QUARTERLY 3Q19

TACTICAL ASSET ALLOCATION

The past few months have seen a marked decline in market volatility. Corporate earnings are holding steady and bond yields have declined, allowing stock values to recover from last fall’s rout. However, concerns about trade, capital investment, and global growth remain and are opening the door for central banks to ease. Our read of a broad range of data is better than six months ago, with domestic conditions winning out over foreign. Therefore, we maintain tactical tilts toward domestic over foreign, value over growth, and developed over emerging. Near-term trends in our WCA Fundamental Conditions Barometer lead us to maintain a small tilt toward equities over bonds.

Steady as She Goes

From October 3 through December 24, the S&P 500 declined by roughly 20%. The drivers behind the decline were two things, in our view. First was concern that central banks would raise interest rates too much, snuffing out growth. The second was mounting fear that a global trade war was about to unfold. Markets, sensing uncertainty everywhere, became risk averse and stock prices tumbled.

Short-Rates to Drop

Two very important events occurred since then. Central banks, led by the Federal Reserve, gave in to market pressure and gave up on rate hikes. More recently, the tone has shifted to the need for rate cuts. Most market watchers now expect anywhere from one to three rate cuts by year-end. Our best estimate is closer to one or two rate cuts, similar to the small cuts enacted by Alan Greenspan in the mid-to-late 1990s. Only time will tell, of course, as incoming data will shape what the central bank ends up doing. The lower short rate causes us to trim by 0.25% our long-run return assumption for short-term Treasuries.

Global Bond Yields Slide

Further along the curve, we saw a large decline in Treasury bond yields throughout the year. The 10-year Treasury, which began the year yielding 2.7%, now yields near 2%. The plunge in U.S. Treasury yields follows even larger and more dramatic falls in foreign bond yields. According to the World Bank, roughly 25% of the world's government debt now carries yields below 0%. The U.S. Treasury bond, at a 2% yield, appears on the face of it, a relative bargain compared to Europe and Japan. German 10-year yields are at -0.4%; France is at -0.5%; and Switzerland is -0.7%.

Some have argued that the fall in long-term U.S. bond yields to below short-term rates is an ominous sign. In the past, when long-term yields fall below short-term yields, recessions often, but not always, tended to follow. We will need further corroborating evidence of a slowdown before pulling the recessionary alarm bell. At the same time, we must acknowledge the potential recessionary message the bond market is sending.

We will continue to look for confirming signs of slowdown elsewhere, and will not hesitate to make tactical adjustments as dictated by our investment process.

Stronger equity market returns and higher relative yields in the United States seem to reflect a market which is pricing in a better growth outlook for the domestic economy...

The sharp fall in long-term bond yields is forcing us to cut our long-run return expectation for bonds. Our long-run return forecast for 20+ year U.S. Treasury bonds falls to 2% from 2.5% at the start of the quarter given today's lower starting yields. Similarly, our long-run capital market expectation for U.S. investment grade corporate bonds falls to 2.5% from 2.8%. Risk premia across the fixed income spectrum remain compressed.

Equities Power Higher

The roughly 20% decline in the stock market last fall is now reversed. For the first half, the S&P 500 (which tracks large, domestic stocks) rose by 17%. By contrast, the MSCI EAFE index (which tracks global stocks excluding North America) is up 12%. Emerging market shares, tracked by the MSCI Emerging Markets index, is up 10%.

Stronger equity market returns and higher relative yields in the United States seem to reflect a market which is pricing in a better growth outlook for the domestic economy compared with other places around the world.

Cash returns from stocks are also strong. According to Yardeni Research, S&P 500 companies paid $469 billion and $823 billion in dividends and buybacks, respectively, over the last four quarters. The combined cash return of nearly $1.3 trillion in dividends and buybacks equates to roughly a 5.4% "yield" relative to the $24 trillion value of the S&P 500.

Fundamental Driver

Earnings remain the key driver of stock prices, in our view. In turn, those earnings are generally driven by the size of the economy as measured by gross domestic product. From 2003 to 2018, trendline nominal growth measured about 5% per year. We are not surprised, therefore, that the value of global stocks trended higher by a slightly higher 5-6% pace. The slightly higher trajectory for the stock market is likely attributable to a rise in profits as a share of the global economy and/or a fall in interest rates. Either way, it is clear that a solid connection can be found linking long-run economic growth to growth in profits to growth in share values.

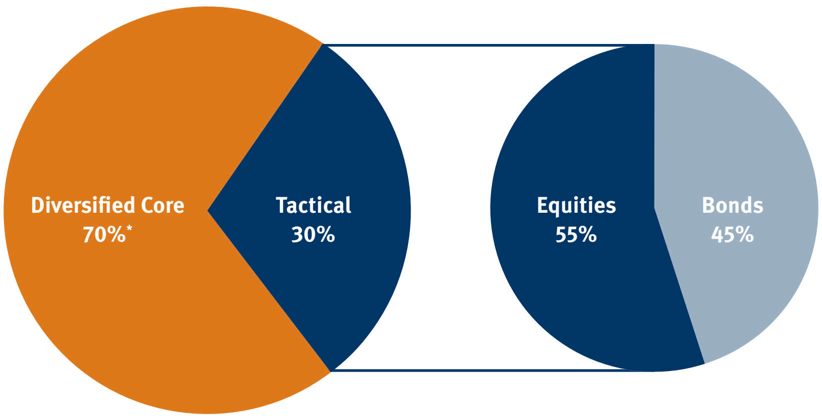
Conclusion

As we move into summer, trends in the data seem to be more positive than at the start of the year. While we still see some signs of weakness in global growth and manufacturing, some of this may fade given some cooling in trade tensions. While troubles with trade or Brexit or geopolitics could once again re-emerge, our read of incoming data suggests it is steady-as-she goes for now.

