VIEWPOINT2020

PORTFOLIO ASSUMPTIONS

WASHINGTON CROSSING ADVISORS

Washington Crossing Advisors, LLC ("WCA") is an SEC registered investment advisor and wholly owned subsidiary of Stifel Financial Corp. WCA helps supervise and manage over $3 billion in assets under advisement for individuals and institutions.

The team is managed by Kevin R. Caron, CFA and Chad A. Morganlander, who were among the founding members of Washington Crossing Advisors.

Washington Crossing Advisors' views on investing and markets are regularly sought by national media outlets, including *CNBC*, *Bloomberg*, *Fox Business News*, *The Wall Street Journal*, *Forbes*, and *Reuters*.

Philosophy and Process

We believe that investments should be selected only after clear and quantified measures of value, risk, and potential reward have been made. Our investment approach combines top-down analysis of the macro economy with fundamentally rooted, bottom-up security analysis.

Asset Allocation Strategies

Conquest Portfolios

Asset allocation portfolios seek to balance risk and reward by apportioning portfolio assets according to the investor's goals, risk tolerance, and investment horizon. Portfolios seek strong returns relative to underlying risk and are constructed with a forward-looking view of financial markets.

For quarterly reports that highlight key macroeconomic insights and market observations, please visit: www.washingtoncrossingadvisors.com.

Published December 30, 2019.

Executive Summary

Worries over rising rates and trade faded in 2019, prompting sizable gains in both bonds and stocks. Global growth seems to be firming and the United States is exhibiting stronger growth than most other developed nations as we start 2020. Low interest rates, rising wages, and record wealth is driving growth, but above-average valuations reduce return expectations.

This report covers Washington Crossing Advisors' long-run views as we head into 2020. These top-down views are central to our tactical asset allocation decisions and recommendations.

Global Economy

The world grew more slowly in 2019 than any year since the last recession, according to the International Monetary Fund's (IMF) estimates. Growth is expected to be near 3% for the year, a disappointment compared to the IMF's 3.7% forecast at the start of the year. Trade and globalization issues clouded the outlook, dampening manufacturing, investment, and growth.

However, emerging markets (EM) did not unravel, trade tension between the United States and China de-escalated, and the path for Brexit became more defined. Financial market sentiment remained stable, and global stock prices had their highest return since 2009. Moreover, there are tentative signs that global manufacturing may be picking up as 2019 draws to a close. While growth was under pressure in 2019, the United States led the way — it is the only G7 country the IMF currently expects to grow above 2% in 2020.

Looking further out, we expect the global economy to expand near 3% — 1% growth in labor supply and 2% combined growth in capital and productivity. We expect roughly equal contributions to future growth from developed and emerging economies.

The United States

The U.S. stock market and economy set records in 2019. The equity bull market became the longest on record, lasting 118 months. Unemployment fell to levels not seen since 1968, and hourly wages rose 3.2%, the fastest growth in a decade.

The Federal Reserve estimates that household net worth rose to $114 trillion through September, setting a record. Total household wealth is 63% higher than 10 years earlier, after adjusting for inflation. While sizable, this 10-year gain falls short of the 79% or 88% gains accumulated before the 1987 or 2006 tops. The average 10-year increase in real wealth since 1961 is 52%.

Meanwhile, there is very little sign of inflation. The global inflation rate, weighted by the relative size of each country, is near 3.4% as of this writing. This rate is very near the average level of the past five years.

Inflation remains below 1% in the Eurozone, and core inflation in the United States is up 1.6% year-over-year. Long-term inflation expectations priced into the U.S. bond market are also near 1.7%, well below the Federal Reserve's 2% target. Low inflation is underpinning an environment of policy accommodation and low interest rates.

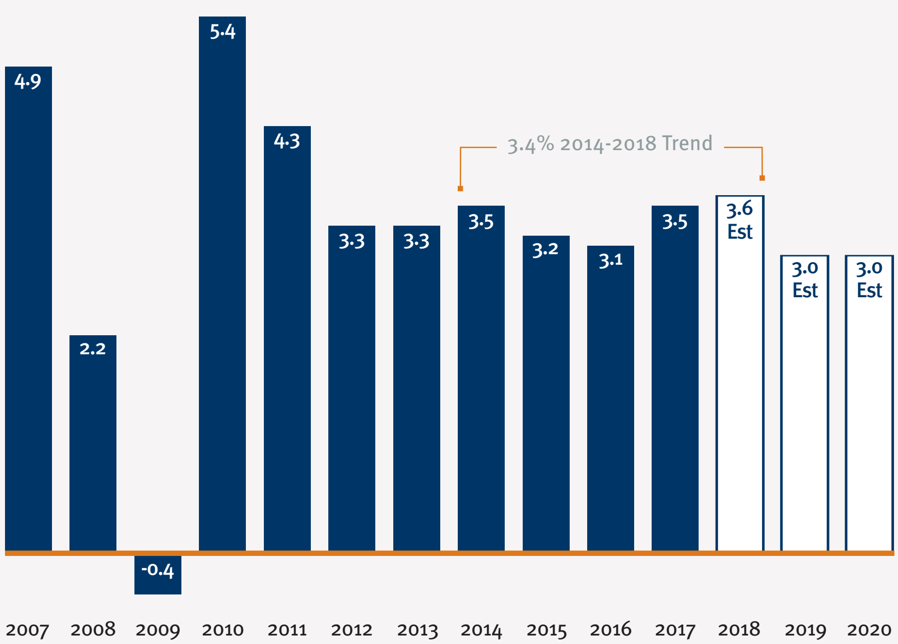
Financial markets jumped last year, and policy easing at central banks was a major catalyst. The Federal Reserve cut rates three times in 2019, a turn-around from hikes the year before, on trade concerns, slowing global growth, and amid negative foreign rates. By the end of 2019, financial markets priced in a stable rate environment in 2020.

