VIEWPOINT2025

PORTFOLIO ASSUMPTIONS

WASHINGTON CROSSING ADVISORS

Washington Crossing Advisors, LLC (“WCA”) is an SEC registered investment adviser and wholly owned subsidiary of Stifel Financial Corp. WCA helps supervise and manage over $10 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*.

WCA’s Approach to Tactical Asset Allocation

Tactical Asset Allocation (TAA) is a disciplined strategy that exploits market inefficiencies while respecting long-term fundamentals. Using ETFs, TAA dynamically adjusts portfolios to balance short-term opportunities with long-term rationality.

We adopt TAA because the shortcomings of passive allocation—such as blind exposure to risks, market inefficiencies, and inability to adapt to changing conditions—pose significant risks to investors. TAA addresses these flaws by allowing us to navigate market dynamics, manage risk, and align portfolios with evolving opportunities and investor needs.

TAA is built on four core principles. First, market prices determine returns through yield, growth, and valuation changes. Second, relative returns reflect perceived risks, guiding allocation toward assets with higher risk-adjusted reward. Third, markets overshoot and trend in the short term, creating exploitable opportunities through momentum and valuation signals. Fourth, markets are rational and mean-reverting over time, enabling TAA to benefit from extreme deviations.

Our framework begins with a policy portfolio—a baseline allocation reflecting a blended benchmark of stocks, bonds, and other assets, selected based on risk tolerance. Market conditions are analyzed through top-down data trends, measures of asset class “richness” or “cheapness,” and observed relative price behavior. Tactical adjustments leverage trends and mean reversion, while ETFs ensure efficient diversification across asset classes. Regular rebalancing keeps the portfolio aligned with evolving conditions.

TAA is a strategy of rational adaptation. By addressing market inefficiencies and aligning with long-term fundamentals, it seeks to enhance returns and mitigate risks in a volatile, ever-changing world.

** As of September 30, 2024. Total Assets include Assets Under Management and Assets Under Advisement. 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 for which the firm provides a model portfolio and does not have trading authority over the assets.*

Executive Summary

The U.S. economy in 2024 showed remarkable resilience against inflation, rising interest rates, and global uncertainties. GDP expanded, consumer confidence stayed strong, and household wealth hit $155 trillion. This reflects America's economic strength, driven by innovation and industrial capacity, though vulnerabilities remain. Fiscal shifts in 2025 offer potential gains but will test the economy's ability to sustain momentum.

The S&P 500's rise highlights earnings growth and multiple expansion but reveals risks tied to the dominance of the "Magnificent 7." Concentration risks persist, even as diversification provides balance. With returns likely to moderate, strategic positioning will be critical to navigating the challenges ahead.

Fixed income has returned as a compelling option, offering real yields amid gradual rate normalization and stable credit conditions. Yet fiscal pressures and inflation risks could disrupt this stability. Disciplined flexibility and diversification are vital for mitigating these risks effectively. Success will depend on remaining realistic about returns and being willing to adapt as conditions change.

A Booming Economy Defies Naysayers

Let's set the record straight: the U.S. economy is still cooking as 2024 wraps up, again proving skeptics wrong. In a bigger context, this isn't just a run-of-the-mill economic expansion either — it's the longest and largest in modern history (table below). Fifteen years of growth and counting, barely interrupted by the two-month pandemic recession in 2020, the expansion is the longest in history. In terms of size, consider the following: Since 2009, GDP has more than doubled, exploding from $14 trillion to an astonishing $29.5 trillion today. Private-sector employment? It's up by a stout 28 million jobs, to 136 million. And household wealth? Try $160 trillion — over $100 trillion more than in 2009. Who says America isn't the land of opportunity?

And now? Our WCA Barometer (see page 6) confirms gathering momentum, with S&P 500 earnings projected to hit $270 in the coming year, a surprising 12% jump from last year's $240. Moreover, manufacturing is coming back. The Institute of Supply Management's "new orders" index just climbed into growth territory at 50.4, reversing months of contraction. An awakening manufacturing economy bolsters an already powerful services sector.

