Freedom Market Commentary

Asset Management Services // Q1 2021

FIRST QUARTER HIGHLIGHTS

- Equity markets rally
- Yield curve steepens
- Central banks remain supportive
- Fiscal relief gives U.S. a boost

MARKET UPDATE

SPREAD OF CORONAVIRUS SHOCKS MARKETS

The U.S. economy got a new, $1.9-trillion boost from the federal government. The U.S. Federal Reserve pledged its continued support in the form of low interest rates. And vaccine distribution expanded, including several states that made doses available to adults of all ages. As the outlook brightened and expectations for economic growth increased, equity markets continued to rally in the first quarter of 2021, though not at the same torrid pace as the end of 2020.

UNPRECEDENTED MONETARY, FISCAL SUPPORT

Along with institutions worldwide, the United States government and Federal Reserve are providing unprecedented support to sustain the economy until the virus can be contained. Congress passed the biggest fiscal stimulus package in American history, providing $2 trillion in support for individuals, small businesses and corporations affected by the loss of work because of the coronavirus. The Fed cut its short-term lending rate to essentially zero and pledged continued efforts to purchase bonds, a strategy known as quantitative easing, and boost liquidity. Analysts anticipate the Fed can and will do more if the situation warrants.

EQUITY

U.S. large-cap equity returned 6.2% for the quarter, as measured by the S&P 500 TR index, while U.S. small- to mid-cap equity returned 10.9% for the quarter, as measured by the Russell 2500 TR index. Areas of the market that tend to do well when the economy is growing – referred to as cyclical stocks – such as financials and industrials outperformed more defensive areas such as consumer staples and utilities.

A steepening yield curve also affected the equity markets. Skeptical the U.S. Federal Reserve will be able to maintain its pledge to hold interest rates near zero, investors sold longer-duration bonds in anticipation of higher rates to come. While a steep curve suggests investors will be rewarded for purchasing longer-duration bonds, it represents a more challenging environment for companies that borrow money as part of their growth strategies, because the cost of borrowing is higher. In line with this, growth stocks continued to lag value stocks during the first quarter. Financials, however, continued to do well as bank profitability benefits from higher interest rates.

Around the world, developed markets large-cap equity returned 3.5% for the quarter, as measured by the MSCI EAFE NR USD index, while emerging markets returned 2.3% for the quarter, as measured by the MSCI Emerging Markets NR index. Gains in the value of the dollar relative to other currencies ate into returns for U.S. investors.

UNDERSTANDING INFLATION

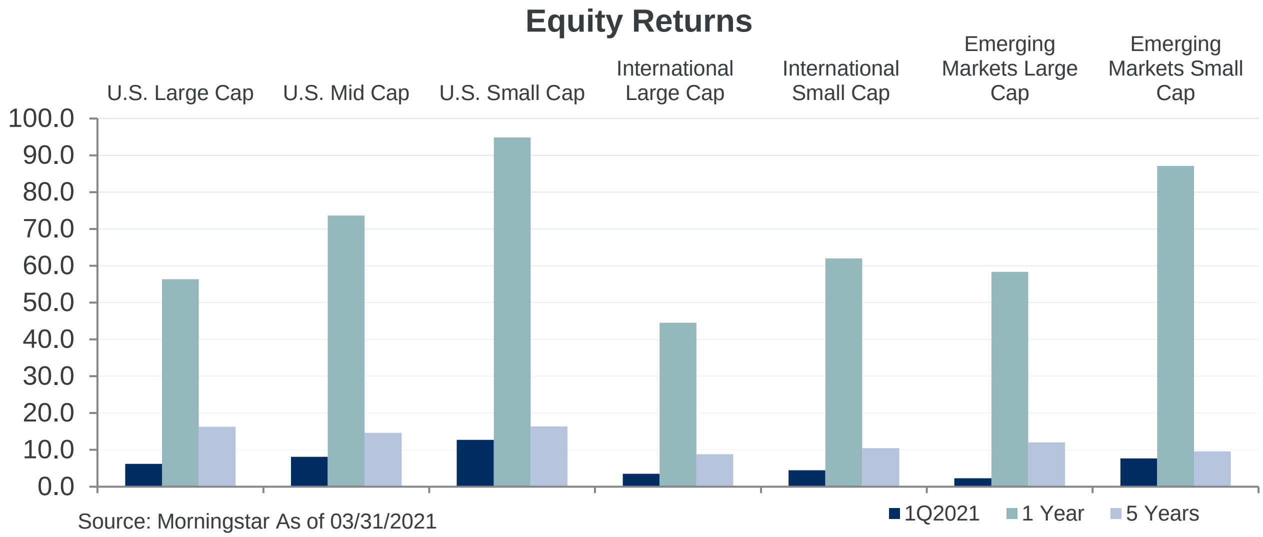
In its simplest terms, inflation means the price of something is rising – and the value of your currency is declining. For the past decade, inflation was unusually low, well below the U.S. Federal Reserve's target of 2% a year. But, suddenly, inflation is making headlines again. Some are concerned the large sums of money being injected into the economy, both through fiscal stimulus and supportive monetary policy, will lead to high inflation. That concern played out in the bond market recently, when investors sold longer-duration bonds based on the expectation the Fed will be forced to raise interest rates to curb inflation, eschewing the Fed's stated commitment to keep rates low through at least 2023.