Emerging vs. Developed Economies

Growth between emerging (EM) and developed (DM) economies should continue to converge as EM capital investment slows.

WORLD ECONOMIC GROWTH (ANNUAL PERCENT CHANGE)

Source: International Monetary Fund, World Economic Outlook Database, October 2019



We now project EM economic growth to trend toward 3.75% and DM to average 2.25% over the next decade. The 1.5% gap between growth rates would be a very different trajectory from 2007-2014. During this period, emerging economies grew 5.2% annually, while the developed world expanded at a much slower 1.2% pace.

Debt-financed capital investment drove EM growth over the past cycle. Between 2010 and 2018, China's borrowing increased four-fold, and total EM borrowings increased 260%. Outstanding credit to the EM private non-financial sector skyrocketed to 143% today versus 83% in 2008, according to the Bank for International Settlements.

While initial investments were profitable, recent returns appear to be far less. Negative productivity growth in China and other EM economies attests to this fact.

EM countries could turn to inexpensive and abundant labor to help sustain growth, but this will come at the expense of the trade and government sectors. Because the shift from debt-fueled capital investment to labor and consumption is far from complete, emerging markets could remain volatile.

Summary and Outlook

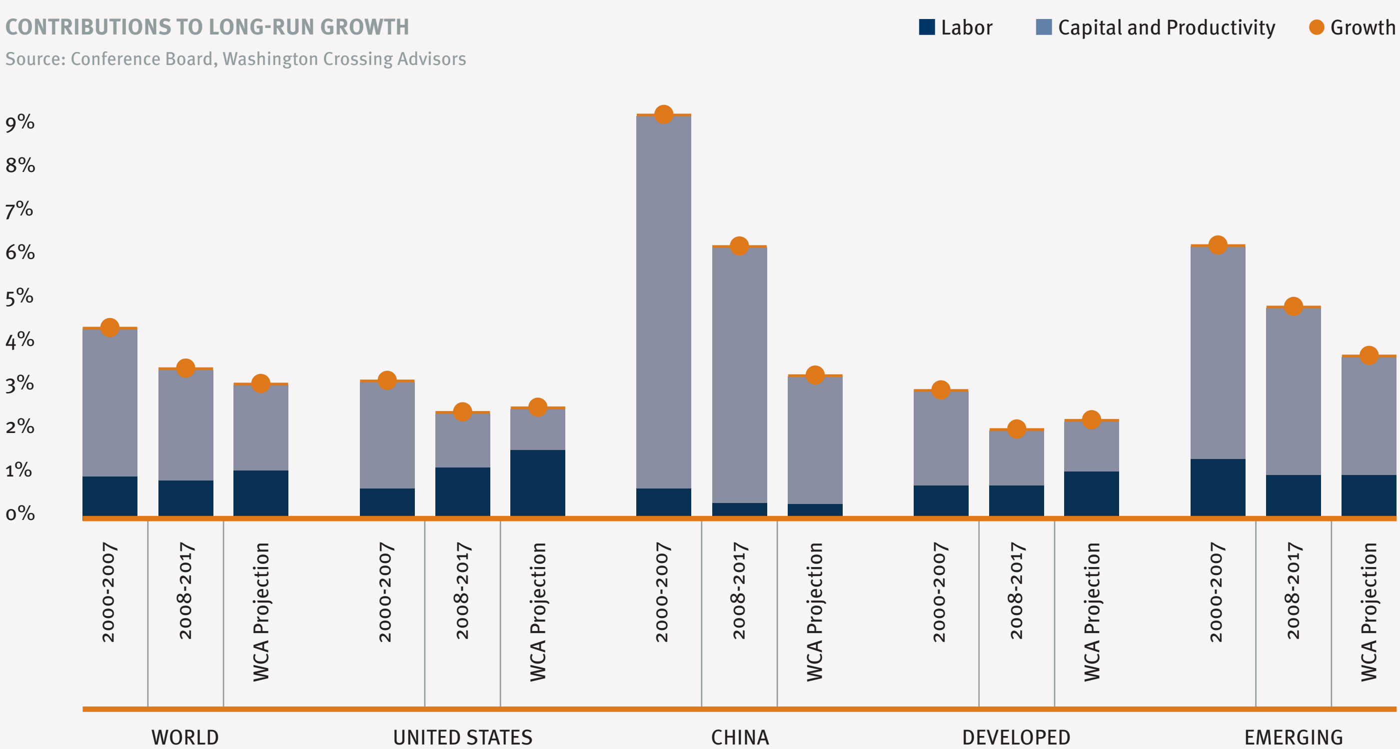
While growth disappointed in 2019, there are some hopeful signs that growth may be picking up.

