RAYMOND JAMES

Freedom market commentary

Q2 2022

It's been a turbulent year for the stock and bond markets, with both experiencing meaningful losses. Investors are concerned about persistently high inflation and the U.S. Federal Reserve's need to slow down the economy to bring down prices.

In response to inflation levels not seen in nearly 40 years, the U.S. Federal Reserve (Fed) hiked its short-term lending rate by 0.5% in May and 0.75% in June. The range for the federal funds rate is between 1.50% and 1.75%, and expectations for how high interest rates need to go to curb inflation have been adjusted higher, to roughly 3.0% to 3.5% by the end of the year. As a result, expected U.S. economic growth in 2022 was adjusted lower, from 4.0% to 2.8%. These notable economic factors – inflation, tightening monetary policy and slower growth – contributed greatly to the repricing of capital markets.

EQUITY

U.S. large-cap equity returned -16.1% for the second quarter of 2022, as measured by the S&P 500 index. The blue-chip index reached bear market territory in mid-June, dropping more than 20% from its previous high for the first time since March 2020. Losses occurred in all sectors, though defensive areas of the market generally held up better as investors shied away from risk. U.S. small- to mid-cap equity experienced similar pressures, returning -17.0% for the quarter, as measured by the Russell 2500 index.

In international markets, inflationary and supply chain issues were exacerbated by the Russia-Ukraine war. Non-U.S. developed markets equity returned -14.5% as measured by the MSCI EAFE net return index (in dollars), and emerging markets returned -11.5%, as measured by the MSCI Emerging Markets net return index (in dollars).

SECOND QUARTER HIGHLIGHTS

Inflation rattles capital markets

Central banks raise interest rates

Economic growth slows

INVESTING INSIGHTS

STAGFLATION

In addition to talk of high inflation, the term stagflation is turning up in headlines. Stagflation describes the rare environment in which slow economic growth, rising prices and high unemployment occur together. Those conditions do not all exist currently – unemployment remains low – but with the high price of gasoline, people might see similarities to the energy crisis of the 1970s, a notable period of stagflation. The situation bears watching, but the pressures do not seem as great. Compared to 50 years ago, consumers are in a stronger position, America imports less of its energy sources and the U.S. Federal Reserve has more credibility as it sets monetary policy.