Another Year of Winning

All of this despite worries. Fiscal deficits? Rising interest rates? Geopolitical tensions? None of these economic challenges could slow the U.S. economic juggernaut. While Europe flounders and China huffs and puffs to stoke growth, America continues to lead in growth, innovation, and market performance.

The stock market? Yet again, U.S. equities are outperforming bonds and foreign stock markets. Unlike last year, when a handful of tech giants carried the market, 2024 saw broader participation. That's not to say the top 10 largest companies by market value lost their edge — they're still driving 16% of the S&P 500's 29% return through this writing — but 2024's rally was broader than 2023's.

Even bond markets are flashing signs of optimism. The term spread—the difference between 10-year and 3-month Treasury yields—has turned positive, signaling brighter prospects ahead. Corporate credit spreads remain tight, with Moody's Baa yield spreads over 10-year Treasuries near historic lows. Translation? Investors still have confidence in corporate America's resilience and earnings power.

Wealth = Fuel for Spending

America's consumers are doing what they do best—spending. And why not? Household wealth has skyrocketed to $155 trillion, up $100 trillion since 2009 and up $45 trillion in

WHAT A DIFFERENCE FIFTEEN YEARS MAKES

Change from Financial Crisis Recession End (Second Quarter, 2009)

Indicator	2009	2024	% Change	Annualized % Change
U.S. Economy (Gross Domestic Product, $ Trillions, Nominal Value)	$14.5	$29.5	103%	4.7%
U.S. Stock Market Total Value ($ Trillions)	$10.9	$64.0	487%	12.2%
U.S. Corporate Earnings (S&P 500 Forecasted Earnings Per Share)	$67	$270	303%	9.5%
U.S. Corporate Earnings (S&P 500 Forecasted Earnings, $ Billions)	$608	$2,389	293%	9.3%
U.S. Household Wealth (Aggregate Net Worth, $ Trillions)	$56.00	$160.00	186%	7.0%
U.S. Population (Millions of Persons)	307	334	9%	0.5%
U.S. Private Sector Employment (Millions of Persons)	108	136	26%	1.5%
U.S. Household Income ($ Trillions, Nominal)	$10.90	$21.90	101%	4.6%
U.S. Household Spending ($ Trillions, Nominal)	$9.8	$20.0	104%	4.7%
U.S. Real Weekly Wages (1982-1984 Dollars)	$347.37	$385.99	11%	0.7%
U.S. Nominal Weekly Wages (Current Dollars)	$746.12	$1,221.42	64%	3.2%

Source: Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Federal Reserve

the past four years alone. That $45 trillion in new wealth is an increase larger than twice China's GDP.

But this isn't just about swelling balance sheets. Incomes are rising, too. Americans are earning 5% more than last year (2.7% after inflation), and job changers are cashing in with an average 8% boost in pay (5.7% after inflation). Unemployment is holding steady at a near-record low of 4.2%, ensuring the strength of consumer spending, which fuels nearly 70% of our GDP. All this investing, working, and earning does wonders for growth.

Policy That Packs a Punch

Let's not forget the policy drivers behind this boom. The Federal Reserve (Fed) finally began easing this year, cutting short-term rates to 4.75% from 5.5%. While inflation remains above the Fed's 2% target, the central bank believes inflation will eventually cool and sees short-term rates at 3.5% by the end of next year. The market is not as convinced and expects the rates to decline to just under 4% by next December.

Then there's the Trump administration, back in action after the 2024 election. President-elect Trump's focus on tax cuts and regulatory reform is set to reshape the economic landscape. If enacted, such measures could supercharge investment and spending, despite what critics will say about deficits. As for tariffs and borrowing costs? They're risks to watch, but for now, they haven't slowed the winning streak.

The Weight of High Prices and Rates

Of course, not everything is sunshine and roses. Higher interest rates and high prices continue to cast a long shadow over parts of the economy. Mortgage rates over 7% and high prices have put homeownership out of reach for many, a prime example of such pain. With home prices nearly doubling in the past decade, the dream of owning a home has become a nightmare for some. Many feel left behind, inviting frustration and doubt.