Several surveys of global manufacturing and business confidence stopped declining in mid-2019. German and French business confidence is looking modestly better after a rough start to the year. Credit spreads have tightened, and indicators of financial stress have fallen thanks mainly to central bank accommodation.

While we recognize that all good things must eventually come to an end, the current expansion remains intact as we start a new year. Movement on trade negotiations, some improvement in recent data, and continued low rates are all positives for the world's economy as 2020 begins.

CONTRIBUTIONS TO LONG-RUN GROWTH

Source: Conference Board, Washington Crossing Advisors



Portfolio Strategy

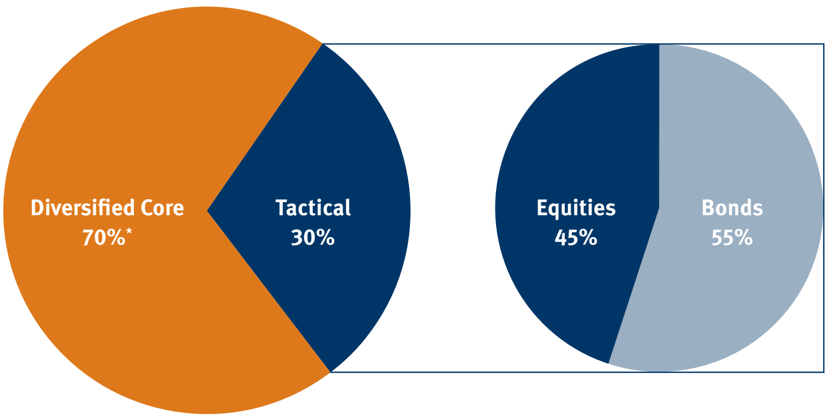
The jump in stock prices and fall in bond yields last year are sustaining growth. Declining yields point to lower future fixed income returns. An expected pickup in global growth and healthy cash returns help equity returns, but higher starting valuations are a drag. We begin 2020 with tactical tilts toward domestic stocks over foreign, developed markets over emerging, and value over growth.


BID
ASK
4.02
94.912
22.76
24.26
132.07
87.956
117.53
326.982
132.07
83.81
134.165
117.53
93.51
128.937
83.81
67.57

PORTFOLIO STRUCTURE

DIVERSIFIED CORE
Long-Term Focus

SATELLITE
Short-Term Focus



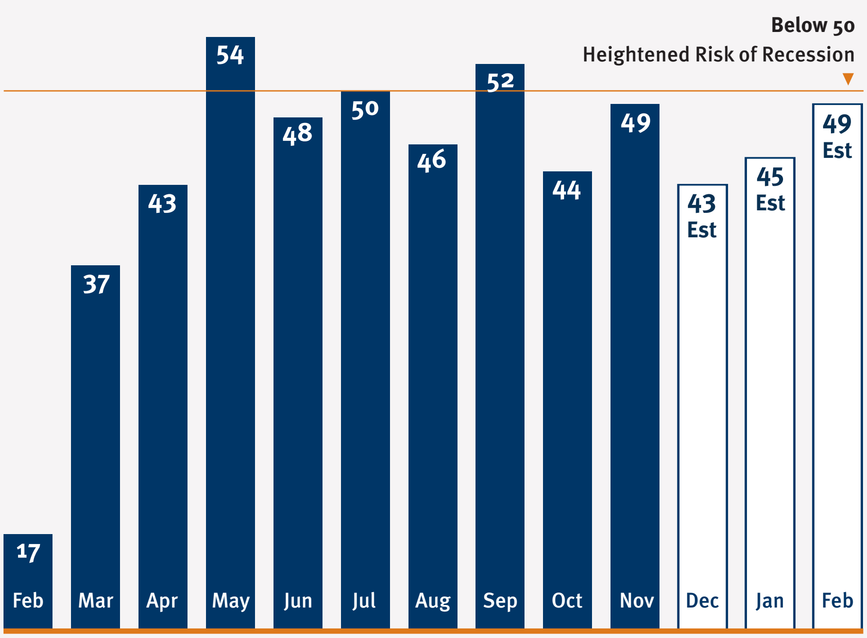
COMBINING LONG- AND SHORT-TERM PERSPECTIVES IN ONE ACCOUNT

We think of portfolios as having two parts. At the "core" of the portfolio is a diversified equity and diversified bond allocation. The long-run forecasted returns you see on page 7 guide these tactical allocations. Because forecasts are long term, changes in the core tend to be slower. This helps reduce turnover.

