Commentary

Equity and Bond Investors Rewarded in 2019

2019 was a strong year for both equity and bond investors. For the year, the S&P 500 Index returned 31.5%, including dividends, and the Bloomberg Barclays U.S. Aggregate Bond Index returned 8.7%[1]. Although equity returns were very strong in 2019, investors must not forget that the S&P 500 Index was down roughly 20% in the latter part of 2018[1].

U.S. equity market performance in 2019 could be split into three phases (see graphic below). *Phase 1* started the year with a market rebound that followed the steep sell-off in Q4 2018. *Phase 2* was a consolidation phase. During this phase, the market had bullish support with the U.S. Federal Reserve cutting the fed funds rate three times, mixed with bearish forces from weakening economic data and ongoing U.S.-China trade negotiations. In *Phase 3*, the U.S. equity market rallied as investors became more optimistic on the positive effects of lower interest rates, the hope for global economic stabilization and encouraging progress on an initial U.S.-China trade deal.

Bond markets were also strong in 2019, as investors were increasingly concerned with weakening economic data and preferred safety in longer-term bonds. With the added monetary support from the U.S. Federal Reserve cutting short-term interest rates, interest rates fell across the yield curve and interest rate-sensitive bonds rallied. Riskier credit-sensitive bonds also rallied in 2019, following the equity markets higher throughout the year.

Highlights

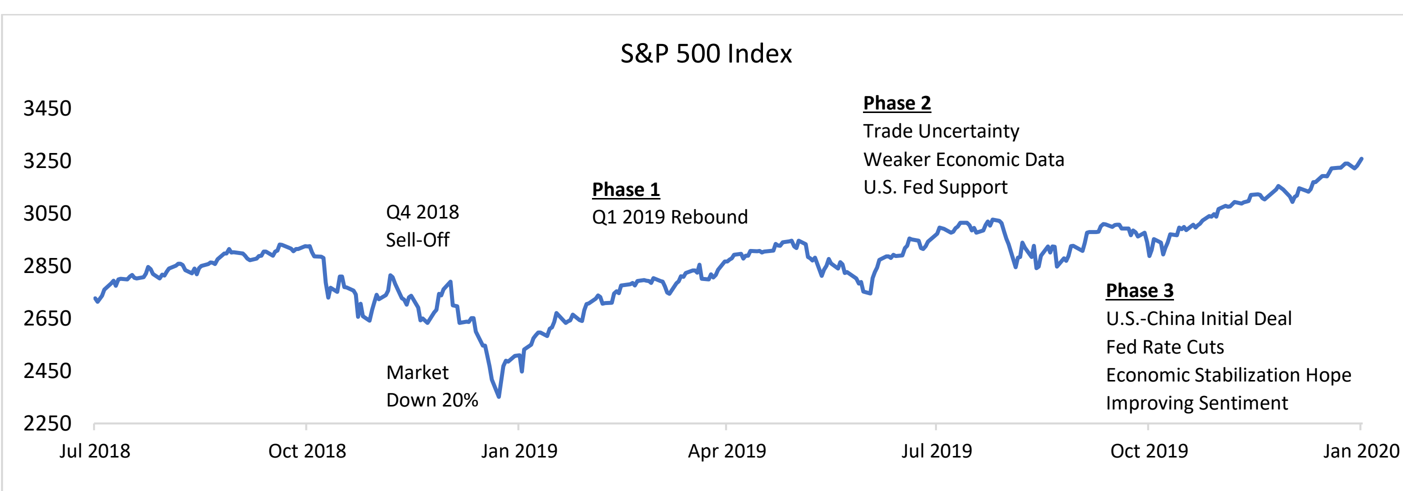
- Strong performance from equity and bond markets in 2019.
- Investors added risk in Q4 as investors became less concerned with existing issues.
- Recent rally in U.S. equities may have gotten ahead of itself.
- Prefer investment diversification and a tilt towards undervalued global economically-sensitive assets.

Strong Q4 as Market Headwinds Moderate

In our Q3 quarterly commentary, we indicated our concern that investors may have been rushing into defensive areas of the market where valuations appeared extended. At the time, we preferred areas that were more sensitive to an improving global economy. In Q4, the S&P 500 Index rallied roughly 9% and riskier areas of the market outperformed, including economically-sensitive areas of the market (energy, materials, emerging market stocks), and defensive assets (bonds, U.S. dollar) underperformed[1].

