RAYMOND JAMES ASSET MANAGEMENT SERVICES

Freedom Quarterly Market Commentary // 3Q 2018

THIRD QUARTER HIGHLIGHTS

- U.S. economic growth and earnings lead the world
- Trade policy uncertainty contributes to volatility
- The U.S. Federal Reserve raises short-term interest rates
- Tariffs put pressure on foreign markets, especially emerging economies

MARKET UPDATE

U.S. equity leads capital markets

Domestic equity led the way for Freedom investors during the third quarter of 2018, as the United States continued to lead the world in economic growth and recovery from the financial crisis of a decade ago. Even as talk of trade policy contributed to volatility, the U.S. economy grew and the dollar remained strong. Internationally, developed markets were slightly positive for the quarter, while emerging markets felt the greatest pressure from tariffs. In the bond market, the U.S. Federal Reserve's commitment to raising interest rates put pressure on bond prices, though the U.S. bond market remained attractive relative to the rest of the developed world.

Interest rates and bond prices

Confident in the U.S. economy, the Federal Reserve is slowly and steadily raising short-term interest rates, reaching a target range of 2.00% to 2.25% with its latest hike in September. Short-term rates in other developed markets, such as Europe and Japan, remain near or even below zero. Global investors, therefore, are buying U.S. bonds because the yields are higher, which is helping to stabilize prices in a rising-rate environment.

EQUITY

Domestic Equity

Buoyed by tax cuts and sound economic indicators, U.S. equity led the capital markets. U.S. large-cap stocks returned 7.71% for the quarter, as measured by the S&P 500 TR index, its highest quarterly return since the fourth quarter of 2013. U.S. small- to mid-cap equity returned 4.70%, as measured by the Russell 2500 TR index. While larger companies seemingly benefit more from corporate tax cuts, smaller companies are generally less affected by trade policies and tariffs.

International Equity

International equity underperformed domestic stocks for the quarter, as it has for the year. International developed markets large-cap equity returned 1.35% for the quarter, as measured by the MSCI EAFE NR index. While valuations for this asset class remain appealing relative to U.S. equity, the strong dollar hampered returns for U.S. investors, who lost about 1% in currency exchange rates. Emerging markets, which were most affected by tariffs because of their reliance on exports, returned -1.09%, 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 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 4 through 6. 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 including a profit or a loss. 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.

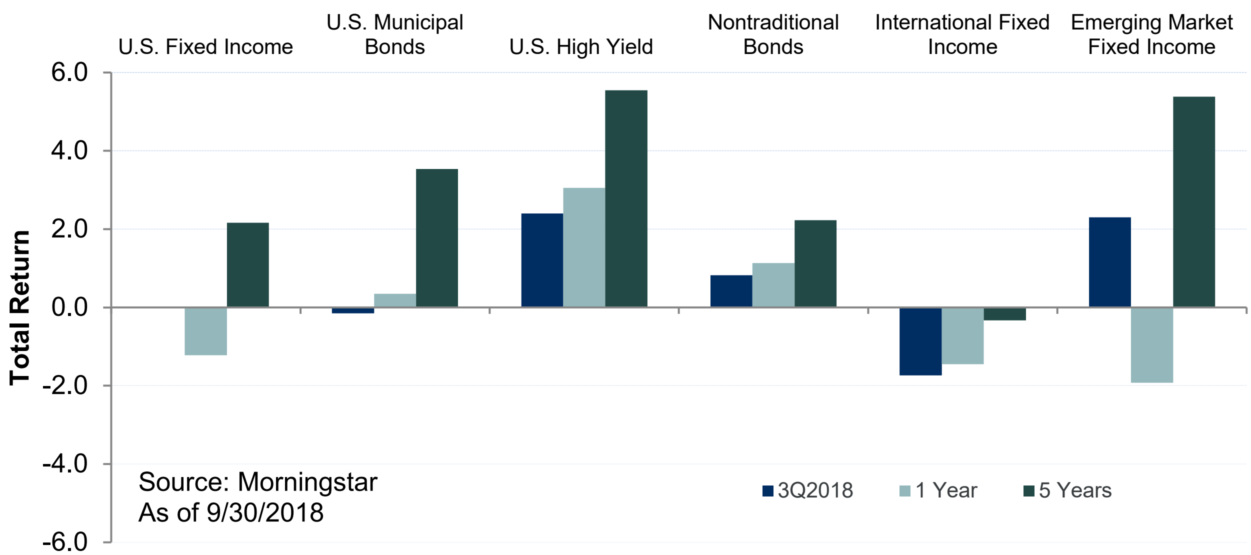
FIXED INCOME

Confident in the U.S. economy, the Federal Reserve raised its short-term lending rate in late September – the third increase this year and eighth since late 2015. Even with the headwinds of a rising interest-rate environment, core fixed income was nearly flat for the quarter, returning 0.02% as measured by the Bloomberg Barclays Aggregate Bond TR index. With its target range at 2.00% to 2.25%, the Fed is moving closer to its rate-normalization goal, believed to be 3.00%. That means most of the rate increases could be in the past. The United States is the only developed economy raising interest rates, so the prospect of higher yields made U.S. bonds attractive to foreign investors – an influx that helped stabilize prices.

Freedom Portfolio Positioning

The AMS IC holds a slightly favorable view of core fixed income for its ability to mitigate risk in an equity downturn.

FIXED INCOME RETURNS



ALTERNATIVES

Alternative investments returned 1.02% for the quarter, as measured by the U.S. Multialternative Fund peer group.