The smaller 30% (blue circle) is the "satellite." As fundamental conditions change, shorter term "tactical" tilts between stocks and bonds are implemented here.

SATELLITE POSITIONING: SHORT-TERM FOCUS

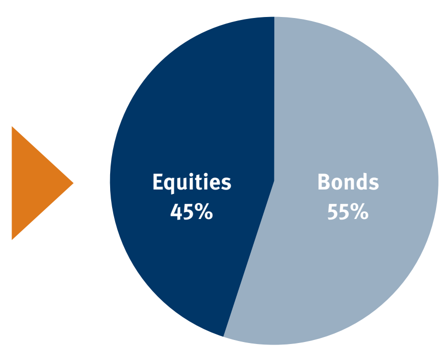
WCA FUNDAMENTAL CONDITIONS BAROMETER



We regularly assess changes in fundamental conditions to help guide near-term asset allocation decisions. Analysis incorporates approximately 30 forward-looking indicators in categories ranging from Credit and Capital Markets to U.S. Economic Conditions and Foreign Conditions. From each category of data, we create three diffusion-style sub-indices that measure the trends in the underlying data. Sustained improvement that is spread across a wide variety of observations will produce index readings above 50 (potentially favoring stocks), while readings below 50 would indicate potential deterioration (potentially favoring bonds). The WCA Fundamental Conditions Index combines the three underlying categories into a single summary measure. This measure can be thought of as a "barometer" for changes in fundamental conditions.

SATELLITE
Short-Term Focus

The equity allocation is tactically adjusted to align with the forecast barometer (see chart left).



As of December 30, 2019.

ASSET CLASS	10-YEAR VIEW RETURN	10-YEAR VIEW VOLATILITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
BOND ASSUMPTIONS					
Core Bonds	2.1%	2.9%			
1-3 Year Treasury Bond	2.3%	0.8%			
Mortgage-Backed Securities	2.3%	2.2%			
Intermediate Government/Credit	2.3%	2.3%			
20+ Year Treasury Bond	2.1%	12.5%			
Investment-Grade Corporate Bonds	2.3%	4.9%			
High-Yield Corporate Bonds	3.8%	6.2%			
EQUITY ASSUMPTIONS					
Equity	5.0%	12.8%			
Domestic Large Cap Value	5.4%	12.7%			
Domestic Large Cap Growth	4.5%	13.1%			
Foreign Developed Equity Markets	5.9%	14.5%			
Foreign Emerging Equity Markets	6.4%	16.9%			
Gold	3.0%	16.1%			
REITs	5.0%	14.4%			

As of December 30, 2019. Past performance does not guarantee future results.

■ Core ■ Satellite

CORE POSITIONING: LONG-TERM FOCUS

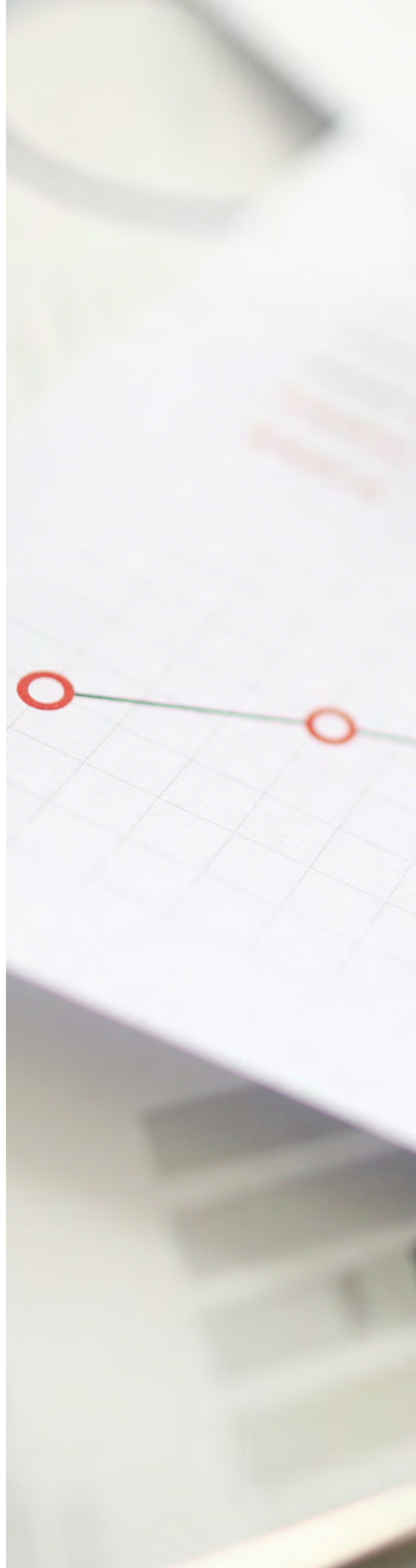
DEVELOPED VS. EMERGING	› **Equities are allocated with a tilt toward developed over emerging markets.** Improving growth in the United States, higher expected volatility in emerging markets, and a neutral view on the dollar led us to a tactical overweight for developed versus emerging markets.
GROWTH VS. VALUE	› **Domestic style exposure now is overweight value versus growth.** Outsized gains in technology shares reduces the relative attractiveness of growth over value. Domestically focused sectors, like utilities, offer some near-term value.
DURATION AND CREDIT QUALITY	› **Portfolio duration and credit exposure is currently neutral versus target exposure across most categories of fixed income.**

