QUARTERLY 3Q23
TACTICAL ASSET ALLOCATION

As we pointed out in our Viewpoint 2023, the air of gloom that hung over markets at the start of the year was extreme. Instead, we saw improving fundamentals and opportunity for the situation to play out better than expected. So far, the economy and markets have proven resilient in 2023 with equity markets and the economy turning in better-than-expected performance. While the economy rolls along, however, there are some crosscurrents in the data leading us to avoid large tactical bets at the moment.

A Good Start

Here we are in the middle of 2023. According to many prognosticators, this was to be a year of recession. Yet, stocks are up nicely. So, if this was the year for investors to get their comeuppance, the real pain has yet to be felt. This year, most of what we have seen points to expansion, not recession. However, even though a solid first half suggests the economy continues to roll, we should avoid making big bets because Federal Reserve (Fed) policy has become restrictive, and crosscurrents are emerging in the data.

Rolling Along

As we pointed out in our Viewpoint 2023, onlookers to the economy were wringing their hands. The majority of participants in a Bloomberg survey called for an imminent recession. Thus far, the economy has thrown off those worries. The stock market is up, credit markets are well-behaved, profit expectations are steady, and employment is solid. By these measures, the much-anticipated recession appears elusive.

Consider the freewheeling NASDAQ, which is enjoying a stellar ride. This index is often considered a proxy for confidence. In the first six months of 2023, the index is up 30% — exactly the opposite of last year's first-half performance. The NASDAQ's year-to-date solid performance is further evidence that investors are not afraid to take some risks.

Moreover, we see good news amid corporate credit spreads reflecting solid corporate financial health. These spreads remain tight and imply recession is unlikely. Similarly, the corporate profit outlook is steady, with analysts expecting small gains in S&P 500 profits for the year. Lastly, employment gains are ongoing month-to-month, with the unemployment rate near a record low of 3.5%.

As you can see, if there is to be a recession, the stock market, credit market, and job markets do not see one. The economy continues to roll right along.

Policy is Restrictive

Even though there is evidence that the economy is rolling at the moment, we are avoiding making big tactical bets partly because Fed policy is very restrictive.

Over the past sixteen months, the Fed has raised short-term interest rates to 5.25% from 0.25%. Markets expect another increase, placing rates above long-term bond yields and the Fed's inflation target. At the same time, the central bank has stopped buying assets and is shrinking its balance sheet. The net effect is restricting credit, reducing the money supply (M2), and slowing inflation.

So far, there are signs inflation is slowing. The consumer price index is up 4% versus 9% a year ago, and the bond market is pricing in a further drop ahead. After a 40% surge in the money supply (M2) during the pandemic, the same measure is down 4%. Some banks are also responding by tightening loan standards, given potential loan losses.

IF THERE IS TO BE A RECESSION, THE STOCK MARKET, CREDIT MARKET, AND JOB MARKETS DO NOT SEE ONE. THE ECONOMY CONTINUES TO ROLL RIGHT ALONG.

Data is Mixed

The main reason, however, why we are sticking close to benchmarks and avoiding big tactical tilts is because of mixed messages in the data. As you can see in our WCA Fundamental Conditions Barometer on the next page, the pace of improvement has stalled. This means we are not in the clear yet, and the second half could prove more difficult.

Recently, we are seeing some evidence of softening. For example, confidence surveys are depressed, manufacturing surveys point toward weakening output, and mortgage applications appear to be rolling over after a spring bounce. While strong at over $70 billion per month, capital goods orders could weaken as higher interest rates bite. These crosscurrents and higher starting equity valuations (S&P 500 is now at 18.5x forward earnings versus our long-run expectation of 15x) pose risks to the outlook. These factors are moving in ways contrary to the generally positive economic narrative. Should these trends intensify, the positive momentum in fundamentals could prove hard to sustain. Therefore, we are keeping close to our benchmarks before making more significant tactical commitments.

