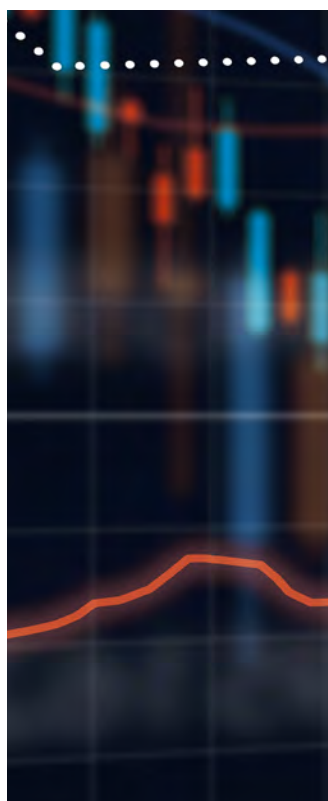


# QUARTERLY 2Q24

## TACTICAL ASSET ALLOCATION



Despite high asset values, recognizing improvements as they happen is crucial. Favorable financial conditions support continued advancement, and despite rising interest rates, numerous signs point to an improving economic outlook. Our WCA “Barometer,” consistently above 50 (refer to page 3), highlights this positive trend. Consequently, our tactical portfolio strategy continues to favor domestic stocks over bonds and international equities. We’ve adjusted our bond duration to neutral relative to the benchmark (previously below benchmark), and our fixed income investments now emphasize higher-quality corporate bonds.

Amidst the current economic landscape, it's hard not to notice a tangible shift towards growth. Forecasts from important institutions like the Federal Reserve (Fed) and the International Monetary Fund, along with professional private forecasters, now paint a picture of an economy gaining momentum, surpassing the tepid pace witnessed at the year's onset. This surge is not just a flicker but is substantiated by many reliable indicators reflecting an upward trajectory.

### Confidence Picks Up

Consumer sentiment, a reliable barometer of economic health, is on the upswing. The University of Michigan's consumer sentiment index, a significant measure of public perception, has ascended to nearly 80 after languishing at a recent low of 50 in 2022 (but only halfway back to levels near 100, which prevailed before the pandemic). The decelerating pace of consumer price increases, instilling confidence among many respondents, is a contributing factor to this improvement.

Wall Street analysts are echoing this optimism, revising profit forecasts upwards for the year ahead. Compared to a year ago, profit projections have surged by approximately 10%. This surge is driven by factors such as burgeoning sales, wider profit margins, and aggressive share buybacks, all of which are fueling this bullish sentiment toward large U.S. corporations.

### Manufacturing Stirs

The manufacturing sector, long regarded as a bellwether of economic activity, also shows signs of revival. The Institute of Supply Management's Survey of Purchasing Managers recently registered its first expansionary reading in over 16 months, signaling

a potential turnaround. The March reading was the highest and first expansionary reading in manufacturing since September 2022. The report showed a pickup in orders, some improvement in employment, and dwindling customer inventories. All of this points to a likely pickup in manufacturing output in the months ahead.

We can find further evidence of this "real economy" uptick in the data on capital goods orders. If the "real economy" is picking up, it is doing so against a backdrop of strong and steady capital goods orders. We see that capital goods orders, a gauge of business investment, remain steady, hovering near \$70 billion per month, bolstering the case for an expanding economy and heightened profit levels.

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**WE MAINTAIN A DISCIPLINED**

**AND TACTICAL APPROACH**

**TO OUR ANALYSIS, ENSURING THAT**

**WE ARE PREPARED FOR**

**ANY POTENTIAL MARKET CHALLENGES**

**THAT MAY ARISE.**

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### Financial Market Support

It's remarkable: despite the Federal Reserve's tightening of monetary policy and raising of interest rates, there has been no marked diminution of wealth. Contrary to expectations held by most forecasters during the rate-hiking phase, the U.S. equity market is today valued at a record \$55 trillion, based on Bloomberg data, and household wealth hit a record \$156 trillion as of December 31, 2023,

according to Federal Reserve estimates. This largely unexpected outcome highlights the complexities of monetary policy's impact on financial markets and the economy. Recent hints by the Fed about possible future rate cuts recently contributed to market participants' ever-changing mood.

We see signs of supportive financial markets and investor willingness to bear risk today. For example, the "spread" between corporate bond yields and the 10-year U.S. Treasury bond is near record lows (the Baa corporate to U.S. Treasury spread is a very narrow 1.4%). Moreover, the difference between the forward-looking earnings yield on the S&P 500 is only about 0.4% above the 10-year U.S. Treasury of 4.8% ( $\$248 \text{ expected earnings} / 5,200 \text{ S\&P 500 price} = 4.8\%$  compared with a 10-year Treasury yield of 4.4%). Such tight spreads point to rising optimism about the outlook.

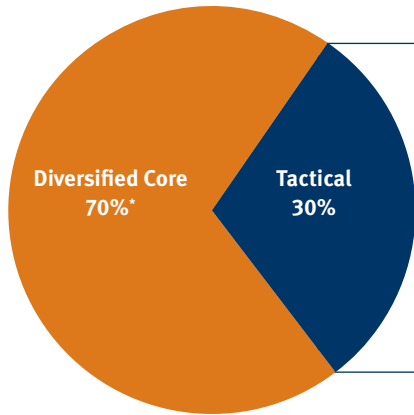
### Cautious Optimism

However, a note of caution is warranted amidst this optimism. While growth is indeed on an upswing amidst supportive financial conditions, the sustainability of these conditions hinges on tangible outcomes. We maintain a disciplined and tactical approach to our analysis, ensuring that we are prepared for any potential market challenges that may arise.

