FREEDOM WEALTH ALLIANCE

Commentary

Highlights

- COVID-19 fears result in extreme market volatility and a severe economic slowdown.
- Unprecedented U.S. government support attempts to limit some of the damage to citizens and businesses.
- Restarting the economy is imperative but timing is uncertain.
- Markets are forward-looking and may be trying to price in an eventual recovery in 2020.

Health Crisis Sparks Fear Across Financial Markets

An unknown virus in Wuhan, China late last year became widely known as the coronavirus disease of 2019, or COVID-19, a deadly virus that quickly turned into a global pandemic. Social distancing measures were initiated and economies around the world were shutting down to slow the spread of the virus, resulting in severe economic pain.

As fear swept the financial markets, risk assets declined significantly. The S&P 500 Index declined over 30%, entering the fastest bear market in history[1]. Credit spreads widened to levels not seen since the 2008 Great Recession[2]. The VIX, an indicator of market volatility, spiked to its highest closing levels ever, surpassing the levels of 2008[7].

Slowing the spread of the virus became a central strategy to protect global citizens and health care workers' ability to provide medical support to those in need. To contain the spread of the virus, local, state and national social distancing restrictions were put in place to separate people from each other. This resulted in the sudden closure of business activity, hitting those areas particularly hard where close personal contact is necessary for businesses to thrive.

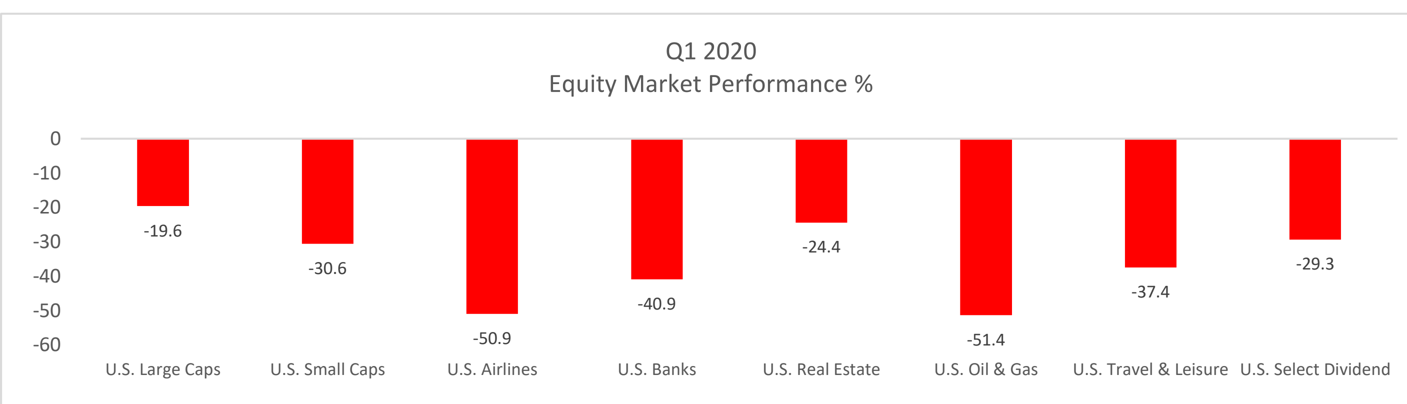
Retail, travel, recreation, restaurants and other consumer-driven areas of the economy saw their business come to a sudden halt. Businesses with less direct sensitivity to the virus were also challenged as many employees migrated to working from home for the first time. Schools were also closed, causing additional friction to families and businesses. An economic slowdown and jump in unemployment were inevitable. For the two-week period ending March 28, 2020, roughly 10 million Americans filed for unemployment benefits, the worst two-week increase in history[4].

U.S. Government Provides Unprecedented Support

To try to combat the significant economic damage from social distancing measures, actions by the U.S. Federal Reserve and U.S. government provided unprecedented support.

The U.S. Federal Reserve quickly enacted liquidity programs by reducing the fed funds rate to a 0% lower bound and launched an unlimited bond buying campaign. Illiquidity in the bond markets was a significant concern. To combat the liquidity crunch, the Fed began purchasing high quality bonds and exchange-traded funds (ETFs) that invest in high quality bonds, acting as a buyer of last resort. The Fed seemed to recognize the severity of the situation and implemented their programs much faster and on a larger scale than the 2008 financial crisis.

