain" sector like Utilities to a historically "uncertain" sector like Technology. Today, investors are paying more for the future earnings of the average utility company (17.7x) than they are willing to pay for the future earnings of the average technology company (17.6x) despite the fact that the average tech company has grown its earnings nearly four times faster (11%) than the average utility (3%) over the past ten years[1]. Furthermore, unlike their technology peers, the future earnings growth for many utilities is limited by their geographic reach and the rates they are allowed to charge, both of which are set by Federal and state regulators.

The phenomenon of higher growth stocks being valued at a discount to lower growth stocks is not typical, particularly not after a seven-year bull market. Under normal market conditions, investors can be expected to put their money where it is treated best and thus "pay up" for companies that have historically delivered higher growth even when that growth is uncertain. Comparing two indexes, one that is made up solely of growth stocks (Russell 1000 Growth Index) with the broad market (S&P 500), one can see that growth stocks are being valued at one of the lowest premiums to the market (1.09x) since the global financial crisis (Chart on page 2).

[1] Source: Intrinsic Research

WEEKLY CHART: GROWTH STOCKS CURRENTLY UNDERVALUED, IN OUR VIEW

Source: Intrinsic Research. Past performance is no guarantee of future results. It is not possible to invest directly in an index. Data provided for illustrative purposes only and is not intended as an investment recommendation. Please see below for index definitions and disclosure information.

Over the next year, we believe events like the US presidential election, greater stability in oil prices, and global economic growth will reduce uncertainty and increase the confidence of US investors. Increasing confidence will allow skepticism to recede and investors should be more willing to invest for the future, which we believe translates to investing in companies with attractive growth characteristics.

BEST PLACES TO FIND GROWTH, IN OUR VIEW:

Growth can be found anywhere, but tends to have some favorite hiding places. A simple screen that focuses on companies that have grown their earnings by at least 10% over the past year and are expected by analysts to grow their earnings by the same degree over the next year highlights those areas we believe have good prospects for growth. These areas include:

Market Capitalization	
Small-Caps	
Sector and Industries	
Consumer Discretionary	Hotels and Restaurants, Retail and Household Durables
Technology	Internet Software & Services, IT Services, Semiconductors & Software
Healthcare	Biotechnology, Healthcare Equipment & Supplies, Healthcare Providers & Services
Industrials	Commercial/Professional Services
Financials	Real Estate Investment Trusts (REITs)

BOTTOM LINE:

Over the past few years, we believe it has not been worth it to reach for growth, since the typically "safer" companies in predictable industries have delivered market-beating returns. However, we believe the market is beginning to recognize the relative attractiveness of higher growth companies and their stocks are beginning to outperform. We believe our portfolios are well-positioned to benefit from this rotation by favoring companies that have grown their earnings faster than the market over the past five years and are expected to grow their earnings faster in 2016.

Important Disclosure Information (continued on next page)

**Market Cap index information calculated based on data from CRSP 1925 US Indices Database ©2015 Center for Research in Security Prices (CRSP®), Booth School of Business, The University of Chicago. Used as a source for cap-based portfolio research appearing in publications, and by practitioners for benchmarking, the CRSP Cap-Based Portfolio Indices Product data tracks micro, small, mid- and large-cap stocks on monthly and quarterly frequencies. This product is used to track and analyze performance differentials between size-relative portfolios. CRSP ranks all NYSE* *companies by market capitalization and divides them into ten equally populated portfolios. Alternext and NASDAQ stocks are then placed into the deciles determined by the NYSE breakpoints, based on market capitalization. The series of 10 indices are identified as CRSP 1 through CRSP 10, where CRSP 10 has the largest population and smallest market-capitalization. CRSP portfolios 1-2 represent large cap stocks, portfolios 3-5 represent mid-caps and portfolios 6-10 represent small caps.*

RiverFront's Price Matters® discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation.

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.

Dividends are not guaranteed and are subject to change or elimination.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Low risk assets have typically have been defined as being in the Staples, Healthcare, Utilities, and Telecommunications industries.

Buying commodities allows for a source of diversification for those sophisticated persons who wish to add this asset class to their portfolios and who are prepared to assume the risks inherent in the commodities market. Any commodity purchase represents a transaction in a non-income-producing asset and is highly speculative. Therefore, commodities should not represent a significant portion of an individual's portfolio.

There are special risks associated with an investment in real estate and Real Estate Investment Trusts (REITs), including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Strategies seeking higher returns generally have a greater allocation to equities. These strategies also carry higher risks and are subject to a greater degree of market volatility.

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Index Definitions:

S&P 500 Index is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

Russell 100 Growth Index is composed of large and mid-capitalization US equities that exhibit growth characteristics.

It is not possible to invest directly in an index.

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