Businesses aren't immune from struggle, either. Smaller, heavily indebted companies in cyclical industries are feeling the squeeze as rising interest costs eat into margins. This isn't just a problem for a few unlucky firms — many smaller firms face strain across a wide swath of industries. Historically, the full impact of rate hikes takes 12 to 18 months to hit, so tight monetary policy may still have more bite left.

For now, the stock market seems unfazed. But let's not pretend the Fed's tightening cycle won't leave a mark. The ripple effects of elevated rates could lead to choppy markets in the months ahead, especially if inflation does not behave as planned.

The Broader Picture

Despite these challenges, the U.S. economic engine keeps humming. Innovation, strong spending, and a revival in manufacturing create a narrative of continued growth. The International Monetary Fund (IMF) projects global GDP to grow just over 3% annually through 2025-26. By 2029, the global economy is expected to add $35 trillion in new output — equivalent to the combined economies of the U.S. and Japan today. America, with its leadership in innovation (AI) and access to capital, is well-positioned to lead this next wave of growth.

The breadth of the stock market rally is another encouraging sign. Unlike 2023, when a few tech behemoths dominated, 2024 has seen gains across more sectors. This broader participation reduces concentration risk and strengthens the foundation of the current expansion.

America's Leadership on the Global Stage

While America thrives, its peers stumble. Europe remains bogged down by political instability, energy woes, and the fallout from the Russia-Ukraine war. According to IMF forecasts, growth across the EU is stuck below 2%. Meanwhile, China faces its challenges — mounting debt, bureaucratic inefficiency, and structural imbalances that make its once-mighty economy look increasingly fragile. In this context, America's dominance in innovation, capital markets, and economic stability is even more impressive. The U.S. economy is not just surviving; it's leading the way.

Conclusion: The Year of American Resilience

As 2024 draws to a close, the U.S. economy stands tall. Rising earnings, a booming labor market, and robust consumer spending set a strong foundation for 2025. Risks remain — higher rates, fiscal deficits, and geopolitical tensions could still disrupt the outlook — but U.S. economic fundamentals are rock solid.

Our WCA Barometer (page 6) reflects growing optimism, prompting an overweight position in equities as we head into the new year. That said, we're not throwing caution to the wind. Flexible and diversified portfolios remain essential to navigating the twists and turns of the ever-changing landscape.

For now, the market's message is unmistakable: Contrary to popular opinion, the U.S. economy isn't just surviving — it's thriving. And the world is watching.

Portfolio Strategy

We enter 2025 with a slight overweight to stocks over bonds as improving data trends lead to greater tactical equity exposure. From a longer-term perspective, we expect lower returns from stocks. However, we are pleased to see bonds offering higher yields. Those yields now exceed the inflation rate, providing bond investors with a positive expected real return.

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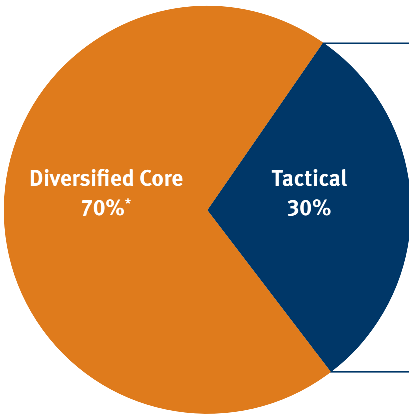
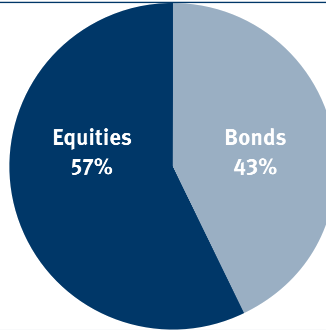
PORTFOLIO STRUCTURE