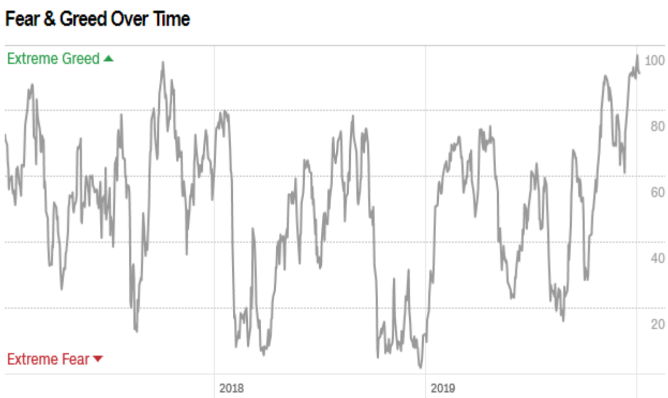
Have We Come Too Far Too Fast?

As we enter 2020, risk assets appear to have priced in a lot of the potential good news with U.S. equity valuations at the higher end of the historical range. Corporate credit spreads have also tightened to the lower end of the historical range. We are increasingly concerned with U.S. equity and credit valuations and believe markets may have moved higher than shorter-term fundamentals would support.



Source: S&P Dow Jones[3]. FWA Analysis. Dates: 7/1/2018-1/2/2020

One metric to analyze for short-term market extremes is the CNN Business Fear & Greed Index. The index recently reached "Extreme Greed" levels[2], which may be an indication of the market moving too far too fast to the upside. This index is calculated based on stock market price activity, option volume, credit spreads, and stock versus bond performance.



Source: CNN Fear & Greed Index[2]

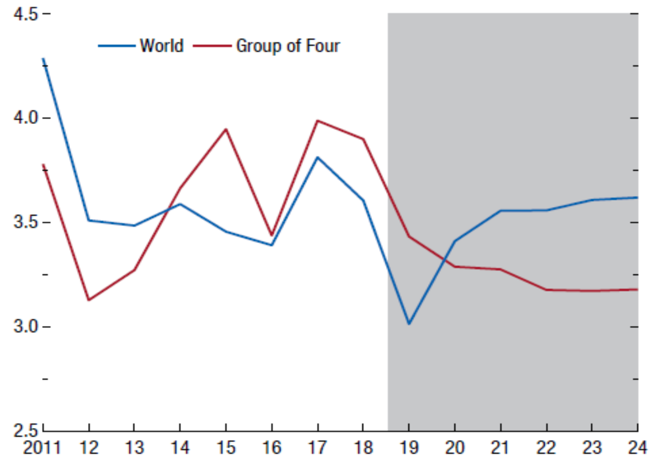
Although the index provided a potential contrarian buy signal during the "Extreme Fear" signal in Q4 2018 when the S&P 500 fell 20%, it remains to be seen whether current readings will act as a contrarian sell signal and proceed an upcoming decline in equity markets. It is a data point worth watching.

Economic and corporate fundamentals remain moderately positive and near-term headwinds appear to have become slightly less of a concern for investors, but the markets may have already priced these positives in over the last few months. With the recent uncertainty of increased U.S.-Iranian tensions, investors have been quickly reminded that external risk factors can quickly drive volatility higher.

Global Economy Anticipated to Stabilize

Following the strong accelerated global expansion in 2016-2017, economic growth decelerated quickly through 2019. Going forward, we believe economic growth for the U.S. may stabilize around a 1.8-2% GDP growth rate. Europe may see an acceleration in growth coming off weaker comparable economic data. Emerging markets may also see an acceleration in growth assuming global interest rates remain low and the U.S. dollar remains stable to lower.

GDP Growth (%)



Source: IMF[4]. Group of Four: U.S., euro area, Japan, China. Data as of October 2019. Shaded area is GDP growth forecasted by the IMF.

Corporate Earnings Need to Deliver in 2020

With valuations in U.S. equity markets at the higher end of the recent range, corporate earnings growth needs to accelerate in 2020 to substantiate the higher valuations in the U.S. equity market. According to FactSet[5], analysts are estimating flat S&P earnings growth for 2019 at 0.3%. For 2020, analysts are estimating earnings growth to accelerate to 9.6% for the S&P 500. This estimate has come down from prior estimates as we anticipated and may need to be reduced further if continued uncertainty around trade and geopolitics keeps businesses from increasing their capital expenditures and consumers slow their spending from already strong levels.