The AMS IC does expect inflation, but not inflation shock, such as occurred in the 1970s. It expects inflation will experience a normalization, also called a reflation, in which it will be higher for a short time before coming down again, settling near the healthy range of 2% and 2.5%. As such, Freedom portfolios hold a slight overweight to equity and a slight underweight to high-quality fixed income, where returns will be challenged while rates remain low as well as when they eventually start to increase.

EQUITY POSITIONING IN FREEDOM PORTFOLIOS

Given the prospects for continued support in the forms of monetary policy and government spending, the AMS IC holds a positive view of equity, where portfolio positioning is currently a slight overweight. Within equity, the overweight is to U.S. large caps, which appear well-supported and positioned to benefit from a return to normalcy. The AMS IC has a neutral view of U.S. small caps, where exposure was increased in June.

The AMS IC has a slightly cautious view of international developed markets, expecting the recovery in Europe and other regions may be more prolonged. The AMS IC has a neutral view of emerging markets, where attractive valuations and an improving global outlook may provide opportunities to increase exposure.

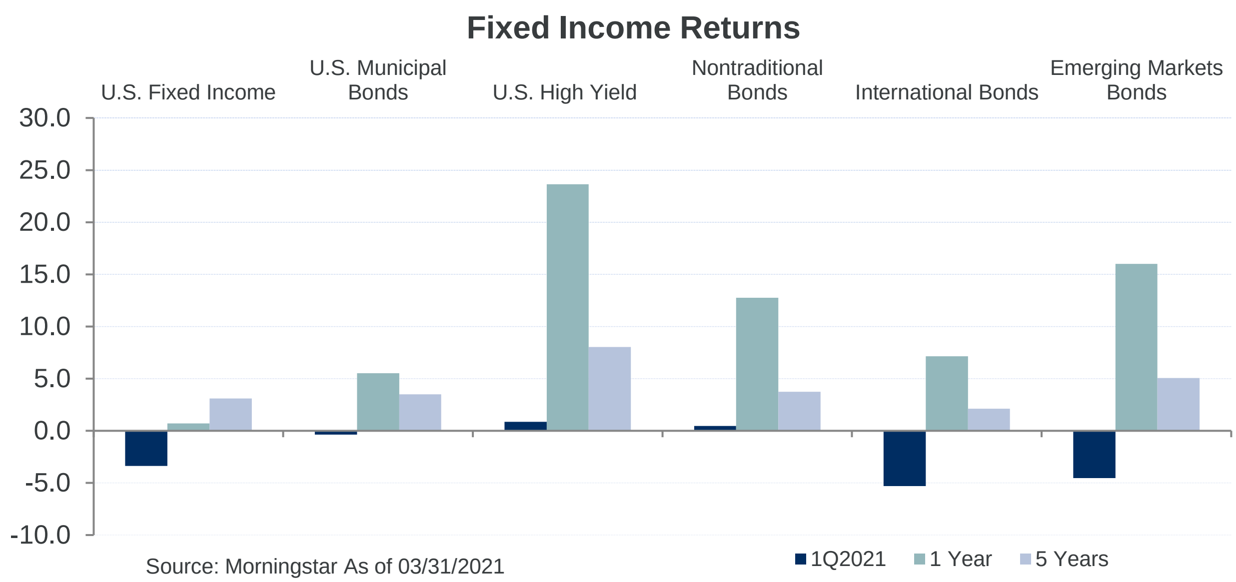


FIXED INCOME

Core fixed income returned -3.4% for the quarter, as measured by the Bloomberg Barclays U.S. Aggregate Bond TR index. Bond performance was muted, which is to be expected when equities rally and interest rates are low.