DIVERSIFIED CORE
Longer-Term Focus



SATELLITE
Shorter-Term Focus



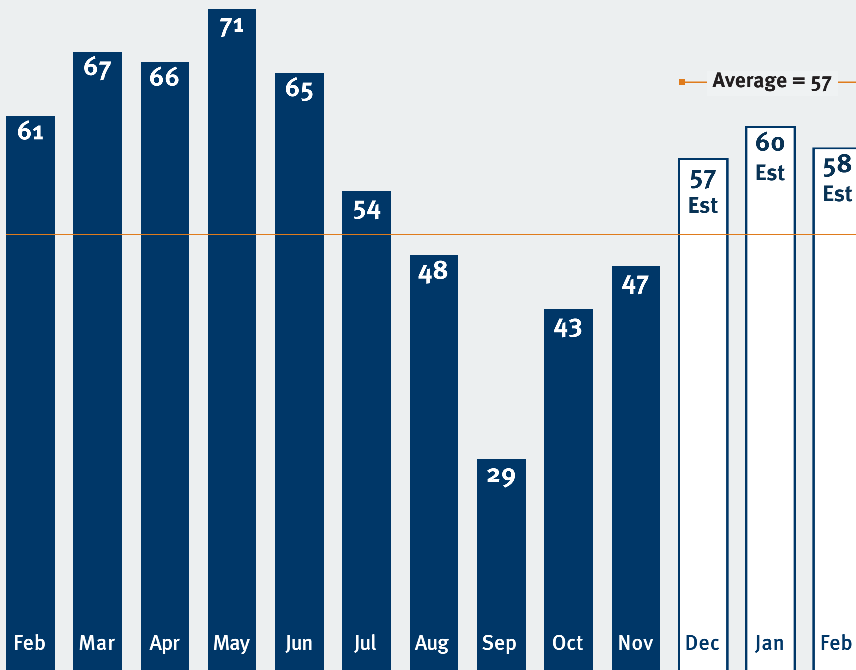
COMBINING LONGER- AND SHORTER-TERM PERSPECTIVES IN ONE ACCOUNT

We think of portfolios as having two parts. At the "core" of the portfolio is a diversified equity and diversified bond allocation. The forecasts, valuations, and trends on page 7 guide these allocations. Because these factors are longer term, changes in the core tend to be slower than the satellite, reducing 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: SHORTER-TERM FOCUS

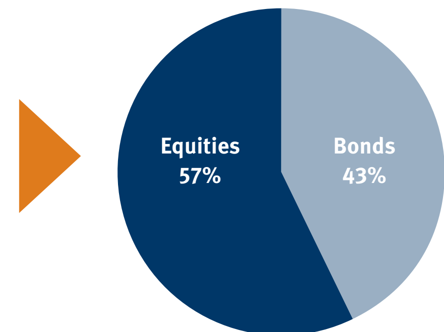
WCA FUNDAMENTAL CONDITIONS BAROMETER
—Below 50: Heightened Risk of Recession



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
Shorter-Term Tactical

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



As of December 31, 2024.
* Including stocks, bonds, and other assets.

ASSET CLASS	10-YEAR VIEW RETURN	RISK	RETURN/RISK	TACTICAL POSITION
BOND ASSUMPTIONS				
Core Bonds	3.4%	5.0%	0.7	UNDERWEIGHT
1-3 Year Treasury Bond	3.3%	1.5%	2.2	NEUTRAL
Mortgage-Backed Securities	3.3%	4.9%	0.7	OVERWEIGHT
Intermediate Government/Credit	3.4%	3.3%	1.0	UNDERWEIGHT
20+ Year Treasury Bond	3.9%	13.7%	0.3	UNDERWEIGHT
Investment-Grade Corporate Bonds	3.6%	8.2%	0.4	OVERWEIGHT
High-Yield Corporate Bonds	3.6%	7.5%	0.5	UNDERWEIGHT
EQUITY ASSUMPTIONS				
Equity	4.2%	15.7%	0.3	OVERWEIGHT
Domestic Large Cap Value	4.0%	15.5%	0.3	OVERWEIGHT
Domestic Large Cap Growth	4.5%	17.1%	0.3	OVERWEIGHT
Foreign Developed Equity Markets	4.2%	15.3%	0.3	UNDERWEIGHT
Foreign Emerging Equity Markets	3.6%	16.7%	0.2	OVERWEIGHT
Gold	3.2%	13.9%	0.2	OVERWEIGHT
REITs	3.7%	17.5%	0.2	OVERWEIGHT

As of December 31, 2024. Past performance does not guarantee future results.