Navigating the Wall of Worry

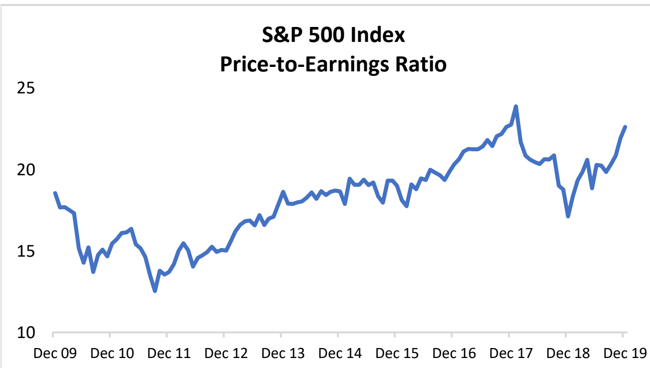
Although we believe the economic and corporate backdrop could stabilize this year, headwinds remain. Investors will need to digest these headwinds and prepare for increased volatility throughout the year. We no longer have the anticipated tailwinds of Fed rate cuts and the initial enthusiasm on a phase one U.S.-China trade deal. In our opinion, economic and corporate data need to strengthen to support markets going forward.

Investors will need to navigate through factors that could negatively impact economic and corporate fundamentals versus the headlines that may just be short-term noise with no material impact to fundamentals. We anticipate headlines on the U.S. presidential election, continued trade negotiations between the U.S. and other trading partners, and heightened U.S. tensions with the Middle East region to drive volatility throughout the year.

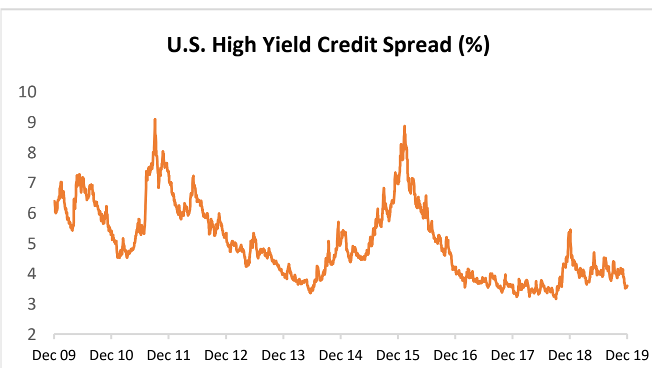
Investment Strategy

Cautious on Valuations in U.S. Equity and Credit Markets

Due to the recent rally in global risk assets, valuations have become less attractive across equities and credit, particularly in the U.S., in our opinion. Although we believe there is a good potential for stabilization in the global economy, we have yet to see solid evidence of a material reacceleration in growth. If economic and corporate data fail to impress investors, investors may be less willing to pay a premium for risk assets and market volatility could increase.



Source: Morningstar Direct[1]. FWA Analysis. Trailing 12-month Price-to-Earnings Ratio. Dates 12/31/09-12/31/19



Source: IBA[7]. FWA Analysis. ICE BofAML US High Yield Master II Option-Adjusted Spread. Dates 12/31/09-12/31/19

Monitoring External Risk Factors in 2020

We believe the U.S. presidential and congressional elections in November could provide a significant source of uncertainty throughout the year. Investors will try to determine the probability of the election outcomes and any potential changes in fiscal policies that could result.

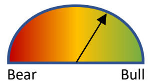
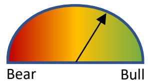
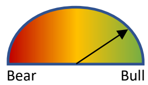
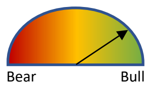
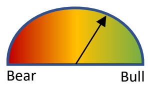
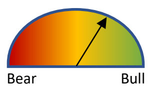
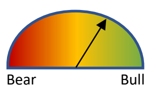
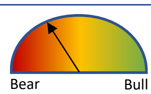
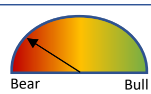
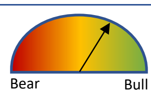
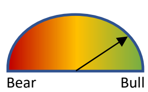
U.S.-China trade negotiations are expected to continue in multiple phases. Although markets appear relatively calm on U.S.-China trade for now, headlines around the situation could continue to impact financial markets in 2020. If trade negotiations remain subdued relative to last year, global trade may have better support to build on going forward.

