QUARTERLY 3Q21

TACTICAL ASSET ALLOCATION

- U.S. Leads the Way
- Policy Supports Remain Despite Rebound
- Foreign Economies Lag Recovery
- Rates Move to New Lower Ground
- Tactical Focus: Domestic and High Quality

As the economy reopens, we believe growth is set to surge. The United States is well along the path on vaccination, which is unleashing months of pent-up demand. Meanwhile, other parts of the world are lagging in vaccinations and confronted with potential challenges, including a stronger dollar. Given continued signs of progress and growth in the United States, we refocus tactically around domestic and high-quality assets. We also maintain a tactical overweight to equity over bonds, given incoming data as we enter the third quarter.

Ready... Set... Go!

The United States is revving up its engines as vaccination rates surge (chart, top-right). At nearly 50% of the population vaccinated, the United States is leading the world on this front. As a result, the economy is gathering steam, Americans are spending more, and businesses are finally open. Manufacturers are also forecasting very sturdy demand for goods in the months ahead. As pent-up demand, high savings, and surging wealth feed a wave of post-shutdown growth, the nation's GDP growth rate hovers near a stout 10%.

It must be remembered that the government's stimulus throttle still remains wide open, further fueling the pickup. The Federal Reserve (Fed) is extraordinarily accommodative, holding interest rates far below normal while buying billions of assets simultaneously. Low rates encourage borrowing, while asset purchases help expand the money supply. Meanwhile, Congress remains committed to increasing spending, likely keeping deficit spending high.

Out in Front

The United States growth rate is also well out in front of the rest of the world (chart, middle-right). As you can see, the United States has remained a steady grower in recent years. By contrast, the rest of the world has struggled to generate growth recently, after achieving eye-popping growth from 2005-2015.

With this in mind, other parts of the world have added substantial debt, are slower to vaccinate, are suffering lost income, and remain vulnerable to periodic crises. For example, emerging economies increased borrowing by 160% in the last decade, made worse by a 20% loss of real income during the pandemic. A rising dollar and rapid credit growth also present new challenges for some foreign economies. China, for example, is now tightening lending to rein in rapid credit growth. Thus, risks for emerging economies appear to be rising relative to developed foreign economies and the United States.

Rates Stuck in Low Gear

With years of rate-cutting behind us, the world faces extremely low interest rates. Yield-hungry investors are hard pressed to meet income needs from traditional yield sources. Sovereign, corporate, and real-estate (REIT) yields are all at cycle lows (chart, bottom-right).

These undersized yields are also helping to lift the present value of stock dividends. We estimate that stocks now trade with a multiple of cyclically-adjusted earnings near 37 times. This compares to a ten-year average multiple of 26 times. The combination of low bond yields and high starting stock valuations translates into lower long-run expected portfolio returns.

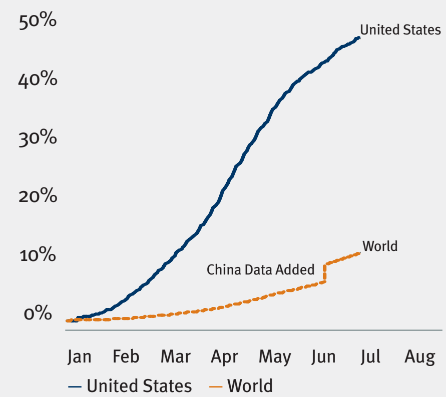
Positioning

We continue to see positive momentum in the economic data. This gives us reason to stay overweight stocks versus bonds and underweight bond duration at the moment. A brightening economy also helps improve the creditworthiness of corporations, making high-grade corporate bond investments more attractive than before. Yet, poor yields for lower-quality corporate bonds and a forecast of higher risk/lower growth in foreign markets lead us to underweight these assets.

As we head into the third quarter, we refocus on steadier and more robust growth in the United States economy and higher quality credits.