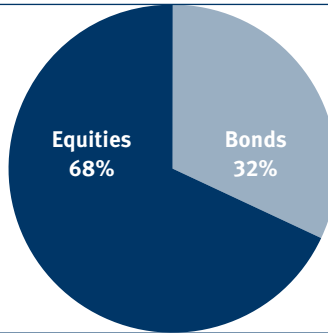
For now, trends in prevailing data point to improving conditions. Our own WCA Barometer (see page 3) highlights this improvement. Accordingly, portfolios are somewhat overweight equities versus fixed income on a tactical basis. This positioning reflects cautious optimism, acknowledging the potential of the current economic upswing while remaining vigilant to evolving market dynamics.

## 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.

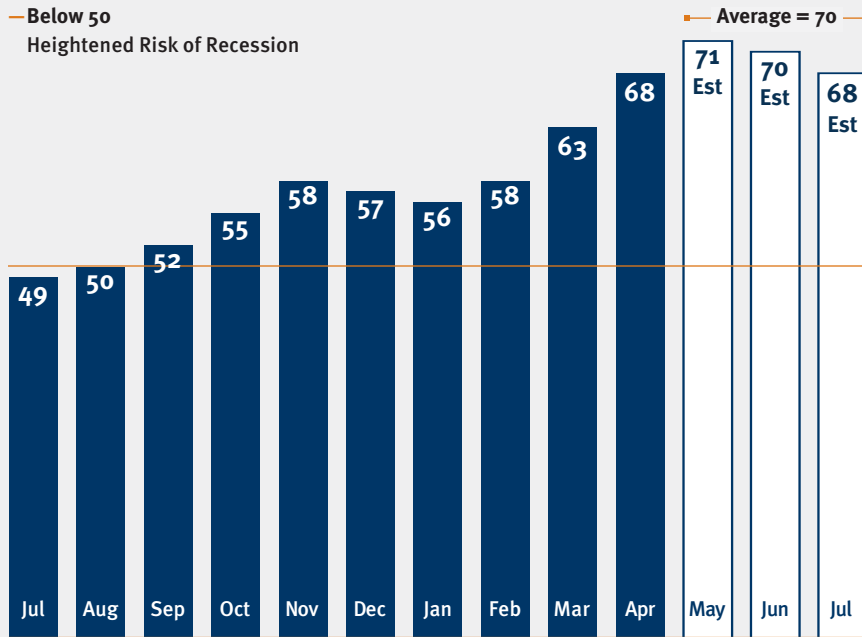
#### The smaller 30% (blue circle) is the “satellite.”

As fundamental conditions change, shorter term “tactical” tilts between stocks and bonds are implemented here.

## SATELLITE POSITIONING: SHORTER-TERM FOCUS

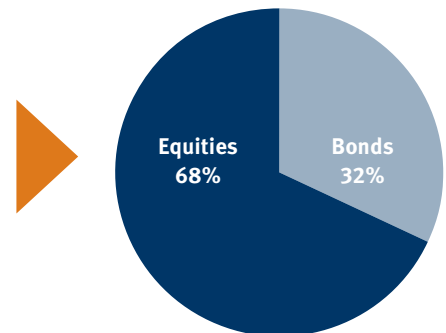
### WCA FUNDAMENTAL CONDITIONS BAROMETER

— Below 50  
Heightened Risk of Recession



### SATELLITE Shorter-Term Tactical

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



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 March 31, 2024.

\* Including stocks, bonds, and other assets.

ASSET CLASS	10-YEAR VIEW				TACTICAL POSITION
	RETURN	Y/Y CHANGE	RISK	RETURN/RISK	
<b>BOND ASSUMPTIONS</b>					
Core Bonds	3.42%	0.18%	4.7%	0.7	UNDERWEIGHT
1-3 Year Treasury Bond	3.30%	0.20%	1.4%	2.4	NEUTRAL
Mortgage-Backed Securities	3.50%	-0.29%	4.5%	0.8	OVERWEIGHT
Intermediate Government/Credit	3.34%	0.14%	3.1%	1.1	UNDERWEIGHT
20+ Year Treasury Bond	4.06%	0.81%	13.3%	0.3	UNDERWEIGHT
Investment-Grade Corporate Bonds	3.37%	-0.37%	7.8%	0.4	OVERWEIGHT
High-Yield Corporate Bonds	3.69%	-1.58%	7.4%	0.5	NEUTRAL
<b>EQUITY ASSUMPTIONS</b>					
Equity	3.70%	-1.40%	15.1%	0.2	OVERWEIGHT
Domestic Large Cap Value	4.21%	-1.61%	14.9%	0.3	NEUTRAL
Domestic Large Cap Growth	3.05%	-1.24%	16.4%	0.2	OVERWEIGHT
Foreign Developed Equity Markets	4.20%	-5.65%	15.0%	0.3	UNDERWEIGHT
Foreign Emerging Equity Markets	3.70%	-9.78%	16.4%	0.2	UNDERWEIGHT
Gold	2.05%	0.17%	14.8%	0.1	NEUTRAL
REITs	5.21%	-2.37%	17.0%	0.3	NEUTRAL

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

■ Core ■ Satellite

CORE POSITIONING: DECISION TREE	
EQUITY vs. FIXED	Overweight stocks on improving Barometer (Page 3)
FOREIGN vs. DOMESTIC	Favor domestic over foreign on better U.S. outlook
EMERGING vs. DEVELOPED	Tilt toward developed over emerging foreign markets
GROWTH vs. VALUE	Reduce size of overweight to growth vs. value
CREDIT vs. SOVEREIGN	Focus on higher quality credit
SHORT vs. LONG DURATION	Move duration to neutral from underweight benchmarks
NON-CORRELATED ASSETS	Allocations near benchmarks for gold, real-estate, high-yield

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 March 31, 2024. 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.

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

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