Freedom Portfolio Positioning

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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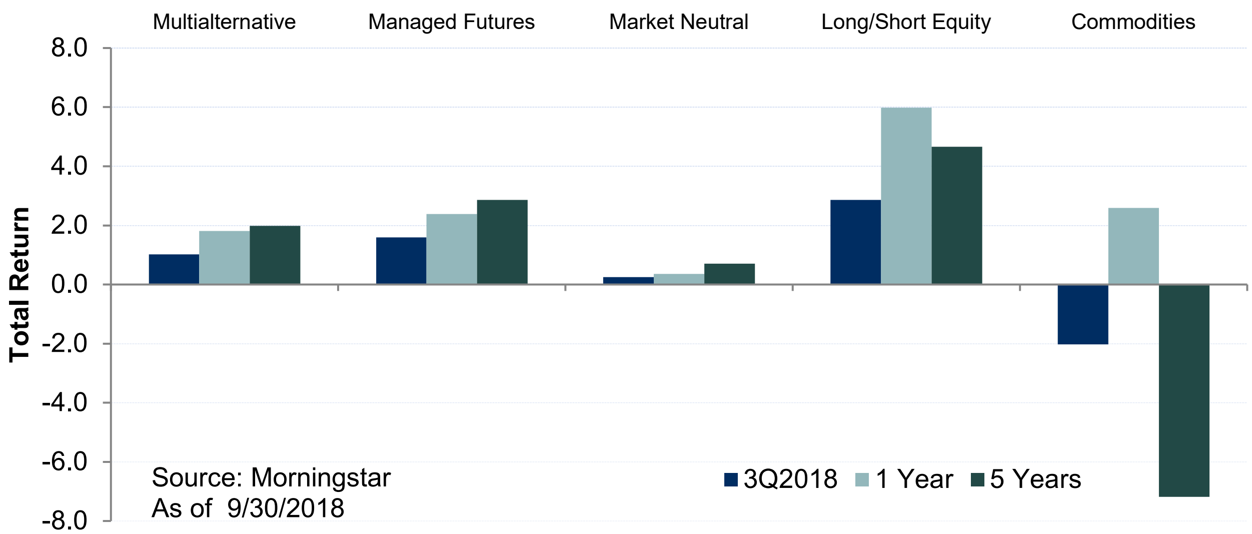
ALTERNATIVE INVESTMENTS RETURNS



OUTLOOK

The United States continues to benefit from tax cuts that were part of new legislation for 2018, reflected in higher corporate earnings and above-average growth for the U.S. Gross Domestic Product. In the near term, the U.S. likely will continue to lead the global markets. Given the late-stage of this economic growth, however, significant improvement from current levels could prove challenging. Fundamentals for international developed markets equity are more attractive than those for U.S. large caps based on the potential for earnings growth and continued central bank monetary support. The United States is the only developed economy raising interest rates, and it's likely the majority of the rate increases are in the past. When central banks in developed markets such as the Eurozone or Japan will follow suit, either as a nod to economic growth or to keep pace with the dollar, remains to be seen. With so many factors having the potential to influence the markets in the coming months, volatility is expected to continue. The AMS IC takes a diligent approach to asset allocation and diversification in Freedom portfolios, and current allocations are in line with our expectations for the markets to continue to do well in the near future.

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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 and should not be used or construed as investment advice or a recommendation regarding the purchase or sale of any security outside of a managed account. 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 and you may incur a profit or loss. 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.

- 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.
- Callable bonds generally offer a higher yield than non-callable bonds as they have the option to call the bonds and repay the principal prior to maturity. Issuers will generally be inclined to initiate a call if interest rates have declined since the bonds were first issued, as they can reissue new bonds at a lower interest rate. Investors will then be positioned to reinvest return on principal in a declining interest rate environment, thus receiving a lower yield going forward.
- Credit risk includes the creditworthiness of the issuer or insurer, and possible prepayments of principal and interest. Bonds may receive credit ratings from a number of agencies however, Standard & Poor's ratings range from AAA to D, with any bond with a rating BBB or higher considered to be investment grade. Securities rated below investment grade generally provide a higher yield but carry a higher risk of default which could result on a loss of the principal investment. Because high-yield bonds have greater credit and default risk they may not be appropriate for all investors. While bonds rated investment grade have lower credit and default risk, there is no guarantee securing the principal investment.
- Investors should consider the Yield to Worst (YTW) of a bond or bond portfolio versus the Current Yield as the YTW is the lowest potential yield that that can be received without default. YTW takes into account any bonds that could be called prior to maturity.
- Securities issued by certain U.S. government-related organizations are not backed by the full faith and credit of the U.S. government and therefore no assurance can be given that the U.S. government will provide financial backing should an issue default.
- Mortgage Backed securities (MBS) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market, interest rate, prepayment, and reinvestment risks. Unless issued by GNMA, MBS's are not backed or guaranteed by any government agency. Actual payments received from a MBS frequently differ from the terms stated at purchase. Payments consist of pass through income and principal repayment, can fluctuate over time, and receive no special tax treatment. Changes in interest rates can affect the value and maturity date of a MBS. Prepayment caused by the underlying mortgages being unexpectedly paid off or refinanced is likely and will result in an unpredictable rate of income payment and principal repayment.
- Please note these portfolios may be subject to state, local, and/or alternative minimum taxes. You should discuss any tax or legal matters with the appropriate professional.
- 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 midsized 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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