Core Satellite

CORE POSITIONING: DECISION TREE	
EQUITY vs. FIXED	**Small equity overweight on improving WCA Barometer (page 6)**
FOREIGN vs. DOMESTIC	**Overweight domestic on better growth and momentum**
EMERGING vs. DEVELOPED	**Overweight EM on improving relative price performance**
GROWTH vs. VALUE	**Equal overweight to growth / value (due to domestic preference)**
CREDIT vs. SOVEREIGN	**Overweight high-grade corporate bonds**
SHORT vs. LONG DURATION	**Slightly shorter than benchmark duration at start of 2025**
NON-CORRELATED ASSETS	**Overweight gold and real estate vs. high-yield corporate bonds**

These views are provided by Washington Crossing Advisors, LLC (WCA). 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. Risk 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, WCA 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. Opinions are subject to change without notice.

Equity Market Outlook

Equity markets outperformed expectations in 2024, with the S&P 500 gaining over 30%,* driven by a 19% expansion in multiples and 12% earnings growth. Profit margins remained at a record 13.5%, defying expectations of reversion. While the "Magnificent 7" dominated performance, broader market participation improved throughout the year. Elevated valuations raise concerns, but diversification strategies, including equal-weighted allocations, address risks. Future returns are expected to moderate, yet disciplined positioning remains key as equities benefit from favorable fundamentals and modest economic growth in 2025.

**As of this writing on December 13, 2024.*

Exceeding Expectations

The U.S. equity market shattered expectations in 2024. As of this writing, the S&P 500 sits near 6,100, up from 4,600 a year ago — a gain of over 30%.* This surge was fueled by a 19% increase in the price-to-earnings (P/E) multiple and a 12% rise in forecasted operating profits from $241 to $270 per share. These gains testify to robust investor confidence and corporate strength, even amid persistent economic headwinds.

Profit Resilience

Profit margins remained at 13.5%, matching last year's records (chart below right). This defied expectations, as rising labor and input costs were expected to force a reversion. Companies navigated these pressures using pricing power and efficiency to sustain profitability. While margins are unlikely to stay this elevated, their persistence highlights the strength and scale of America's leading firms.

Valuation Concerns Persist

The 2024 rally brought valuations to precarious levels. A forward P/E multiple of 22.5x is above our target long-run multiple of 18x (chart below left). While optimism around growth, profitability, and risk premiums explains part of this, the multiple is vulnerable to any adverse shifts in macroeconomic conditions. A reversion to normalized valuations is likely and could create significant challenges for equity markets.

Market Concentration

The emergence of multi-trillion dollar-valued U.S. firms skews returns in major stock indices. The "Magnificent 7" now account for $18 trillion in market capitalization—almost a third of the S&P 500's total—and 22% of its operating cash flow. Their dominance poses undeniable risks to diversification. To mitigate this, we've added equal-weight index allocations to our satellite portfolios and remain vigilant in monitoring relative performance across sectors to ensure a balanced approach.

WCA Positioning and 2024 Performance

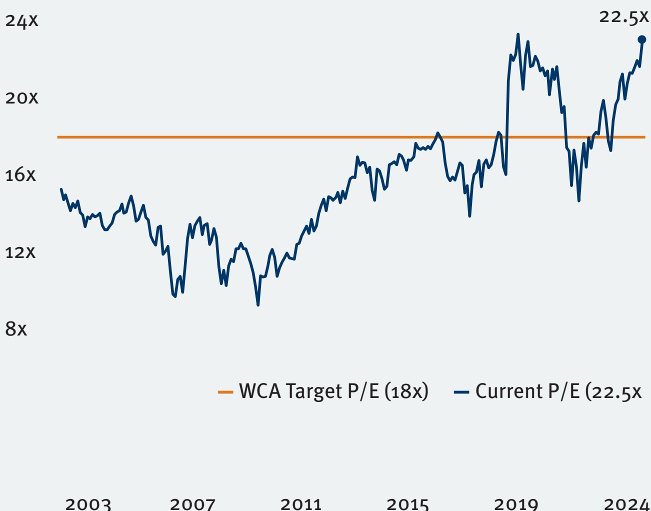
Our WCA Barometer led us to overweight equities for much of 2024. After a pullback in early fall, we temporarily shifted to underweight. By year-end, improving data and broadening market participation allowed us to return to a slight equity overweight, demonstrating the tactical flexibility necessary in uncertain conditions.

