RAYMOND JAMES | ASSET MANAGEMENT SERVICES

Freedom Quarterly Market Commentary // 1Q 2018

FIRST QUARTER NOTABLES

DRIVERS

The return of volatility

U.S. trade and monetary policy

PERFORMANCE

Equity and fixed income markets experience losses, though just barely

U.S. equity outperforms international developed equity

MARKET UPDATE

The first quarter of 2018 marked the return of volatility. And, for the first time in nearly a decade, the equity and fixed income markets both experienced losses, though just barely, as uncertainty regarding the effects of U.S. trade and monetary policy led to market fluctuations. No particular asset class distinguished itself amid largely flat returns. Yet, the global economic growth story remains in place for 2018, driven by continued improvements in economic activity around the world and implications from U.S. tax cuts. In fact, we believe the fundamentals for global equities remain positive, barring any unforeseen events.

Understanding volatility

The S&P 500 posted a positive return during every month of 2017 – a steady climb to which investors were unaccustomed, but quite comfortable. The index closed up or down by a full 1% only eight times during the year, and never by as much as 2%. In February 2018, volatility returned. So, it is important to remember that average volatility is just that – an average. Periods of below-average volatility combine with periods of above-average volatility to create the average. Therefore, volatility at any specific point in time is rarely average.

EQUITY

Domestic Equity

U.S. large-cap stocks returned -0.76% for the quarter, as measured by the S&P 500 index, which ended its streak of nine consecutive quarters – more than two full years – with positive returns. U.S. small- to mid-cap equity fared slightly better, returning -0.24%, as measured by the Russell 2500 TR index. In January, U.S. tax cuts created tailwinds for large corporations. Headwinds appeared later in the form of uncertainty regarding

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Market commentary is generic in nature and not necessarily specific to the Freedom objective discussed herein but will include information material to the Freedom platform in general. Freedom Commentary is generally written from a passive standpoint and there are limitations to this data as strategies include active management. Actively managed strategies and holdings may have reacted differently during the quarter than the market segments discussed herein. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index and peer group would incur fees and expenses which would reduce returns. Asset Allocation and Diversification does not ensure a profit or protect against a loss. All investments are subject to risk. There is no assurance that any investment strategy will be successful. Past performance is not a guarantee of future results. Dividends are not guaranteed and a company's future ability to pay dividends may be limited.

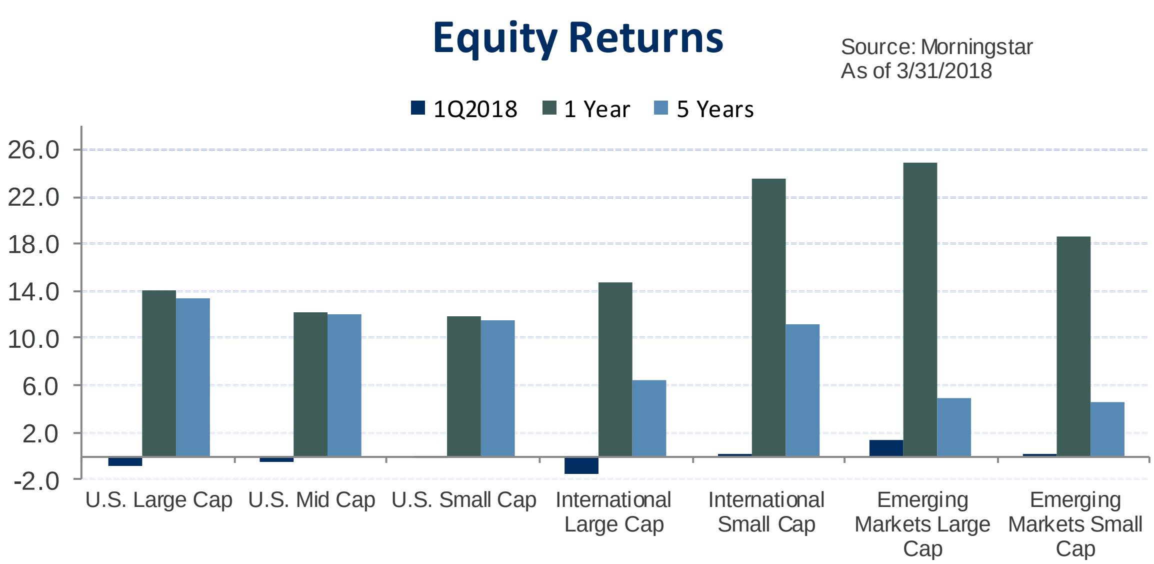
inflation and U.S. trade policy. Domestic equities remain attractive, however, with U.S. stocks poised to experience year-over-year earnings growth estimated at 18%, much of it attributable to the new tax legislation. What companies do with this increased cash flow – pay it out in dividends and buybacks or reinvest it in the business – will drive sentiment into 2019 and beyond.

