RAYMOND JAMES

MARKET ANALYSIS: 2020 REVIEW, 2021 OUTLOOK

Freedom Market Commentary // Q4 2020

Despite the worst global pandemic in a century, capital markets produced positive returns in 2020 – both stocks and bonds – and the outlook for 2021 is positive.

MARKET UPDATE

"You're on mute" may have been the phrase of the year, but the equity markets were determined to be heard in 2020. From a March low point that brought an end to the decade-long bull market, record levels of monetary and fiscal support – along with record timelines for the development of vaccines – fueled an incredible market recovery. In the final days of the year, the S&P 500 index reached a record high. And though COVID-19 cases continued to spike across the country, vaccine distributions that began in December offered hope for the coming year.

LOOKING AHEAD

The Asset Management Services Investment Committee, anticipating continued monetary and fiscal policy support worldwide, expects continued economic growth in 2021, with equities positioned to outperform bonds.

2020 FREEDOM ASSET CLASS RETURNS

ASSET CLASS	INDEX/ PEER GROUP	2020 RETURN
U.S. Large-cap	S&P 500 TR	18.4%
U.S. SMID	Russell 2500 TR	20.0%
U.S. Defensive Equity	S&P 500 Dividend Aristocrats TR	8.7%
Int. Dev. Mkts. Large Caps	MSCI EAFE NR USD	22.0%
Emerging Markets	MSCI Emerging Markets NR USD	7.8%
Core Fixed Income	BBgBarc U.S. Aggregate Bond TR	8.7%
Short Term Fixed Income	BBgBarc U.S. Govt/Credit 1-3 Year TR	7.5%
U.S. High Yield	BBgBarc U.S. High Yield 2% Iss. Cap TR	7.0%
Multialternatives	U.S. Fund Multialternative	3.0%

2020 MARKET DRIVERS

STAYING HOME

For much of the pandemic, equity market performance was driven by a relatively small number of sizeable growth-oriented companies whose products and services kept people connected amid stay-at-home directives, shifts toward remote working and self-imposed social distancing. Strong performance from online shopping and technology companies helped offset sharp losses among travel, traditional retail and service-oriented businesses. With hope of highly effective vaccines being distributed in the first half of 2021, investors rushed at year's end to reengage with areas of the market hardest hit by the pandemic, including smaller companies.

MONETARY POLICY

In spring, as the pandemic took hold in the United States, the Federal Reserve took decisive action. It quickly cut interest rates to near zero – a move that led to an increase in existing bond prices and a decrease in yields. It purchased securities, adding roughly $2.5 trillion to its balance sheet, and established lending programs to provide an infusion of cash. Later, it announced plans to alter its practice of raising interest rates to keep inflation from exceeding a 2% target. Instead, a flexible average will be used, making the decision to raise interest rates more subjective and allowing for the possibility that interest rates, and therefore yields, may stay lower for longer. Central banks around the world were similarly supportive, and are expected to remain so for years.

FISCAL STIMULUS

In a 10-month span, Congress passed several pieces of legislation – including two major packages – that provided more than $3.5 trillion in relief for individuals, businesses and municipalities. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2-trillion package passed in March, and the Consolidated Appropriations Act, a $900-billion package passed in December, provided direct payments to taxpayers, support for small businesses through the Paycheck Protection Program, expanded unemployment benefits and more. Though the U.S. labor market continues to improve, additional stimulus is possible in 2021.

POLITICAL TENSION

The U.S. presidential election produced headlines, intensifying as early voting took place during the pandemic ahead of the Nov. 3 election day and escalating afterward as Republicans challenged the results in several swing states. Though two key Senate seats in Georgia went to a January runoff – with the majority riding on their outcomes – the markets responded favorably to the prospect of a divided government in which the Democrats would control the White House and House of Representatives and Republicans would control the Senate, making major policy shifts less likely.

2020 MARKET THEMES

- U.S. economy appears one of the strongest in the world
- Yields expected to remain low
- Monetary and fiscal support expected to continue
- Equities positioned to outperform bonds