Future Return Expectations

Looking ahead, the outlook for equity returns is modest (chart next page). Elevated starting valuations and potential margin compression suggest mid-single-digit returns over the long run (charts, below). However, this aligns with historical trends for periods of high valuations and modest economic growth, supported by dividends and share repurchases.

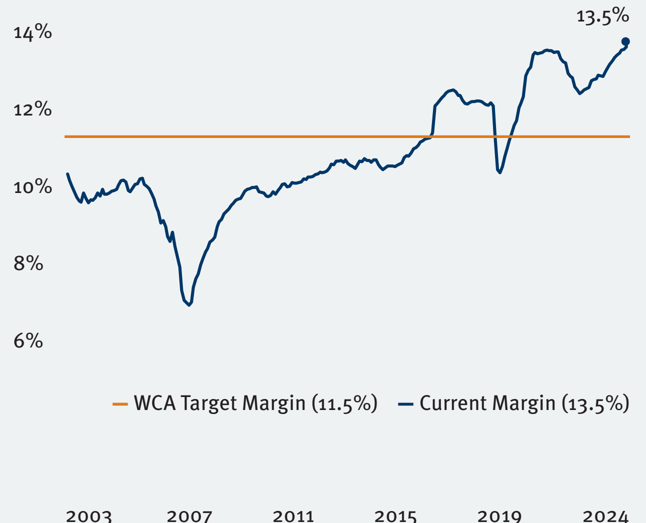
S&P 500 FORWARD 12-MONTH P/E RATIO

Source: Bloomberg, WCA



S&P 500 FORWARD 12-MONTH PROFIT MARGIN

Source: Bloomberg, WCA



Comparisons to the Late 1990s

Some compare today's equity market to the late 1990s. Superficially, the parallels are clear—narrow leadership and elevated valuations. But the comparison is flawed. Unlike the speculative excesses of the dot-com era, today's leading firms are fundamentally strong, with substantial profitability and real economic impact. Still, concentration risks are real and require close monitoring.

Conclusion

The U.S. equity market's remarkable performance in 2024 underscores its strength but also its fragility. Elevated valuations and concentrated leadership cannot be ignored, yet opportunities remain for disciplined investors. By combining diversification with tactical adjustments, we believe we are well-positioned to navigate what comes next.

Rules of the Game for Tactical Positioning

Our equity portfolio centers on a "policy portfolio" that reflects neutral weightings relative to the benchmark. Tactical tilts are applied based on two criteria: relative valuation extremes, where we underweight expensive assets and overweight undervalued ones; and relative price momentum, favoring assets with positive momentum and reducing exposure to those with negative momentum. This disciplined framework aligns adjustments with valuation metrics and market trends while ensuring diversification.

Current Positioning and Tactical Tilts

As 2024 concludes, our equity portfolio remains overweight stocks versus bonds, reflecting confidence in corporate earnings and economic resilience. Domestically, we hold equivalent overweight tilts to large-cap growth and value, driven by their strong performance and a resilient U.S. dollar.

