RAYMOND JAMES | ASSET MANAGEMENT SERVICES

Freedom Quarterly Market Commentary // 2Q 2018

SECOND QUARTER HIGHLIGHTS

- U.S. economic growth and earnings lead the world
- The value of the dollar rises, affecting currency exchange rates
- The U.S. Federal Reserve raises short-term interest rates
- Trade policy uncertainty contributes to volatility

MARKET UPDATE

U.S. equity leads capital markets

Domestic equity led the way for Freedom investors during the second quarter of 2018, rallying from the market correction that occurred earlier in the year. The U.S. economy continued to grow – a steady progression that led to another interest rate increase by the Federal Reserve and a subsequent rise in the value of the dollar. Around the world, growth in developed and emerging economies slowed somewhat, and exchange rates converting foreign currencies to dollars contributed to diminished returns for U.S. investors. In the bond market, rising interest rates pushed bond prices down slightly in the United States and around the globe.

Understanding tariffs

A tariff is a tax levied to restrict imports by increasing the prices of foreign-produced goods and services. Tariffs can be imposed in an effort to protect domestic industries and jobs – theoretically, making foreign goods more expensive makes domestic goods more attractive – or to exert economic leverage. Generally, those in favor of free trade are opposed to tariffs. Recent political events, such as the United Kingdom's decision to leave the European Union and the election of U.S. President Donald Trump, indicate some countries are moving toward more nationalist economic positions.

EQUITY

Domestic Equity

Even amid increased tension regarding trade policy, the fiscal stimulus provided by the new tax legislation continues to contribute to above-trend economic growth and corporate earnings in the United States. U.S. large-cap stocks returned 3.43% for the quarter, as measured by the S&P 500 TR index, while U.S. small- to mid-cap equity fared even better, returning 5.71%, as measured by the Russell 2500 TR index. While larger companies are seemingly more affected by corporate tax cuts, smaller companies are generally less affected by global trade policies and foreign currency exchange rates.

International Equity

While earnings growth continues around the world, international developed and emerging economies have hit a soft patch in 2018. International developed markets large-cap equity returned -1.24% for the quarter, as measured by the MSCI EAFE NR index, while emerging markets returned -7.96%, as measured by the MSCI Emerging Markets NR index. Developed markets, those with established economies such as Europe and Japan, produced positive returns in local currencies, but the rising dollar shaved roughly 4% off for U.S. investors. Emerging markets, those with still-developing economies such as China, Brazil and Mexico, are typically more reliant on exports, and therefore more sensitive to tariffs.

Freedom Portfolio Positioning

The Asset Management Services (AMS) Investment Committee (IC) holds a slightly favorable view of international equity, based on attractive valuations and continued monetary support from central banks. 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. At this time, the preference is for large caps over small caps, with fundamentals for small caps relatively unattractive.

EQUITY RETURNS

The chart presented herein is for illustrative purposes only and should not be considered as the sole basis for your investment decision. 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 -0.16% for the quarter, as measured by the Bloomberg Barclays U.S. Aggregate Bond TR index. In June, the U.S. Federal Reserve raised its short-term lending rate for the second time this year – the seventh time since late 2015 – to a target range of 1.75% to 2.00% – with additional increases expected by the end of the year. Consensus indicates the Fed will stop at around 3.00%, which means most of the rate increases could be in the past. While it seems reasonable that yields should rise, and that it should cost more to borrow for longer, there is concern that long-term interest rates have not moved much, even as short-term rates have increased.

Freedom Portfolio Positioning

The AMS IC holds a slightly favorable view of core fixed income for its potential to provide portfolio insulation during an equity drawdown. Short-maturity bonds are attractive for their increasing yields.

FIXED INCOME RETURNS

ALTERNATIVES

Alternative investments returned -0.07% 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.

Return data on alternative investments is continued on the following page.

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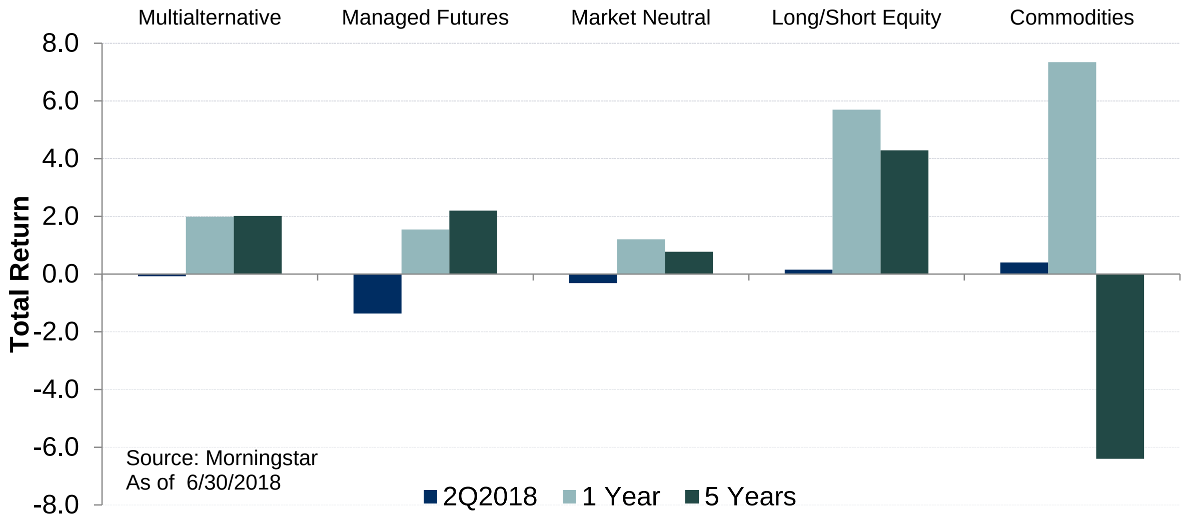
ALTERNATIVE INVESTMENTS RETURNS



OUTLOOK

For the near term, the United States appears well positioned as the tax cuts work their way through the economy. The AMS IC looks for continued improvement in the U.S. Gross Domestic Product, with consensus estimates for earnings of about 20% for 2018. Global equities also are well-positioned, though the IC would like to see Europe emerge from its economic soft patch. The U.S. Federal Reserve is likely to raise its short-term interest rate twice more in 2018, and we will keep a close watch on whether long-term rates move up, as well. As the dollar strengthens, other central banks around the world are likely to raise their interest rates to shore up their exchange rates. Looking to the future, rising rate environments typically are followed by economic contraction or a slowdown in growth rates, so central bank policy will be key. Given so many factors have the potential to influence the markets in the coming months, volatility is expected to continue. Such uncertainties affirm the AMS IC's diligent approach to asset allocation and diversification for their potential to mitigate risk in Freedom portfolios.

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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.

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.

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 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.

TERMS & DEFINITIONS:

Gross domestic product (GDP): GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Total return: when measuring performance, total return is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realized over a given period of time.

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