RAYMOND JAMES

Freedom market commentary

2022 review // 2023 outlook

The economic impact of the global pandemic took an unsettling turn in 2022, when persistently high inflation and central banks' efforts to combat it drove both equity and bond prices sharply downward – an uncommon occurrence for these typically negatively correlated assets.

The pandemic's third year marked a fuller return to normalcy for many Americans – back to the office, back to school, back to traveling for vacation – even as the highly transmissible omicron variant sent case counts spiking to new highs. With pent up demand and increased bank balances, Americans continued to spend in the face of high and persistent inflation, forcing the U.S. Federal Reserve (Fed) to aggressively raise interest rates. The magnitude and pace of rate hikes – seven for a total of 4.25% during the year – drove bond yields higher and prices lower, and contributed to increased volatility in both the bond and equity markets.

LOOKING AHEAD

The Asset Management Services Investment Committee expects inflation to moderate and for the United States to face recessionary pressures in 2023 from slowing economic growth and tightening monetary policies around the globe. Inflation is expected to moderate, yet remain stubbornly above the Fed's target. Benchmark interest rates could remain relatively high in the first six to 12 months of the year, with intermediate- to long-maturity rates likely to reflect the meaningful weakness in the broad economy and remain anchored. We expect this stabilization and a potential decease in rates to be favorable for bond performances.

2022 FREEDOM ASSET CLASS RETURNS

ASSET CLASS	INDEX/ PEER GROUP	2022 RETURN
U.S. large-cap	S&P 500 TR	-18.1%
U.S. small- to mid-caps	Russell 2500 TR	-18.4%
U.S. Defensive Equity	S&P 500 Dividend Aristocrats TR	-6.2%
International developed markets large caps	MSCI EAFE NR USD	-14.4%
Emerging markets	MSCI Emerging Markets NR USD	-20.1%
Core fixed income	Bloomberg U.S. Aggregate Bond TR	-13.0%
Short-term bonds	Bloomberg U.S. Govt/Credit 1-3 Year TR	-3.7%
U.S. High Yield	Bloomberg U.S. High Yield 2% Iss. Cap TR	-11.1%
Multistrategy	U.S. Fund Multistrategy	-2.1%

2022 MARKET DRIVERS

INFLATION

Driven by seemingly insatiable consumer demand, supply constraints as well as an unexpected surge in commodity prices resulting from the Russia-Ukraine war, inflation across the globe reached levels not seen since 1980s. The rising costs of shelter and transportation pushed core inflation higher, with renters feeling the increase acutely. As the year progressed, housing price increases slowed and auto dealers once again had new inventory on their lots as supply chain pressures eased and interest rate hikes kicked in. The reopening of China, along with a lack of further escalation of the war, helped alleviate raw material costs, as well. Inflation likely peaked in the United States during the second quarter of the year, but the path down toward the Fed's 2% target will likely be slow and uncertain, with the labor market and consumers still showing resiliency.

MONETARY POLICY

To combat persistently high inflation, the Fed raised interest rates at a clip not seen since the 1980s – from near zero to 4.5% by the end of the year. As a result, bond prices dropped precipitously as yields rose to their highest level since 2007, especially without the cushion of decent starting yields to absorb the negative price impact. Higher interest rates also were a drag on the equity market, with the expectation that higher financing costs would put downward pressure on earnings.

LABOR MARKETS

Despite the Fed's efforts to cool the economy, a tight U.S. labor market put workers in a position of strength: Employment was high, openings were plentiful and wages rose substantially as companies struggled to find and keep workers. Though the rate of job openings has slowed since its March peak, it remains well above pre-pandemic levels. It may take some time before we see a meaningful normalization, as the labor market digests the excess openings and unemployment starts to tick up. Lower wage growth and consumer spending will be keys to watch as the Fed continues to rein in core inflation.

GEOPOLITICAL TENSION

The Russia-Ukraine war exacerbated an already challenging economic climate, disrupting energy and food supplies and contributing to inflation, especially in parts of the world that rely on Russian energy sources. While some supply issues have been resolved, the market is not yet back to pre-pandemic levels. Prices remain elevated but are well off their recent peaks.