U.S.-Middle East tensions have been ongoing for decades, but recent escalations with Iran may keep investors less bullish than they otherwise would have been. It is difficult to determine whether recent actions will result in material impacts to investment fundamentals. A persistent rise in oil prices are often a concern, but we are currently far from levels that would be considered a material issue. Significant changes to investment strategy based on this uncertainty does not appear appropriate at this time.

Prefer Diversification with Economically-Sensitive Tilt

We believe investors may need to be more selective this year and should not count on a repeat of the strong performance that we saw from equities and bonds last year. We believe investment diversification across geography, income producing assets, hedged equity strategies and tactical bond managers may be a suitable allocation option to consider for investors this year. Within risk assets, we prefer a tilt towards attractively valued economically-sensitive risk assets, including those outside of the U.S.

FWA INVESTMENT COMMITTEE VIEWPOINTS

Asset Class	Bear ↔ Bull	Viewpoints
Risk Assets		Risk assets rallied over the last few months with increased optimism on a stabilizing global economy and potentially better trade relations between the U.S. and China. The rally in risk assets pushed valuations to higher levels that are an increasing concern.
U.S. Equities		Fundamentals are stable, but valuations are at the higher end of the shorter- and longer-term ranges. Corporate earnings need to accelerate to substantiate these valuations, in our opinion.
Foreign Developed Equities		International markets maintain favorable valuations relative to the U.S. and could benefit in a stabilizing global economy.
Emerging Market Equities		U.S.-China tensions appear to have slightly moderated on a phase one trade deal, but much remains to be resolved. Valuations remain attractive relative to the growth prospects of emerging markets. Prefer active managers in this space.
High Yield Bonds		Credit fundamentals remain moderately positive, but valuations are increasingly less attractive following the recent rally. Prefer active managers and shorter-maturity high yield at this time.
Emerging Markets Debt		Valuations have become less attractive in this space, but select opportunities remain. A stable to lower U.S. dollar could help support higher yielding, local currency emerging market bonds.
Commodities		Increased tensions in the Middle East could help support oil prices in the near-term. Higher oil production from the U.S. could result in less oil price impact from Middle East uncertainty than had been in the past. Gold prices have also recently rallied on these tensions, but it is uncertain as to the potential height of escalation and the impact on gold prices.
Conservative Assets		In 2019, interest rate-sensitive bonds rallied strongly and interest rates moved lower throughout the world on concerns of slowing economic and corporate growth. We believe the potential return relative to the interest rate risk on high quality bonds is less attractive at these levels.
U.S. Government Bonds		Continue to be very cautious on U.S. Treasuries at current low rate levels. If the global economy stabilizes and reaccelerates in 2020, interest rates may move higher, pushing bond prices lower. Prefer less interest-rate sensitive government bonds at this time.
U.S. Corporate Bonds		A combination of tighter credit spreads and lower absolute yields have resulted in less attractive opportunities in corporate credit. Fundamentals anticipated to remain positive in 2020. Prefer shorter-dated corporate bonds over government bonds in this environment.
Other		Following the quick rally in global equities without near-term earnings growth to support it, we believe valuations have become extended, particularly in the U.S. Investors may want to increase hedges on U.S. equities over the shorter-term until valuations become more attractive. Interest rates are also fundamentally low, in our opinion. Investors should consider reducing interest rate exposure and/or allocating to tactical bond managers that can navigate a potential rising interest rate environment.

FWA INVESTMENT COMMITTEE

Eric Kulwicki, CFA
Senior Portfolio Manager
As the Senior Portfolio Manager, Eric leads the Freedom Wealth Alliance Investment Committee to determine investment strategy, drive research and construct multi-asset portfolios with a focus on managing risk for clients.

Kurt Rozman
President
Kurt is the President of Freedom Wealth Alliance, a full service and fast growing financial services firm founded in the Midwest. Kurt has spent over 25 years of his professional career managing a variety of tactical investment strategies for clients.

Shawn Hittman
Advisor
Shawn has been conducting in-depth analysis of the financial markets and building model portfolios for nearly 20 years. Shawn advises on macroeconomic trends and assesses where potential values and risks exist in the markets.