These views are provided by Washington Crossing Advisors, LLC. Assumptions are estimates based on historic performance and an evaluation of the current market environment. These are estimates only and not intended to represent future performance. References to future expected returns and performance do not constitute a promise of performance for any asset class or investment strategy. Volatility refers to an expected standard deviation of returns, a measure of uncertainty around our estimate. The forecasts contained herein are for illustrative purposes only and not to be relied on as advice or interpreted as a recommendation to engage in the purchase or sale of any security or financial product. These forecasts are based upon subjective estimates and assumptions about circumstances and events that may not have taken place and may never do so. In addition, Washington Crossing used historic index returns in evaluating past return relationships. This information was gathered from third-party sources we deem reliable, but no independent verification has been undertaken. Actual returns could be higher or lower than shown herein. Opinion subject to change without notice.

* Including stocks, bonds, and other assets.

Equity Market Outlook

After large gains in stocks last year, a repeat of similar size seems unlikely this year. Critical to the bull case for stocks in 2020 is a pickup in earnings growth, which was mostly absent last year. Meanwhile, higher expected domestic growth and greater forecast risk in emerging markets causes us to favor U.S. stocks. A steady rise in relative technology sector valuations leads us to favor value over growth. We also view dividends and share repurchases as more essential contributors to equity returns now than in years past.



The S&P 500, a measure of large domestic stocks, returned 30% in 2019. Of the 30% return, 2% came from earnings growth, 2% from dividends, and 26% came from rising valuations. Equity market volatility was below long-run averages throughout the year. The combination of high return and low risk was in sharp contrast to 2018 when returns were negative and volatility high.

Drivers of Long-Run Return

The most significant contributor to expected return is growth. For large, multinational companies in the S&P 500, global growth matters the most. The value of capital invested in these businesses depends on their ability to generate income. All else equal, companies will grow faster when the economy grows more quickly, and vice versa. We can begin to estimate long-run returns by considering growth.

We expect real growth in the United States to contribute 2.5% to long-term, top-line growth. We expect another 0.25% to come from faster-growing foreign economies, where 40% of S&P 500 revenue originates. We expect price increases to add about 1.75% to real top-line growth over time.

Beyond growth are cash returns to investors. Currently, the dividend yield for the S&P 500 is 1.8%. On top of this, many companies are returning cash to investors by stock repurchases. Over the past six years, S&P 500 companies generated net share repurchases equal to 2.6% of the index value, on average. We expect this figure to come down over time and estimate a 1.5% net return of cash from share repurchases.

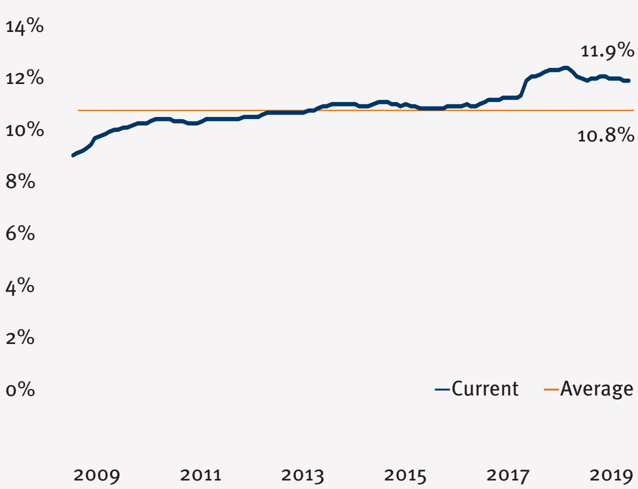
There are two downward adjustments we make to account for above-average profit margins and valuations. S&P 500 net profit margins are about 10% higher than historical averages (see chart below left); thus, we expect margins to drift down over time. We account for this by deducting 1% from our 10-year expected equity return forecast.

The forward price-to-earnings multiple is 17.8x versus a 15x 10-year historical average. Because valuations are 19% above average (see chart below right), and we expect them to revert to the mean over time, we deduct 1.9% from the long-run equity return.

Assembling all the above pieces of our long-run growth forecast leads us to a 5% long-run expected equity return (see chart next page). We expect yearly returns to deviate, sometimes substantially, from this figure. Constantly changing macroeconomic forces will also change our expectations over time.