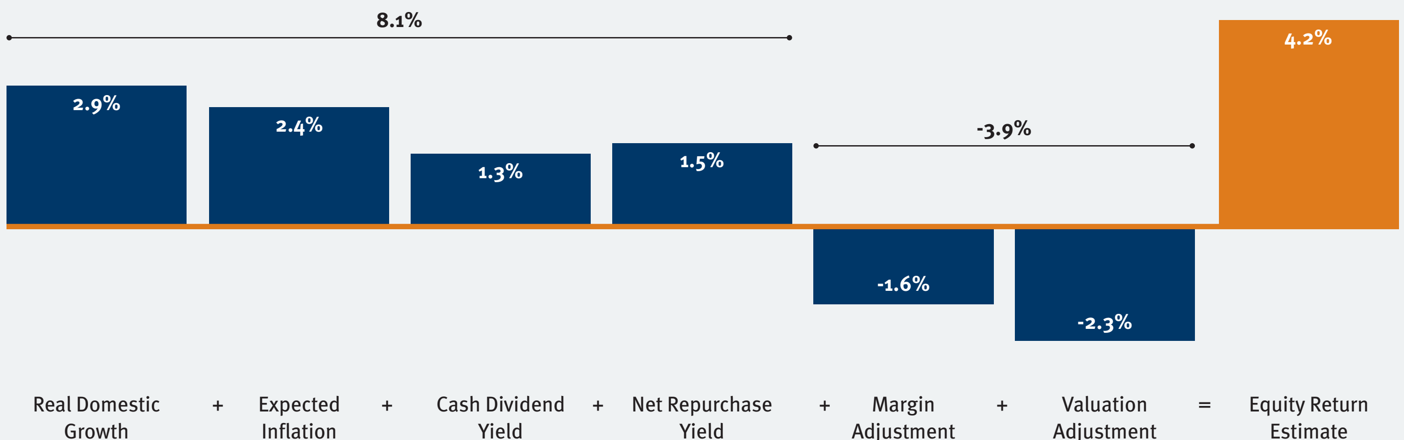
Internationally, we are significantly underweight foreign developed markets, not due to valuations—still attractive—but because of weak relative performance, declining earnings, and a softening Euro. In contrast, we have introduced a small overweight to foreign emerging markets, which are gaining momentum after earlier underperformance.

Contrasts with Last Year's Positioning

Our 2024 approach marks key shifts from 2023. Last year, we underweighted foreign markets entirely, whereas this year, emerging markets received a small overweight. In 2023, we favored domestic large-cap growth over value, but 2024 has seen a balanced allocation between the two. While concentration risks from the "Magnificent 7" persist, their continued strong performance supports a domestic equity overweight, complemented by equal-weight allocations in satellite portfolios.

*As of this writing on December 13, 2024.

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



Source: Washington Crossing Advisors, LLC. Assumptions are estimates based on historic performance of the above factors looking back the previous 15 years 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. Margin and valuation adjustments assume normalization measured as annualized log return differentials over our forecast horizon.

Fixed Income Outlook

Fixed-income markets in 2024 marked a turning point, offering higher real yields and renewed appeal for investors. Short-term rates near 4.25% and long-term rates around 4.4% provide viable income-generating options. While inflation progress stalled in late 2024, the Fed projects gradual rate cuts, with short-term rates targeting 3% over time. Global yield differentials cap long-term rate increases, though fiscal deficits and credit refinancing pressures present challenges. Corporate credit remains stable, though spreads may widen slightly. Overall, fixed income offers attractive opportunities for diversified portfolios in 2025.

A Constructive Shift

In 2024, fixed-income markets emerged as an attractive opportunity for investors after years of ultra-low rates. Higher yields now enable diversified portfolios to generate meaningful income. Stability at the Federal Reserve and steady monetary policy have provided consistency, but the inflation battle is far from over. Core inflation, which showed progress earlier in the year, ticked up in the fall, signaling a tougher road to the Fed's 2% target.

The Inflation Story

Inflation will dictate the trajectory of rates. While the Fed projects over 100 basis points of cuts in 2025, Core inflation's recent uptick suggests restrictive policies could persist longer. Today's 4.25% short-term rate may eventually ease toward 3%, but any normalization will hinge on sustained inflation progress.

Real Yields Are Back

Real yields are back, marking a significant shift. Bonds and cash now offer returns above inflation, with short-term Treasury rates at 4.25% and long-term rates near 4.4%. This shift benefits savers and retirees while creating new options for diversified portfolios.