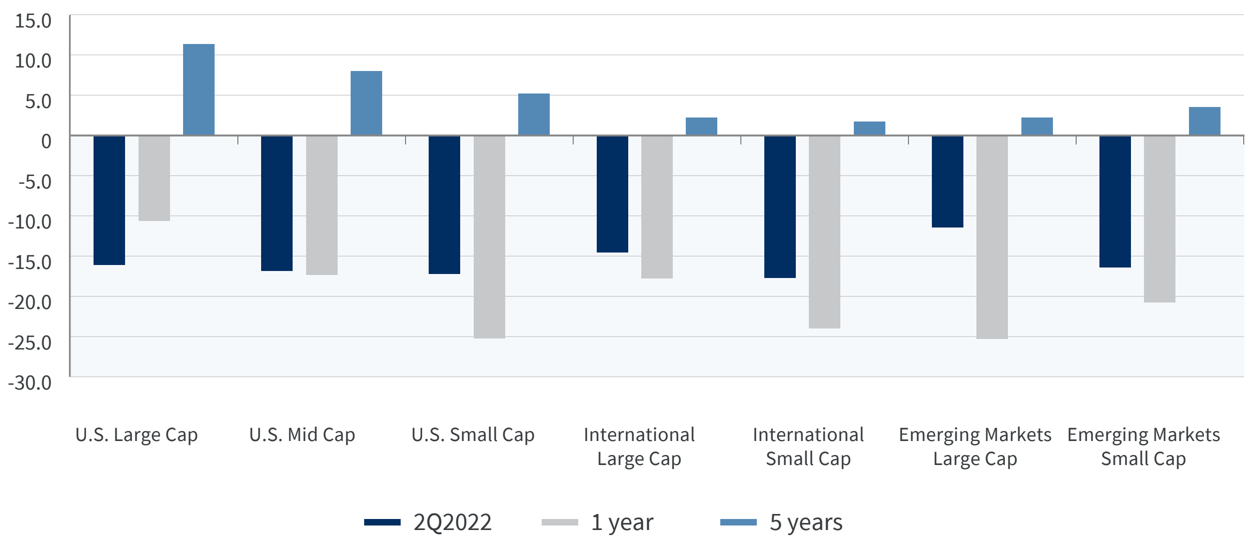
EQUITY POSITIONING IN FREEDOM PORTFOLIOS

The Asset Management Services (AMS) Investment Committee, which oversees Freedom portfolios, has a positive view of equity based on the outlook for continued, albeit slower, economic growth. As such, portfolios aligned with objectives that focus on capital appreciation – balanced, balanced with growth and global – are overweight equity. Within equity allocations, all Freedom portfolios are overweight U.S. equity, primarily large caps, based on the committee's belief the United States is better positioned than the rest of the world. Portfolios are also overweight U.S. defensive and low-volatility equity, anticipating tighter monetary policy and decelerating growth outlooks.

The committee has a cautious view of non-U.S. developed markets equity, based on the expectation Europe will experience a faster deceleration in economic growth because of its proximity to the Russia-Ukraine war and heavy reliance on Russian energy sources. The committee has a neutral view of emerging markets equity, though net exporters likely will benefit from rising interest rates.

EQUITY RETURNS

Source: Morningstar as of 6/30/2022



FIXED INCOME

Core fixed income returned -4.7% for the quarter, as measured by the Bloomberg U.S. Aggregate Bond total return index, contributing to the worst first six months of a year for core bonds since data became available in 1976. While returns for the equity and bond markets were unusually correlated in the first quarter – they both moved sharply down – the bond market uncoupled itself somewhat in the second quarter, an indication the pain of rising interest rates has largely been felt already.

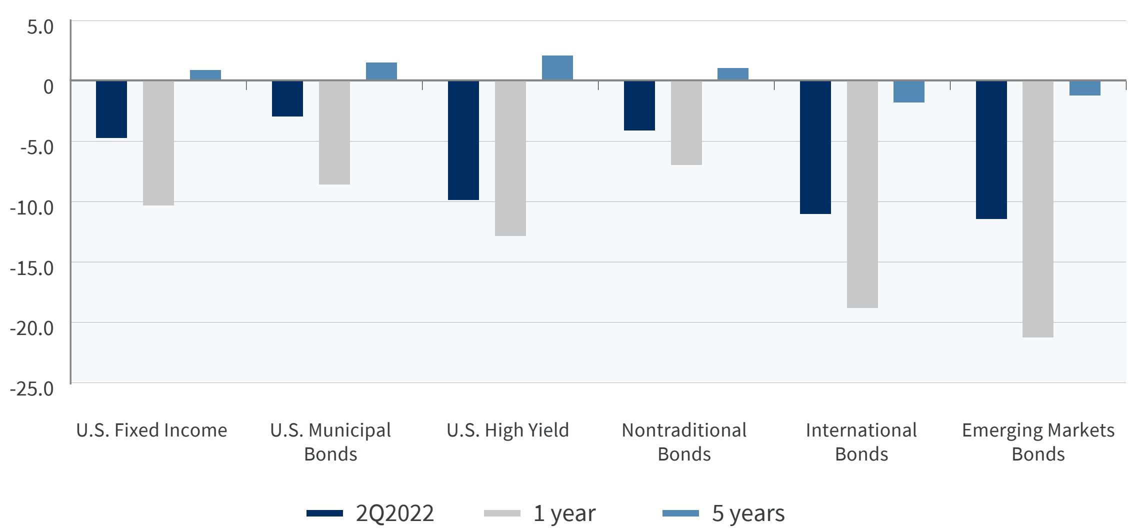
The Fed has raised rates three times since March – by 0.25%, 0.50% and 0.75%. Another 0.75% increase is expected in July. If inflation comes down, as expected, subsequent increases likely will be in smaller increments.