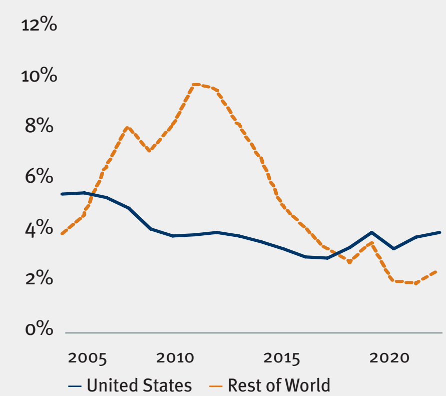
POPULATION FULLY VACCINATED AGAINST COVID-19

Source: Mathieu E. Ritchie,H. Ortiz-Ospina, E.etal. A global database of COVID-19 vaccinations. NatHum Behav (2021)



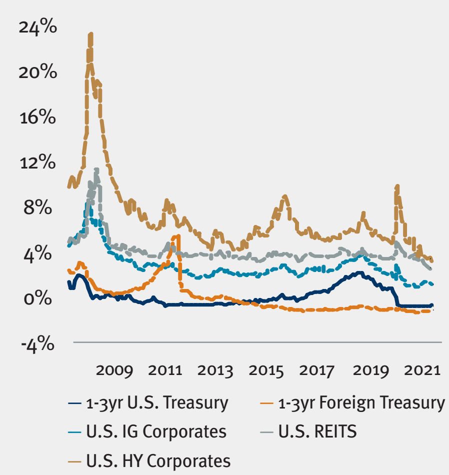
U.S. VERSUS REST OF WORLD GROWTH

Source: IMF, WCA



A WORLD OF CYCLE-LOW YIELDS

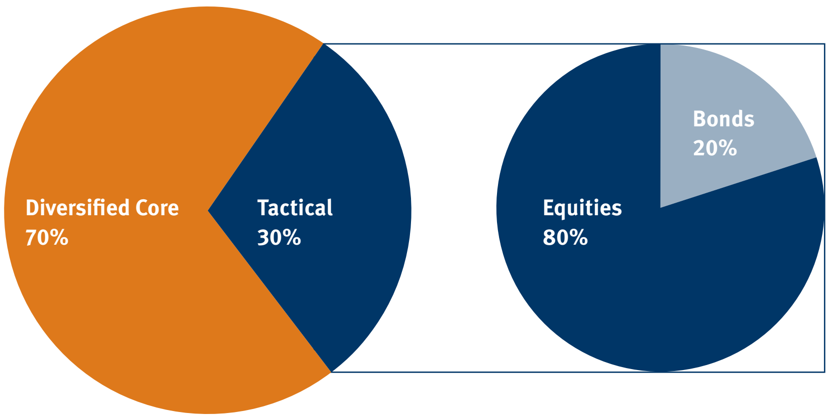
Source: Bloomberg



PORTFOLIO STRUCTURE

DIVERSIFIED CORE
Longer-Term Focus

SATELLITE
Shorter-Term Focus



COMBINING LONGER- AND SHORTER-TERM PERSPECTIVES IN ONE ACCOUNT

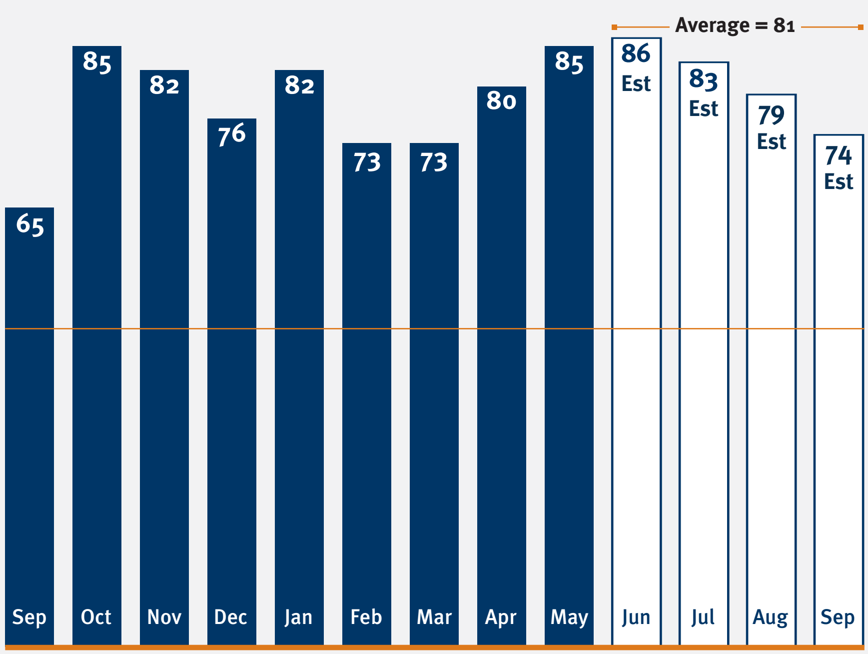
We think of portfolios as having two parts. At the “core” of the portfolio is a diversified equity and diversified bond allocation. The forecasts, valuations, and trends on page 4 guide these allocations. Because these factors are longer term, changes in the core tend to be slower than the satellite, 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

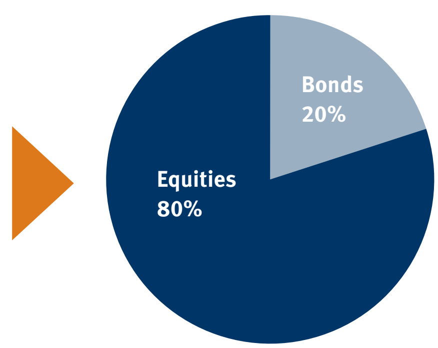
—**Below 50** = Heightened Risk of Recession



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 Focus

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



As of June 30, 2021

ASSET CLASS	RETURN	10-YEAR VIEW Y/Y CHANGE	VOLATILITY	WEIGHT vs. BENCHMARK UNDER	NEUTRAL	OVER	MOMENTUM
BOND ASSUMPTIONS							
Core Bonds	2.00	0.10	3.40	■			—
1-3 Year Treasury Bond	2.00	0.10	1.40		■		—
Mortgage-Backed Securities	2.40	0.10	2.50	■			—
Intermediate Government/Credit	2.10	0.00	2.90			■	↑
20+ Year Treasury Bond	1.20	0.70	12.30	■			—
Investment-Grade Corporate Bonds	2.30	-0.30	6.50			■	↑
High-Yield Corporate Bonds	4.50	-0.50	9.30	■			↓
EQUITY ASSUMPTIONS							
Equity	3.90	-2.10	15.40			■	—
Domestic Large Cap Value	5.40	-2.30	15.30			■	↑
Domestic Large Cap Growth	2.70	-1.90	17.10			■	↑
Foreign Developed Equity Markets	5.60	-1.00	16.70	■			↓
Foreign Emerging Equity Markets	6.40	-0.80	21.50	■			↓
Gold	2.30	0.00	16.70	■			↓
REITs	5.80	-1.80	19.90			■	↑

As of June 30, 2021. Past performance does not guarantee future results.

■ Core ■ Satellite

CORE POSITIONING: LONGER-TERM FOCUS

EQUITY vs. FIXED	**Overweight stocks versus bonds on improving economic outlook**
FOREIGN vs. DOMESTIC	**Overweight domestic versus foreign on stronger relative U.S. growth, firming dollar**
EMERGING (EM) vs. DEVELOPED (DM)	**Overweight DM versus EM as dollar firms and EM recovery seen as uneven**
GROWTH vs. VALUE	**Raising growth from underweight as relative momentum improves**
CREDIT vs. SOVEREIGN	**Overweight high quality credit versus sovereign on improving outlook**
SHORT vs. LONG DURATION	**Underweight duration on continued signs of broadening recovery**
NON-CORRELATED ASSETS	**Overweight REITs for yield and relative momentum; underweight gold and high-yield**

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 $6 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.

Bloomberg Barclays Aggregate Bond Index: A composite of the Bloomberg 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.

Opportunity Disclosure: The Washington Crossing Advisors, LLC Stifel Conquest and Conquest Alternatives Portfolios require a $25,000 minimum investment. More information on the Stifel 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 and these strategies are 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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