FIXED INCOME POSITIONING IN FREEDOM PORTFOLIOS

The AMS IC holds a slightly unfavorable view of fixed income, given the likelihood low interest rates will diminish return potential. Bonds continue to have value, however, for their potential to mitigate equity risk. Recognizing the widening difference between spreads for Treasuries and high yield bonds, the AMS IC has a slightly favorable view of high yield bonds.

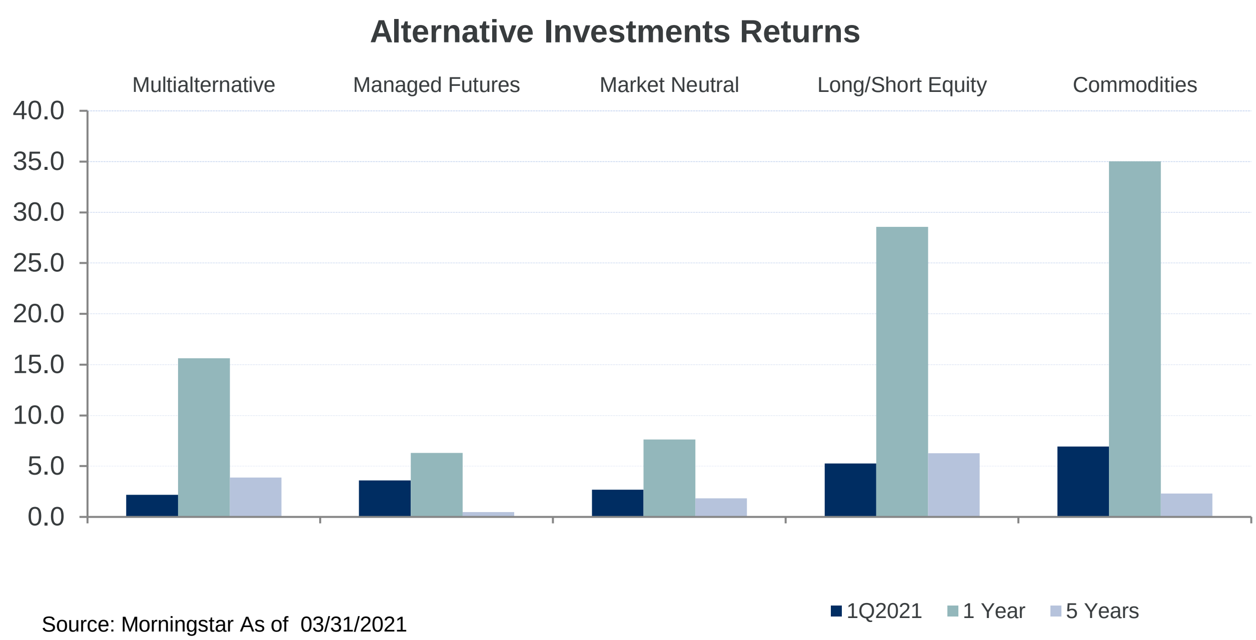


ALTERNATIVES

Multialternative investments returned 2.2% for the quarter, as measured by the U.S. Fund Multialternative peer group. This asset class, valuable for its ability to provide diversification, underperformed equities and outperformed core fixed income, as would be expected.

ALTERNATIVES POSITIONING IN FREEDOM PORTFOLIOS

The AMS IC holds a slightly unfavorable view of alternative investments, which are utilized for diversification purposes.



Source: Morningstar As of 03/31/2021

OUTLOOK

Buoyed by the pace of vaccine distributions, a massive fiscal relief and a commitment from the U.S. Federal Reserve to hold interest rates low, a return to normalcy feels possible. And with it will come increased economic activity – more jobs, more consumer spending. Given the current environment, the AMS IC expects equities to outperform bonds. Freedom portfolios currently have a slight overweight to equity and a slight underweight to fixed income. The AMS IC believes the U.S. economy is positioned more strategically for growth than foreign economies, some of which are struggling to contain new waves of COVID-19 cases amid fitful vaccine rollouts. Central banks around the world, including the U.S. Federal Reserve, remain supportive and additional government spending is likely with Democrats in control of the White House and Congress.

The AMS IC 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.

"Be fearful when others are greedy, and be greedy only when others are fearful." – Warren Buffett

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, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Morningstar US OE Multialternative (Multialternative): These funds will use a combination of alternative strategies such as taking long and short positions in equity and debt, trading futures, or using convertible arbitrage, among others. Funds in this category have a majority of their assets exposed to alternative strategies and include both funds with static allocations to alternative strategies and funds tactically allocating among 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.

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