2023 MARKET THEMES

- Global economic growth expected to weaken further
- Inflation expected to slow more decisively
- Fed likely nears the end of its rate hikes
- Bonds positioned to offer much improved risk-reward characteristics

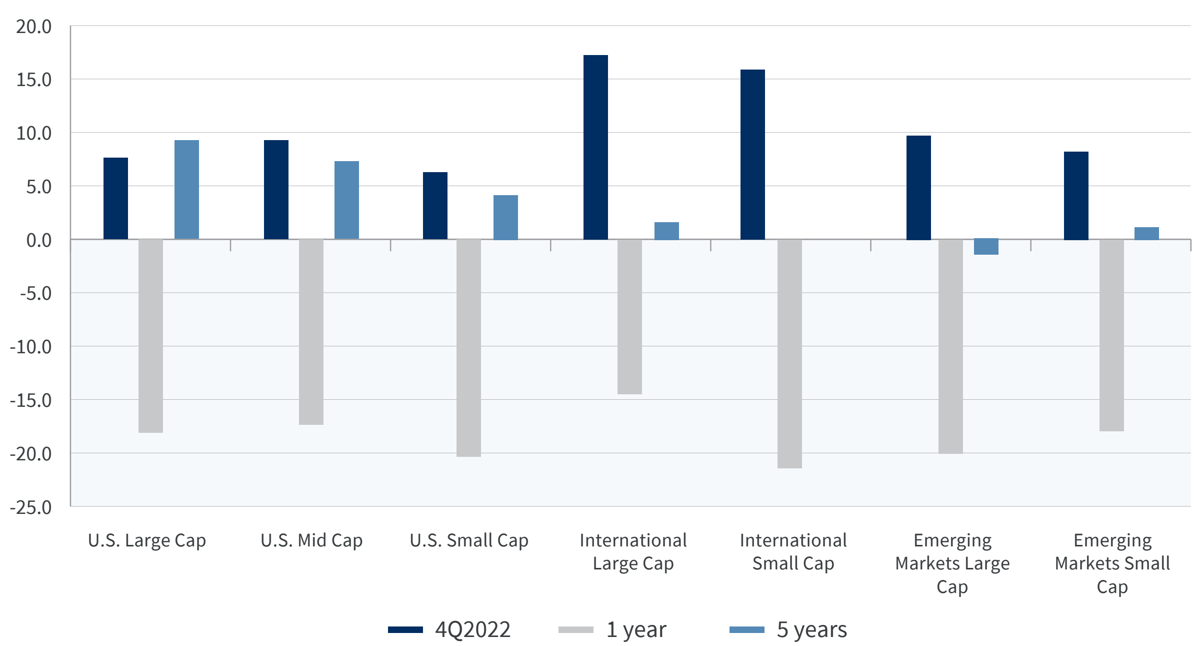
EQUITY

Around the world, economic growth is expected to slow, likely at a faster pace than in 2022. This is reflecting the intended effects of higher interest rates as they reduce credit and in turn consumer and corporate demands. The equity markets will likely see continued volatility in the near term, with slower economic activities putting downward pressure on revenue and earnings amid the increasing likelihood of a recession. The U.S. economy is expected to hold up better than developed international markets. The United Kingdom and countries in Europe face higher energy prices, rendering their exports less competitive, and weak consumer spending power from high and enduring inflation. As a result, central banks there likely will remain hawkish until core inflation meaningfully declines. Conversely, emerging markets, which led the rate-hiking cycle during 2021, will likely lead the way again in lowering interest rates. This will potentially offer a reprieve for valuations, followed by a repricing based on profitability adjustments.

