RAYMOND JAMES

Freedom market commentary

Q1 2023

The global markets began the new year in much the same fashion that they ended last year. Amid increasing signs the U.S. Federal Reserve (the Fed) is nearing the end of its rate-hiking cycle, most major asset classes posted positive returns in the first quarter of 2023.

The Fed raised interest rates twice, but by small increments. Increases of 0.25% each in February and March brought the range for the federal funds rate to between 4.75% and 5.00%. One small increase is possible in the second quarter, but the Fed signaled it is shifting away from "ongoing increases" to "additional firming."

Inflation remains stubbornly high overall but has come down in several components of the core consumer price index, which the Fed uses as its inflation gauge. It can take a year or longer for the effects of higher interest rates to be fully felt throughout the economy.

Two banks failed, primarily because of poor risk management at the company level, along with deposit behavior changes as interest rates rapidly increased. The resulting market volatility has subdued since the height of the stress, but companies and sectors with weak balance sheets and poor liquidity positions will potentially be tested as both access and costs of capital are more challenging than in the past decade.

EQUITY

U.S. large-cap equity returned 7.5% for the first quarter of 2023, as measured by the S&P 500 Total Return index, while U.S. small- to mid-cap equity returned 3.4%, as measured by the Russell 2500 Total Return index.

FIRST QUARTER HIGHLIGHTS

- Stocks and bonds experience gains
- Fed slows interest rate hikes
- Inflation remains elevated

INVESTING INSIGHTS

INFLATION'S MOST STUBBORN COMPONENT

Some components of core inflation, which the Fed uses as its gauge, are coming down more quickly than others. Owner's equivalent rent, the largest component of the Consumer Price Index at roughly 40%, takes longer to respond to monetary policy than do other components – and overall inflation remains high as a result. Owner's equivalent rent lags other index components by about a year. That's largely because this data point is based on surveying property owners about the amount it would cost to rent their residence rather than own it, sampling from the same unit once every six months. Now that the housing market has begun to cool, owner's equivalent rent eventually will follow – but the cool-off will take time.

Growth-oriented stocks, which underperformed value in 2022, experienced a reversal in the first quarter of 2023. Information technology led the way, returning 21.8% as measured by the S&P 500 Information Technology Total Return index. The bank failures contributed to the financials sector returning -5.6%, as measured by the S&P 500 Financials Total Return index. The small-cap index has a higher concentration in the banking sector, leading to underperformance relative to large-caps.

Non-U.S. developed markets returned 8.5%, as measured by the MSCI EAFE Net Return index in dollars, slightly outperforming U.S. large caps despite the lasting impact the Russia-Ukraine war is having in Europe. Spain, Germany and France drove outperformance, while the United Kingdom, Japan, Canada and Australia underperformed the United States.

Emerging markets returned 4.0% as measured by the MSCI Emerging Markets Net Return index in dollars. Taiwan and South Korea drove performance, while India, Thailand and Brazil were a drag on return. The reopening in China also had an impact on expectations for Asian market performance.

EQUITY POSITIONING IN FREEDOM PORTFOLIOS

The Asset Management Services (AMS) Investment Committee, which oversees Freedom portfolios, has a neutral view of equity overall given the outlook of further slowing in economic growth. Within equity allocations, all Freedom portfolios are overweight U.S. equity, primarily large-caps, based on strong fundamentals. As global growth decelerates, the committee believes the United States is positioned to hold up better than the rest of the world.

The committee has a cautious view of non-U.S. developed markets equity, based on deteriorating fundamentals. The committee has a neutral view of emerging markets equity, where confirmation of growth reacceleration is needed.

EQUITY RETURNS

Source: Morningstar as of 3/31/2023

FIXED INCOME

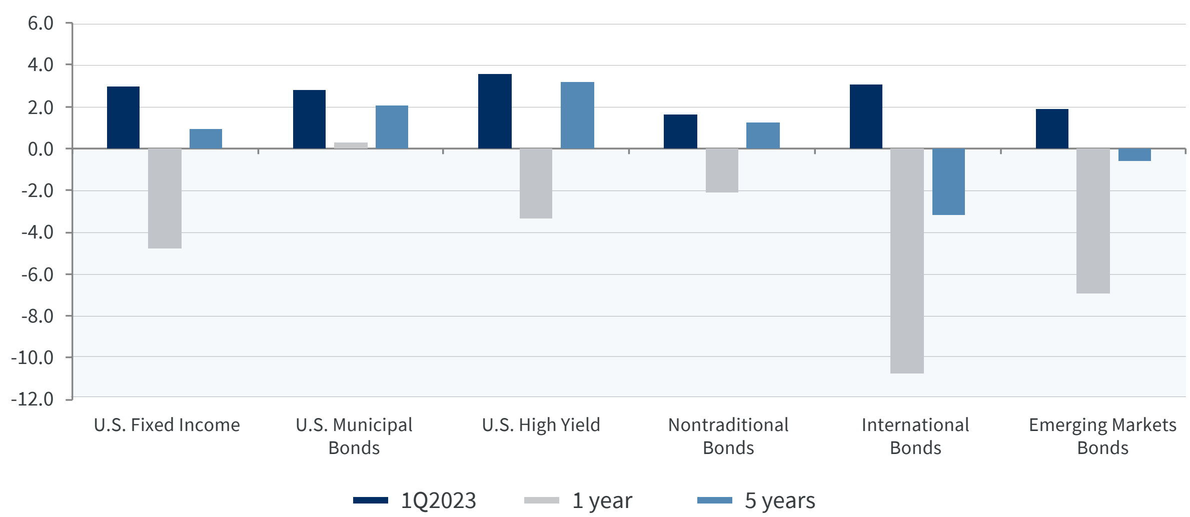
Core fixed income returned 3.0% for the quarter, as measured by the Bloomberg U.S. Aggregate Bond Total Return index. Though stocks and bonds typically do not behave in a highly correlated fashion, higher yields drew investors to high-quality bonds even as stocks experienced gains.