International Equity

While the United States represents half of the world's market capitalization, earnings growth in 2018 is not simply a domestic story. The rest of the world, particularly Europe and Asia, is experiencing an increase in earnings, as well, which could propel equity returns for not just this year, but the next few years. For the third time in six quarters, MSCI EAFE underperformed the S&P 500 in 4Q 2016 and the last two quarters international developed markets large-cap equity underperformed its domestic counterpart, returning -1.53%, as measured by the MSCI EAFE NR index. Emerging markets proved most resilient among equities, returning 1.42% for the quarter, as measured by the MSCI Emerging Markets NR index.

Freedom Portfolio Positioning

The Asset Management Services (AMS) Investment Committee (IC) holds a slightly favorable view of international equity, based on attractive valuations and strong earnings and economic growth indicators. More narrowly, the preference is for developed markets over emerging markets, and large caps over small caps. The AMS IC holds a slightly cautious view of domestic equity, based on the belief more attractive opportunities exist outside the United States. Valuations on U.S. stocks remain high, which could lead to contractions if not supported by earnings growth beyond 2018. At this time, the preference is for large caps over small caps, though there could come a time when small caps become favorable.



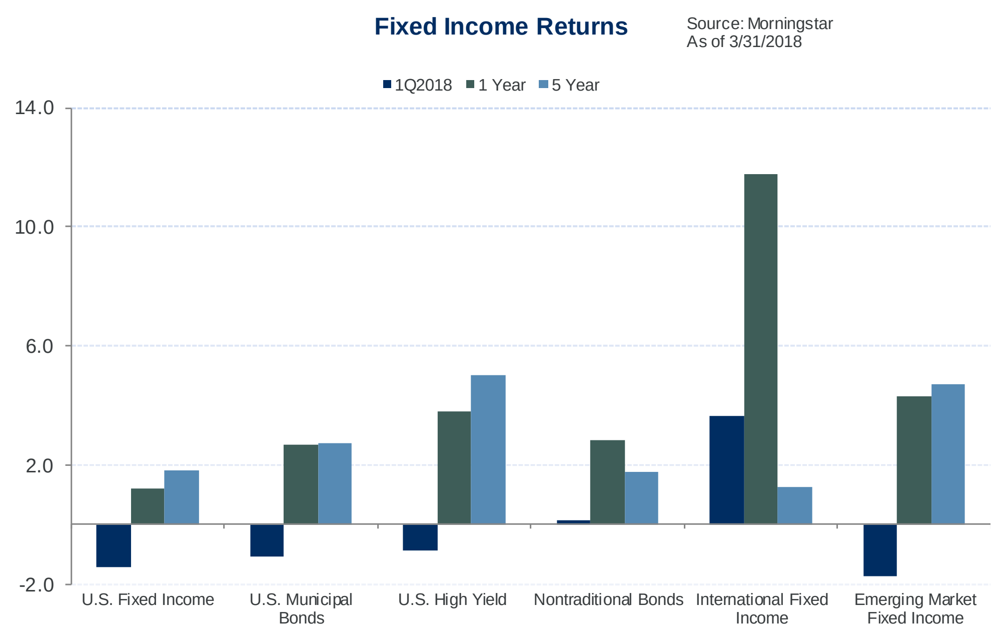
For sector information relating to charts and commentary above, see index definitions on pages 5 through 7. Portfolio Positioning reflects the AMS IC's general opinions regarding how exposure to various market sectors may help or hinder achieving the portfolio's long term objective. The policy and sector allocations are subject to change without notice. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index and peer group would incur fees and expenses which would reduce returns. Asset Allocation and Diversification does not ensure a profit or protect against a loss. All investments are subject to risk. There is no assurance that any investment strategy will be successful. Past performance is not a guarantee of future results. Dividends are not guaranteed and a company's future ability to pay dividends may be limited.