In 2021 and 2022, the Asset Management Services (AMS) Investment Committee held a positive view of equity overall, anticipating a rising interest-rate environment would create headwinds for bonds. As such, some Freedom portfolios are slightly overweight equity relative to neutral policies. In 2023, that view has started to shift as interest rates are not likely to rise much higher and equities may face potential headwinds from recessionary pressures. Within the broad equity allocation, there is a substantial overweight to U.S. large-caps and a corresponding underweight to international equities, reflecting the Investment Committee's belief the United States remains better-positioned. The U.S. large-cap allocation also includes larger exposures to lower-volatility and dividend-paying stocks for their ability to mitigate risk during a downturn. The allocation to U.S. small- to mid-cap equity is aligned with policy.

EQUITY RETURNS

Source: Morningstar as of 12/31/2022



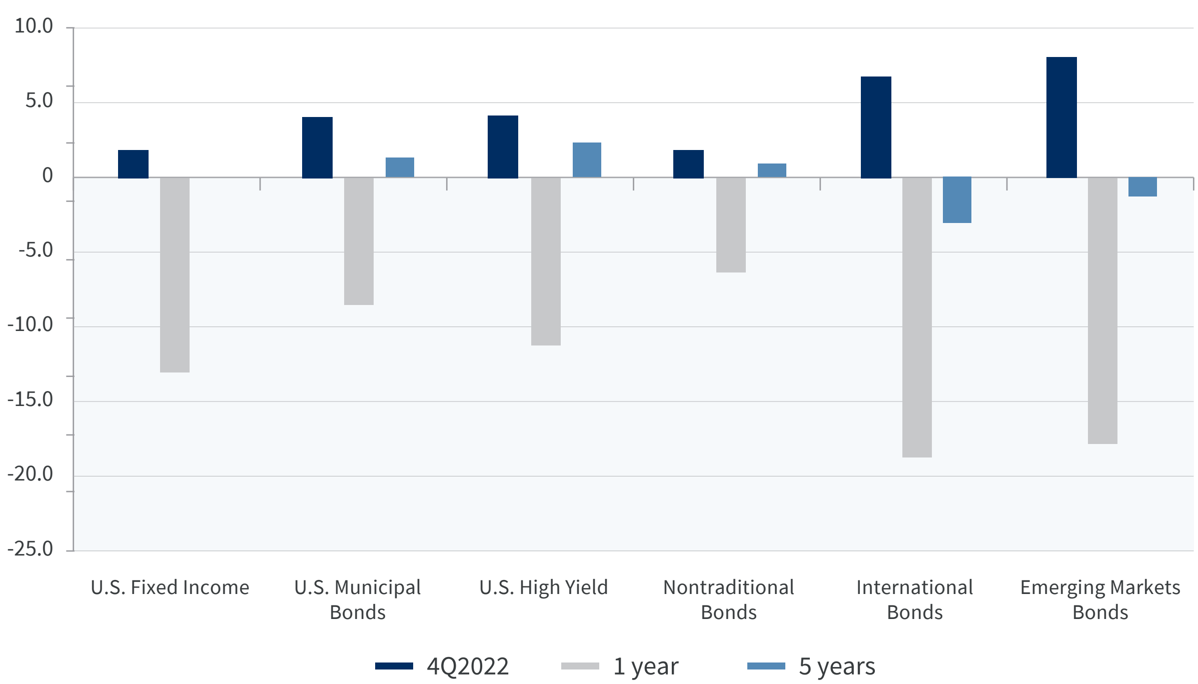
FIXED INCOME

As a result of the Fed's aggressive rate hikes, starting yields are the highest they have been in roughly 15 years. Additional rate increases are expected in first half of 2023, but the pace will likely slow to 0.25% each as the Fed approaches its rate destination. Therefore, bonds are positioned to contribute more meaningfully with above-average returns in 2023 and 2024, as interest rates start to stabilize and potentially fall once inflation subsides around the 2% target around 2024. The Investment Committee believes this will be supportive of economic growth during the recovery phase of the economic cycle.