FREEDOM WEALTH ALLIANCE MANAGED PORTFOLIOS

U.S. CORE PORTFOLIOS

The FWA U.S. Core portfolios provide long-term exposure to core U.S. equity and bond markets. The portfolios may have some exposure to non-core markets, including foreign assets and lower quality fixed income. The portfolios are structured to participate in the upside of bullish U.S. equity and credit markets. The portfolios' risk exposure is not tactically managed by Freedom Wealth Alliance and can result in poor performance in weak U.S. market environments.

The U.S. Core portfolios' exposure to U.S. large and small cap equities benefited the portfolios in Q4 as U.S. equity markets rallied. Exposure to global equity managers also positively contributed to the portfolios as the managers' active positioning was additive as a group. Exposure to tactical bond managers was also a positive contributor to performance as their underweight to interest rate exposure and overweight to credit was beneficial as interest rate-sensitive bonds generally declined and credit rallied. Our exposure to a core, interest rate-sensitive bond manager was a detractor to performance as interest rate-sensitive bonds underperformed.

Risk Assets

- The portfolios remain overweight to U.S. equity markets by design, with a mix of index and enhanced-index strategies for diversification and longer-term added value potential.
- We continue to incorporate active global equity managers in the portfolios. There appears to be a valuation discount in foreign equity markets relative to the U.S. and we believe these global equity managers can take advantage of international opportunities in a global economic recovery.

Conservative Assets

- We continue to remain diversified across our bond exposure, including positions across core and tactical bond managers. If interest rates continue to gravitate higher as they did in Q4, the tactical bond managers may have the ability to add value relative to core bond benchmarks.

GLOBAL CORE PORTFOLIOS

The FWA Global Core portfolios provide long-term exposure to core U.S. and international equity and bond markets. The portfolios are structured to participate in the upside of bullish global equity and credit markets. The portfolios' risk exposure is not tactically managed by Freedom Wealth Alliance and can result in poor performance in weak global market environments.

The Global Core portfolios' exposure to U.S. and international equities were positive contributors to the portfolios as global equities rallied in Q4. Dedicated exposure to U.S. enhanced-index strategies added value relative to core U.S. equity benchmarks in the quarter. Positions across active global equity managers also added value in the quarter. Dedicated exposure to international small caps and emerging market equities were also strong contributors to performance as investors appeared to prefer riskier areas of the international markets. Exposure to tactical bond managers added value in Q4 as their defensive positioning on interest rates and exposure to credit was beneficial for the portfolios.

Risk Assets

- The portfolios remain invested across enhanced index and active equity managers. We continue to believe this diversification offers longer-term opportunities for the portfolios.
- We continue to maintain dedicated exposure to emerging markets and international small caps as we believe these areas offer compelling investment opportunities.

Conservative Assets

- The portfolios' fixed income exposure remains overweight to U.S. core and tactical bond managers due to the unattractiveness of international core bond markets. Some foreign developed government bonds remain at negative yields and carry high interest rate risk, which is unfavorable in our opinion.
- If the global economy stabilizes and/or reaccelerates, this could result in global interest rates moving higher and bond prices moving lower. In this environment, we believe our tactical bond manager positions could be beneficial for the portfolios.

ETF CORE PORTFOLIOS

The FWA ETF Core portfolios provide exposure to broad equity and fixed income markets through lower-cost, ETF investments. The portfolios have dedicated exposure to U.S. and international equities, high yield bonds and core, higher quality U.S. bonds. Portfolios are not tactically managed and are fully invested to the target allocation.

The ETF Core portfolios' exposure to U.S. and international equity markets was a positive contributor to the portfolios as global equity markets rallied in the quarter. The portfolios' dedicated exposure to emerging markets also benefited the portfolios as emerging markets generally outperformed developed markets in Q4. Exposure to high yield bonds also added value to the portfolios as investors appeared to prefer below investment grade credit relative to longer duration government bonds in the quarter. Across the conservative bond exposure, our position in short-term corporate bonds added value as credit was favored, but our exposure to core bond markets was only slightly additive in Q4.

INCOME PORTFOLIOS

The FWA Income portfolios primarily invest in high income-generating assets. This can include investment grade bonds, high yield bonds, dividend-paying stocks, emerging markets debt, real estate securities and MLPs.

