October 2018

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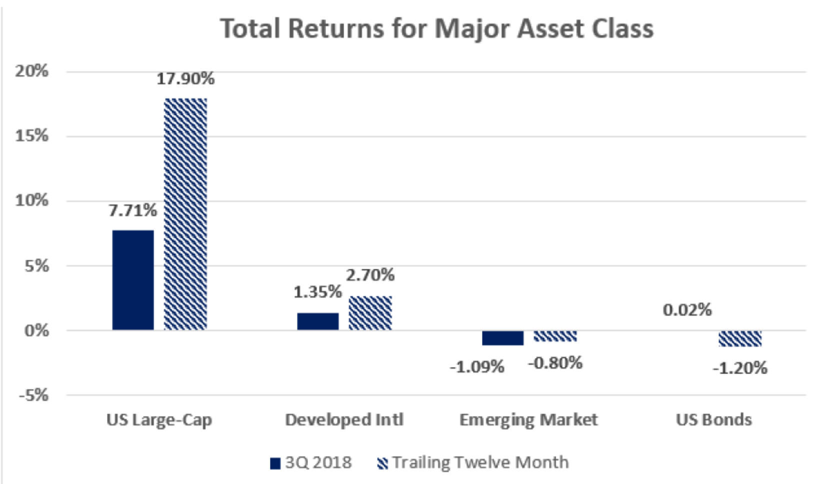
DIVERSIFY OR CONCENTRATE ? ? ?
ANOTHER TOUGH QUARTER FOR GLOBAL DIVERSIFICATION

U.S. OUTPERFORMANCE IS ENTICING SOME TO UN-DIVERSIFY or concentrate their holdings in just the U.S. When returns are posted for the 3rd quarter, investors in globally diversified portfolios may be disappointed to find their accounts only returned a fraction of the S&P 500's return. This is because in the 3rd quarter, and the past 12 months, the S&P 500 significantly outperformed most other asset classes (see chart below).

This underperformance in global investing will AGAIN raise questions on the logic of diversification and particularly investing in foreign securities.