PORTFOLIO STRUCTURE

DIVERSIFIED CORE: Long-Term Focus

SATELLITE: Short-Term Focus



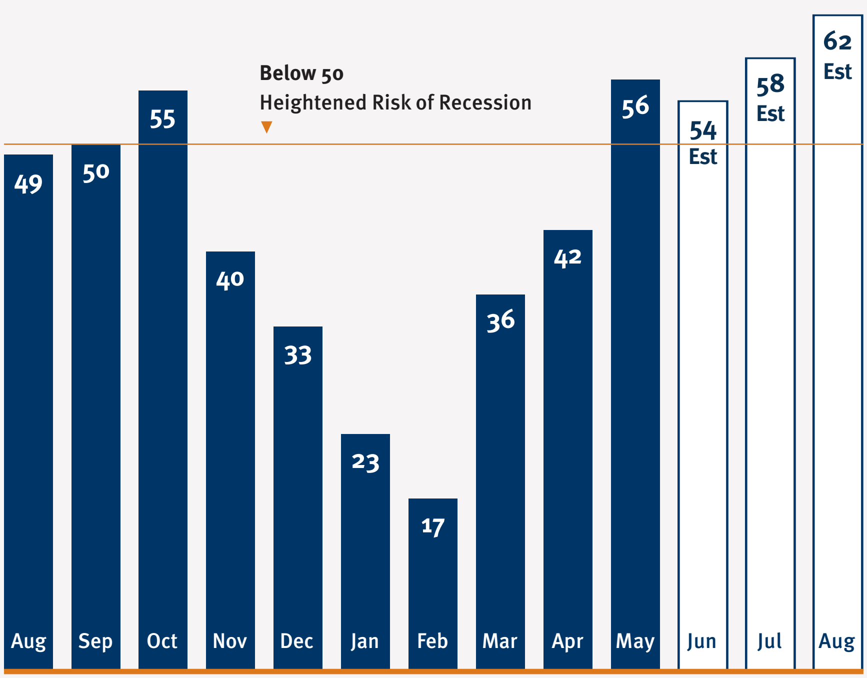
COMBINING LONG- AND SHORT-TERM PERSPECTIVES IN ONE ACCOUNT

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 capital market assumptions on page 4 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

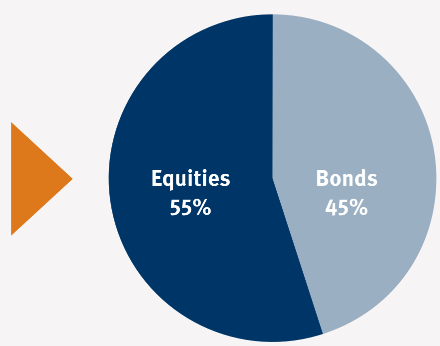
WCA FUNDAMENTAL CONDITIONS BAROMETER



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. As of June 30, 2019.

SATELLITE
Short-Term Focus

Asset allocation is tilted slightly in favor of equities over bonds, given a sharp improvement in our barometer during the first quarter. This view is supported by the WCA Fundamental Conditions Barometer, which has risen to just above 50 (see chart left).



As of June 30, 2019.

ASSET CLASS	10-YEAR VIEW RETURN	VOLATILITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
BOND ASSUMPTIONS					
Core Bonds	2.4%	2.9%			
1-3 Year Treasury Bond	2.5%	0.9%			
Mortgage-Backed Securities	2.4%	2.2%			
Intermediate Government/Credit	2.5%	2.3%			
20+ Year Treasury Bond	2.0%	12.1%			
Investment-Grade Corporate Bonds	2.5%	5.0%			
High-Yield Corporate Bonds	3.9%	6.7%			
EQUITY ASSUMPTIONS					
Equity	5.9%	13.1%			
Domestic Large Cap Value	5.7%	13.0%			
Domestic Large Cap Growth	5.8%	13.3%			
Foreign Developed Equity Markets	5.5%	14.8%			
Foreign Emerging Equity Markets	5.5%	17.1%			
Gold	3.2%	16.5%			
REITs	6.0%	15.5%			

As of June 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.** We reduced duration due to the recent fall in long-term Treasury yields and higher readings from our barometer.

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.

About 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 $2 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.

Description of Indices and Terms 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.

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.

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.

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.

Score 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 Score Program are proprietary products developed by Stifel. More information on the Score 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 Score Program is appropriate for their needs.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index is a value-weighted average that seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas. The index is a composite of single-family home price indices for the nine U.S. Census divisions.

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.

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