The Income portfolios' exposure to U.S. and international dividend-paying stocks positively contributed to the portfolios as global equities rallied in Q4. Our positions in a global real estate manager and an energy infrastructure manager were only slightly positive and generally underperformed global equity markets in Q4. Our exposure to multi-asset income strategies added value as their overweight to credit helped during the Q4 credit rally. Positions in global high yield and emerging markets debt also added value to the portfolios as investors preferred riskier credit throughout the quarter. Across our conservative assets allocation, our overweight to credit-sensitive and tactical bond managers added value as credit was rewarded and interest-rate sensitive bonds generally underperformed. In our Ultra-Conservative Income portfolio, which structurally lacks equity exposure, our overweight to shorter-term and tactical bond managers added value in Q4 as rising interest rates put downward pressure on core and longer-term bond markets.

Over the course of the year, we incrementally increased risk across select Income portfolios in order to meet our FWA Risk Category guidelines. Our final structural risk adjustment occurred on December 16, 2019 in the Moderate and Moderately Aggressive Income portfolios. To increase risk across the portfolios, we sold out of our position in a short-term high yield bond manager and increased exposure to our existing position in an equity income manager. No other portfolio changes were made or needed for the other Income portfolios in Q4.

Risk Assets

- The portfolios remain diversified across global dividend-paying equities, equity option income-generating securities, global real estate, energy infrastructure, global high yield, emerging markets debt and multi-asset income strategies. We believe this diversification across asset classes and strategies can provide attractive income for investors over the longer-term.

Conservative Assets

- Our overweight exposure to shorter duration, credit-sensitive and tactical bond managers added value in Q4 as credit was favored over longer-term, interest-rate sensitive government bonds. We continue to prefer this positioning in an environment where fundamentals remain moderately positive and the global economy appears to be stabilizing.

FLEXTREND PORTFOLIOS

The FWA FlexTrend portfolios are structured to attempt to participate in the upside of persistent positive trending U.S. equity and credit markets and to protect value in persistent negative trending markets. The portfolios can significantly reduce risk and raise cash and/or conservative fixed income exposure in large market drawdowns. The portfolios may underperform in trendless or choppy market environments.

The FlexTrend portfolios' allocation to equity and credit positively contributed to the portfolios as U.S. equity and credit markets rallied in Q4. The portfolios' FWA-traded U.S. equity position remained bullish throughout the quarter and positively contributed to the portfolios. Our positions across tactical equity, hedged equity and long/short equity managers also positively contributed in Q4 but these managers did not keep up with the broader equity market rally. These tactical managers often underperform in strong up markets, so this underperformance is not a surprise. It is the potential downside protection that these managers are utilized for in the FlexTrend portfolios by design. Our positions in tactical bond managers added significant value in Q4 relative to core bond markets as these managers were overweight credit and underweight interest rate risk. This positioning helped as longer-term government bonds generally declined and interest rates moved higher in Q4.

Risk Assets

- The FWA FlexTrend trading signal ended Q4 with a bullish positioning on U.S. equities. Unless U.S. large cap equities experience a significant, sustainable sell-off in the coming weeks, we anticipate maintaining our bullish positioning over the next few months.
- The longer-term trend-following equity managers were generally fully invested throughout the quarter. One of our shorter-term tactical equity managers started the quarter underweight equities due to the sell-off at the end of Q3. This manager increased equity exposure throughout the quarter and ended Q4 fully invested.

Conservative Assets

- Our positions in tactical core and trend-following credit managers showed their ability to add value in Q4 as their hedges on interest rates and overweight to credit positively contributed to the portfolios. We continue to maintain our positions in these managers to provide diversified tactical bond exposure for the FlexTrend portfolios.

GLOBAL OPPORTUNITIES PORTFOLIOS

The FWA Global Opportunities portfolios are diversified, multi-asset portfolios. Tactical adjustments are driven by forward-looking, value-oriented, fundamental analysis. The investment style tends to be contrarian in nature, becoming more defensive in what we believe to be overvalued markets, and more aggressive in undervalued fear-driven markets. Portfolios will generally remain fully invested, with minimal cash balances. May underperform in overvalued, momentum-driven markets.

The Global Opportunities portfolios' exposure to U.S. and international equities positively contributed to performance in Q4. During a moderate sell-off to end Q3, we incrementally increased risk across the portfolios due to what we believed was a potential longer-term opportunity to take advantage of better global equity valuations. This increase in risk benefited the portfolios throughout the Q4 rally in risk assets. Our positions across active global, international small cap and emerging markets growth equity managers added value relative to core global equity benchmarks in the quarter. Our positions in higher income credit managers also contributed to performance as credit rallied in the quarter. Across our alternative strategy managers, our trend-following manager contributed solidly to the portfolios, while our long/short equity manager position only added modest value. Our tactical bond managers also added value in the quarter as their overweight to credit and underweight interest rate risk helped relative to interest rate-sensitive core bond benchmarks.