Some Freedom portfolios are slightly underweight fixed income relative to neutral policy, but overweight high-quality bonds based on the AMS Investment Committee's view that investment grade bonds will benefit from a more challenging economic environment in 2023. Within the broad fixed income allocation, there no longer is any exposure to short-term bonds. Now that higher starting yields have made duration more attractive, there are increased allocations to intermediate-term bonds. There are underweights to high-yield bonds and foreign bonds – though higher-spread products have the potential to outperform high-quality bonds, such as Treasuries, they typically carry higher risks and tend to behave like stocks during equity downturns. The allocation to emerging markets debt is aligned with policy.

FIXED INCOME RETURNS

Source: Morningstar as of 12/31/2022

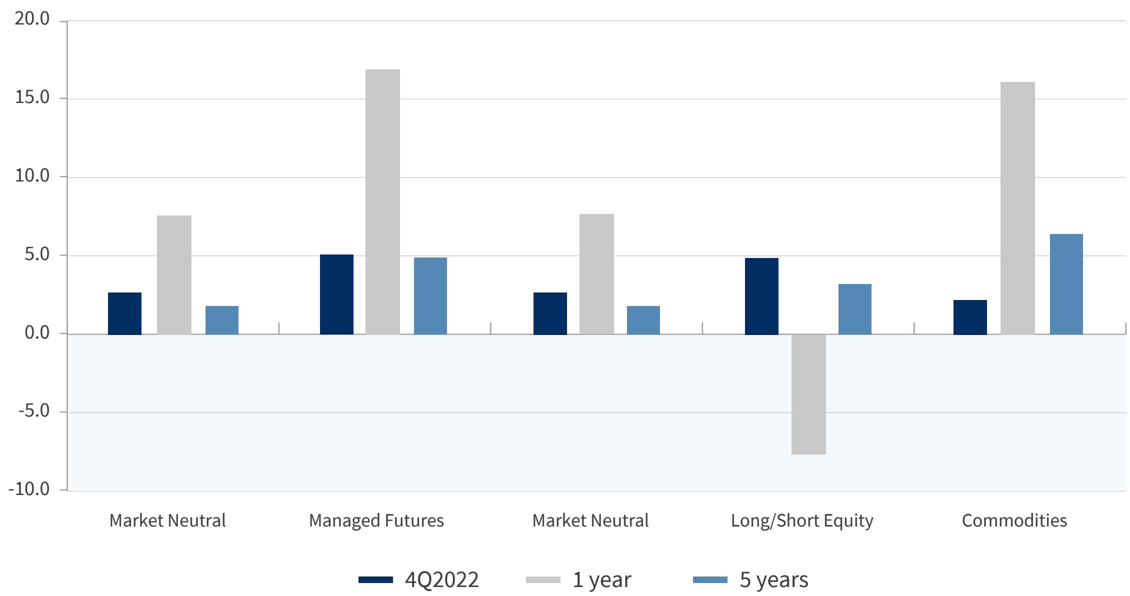


ALTERNATIVES

The AMS Investment Committee uses alternative investments for either diversification or return enhancement, which had not been necessary until the early part of 2022. Freedom portfolios are underweight alternatives.

ALTERNATIVE INVESTMENTS RETURNS

Source: Morningstar as of 12/31/2022



FINAL THOUGHTS

After a volatile 2022, the AMS Investment Committee believes the correlation between stocks and bonds will be more normal in 2023 and beyond, as a difficult economy will likely put pressure on stock prices, yet should be good for high-quality bond prices.

Freedom portfolios are currently overweight equities and underweight fixed income. The Investment Committee will look for opportunities to increase exposure to high-quality fixed income, once it believes the market has appropriately priced in the Fed's destination for rates.

The Investment Committee evaluates Freedom portfolios on a continuous basis, and any changes would be in an attempt to earn the best possible return for the amount of downside risk the committee is willing to tolerate, in alignment with portfolio objectives.

The foregoing content reflects the opinions of Raymond James Asset Management Services and is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. The charts and tables presented herein are for illustrative purposes only and should not be considered as the sole basis for your investment decision.

Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. Asset allocation and diversification does not ensure a profit or protect against a loss. There is no assurance that any investment strategy will be successful.