Tactical Tilts

The rise in long-term bond yields against a backdrop of easing inflation may create opportunity. Should inflation continue to cool and rate hikes end in the months ahead, we reason that Treasury bond yields should also decline. These circumstances may well lead to a weaker dollar (i.e., stronger foreign currencies), thereby boosting appeal of some foreign assets. Accordingly, we have tactically raised exposure to developed foreign equity markets and longer dated U.S. Treasuries.

Conclusion

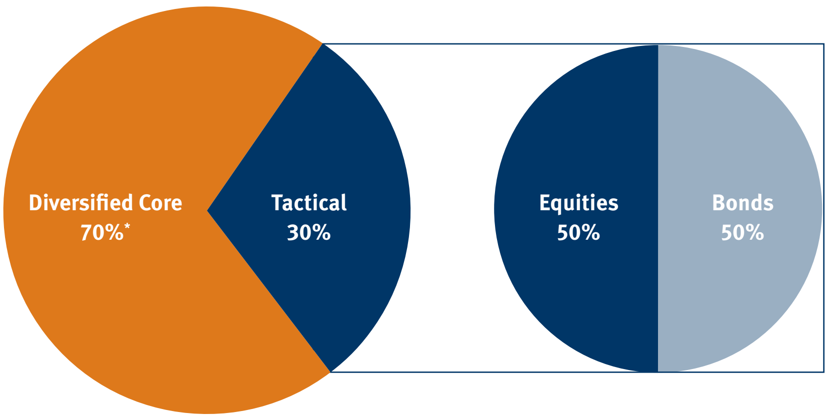
While the solid first-half points to a still-rolling economy, we are keeping close to benchmarks for two main reasons. First, Fed policy is now restrictive. But most importantly, the data has mixed signals, causing our WCA Fundamental Conditions Barometer to stall near 50.

So we are pleased that the first half defied many predictions by escaping recession. So far, the economy is avoiding the much-heralded downturn of 2023.