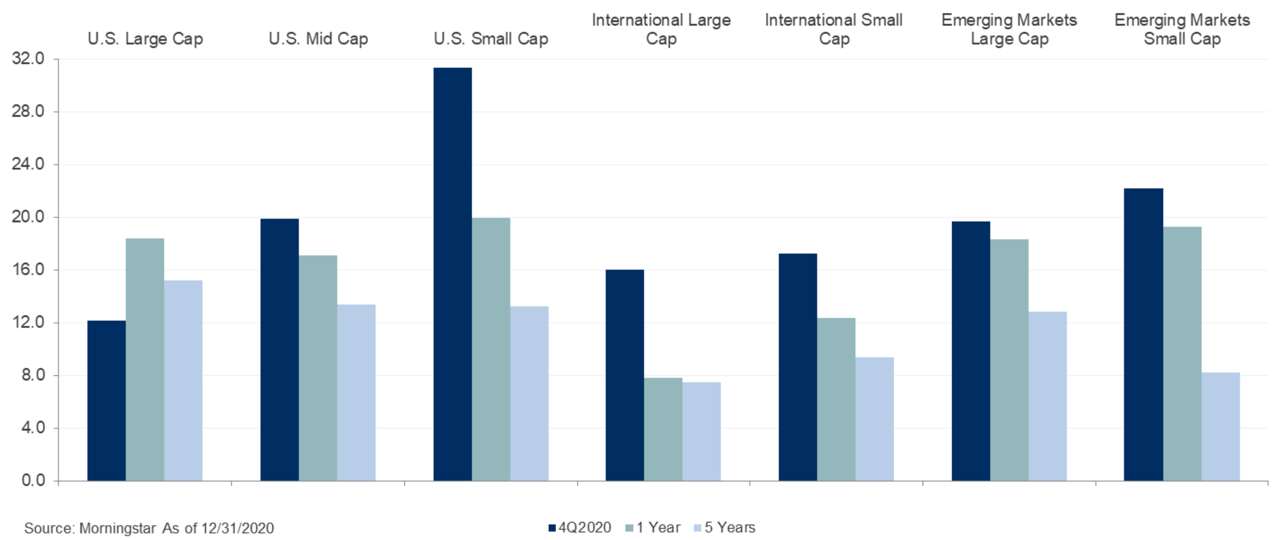
EQUITY

Around the world, central bank and fiscal policies are expected to continue to support economic recovery and growth – and equity markets are likely to benefit. The Asset Management Services (AMS) Investment Committee (IC) holds a neutral view of equity overall after eliminating an underweight to equity over the course of 2020, and will look for additional opportunities to increase equity allocations in 2021. Within equity, the IC holds a slightly positive view of domestic large-cap equity, neutral positions with U.S. small- to mid-cap equity and emerging markets equity, and a slightly cautious view of international developed markets large-cap equity.

The U.S. Federal Reserve has pledged to maintain near-zero interest rates into 2023, barring an unforeseen rise in inflation that might force its hand.

Domestic fiscal stimulus is expected to help fill the gap in spending until consumer spending fully recovers, with increased debt the tradeoff for providing a near-term boost to economic output. Monetary policy makers in the Eurozone, United Kingdom and Japan are aligned with a dovish approach, but had less room to maneuver during the pandemic because many had not yet begun to raise rates after the 2008 financial crisis. Against this backdrop, earnings growth in the United States finished 2020 stronger than expected, as did sales and dividend growth, relative to the rest of the world. Meanwhile, positive returns for U.S. investors from international markets in 2020 benefited as much from a decline in the value of the dollar as other market-related factors.

EQUITY RETURNS



Source: Morningstar As of 12/31/2020

FIXED INCOME

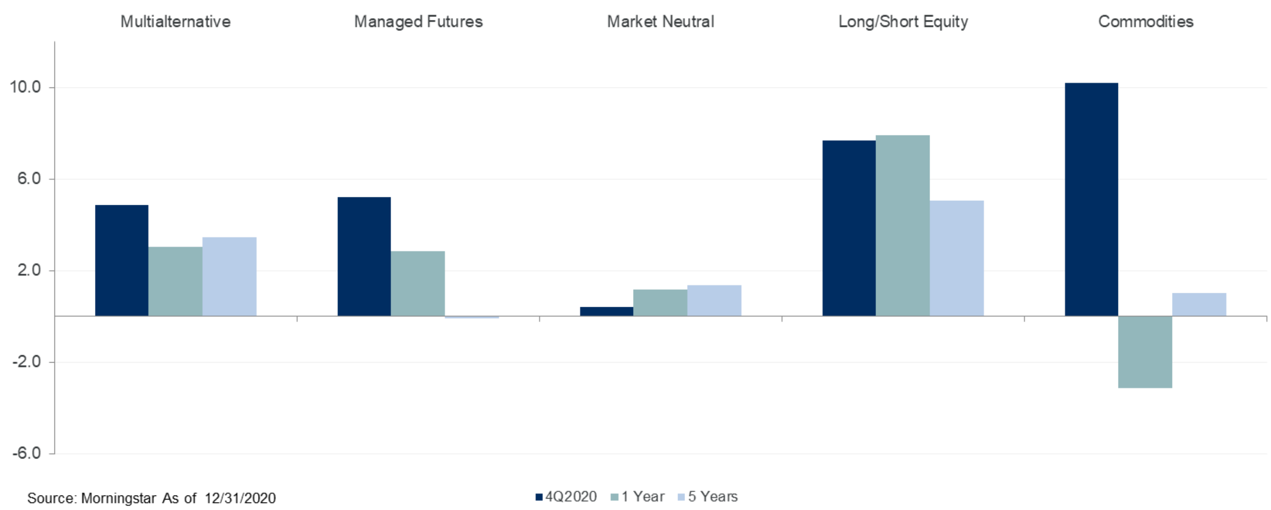
Barring a dramatic change, the AMS IC expects interest rates and bond yields to remain low for at least the next couple of years – and for bond returns to match their yields. The AMS IC holds a neutral view of fixed income overall after eliminating an overweight to bonds over the course of 2020. The neutral position, however, is the result of underweight and overweight positions to five types of bonds slightly favorable views of core fixed income, high yield bonds and nontraditional bonds, and cautious views of non-U.S. developed market debt and emerging market debt. Despite the prospect for low yields, the IC values high-quality fixed income for its potential to mitigate risk during an equity downtown.

FIXED INCOME RETURNS

ALTERNATIVES

The AMS IC, which utilizes alternative investments for either diversification or return enhancement, has a neutral view of alternatives, given the potential for bonds to offer affordable risk mitigation to equities.

ALTERNATIVE INVESTMENTS RETURNS



FINAL THOUGHTS

An end to the pandemic appears to be in sight. Though U.S. equity valuations are elevated compared to historical standards, the United States appears to have one of the world's strongest economies entering 2021, and vaccine distribution is expected to positively affect growth and earnings. The AMS IC will keep an eye on several factors that could influence the capital markets, including inflation, the value of the dollar and the potential for areas hardest hit by the pandemic, including Europe, to bounce back. Earnings expectations are high for 2021, so we will be especially watchful of how closely earnings align with those expectations.

Freedom portfolios are currently aligned with AMS IC policy – overall, they hold neutral positions to equity and fixed income. 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.

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.

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.

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