FIXED INCOME POSITIONING IN FREEDOM PORTFOLIOS

The AMS Investment Committee holds a neutral to positive view of fixed income, though bonds have become increasingly attractive. With bond yields at levels not seen since 2006-2007, the risk-return characteristics of intermediate to longer-maturity bonds have improved especially as investors value the ability for high quality bonds to mitigate risk associated with a downturn in the equity market after the normalization of interest rates.

FIXED INCOME RETURNS

Source: Morningstar as of 3/31/2023



ALTERNATIVES

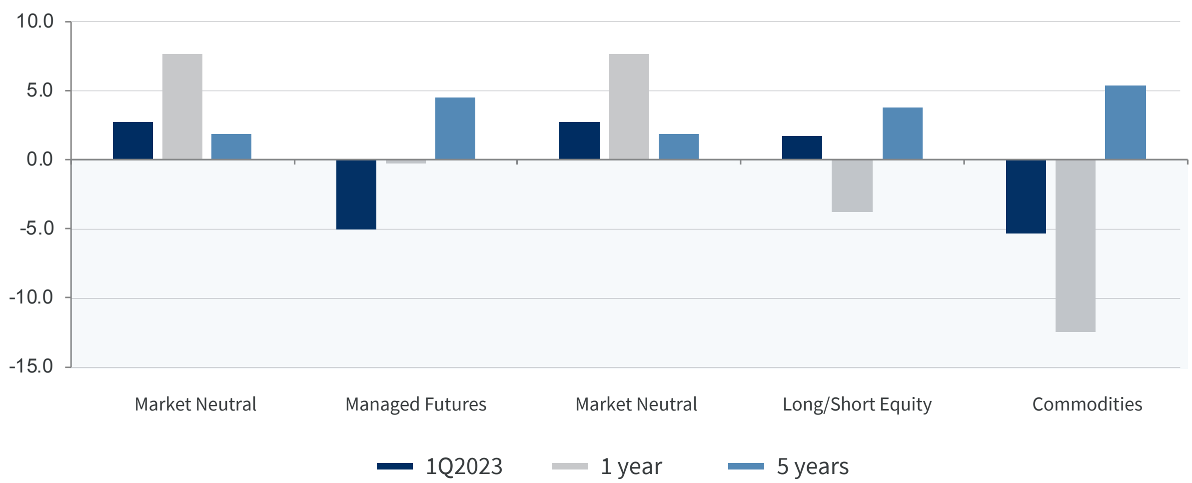
Alternative investments returned 1.0% for the quarter, as measured by the U.S. Fund Multistrategy peer group. This asset class, valuable for its ability to provide diversification, underperformed equities and core fixed income, as would be expected when returns for both are positive.

ALTERNATIVES POSITIONING IN FREEDOM PORTFOLIOS

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

ALTERNATIVE INVESTMENTS RETURNS

Source: Morningstar as of 3/31/2023



OUTLOOK

As the impact of higher interest rates makes its way through the economy, inflation is expected to gradually come down and economic growth is expected to decelerate further. While there are not enough signs to show a recession is imminent, recessionary pressures continue to build – and all eyes will remain on the Fed as it attempts to navigate a soft-landing scenario for the world's largest economy.

The United States appears to be in a better position than other developed economies, where inflation is expected to remain higher for longer and European countries will continue to be disproportionately affected by the Russia-Ukraine war.

Overall, Freedom portfolios are positioned more defensively than a year ago – exposure to equity has decreased and exposure to fixed income has increased. Higher starting yields will continue to make the bond market attractive, especially in a scenario that sees the Fed potentially engage in rate cuts down the road if growth disappoints meaningfully to the downside.

The AMS Investment Committee evaluates Freedom portfolios on a continuous basis, and any changes would be intended 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.

S&P 500 Select Sector Indices: Following a modified market capitalization weight methodology, Select Sector Indices are calculated and maintained by S&P Dow Jones Indices. The constituents of each index are all members of the S&P 500, and each constituent of the S&P 500 is assigned to at least one Select Sector Index based on the constituent's classification under the Global Industry Classification Standard (GICS®). Most of the Select Sectors align in their membership with GICS sectors, with a few exceptions. The membership of Technology Select Sector combines constituents of the GICS Information Technology and Telecommunication Services sectors. The Financial Services Select Sector includes stocks from the GICS Financials sector excluding Real Estate but keeping Mortgage REITS, and the membership of Real Estate Select Sector includes constituents of the GICS Real Estate Industry Group, excluding Mortgage REITS.

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