PORTFOLIO STRUCTURE

DIVERSIFIED CORE
Longer-Term Focus

SATELLITE
Shorter-Term Focus



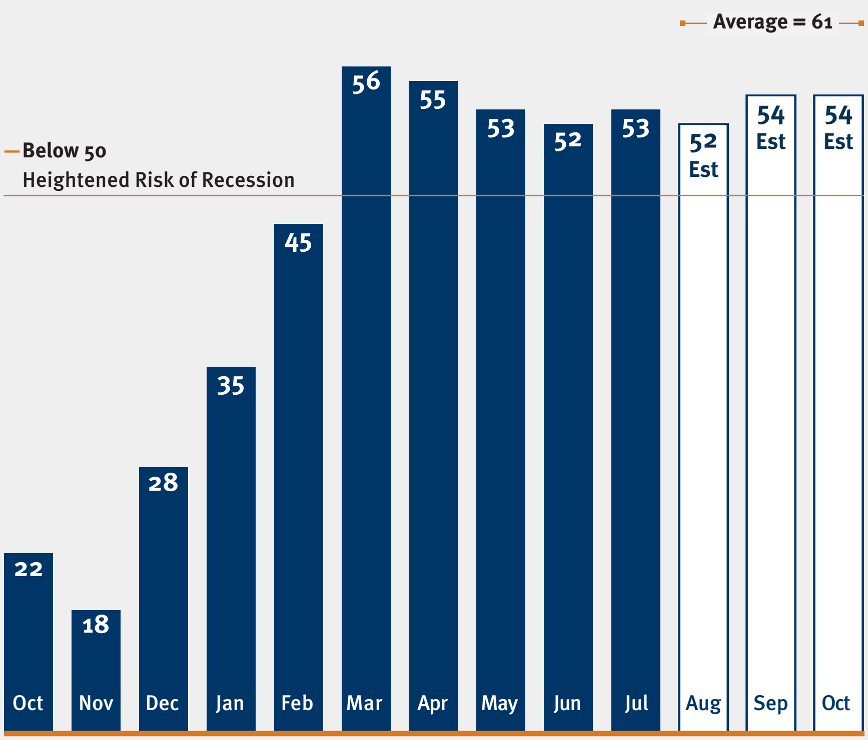
COMBINING LONGER- AND SHORTER-TERM PERSPECTIVES IN ONE ACCOUNT

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

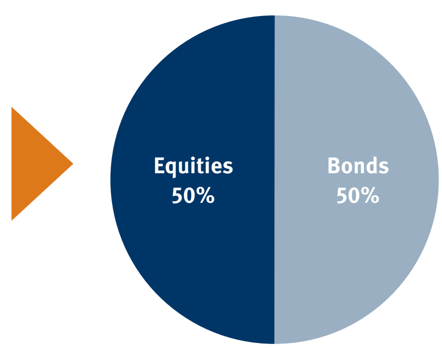
WCA FUNDAMENTAL CONDITIONS BAROMETER



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 June 30, 2023.
* Including stocks, bonds, and other assets.

ASSET CLASS	10-YEAR VIEW RETURN	Y/Y CHANGE	RISK	RETURN/RISK	TACTICAL POSITION
BOND ASSUMPTIONS					
Core Bonds	3.7%	0.46%	5.0%	0.7	NEUTRAL
1-3 Year Treasury Bond	3.5%	0.50%	3.9%	0.9	NEUTRAL
Mortgage-Backed Securities	4.4%	0.77%	5.6%	0.8	OVERWEIGHT
Intermediate Government/Credit	3.7%	0.46%	4.6%	0.8	UNDERWEIGHT
20+ Year Treasury Bond	3.3%	0.05%	7.2%	0.5	OVERWEIGHT
Investment-Grade Corporate Bonds	4.3%	-0.31%	6.6%	0.6	UNDERWEIGHT
High-Yield Corporate Bonds	6.1%	-0.86%	8.5%	0.7	OVERWEIGHT
EQUITY ASSUMPTIONS					
Equity	5.5%	-2.80%	10.3%	0.5	NEUTRAL
Domestic Large Cap Value	7.1%	-2.05%	11.9%	0.6	UNDERWEIGHT
Domestic Large Cap Growth	3.8%	-3.48%	9.1%	0.4	OVERWEIGHT
Foreign Developed Equity Markets	11.2%	-0.74%	15.9%	0.7	OVERWEIGHT
Foreign Emerging Equity Markets	16.6%	3.54%	21.9%	0.8	UNDERWEIGHT
Gold	2.1%	-0.14%	6.6%	0.3	NEUTRAL
REITs	9.0%	0.26%	14.2%	0.6	UNDERWEIGHT

As of June 30, 2023. Past performance does not guarantee future results.

Core Satellite

CORE POSITIONING: DECISION TREE

EQUITY vs. FIXED	**Barometer levels off near 50, staying neutral stocks vs. bonds**
FOREIGN vs. DOMESTIC	**Better momentum, currency, valuation favors developed foreign**
EMERGING vs. DEVELOPED	**Favoring developed over emerging foreign markets**
GROWTH vs. VALUE	**Overweight growth vs. value on relative strength**
CREDIT vs. SOVEREIGN	**Focus on higher quality credit**
SHORT vs. LONG DURATION	**Moderate increase in duration as long-rates move to new highs**
NON-CORRELATED ASSETS	**Overweight high yield, neutral gold, underweight REITs**

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. Opinion subject to change without notice.

About 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 $8 billion in total assets 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.

** As of June 30, 2023. Total assets include assets under management and assets under advisement.*

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 11 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 and diversification do 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.

The NASDAQ Composite Index is a capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies.

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.

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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. Registration with the SEC does not imply a certain level of skill or training.

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www.washingtoncrossingadvisors.com