Global and Domestic Dynamics

Long-term rates face competing forces. Rising deficits and sticky inflation push them higher, while global factors, including developed nations' 2.5% average sovereign yields, cap their rise. These yield differentials attract international buyers to U.S. Treasuries, supporting bond values. As our base case forecast, we expect 10-year Treasury yields to settle between 4.5% and 5% in 2025.

Corporate Credit: Stability with Risks

Corporate bonds thrived in 2024, bolstered by a low default rate that Moody's projects to fall further in 2025. However, credit spreads are already near historic lows, leaving little room for tightening. Refinancing pressures as cheap debt matures could push spreads wider, particularly for weaker issuers.

Looking Forward

In 2025, short-term Treasury rates are expected to drop to 3.25%-3.75%, while long-term rates rise slightly to 4.75%-5.00%. Baa spreads should remain between 150 and 200 basis points over 10-year Treasuries. These trends reflect fiscal pressures, inflation risks, and global market dynamics.

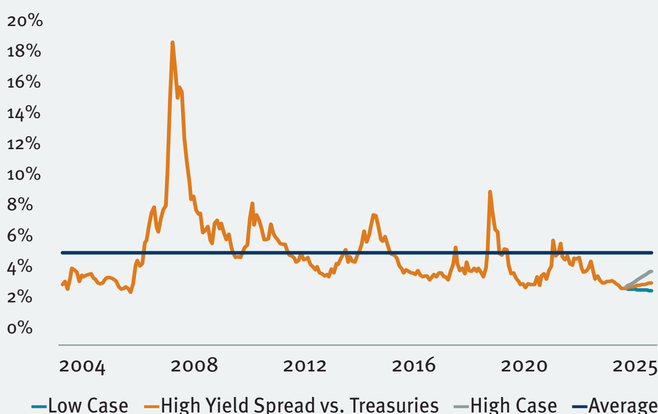
Conclusion

Fixed income has regained its role as a critical portfolio component. With real yields and stable credit conditions, bonds and cash now offer compelling opportunities. Investors can capitalize on fixed income's better yields in 2025 by focusing on quality and actively managing duration.

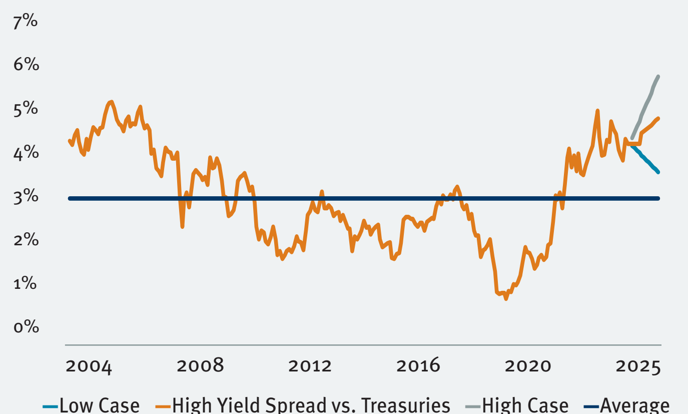
Current Fixed Income Tilts

The portfolio emphasizes overweights to mortgage-backed bonds and investment-grade corporate bonds, reflecting their attractive yields and relative stability. We remain underweight intermediate government/credit, long-term Treasuries, and high-yield corporate bonds, as small spreads in high-yield corporates offer poor compensation for any potential worsening of credit. The environment for multiasset allocation has improved given the return of non-0 bond yields and a low-2-negative correlation between stocks and bonds.

U.S. CORPORATE HIGH YIELD SPREAD VS. TREASURIES (OAS)
Source: Bloomberg, WCA



U.S. 10YR. TREASURY YIELD
Source: Bloomberg, WCA



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.

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.

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.

Diversification—Diversification does not ensure a profit or protect against loss.

Dividends—Changes in market conditions or a company's financial condition may impact a company's ability to continue to pay dividends, and companies may also choose to discontinue dividend payments.

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.

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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.

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.

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