FIXED INCOME

Facing the headwinds of a rising interest-rate environment, core fixed income returned -1.46% for the quarter, as measured by the Bloomberg Barclays U.S. Aggregate Bond index. The U.S. Federal Reserve remained committed to its two-pronged approach to rate-normalization: steady increases to the federal funds rate and the selling of bonds it purchased during the past 10 years to stimulate the economy. In March, the Fed raised its short-term lending rate for the sixth time since late 2015 – to a target range of 1.50% to 1.75% – with two or three additional increases expected by the end of the year. Harder to anticipate is whether long-term rates, which have so far remained relatively steady, will move higher from the Fed's pressure. The yield for the 2-year Treasury bond is approximately 2.3%, while the 10-year Treasury is only slightly higher at approximately 2.8%. A flat or inverted yield curve is undesirable – theoretically, it should cost more to borrow for longer periods of time – so the Fed could be forced to adjust its course if long-term rates do not rise.

Freedom Portfolio Positioning

The AMS IC holds a slightly unfavorable view of fixed income, but likes its potential to provide portfolio insulation during an equity drawdown. As yields rise, fixed income will become a more attractive option for managing portfolio volatility. More narrowly, we hold an unfavorable view of high yield bonds, because yields do not warrant the additional risk.



ALTERNATIVES

Alternative investments returned -1.06% for the quarter, as measured by the U.S. Multialternative Fund peer group. The AMS IC maintains a slightly favorable view of alternatives for their potential to mitigate risk during an equity downturn.

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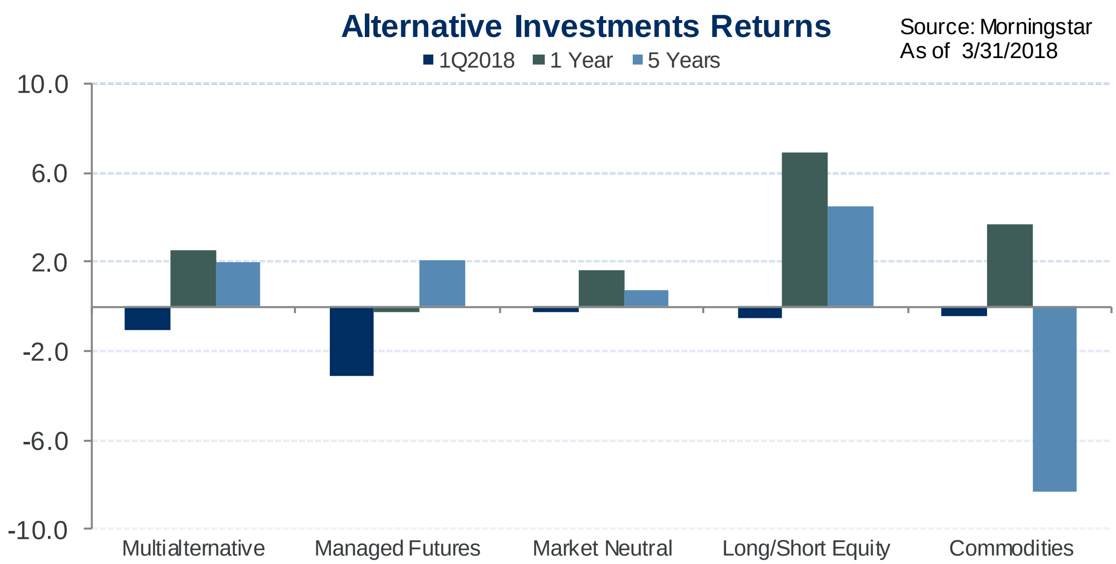

FINAL THOUGHTS

Many factors have the potential to influence the markets in the coming months, including trade negotiations, tariffs, inflation, monetary policy and global economic growth conditions. Such uncertainties affirm the AMS IC's diligent approach to asset allocation and diversification for their potential to mitigate risk in Freedom portfolios.

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. All investments are subject to risk. The prospectus contains this and other information about the funds and should be read carefully before investing.

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.

Past performance is not a guarantee of future results. 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. All investing involves risk. Asset allocation and diversification does not ensure a profit or protect against a loss. Dividends are not guaranteed and a company's future ability to pay dividends may be limited.

There is no assurance that any investment strategy will be successful. All investments carry a certain degree of risk and you may incur a profit or a loss.

RISK: 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, you may incur a profit or a loss.