Risk Assets

- We continue to be overweight active managers across global equity, international small cap and emerging markets. We believe active managers may be able to add value as fundamentals have the potential to improve throughout the world in 2020.
- Valuations remain attractive in foreign developed and emerging markets relative to the U.S., resulting in the portfolios maintaining an overweight to international risk assets.
- We are maintaining exposure to higher income generating assets, trend-following and long/short equity managers to try to provide diversification across the portfolios.

Conservative Assets

- We continue to prefer tactical bond managers that are defensively positioned on interest rate risk and can take advantage of credit opportunities throughout the world.
- We are maintaining our positions in shorter-term bond managers to reduce the potential negative impact of a rising interest rate environment.

SOURCES

1. Morningstar Direct. Performance provided as total returns.
2. CNN. "Fear & Greed Over Time". Retrieved January 6, 2020 from https://money.cnn.com/data/fear-and-greed/
3. S&P Dow Jones Indices, LLC. S&P 500 Index Total Return data. Retrieved January 3, 2020 from https://us.spindices.com/indices/equity/sp-500
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5. FactSet. "Earnings Insight". January 3, 2020.
6. ICE Benchmark Administration Limited (IBA), ICE BofAML US High Yield Master II Option-Adjusted Spread [BAMLH0A0HYM2], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/BAMLH0A0HYM2, January 7, 2020.

DEFINITIONS

S&P 500® Index: The S&P 500® Index is a market cap-weighted stock market index of 500 companies across a number of industries. The index is often used as a broad representation of the common stocks of the largest publicly-traded companies in the United States.

S&P 500® Growth Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit above average growth based on sales, earnings and momentum.

S&P 500® Value Index: The S&P 500® Growth Index is a subset of the S&P 500® Index, consisting of companies that exhibit value, based on book value, earnings and sales to price.

MSCI EAFE Index: The MSCI EAFE (Europe, Australasia and Far East) Index is a stock market index constructed to measure the performance of large cap and mid cap stocks across developed countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index: The MSCI Emerging Markets Index is a stock market index constructed to measure the performance of large and mid cap stocks across emerging countries around the world.

Emerging Markets: Emerging markets, also known as developing markets or developing countries, refers to countries, nations, and/or regions that are transitioning to more advanced economies. Relative to developed economies, emerging markets often have higher economic growth rates, lower per-capita incomes, higher sociopolitical instability, and less sophisticated financial markets. Investments in emerging markets can often be more volatile than in developed markets due to the potential for greater uncertainty in these markets.

Bloomberg Barclays U.S. Aggregate Bond Index: The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index that measures investment grade, U.S. dollar-denominated, fixed rate taxable bonds.

Bloomberg Barclays U.S. Corporate Bond Index: The Bloomberg Barclays U.S. Corporate Bond Index is an unmanaged index that measures investment grade, U.S. dollar-denominated, fixed rate taxable corporate bonds.

High Yield Bonds: High yield bonds refer to securities that are rated below investment grade by one of the established credit agencies (Standard & Poor's, Fitch, Moody's). These securities are often perceived as having greater risk of default.

ICE BofAML High Yield Master II Option-Adjusted Spread: The ICE BofAML High Yield Master II Option-Adjusted Spread (OAS) is the calculated spreads between the computed OAS of the constituents of the ICE BofAML High Yield Master II Index weighted by market capitalization and a spot Treasury curve. The ICE BofAML High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Bloomberg Commodity Index: The Bloomberg Commodity Index is an index that is designed to provide diversified exposure to physical commodities via futures contracts.

Bloomberg Sub Gold Index: The Bloomberg Sub Gold Index is a commodity group sub index that is composed of futures contracts on gold. It reflects the return of the gold futures price movements only and is quoted in U.S. dollars.

Master Limited Partnerships: Master Limited Partnerships (MLPs) are limited partnerships that are publicly traded on an exchange. MLPs are considered a business tax structure with the potential for tax-advantaged distributable cash flows to investors. Energy MLPs generally operate in the energy infrastructure industry, providing services related to oil and gas pipeline transportation, storage, refinery services, and processing.

Mutual Funds: Mutual funds are generally constructed as a pooled investment vehicle, managed by an investment firm. Mutual funds can be invested across stocks, bonds and other types of investments. Mutual funds are priced at net asset value (NAV) at the end of each trading day.