Further information on the funds selected for the Freedom portfolios is available by prospectus, which can be obtained through your financial advisor. Investors should carefully consider the investment objectives, risks, charges and expenses of mutual funds and exchange traded funds before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. All investments are subject to risk, including loss.

You should understand that the annual advisory fee charged in the these programs is in addition to the management fees and operating expenses charged by mutual funds and exchange traded funds if applicable. These additional considerations, as well as the fee schedule, are listed more fully in the Client Agreement and the Raymond James & Associate's Form ADV Part 2A.

It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk and no one particular investment style or manager is suitable for all types of investors.

Additional risks may include:

- Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default or principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks.
- There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Short-term bonds with maturities of three years or less will generally have lower yields than long term bonds which are more susceptible to interest rate risk.
- International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.
- Investing in emerging markets can be riskier than investing in well-established foreign markets. Emerging and developing markets may be less liquid and more volatile because they tend to reflect economic structures that are generally less diverse and mature and political systems that may be less stable than those in more developed countries.
- Investing in small-cap stocks generally involves greater risks, and, therefore, may not be appropriate for every investor. Stocks of smaller or newer or mid-sized companies may be more likely to realize more substantial growth as well as suffer more significant losses than larger or more established issuers.
- These portfolios may be subject to international, small-cap and sector-focus exposures as well. Accounts may have over weighted sector and issuer positions, and may result in greater volatility and risk.
- Alternative investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few alternative investments. These risks are potentially greater and substantially different than those associated with traditional equity or fixed income investments. The investment strategies used by certain funds may require a substantial use of leverage. The investment strategies employed and associated risks are more fully disclosed in each fund's prospectus, which is available from your financial advisor.
- Commodities trading is generally considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the fund's investments in commodities are cyclical economic conditions, sudden political events, changes in sectors affecting a particular industry or commodity, and adverse international monetary policies. Markets for precious metals and other commodities are likely to be volatile and there may

be sharp price fluctuations even during periods when prices overall are rising.

- Specific sector investing, such as real estate, can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.
- Companies in the technology industry are subject to fierce competition, and their products and services may be subject to rapid obsolescence.

INDEX AND PEER GROUP DESCRIPTIONS

These indices and peer groups are not available for direct investment. Any product which attempts to mimic the performance will incur expenses, such as management fees and transaction costs, that reduce returns.

Bloomberg Barclays U.S. Aggregate Bond Index (U.S. Fixed Income): This index includes investment grade U.S. Government bonds, corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the index must have at least one year remaining to maturity.

MSCI EAFE Index (International Large Cap): A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S & Canada. It consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Market Index (Emerging Markets Equities): A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 2009 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, the Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Morningstar US Fund Multistrategy: Funds in this category typically have a majority of their assets exposed to alternative strategies, but at a minimum, alternatives must comprise greater than 30% of the strategy's gross exposure. The category includes funds with static allocations to alternative strategies as well as those that tactically adjust their exposure to different alternative strategies and asset classes.

Russell 2500 (U.S. Small to Mid-Cap): A broad index featuring 2,500 stocks that cover the small and mid-cap market capitalizations. The Russell 2500 is a market cap weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities.

S&P 500 Dividend Aristocrats TR: The S&P 500 Dividend Aristocrats Index is a list of companies in the S&P 500 with a track record of increasing dividends for at least 25 consecutive years. It tracks the performance of well-known, mainly large-cap, blue-chip companies.

Bloomberg Barclays 1-3 Year U.S. Government: An inclusion of securities within Bloomberg Barclays Capital U.S. Government Index that have a maturity range from 1 up to (but not including) 3 years.

Bloomberg Barclays U.S. High Yield - 2% Issuer Cap: The index is the 2% Issuer Cap component of the U.S Corporate High Yield Index.

S&P 500 Index (U.S. Large Cap): The index consists of 500 of the largest stocks in the U.S. stock market. A market value weighted index (stock price times number of shares outstanding after float adjustment), with each stock's weight in the index proportionate to its market value.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM