MARCH 2024 | PORTFOLIO COMMENTARY

FREEDOM DYNAMIC®

GLOBAL ALLOCATION SERIES

FCMS
Freedom Capital Management Strategies®

ABOUT THE GLOBAL ALLOCATION SERIES

The Global Allocation Series of Freedom Dynamic is comprised of active asset allocation strategies that seek to capitalize on shorter-term investment opportunities by dynamically allocating capital across asset classes, geographies, economic sectors, and investment styles. These strategies incorporate economic, quantitative, and fundamental analysis of capital markets in an effort to identify the most compelling investment opportunities globally and to deliver improved risk-adjusted outcomes over the long-term.

BROAD MARKET OVERVIEW

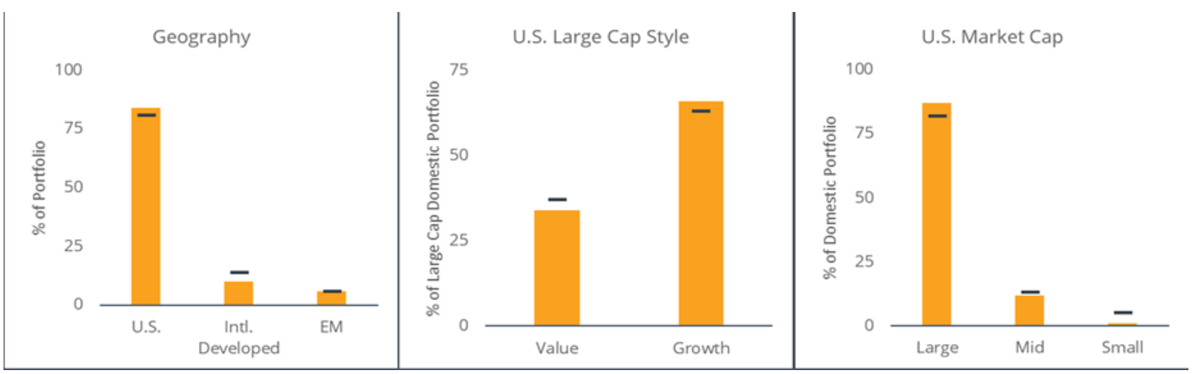
Global stocks put in a broad-based rally in March and capped off a strong quarter for equity markets. Domestic stocks matched internationals last month, while trends within the U.S. equity market paused; the tech-heavy NASDAQ 100 lagged the S&P 500, and small- and mid-cap stocks outperformed large-caps. The outperformance of domestic value, the average S&P 500 stock, and the Energy and Materials sectors all point to increasing breadth and a more cyclical feel to last month's price action.

Core bond yields were relatively flat in the fixed income market and traded within well-worn ranges during the month. Bond volatility fell meaningfully in March, with the MOVE Index (which measures volatility for bonds) closing at levels last seen before the Fed's tightening cycle in early 2022. Lower bond volatility led to tighter spreads for corporate credit, mortgages, and emerging market bonds, and coupled with the modest moves in government yields, led to the first positive month of total returns for core bonds this year. The dollar firmed slightly in March, while crude oil futures added to their three-month up-trend by gaining over 6%.

POSITIONING HIGHLIGHTS

Current Portfolio   Prior Portfolio

EQUITY



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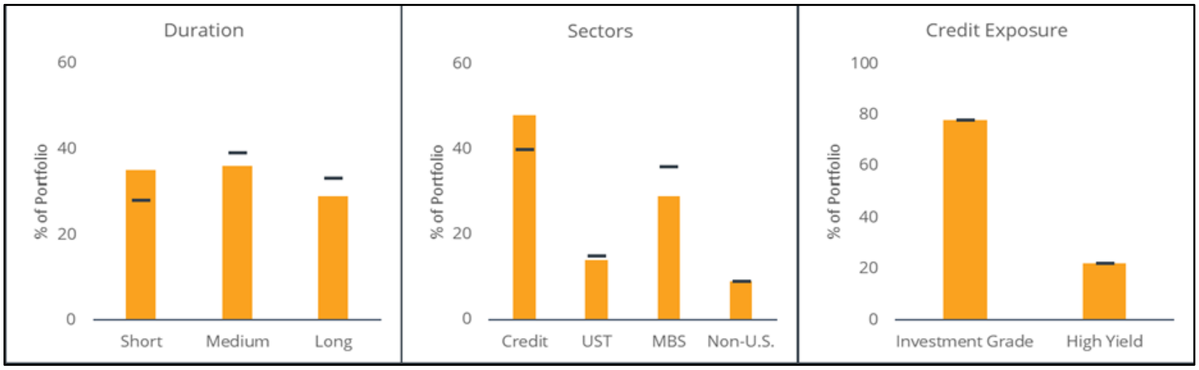
Last Reallocation: March 2024

- Increased domestic growth positioning by trimming domestic value exposures and broad international developed markets in favor of the domestic momentum factor and direct energy sector exposure
- Further decreased SMID positioning and moved up in quality by selling small-caps in favor of equal weight domestic large-caps

FIXED INCOME



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Last Reallocation: February 2024

- Lowered the interest rate sensitivity of the portfolio, primarily by increasing short-term investment-grade credit at the expense of longer-dated bonds and mortgage-backed securities
- Decreased non-US dollar positioning by moving from emerging market local debt to hedged international developed bonds

CONTRIBUTORS

The biggest contributors to performance in the equity portfolio in March were once again large-cap domestic exposures, specifically growth, value, and quality.

In the fixed-income portfolio, high-yield corporate credit, both broad and higher-quality, and an active mortgage-focused core plus holding contributed the most to last month's performance.

DETRACTORS

Broad international developed markets, domestic small-caps, and domestic momentum factor exposure contributed the least to last month's equity portfolio performance.

On the fixed-income side, a tactical core plus holding, long-term U.S. Treasuries, and Treasury Inflation Protected Securities contributed the least to March returns.

PORTFOLIO OUTLOOK

Back-to-back quarters of double-digit gains for the S&P 500 have left many investors channeling the Talking Heads, asking, “Well, how did I get here?” That is especially true with short-term interest rates still above 5% and the much-forecasted recession yet to materialize. We believe this can be attributed to employed consumers with healthy balance sheets propelling economic growth. This dynamic supports corporate earnings and market sentiment, even if interest rates are more elevated than we became accustomed to in the 2010s. This positive but selective outlook has generally performed well in the recent market action, and we see little to change our thinking as the second quarter begins. In the coming weeks, our focus turns to earnings season; fresh company-specific data will supplement our analysis of the incoming macro data. Looking ahead, short-term market volatility would not surprise us, but it may also uncover opportunities across different slices of the equity and fixed income landscape.