FIXED INCOME POSITIONING IN FREEDOM PORTFOLIOS

The AMS Investment Committee holds a cautious view of fixed income, believing the equity markets offer better opportunities. Bonds, however, are becoming more attractive both for their yields and their ability to mitigate equity risks. Believing that yields are at or approaching their high points – the bond market has already priced in most of the anticipated interest rate increases – portfolios recently shifted away from an overweight to short-term bonds seeking to capture higher yields with modestly longer durations.

FIXED INCOME RETURNS

Source: Morningstar as of 6/30/2022



ALTERNATIVES

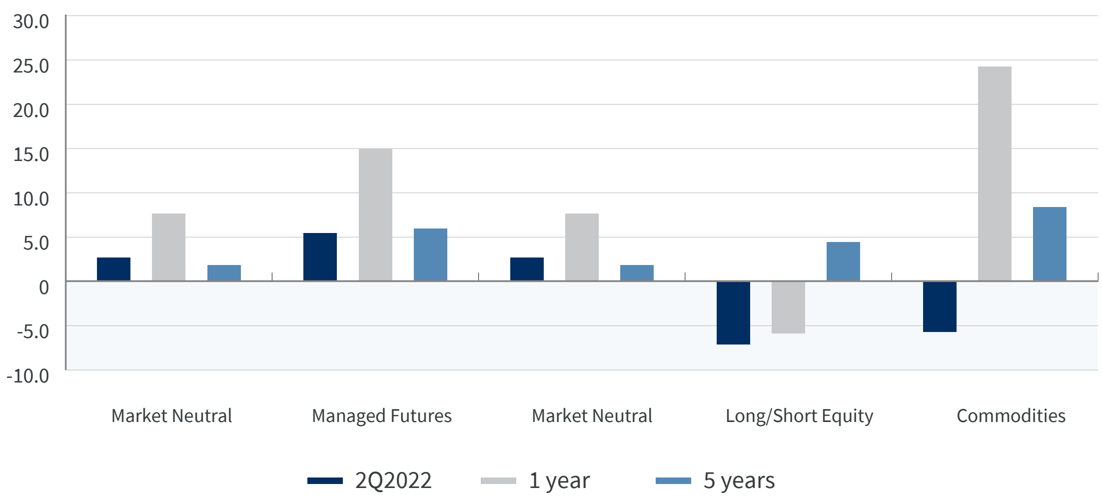
Alternative investments returned -3.0% for the quarter, as measured by the Morningstar U.S. Fund Multistrategy peer group. This asset class, valuable for its ability to provide diversification, outperformed equities and core fixed income, as would be expected when returns for both are negative.

ALTERNATIVES POSITIONING IN FREEDOM PORTFOLIOS

The AMS Investment Committee holds a cautious view of alternative investments, which are typically volatile and require short holding periods for meaningful outperformance to equities and bonds. A sustained inflationary environment or prolonged rate-increase cycle may warrant additional consideration for alternatives in portfolios with appropriate risk tolerances.

ALTERNATIVE INVESTMENTS RETURNS

Source: Morningstar as of 6/30/2022



OUTLOOK

Inflation likely will remain high in the short term and stay above the Fed's 2.0% target beyond the next year, given the time it will take for supply chain issues to resolve and monetary policies to meaningfully affect consumer spending habits.

Though the pace of U.S. economic growth has cooled since 2021, growth of 2% to 3% is expected for 2022. A strong labor market and healthy consumer and corporate balance sheets bode well for growth into 2023. Growth in the United States is expected to outpace that of other developed economies, which will more keenly feel the effects of surging commodity prices.

In the capital markets, risk-reward ratios have generally improved since the beginning of 2022. Strong fundamentals and lower prices make the equity market more attractive. Higher starting yields provide a larger cushion for bonds, with much of the loss associated with rising interest rates having already been absorbed. Volatility, however, likely will remain elevated.

While volatile markets can be stressful, they also present opportunities. The AMS 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 do 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 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 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 overweighted 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 that 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 U.S. 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. and 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 Index: Based on a combination of their market capitalization and current index membership, this index is comprised of approximately 2,500 of the smallest securities from the Russell 3000. Measures the performance of the small to mid-cap (smid) segment of the U.S. equity universe.

S&P 500: Representing approximately 80% of the investable U.S. equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested.

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