Exchange Traded Funds: Exchange traded funds (ETFs) are generally constructed in an attempt to track the performance of an underlying index. ETFs can be invested across stocks, bonds and other types of investments. ETFs can trade intra-day, similarly to common stocks.

Closed End Funds: Closed end funds (CEFs) are generally constructed as a pooled investment fund, actively managed by an investment management firm. Closed end funds can be invested across stocks, bonds and other types of investments. Closed end funds trade at a market price, which may be at a premium or discount to the net asset value of the underlying fund assets. Closed end funds may utilize leverage, which can potentially increase returns and volatility relative to non-leveraged funds. Closed end funds can trade intra-day, similarly to common stocks.

Risk Assets: Risk assets generally refer to assets that carry a perceived high degree of risk and price volatility. Risk assets can include stocks, lower quality bonds, highly interest rate-sensitive bonds, commodities, currencies and certain alternative strategies.

Conservative Assets: Conservative assets generally refer to assets that carry a perceived low degree of risk and price volatility. Conservative assets can include cash securities and higher quality, less interest rate-sensitive bonds.

Tactical Investing: Tactical or active investing is an investment strategy where investment decisions are driven by opinions based on gathered information. There are a number of different tactical investment styles, including, but not limited to, valuation-sensitive and momentum-driven styles. Tactical investing styles may also differ based on investment time horizons from days, weeks, months or years.

Passive Investing: Passive investing is an investment strategy that generally refers to buy and hold investing. This investment style does not attempt to make changes to portfolio allocations or investments based on opinions and information gathering.

Alternative Strategies: Alternative strategies refer to investments or investment styles that often incorporate non-traditional tactical investing methods, including, but not limited to, technical analysis, shorting, arbitrage, utilizing leverage and short-term tactical trading. Alternative strategies may also be referred to by their investment style categories, including, but not limited to, long/short equity, hedged equity, managed futures, unconstrained, and global macro. Alternative strategies may perform very differently from traditional asset classes, thus investors must be aware of the potential for widely differentiated performance relative to traditional stock and bond markets over shorter periods of time.

Fundamental Analysis: Fundamental analysis refers to making investment decisions based on gathered information, including, but not limited to, economic, sector, industry, company and security research in an attempt to forecast future investment performance.

Technical Analysis: Technical analysis generally refers to analyzing an investment's price performance over a specified time period in an attempt to predict future potential performance of that investment. Technical analysis is often utilized in momentum-driven investment styles and may not incorporate fundamental analysis when making investment decisions.

Drawdown: A market drawdown refers to the investment performance from peak-to-trough over a specified time period.

Price-to-Earnings Ratio: The price-to-earnings ratio (P/E ratio) is the ratio of a company's stock price to the company's earnings per share. The P/E ratio is often utilized as a metric in valuing a company.

Price-to-Book Ratio: The price-to-book ratio (P/B ratio) is the ratio of a company's stock price to the company's book value. A company's book value refers to the company's total assets minus its intangible assets and liabilities. A company's book value is listed on its balance sheet and is the total value of the company that shareholders would theoretically receive if the company was liquidated and liabilities were paid. The P/B ratio is often utilized as a metric in valuing a company.

Duration: Duration is a measure of the sensitivity of a bond's price to a change in interest rates. Generally, the higher the duration of a bond or portfolio, the higher the sensitivity of that bond or portfolio to changes in interest rates.

Credit Risk: Credit risk refers to the risk of default on debt, where the borrower fails to pay and the lender may lose a portion or all of the principal lent to the borrower. Generally, the higher the credit risk, the higher the yield and volatility of the security relative to other securities that are believed to have lower credit risk.

Currency Risk: Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged. Exposure to foreign currencies can come from direct investing in foreign currencies or from investing in foreign assets (stocks, bonds, real estate, etc.).

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The term "portfolios" used in this piece is in reference to the Freedom Wealth Alliance model portfolios. Any reference to performance is based on estimated, unaudited, gross of fee performance of the model portfolios. Model portfolio performance is calculated through Morningstar Direct based on model portfolio holdings. Client accounts assigned a Freedom Wealth Alliance model portfolio may have positioning and performance that differs from the firm's model portfolios at any given time.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price. Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market.

Asset management does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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This research material has been prepared by Freedom Wealth Alliance.