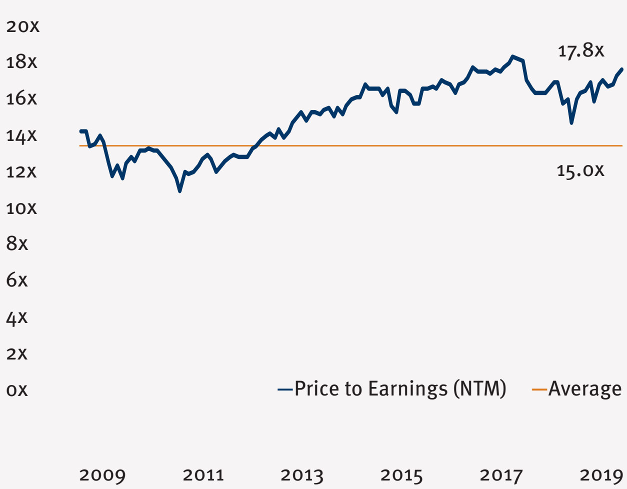
S&P 500 FORWARD 12-MONTH MARGIN

Source: FactSet



S&P 500 FORWARD 12-MONTH P/E RATIO

Source: FactSet



Foreign vs. Domestic

We continue to focus on domestic stocks over foreign. We are overweight developed versus emerging markets in tactical portfolios. The principal driver for the decision to overweight domestic stocks is due to better growth prospects in the United States.

We remain cautious on emerging economies as they downshift to a slower growth rate. Developed economies are growing more slowly than the United States. Europe continues to struggle with slow growth, high unemployment, and a troubled banking system. Brexit is an important issue for 2020, but the recent elections should provide a clearer path forward for the United Kingdom and Europe.

Growth vs. Value

Relatively high valuations for technology are holding back our enthusiasm for growth. Financials and energy sectors appear more attractively valued from a historical perspective. For these reasons, we continue to favor value over growth as we begin a new year. Value sectors with lower embedded growth expectations could fare relatively better, especially if global growth disappoints.

Short-Term Tactical View

We begin 2020 with our near-term “barometer” close to a neutral reading. A recent pickup in data challenges below-trend economic growth and flat earnings. The sideways movement of our barometer (see page 6) led to a near-benchmark equity weighting in recent months.

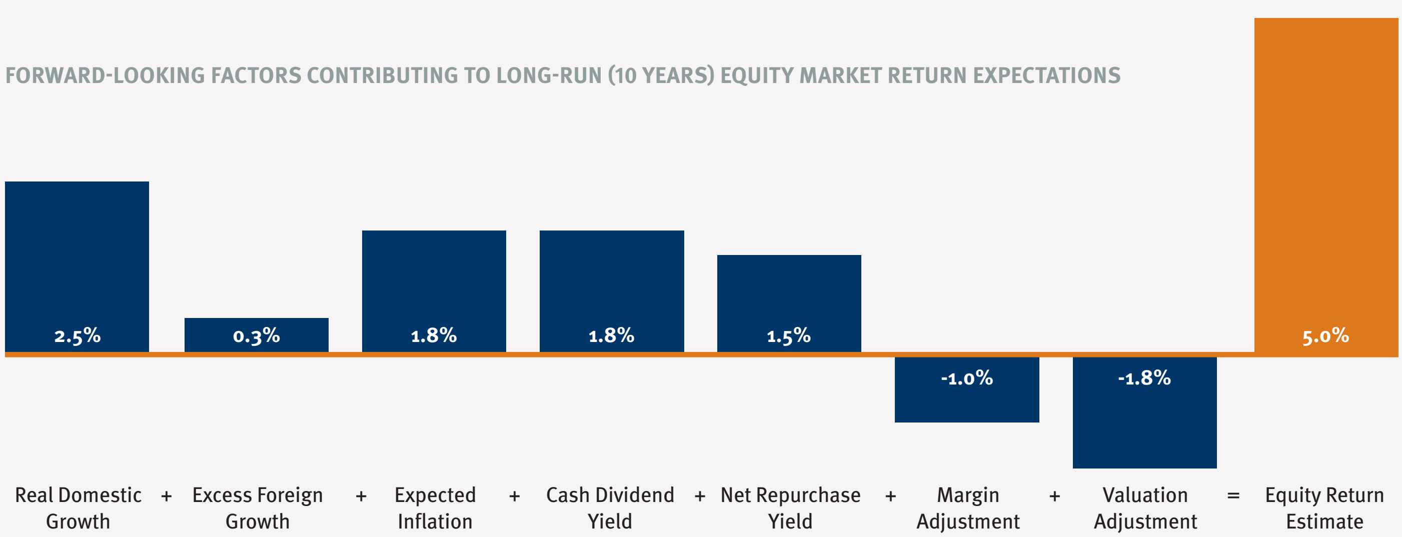
It is essential to recognize that a significant driver of markets this past year was sentiment and liquidity. Actions taken by central banks to accelerate growth increased investors’ appetite to take on risk just as returns on bonds and cash fell sharply. The result was a rise in stock prices without a corresponding increase in earnings.