- High-yield (below investment grade) bonds are not suitable for all investors and may present greater credit risk than other bonds.
- 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. Bond and bond fund investors should carefully consider risks such as: interest rate risk, credit risk, liquidity risk and inflation risk.
- International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic instability.
- 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.
- 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.

- Some accounts may invest in Master Limited Partnership ("MLP") units, which may result in unique tax treatment. MLPs may not be appropriate for ERISA or IRA accounts, and cause K-1 tax treatment. Please consult your tax adviser for additional information regarding the tax implications associated with MLP investments.
- 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.
- Changes in the value of a hedging instrument may not match those of the investment being hedged.
- 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.
- 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.

Bloomberg Barclays Global Aggregate Ex USD TR USD (International Fixed Income): A measure of global investment grade debt from twenty-four different local currency markets. This multi-currency benchmark includes fixed-rate treasury, government-related, corporate and securitized bonds from both developed and emerging markets issuers.

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

Bloomberg Commodity TR USD (Commodities): The Bloomberg Commodity Total Return index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

Bloomberg Barclays Municipal TR USD (U.S. Municipal Bonds): A market-value-weighted index for the long-term tax-exempt bond market. To be included in the index, bonds must have a minimum credit rating of Baa. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

FTSE/NAREIT Developed Index (Global Real Estate): The Index is designed to measure the stock performance of companies engaged in specific real estate activities of the North American, European and Asian real estate markets. Relevant real estate activities are defined as the ownership, trading and development of income-producing real estate.

JPM EMBI Global Diversified TR USD (Emerging Market Fixed Income): The index is an unmanaged, market-capitalization weighted, total-return index tracking the traded market for U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

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.

MSCI EM NR USD (Emerging Markets Large Cap): The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and United Arab Emirates. The MSCI EM NR USD takes only the large cap returns into account.

MSCI EM Small NR USD (Emerging Markets Small Cap): The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and United Arab Emirates. The MSCI EM NR USD takes only the small cap returns into account.

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.

Morningstar US OE Nontraditional Bond (Nontraditional): The category is meant as a home for funds that pursue strategies that diverge in some way from conventional practice in the bond-fund universe. The two most prominent flavors of funds in this new category typically describe themselves as pursuing either unconstrained or absolute return strategies. Funds in the unconstrained camp typically highlight their broad mandates to invest heavily across a wide spectrum of sectors and their ability to take their durations (a measure of interest-rate sensitivity) down to zero, or even negative. Absolute-return-focused funds usually emphasize their intent to generate positive returns and avoid losses, regardless of the market environment.

Morningstar US OE Managed Futures (Managed Futures): These funds typically take long and short positions in futures options, swaps, and foreign exchange contracts, both listed and over-the-counter, based on market trends or momentum. A majority of these funds follow trend-following, price-momentum strategies. Other strategies included in this category are systematic mean-reversion, discretionary global macro strategies, commodity index tracking, and other futures strategies. More than 60% of these funds' exposure is invested through derivative securities.

Morningstar US OE Long-Short Equity (Long/Short Equity): This category's constituents take both long and short positions in equities and related derivatives with the intention of hedging against the downside.

Morningstar US OE Market Neutral (Market Neutral): These are funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions. Funds in this group match the characteristics of their long and short portfolios, keeping factors such as P/E ratios and industry exposure similar. Stock picking, rather than broad market moves, should drive a market-neutral fund's performance.

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.

Russell 3000 Index: Measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

Russell 2000 Index (U.S. Small Cap): Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

Russell Mid Cap TR USD (U.S. Mid Cap): Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth 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.

S&P Developed Ex US Small TR USD (International Small Cap): Was formerly known as S&P/Citigroup EMI Growth World ex-U.S. Index. The S&P Developed ex-U.S. Small Cap Growth Index is a subset of the S&P Developed Broad Market Index. The Small Cap Index covers the lowest 15% of all publicly listed equities in the Broad Market Index within a given country with float-adjusted market values of U.S. $100 million or more and annual dollar value traded of at least U.S. $50 million in all included countries. S&P Developed ex-U.S. Small Cap Growth Index represents approximately 3,552 small-cap companies from the developed nations in North America, Europe, Africa/Middle East and Asia Pacific (excluding the United States) that exhibit strong growth characteristics.

TERMS & DEFINITIONS:

Dow Jones Industrial Average: The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

Price to Earnings Valuation: The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio can be calculated as: Market Value per Share / Earnings per Share.

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