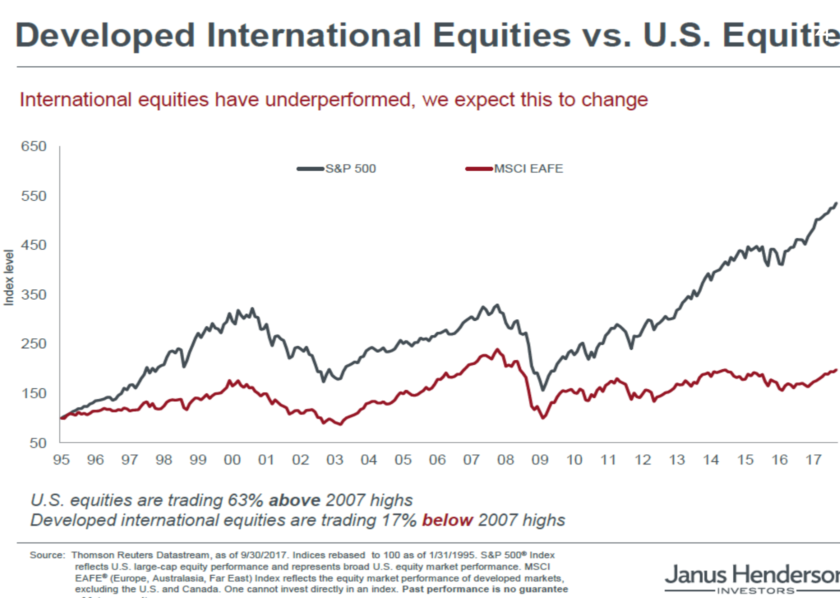


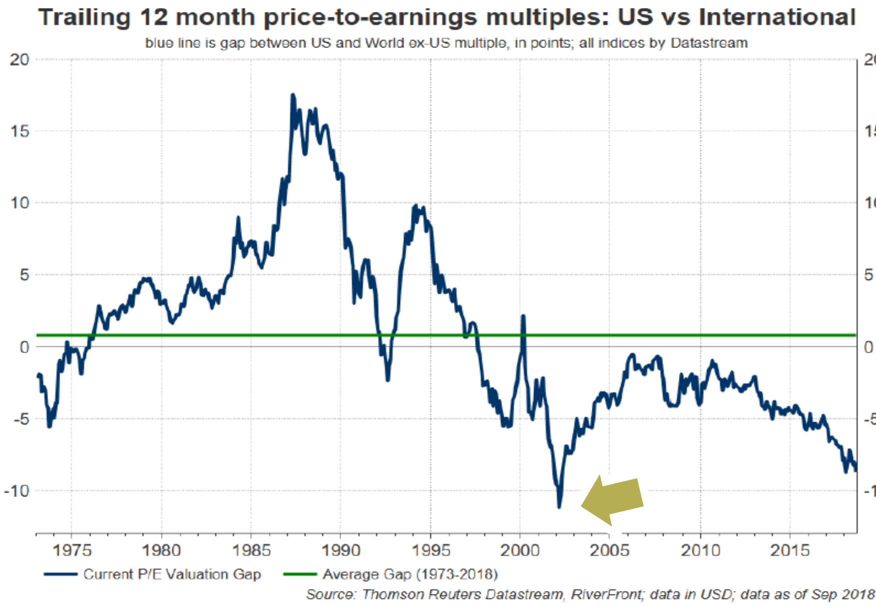
Source: Morningstar Direct, RiverFront. Past performance is no guarantee of future results. Shown for illustrative purposes only, not indicative of RiverFront performance.

CHASING WINNERS IS A QUESTIONABLE STRATEGY - Chasing winners, which is the strategy of ONLY buying the best performing asset class of the prior period, can become a popular replacement for diversification. However, buying yesterday's winner is far from a sure-fire recipe for success because winners regularly shift around and performance patterns are generally not repeatable. As this letter is being written, the markets are in a serious downfall and the biggest winners of the last year are now going down the fastest. We certainly own these past 12 month winners, but the question remains "How much of your portfolios should be in any one asset class?"

WHY WE ARE NOT THROWING IN THE TOWEL ON INTERNATIONAL STOCKS - We recognize the frustration and increasing impatience for internationals underperformance to the U.S. We also recognize that our larger allocation preference for international equities has hurt our performance this year. We remain constructive and optimistic for several reasons.

- The valuation gap between the U.S. and non U.S. stocks remains close to the widest levels in 45 years.





•The only lower low historically was in 2002, previous to the last hot streak for foreign stocks.

•Economic and earnings growth remain positive in overseas markets. Positive corporate earnings cycles are present in Europe, Japan, and many emerging markets and it is expected to continue. It is unusual for stocks to perform poorly in times when earnings growth is positive.

•Trade tensions seem now to be largely priced in. Mexico and Canada have both agreed with the U.S. for new trade policies. While China is still a challenge, we believe that the imbalance in China's economy and the unequal amount of trade leverage that the U.S. exercises over China (the U.S. imports 3X as much as China imports from us) will lead to a resolution, no matter how ugly the negotiations appear in the meantime.

REMEMBER THE LAST TIME YOU WERE BACKED UP BEHIND SLOW INTERSTATE TRAFFIC??? - You were probably quick to change lanes only to notice that the lane you exited is now moving faster than the line you entered! As in changing lanes too quickly in traffic can work against you, changing from diversification to concentration may also work against you!!

"Be fearful when others are greedy and be greedy when others are fearful.' Refrain from joining the crowd." - Warren Buffett

YEAR END GIVING IDEA! – DONOR ADVISED FUNDS CAN HELP YOUR COMMUNITY

Many donors want to keep their philanthropic dollars local to enhance the quality of life in their community where they live, work, and raise their families. That is why local Community Foundations are so important. Community Foundations provide a way to keep assets and resources in the community where the donor lives. This form of giving is so popular that Community Foundations are one of the fastest growing forms of philanthropy. In the United States there are 758 Community Foundations.

The Community Foundation of Northwest Mississippi works every day with donors who want to help address the most pressing issues facing their hometown. Examples of pressing issues include education, workforce needs, helping youth, health, animals, or whatever is tugging at the donor's heart.

The most common form of giving is through a Donor Advised Fund. The donor sets up the fund in the name they choose, gets a tax break at the time of the gift, and then they can use that fund as their charitable checking or savings account. Community Foundations offer two forms of giving: 1) an endowment - or a forever gift (or savings account) where the money is invested and 4% is disbursed each year; or, 2) a Current Giving Fund (or checking account)- this type of fund is helpful to those who need a tax break, but do not want to give all the money away immediately. Donor gifts can go to any nonprofit, church, or school that the donor is passionate about.

If we can assist you in setting up Donor Advised Funds – please call.

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-The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indexes. The index's three largest industries are materials, energy, and banks. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

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