Conclusion

Growth slowed in 2019, but policy accommodation and falling yields left investors with few places to invest. Equity market gains outstripped earnings gains leading to higher valuations.

Consequently, our long-run equity market return assumptions are lower than they were a year ago. The chart below demonstrates how our underlying fundamental assumptions lead to our long-run expected returns.

FORWARD-LOOKING FACTORS CONTRIBUTING TO LONG-RUN (10 YEARS) EQUITY MARKET RETURN EXPECTATIONS



Source: These views are provided by Washington Crossing Advisors, LLC. Assumptions are estimates based on historic performance and an evaluation of the current market environment. These are estimates only and not intended to represent future performance. References to future expected returns and performance do not constitute a promise of performance for any asset class or investment strategy. The forecasts contained herein are for illustrative purposes only and not to be relied on as advice or interpreted as a recommendation to engage in the purchase or sale of any security or financial product.

Fixed Income Outlook

Three rate cuts in 2019 marked a surprise about-face by the Federal Reserve, unleashing a wave of central bank rate cuts across the globe. Negative policy rates and foreign central bank asset purchases are driving a global hunt for yield. While historically low, U.S. interest rates are relatively attractive, especially in the eyes of foreign investors confronted with negative yields.

In the summer and fall of 2018, Federal Reserve Chairman, Jerome Powell, was on a path to raise interest rates. He declared the economy to be strong and policy rates to be a "long way from neutral." Markets shuddered as investors contemplated the implications of higher interest rates.

In the following months, the Federal Reserve left growth and inflation estimates mostly unchanged. By July 2019, the Federal Open Market Committee (FOMC) embarked on a series of three rate cuts. As the Federal Reserve cut the policy rate, the yield on one-month U.S. Treasury Bills fell to 1.5%. Markets had not expected short-term rates to close 2019 at this low level. When Jerome Powell made his "long way from neutral" remark in October 2018, markets had been expecting rates to be near 3% in early 2020. The complete and sudden turnabout in policy position by the world's largest central bank was a defining market story in 2019. As a result of this shift, we lowered our long-run expected cash return to 2.25% from 2.9% a year ago.

Longer Term Bonds

As of December 2019, the FOMC projected long-run U.S. economic growth near 3.9% based on 1.9% real growth and 2% inflation. In the past, 10-year Treasury bond yields tended to approximate long-run nominal growth. This historical relationship is not with us today. At the end of 2019, 10-year U.S. Treasury bonds are priced to yield 1.9%, well below hypothesized levels of 3.9%.

One reason for the departure from past norms is the existence of negative long-term sovereign bond yields in places like Germany (-0.25%), Switzerland (-0.50%), and Japan (-0.10%). Large pools of negative debt emerged as the result of central bank policy actions taken since 2014-2015.

When European growth stalled in 2015, the European Central Bank took the unprecedented step of cutting policy rates to below zero (see chart below right). Also, between 2015 and 2019, these central banks combined bought more than $5 trillion of bonds.

These actions created an unprecedented phenomenon — large pools of negative-yielding debt in the global financial system. The amount of negative-yielding debt around the world surged to $15 trillion in 2019 from $2 trillion in 2015 (see chart below left).

Credit

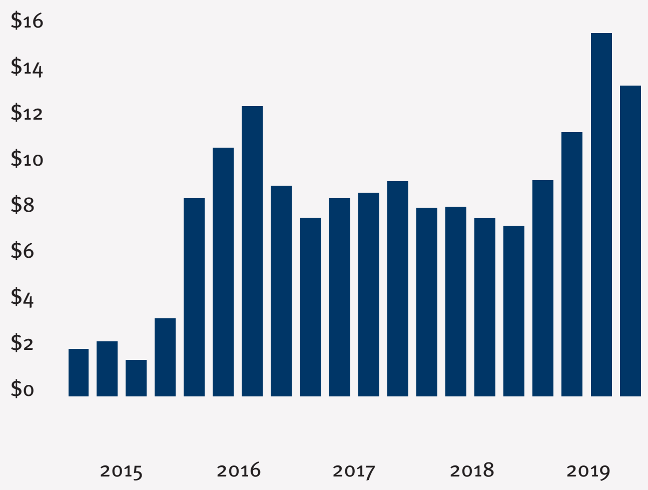
A consequence of meager global rates is an intense global hunt for yield. Credit spreads tightened in 2019 as foreign investors found opportunities in U.S. credit markets. Demand has been active for U.S. investment-grade corporate bonds, for example, which now yields about 2.9%. Although default rates crept up slightly in 2019, the overall level of defaults remains reasonably low.

Conclusion

A further drop in global rates in 2019 lowers expected returns across-the-board for most fixed income categories as we start 2020.

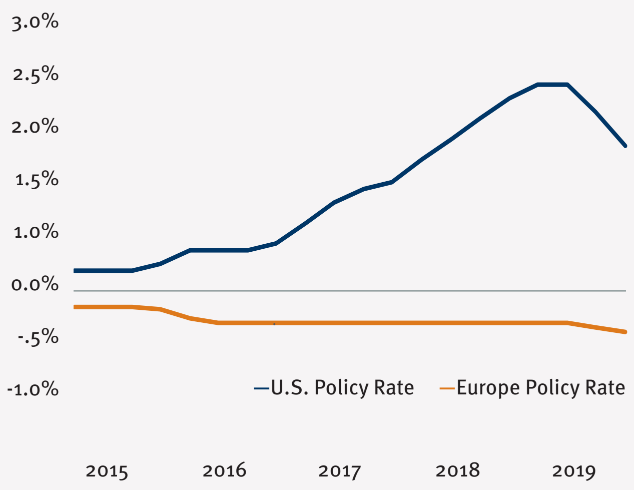
NEGATIVE YIELDING DEBT (TRILLIONS)

Source: Moody's; Board of Governors of the Federal Reserve System (U.S.)



UNITED STATES AND EUROPE INTEREST RATES

Source: Moody's; Board of Governors of the Federal Reserve System (U.S.)



Description of Indices and Terms: All performance calculations of indices are calculated on a total return basis (reflecting reinvestment of dividends and other earnings). Indices are unmanaged, are not available for direct investment, and have no associated management fees.

Barclays Aggregate Bond Index: A composite of the Barclays Gov't/Corp Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are investment grade or better, have at least one year to maturity, and have an outstanding par value of at least $100 million.

S&P 500 Index: Capitalization-weighted composite of 500 stocks traded on the NYSE, AMEX, and NASDAQ; not the largest 500 stocks in U.S., but rather a blend of leading companies in leading industries in the U.S. economy; index comprised of 10 broad industrial sectors.

Dow Jones U.S. Select REIT: The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

The ICE U.S. Treasury 1-3 Year Bond Index is a market value weighted index designed to measure the performance of U.S. dollar-denominated, fixed rate U.S. Treasury securities with minimum term to maturity greater than one year and less than or equal to three years.

Markit iBoxx USD Liquid High Yield Index consists of liquid USD high yield bonds, selected to provide a balanced representation of the broad USD high yield corporate bond universe.

The FTSE Developed All Cap ex U.S. Index is part of a range of indices designed to benchmark international investments. The index comprises large, mid and small cap stocks from developed markets excluding the U.S.

The FTSE Emerging Markets All Cap China A Inclusion Index is a market-capitalization weighted index representing the performance of large, mid and small cap stocks in Emerging markets. The index is comprised of approximately 3350 securities from 21 countries.

Moody's Baa Corporate Bond Index—An index comprised of industrial bonds rated Baa by Moody's with a minimum maturity of 20 years.

Consumer Price Index—A measure of the average change in prices over time for a basket of consumer goods.

Asset Allocation—Asset allocation does not ensure a profit or protect against loss.

International and Emerging Markets Investing—There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Bonds and High Yield Bonds—When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High yield bonds have greater credit risk than higher quality bonds.

Commodities and Futures—The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Real Estate—When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Opportunity Disclosure: The Washington Crossing Advisors, LLC Stifel Conquest and Dynamic Strategies Portfolios require a $25,000 and $50,000 minimum investment, respectively. Strategies in the Stifel Opportunity Program are proprietary products developed by Stifel. More information on the Opportunity Program is included in the Stifel Consulting Services Disclosure Brochure and Part II of the Manager's Form ADV, which may be obtained from your Financial Advisor and which further outlines the fees, services, exclusions, and disclosures associated with this program. The information contained herein is believed to be reliable and representative of the portfolios available through Stifel; however, the accuracy of this information cannot be guaranteed. Investors should consider all terms and conditions before deciding whether the Opportunity Program is appropriate for their needs.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Past performance does not guarantee future results. This commentary often expresses opinions about the direction of market, investment sector and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete.

All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager. Equity investments are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Fixed Income investments are subject to market, market liquidity, issuer, investment style, interest rate, credit quality, and call risks, among other factors to varying degrees.

Any projections, targets, or estimates in this report are forward looking statements and are based on WCA's research, analysis, and assumptions made by the Adviser. Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and suitability specifications. All expressions of opinions are subject to change without notice. Clients should seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed in this commentary.

Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

ABOUT WASHINGTON CROSSING ADVISORS | Washington Crossing Advisors ("WCA") a wholly owned subsidiary of Stifel Financial Corp. (NYSE-SF). The WCA team has been helping individual and institutional investors build wealth for over 25 years.

18 Columbia Turnpike • Florham Park, New Jersey 07932-2289 • (800) 342-2325 • www.washingtoncrossingadvisors.com