On the fiscal side, President Trump and the U.S. Congress signed a $2 trillion rescue package to support U.S. citizens and businesses to try to get through the economic shutdown over the coming months. We believe these actions are supportive, but we question whether this initial package will be enough. Additional support may be needed to not just survive the



Source: Data as of 1/1/20-3/31/20 Morningstar Direct[3] economic shutdown but to restart economic demand after the worst of the virus has passed.

Longer-term we are concerned with the amount of additional debt the United States is incurring to maintain a level of short-term support. Although this is not a problem now, it could hamper our country's ability to sustain a stronger, sustainable economic growth model for future generations. The United States is not alone in this increasing debt burden as other countries are doing the same.

Wide Range of Possible Scenarios

Economists' and investors' ability to forecast the future has been severely hampered as they attempt to decipher virus spread models and lean on epidemiologists to try to determine how the crisis might unfold and when a recovery might be possible. Forecasters are struggling to provide U.S. GDP and corporate earnings estimates with any conviction, and the forecasts are wide. Without much clarity, these forecasts are not overly helpful due to the degree of uncertainty.

Market participants are at odds whether the economy can stage a rapid reacceleration of growth (V-shape), a moderate growth path (U-shape), or something much slower. Markets are now subject to the path and sustainable containment of the virus, which is extremely difficult to determine.

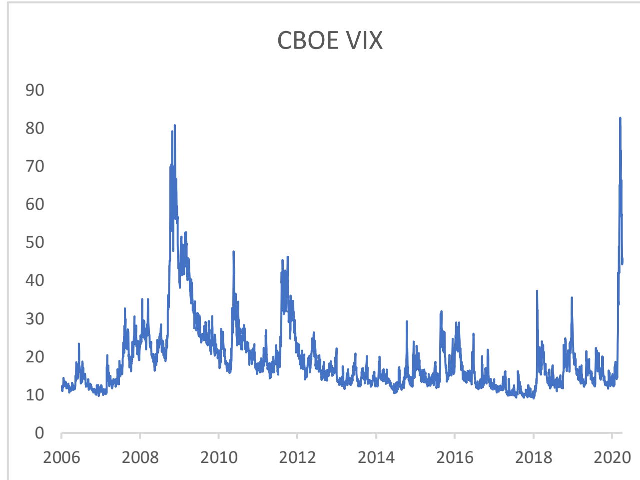
It appears that social distancing may be reducing the infection rate of the virus in select areas, but it is uncertain whether the reduced rate can be sustained if social distancing restrictions are relaxed. Additional waves of infection may be an issue into next year until testing and vaccines are more readily available. We believe that it may take some time for the economy to regain its footing as businesses and consumers may be hesitant to get back to similar activity levels prior to this crisis.

Investment Strategy

Risk Adjustments Across FWA-Managed Portfolios

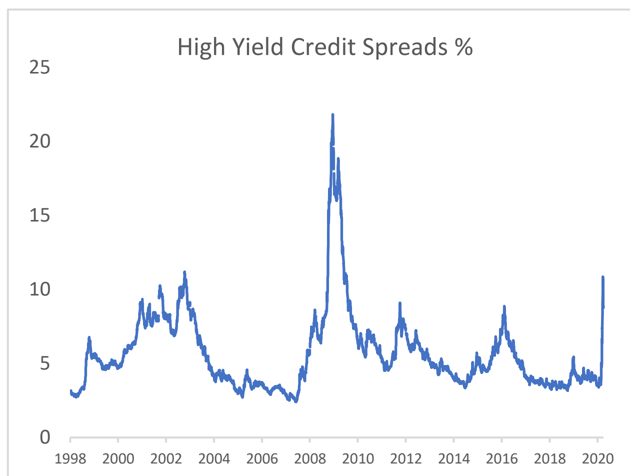
In mid- to late March, the FWA Investment Committee determined that the short-term extreme uncertainty in forecasting the COVID-19 spread and severe shock to the economy could result in a continued dramatic selloff in risk assets. For this reason, we reduced risk exposure across our FWA-managed portfolios. We were willing to sacrifice some of the potential upside to attempt to protect some of the potential downside.

The stresses that we saw in the financial markets in March were historic. The CBOE Volatility Index (VIX), which is a measure of equity market volatility, rose to the highest closing level ever recorded, exceeding the closing highs during the 2008 financial crisis. We became increasingly concerned with the functioning of financial markets.



Source: Yahoo Finance[7]

We were very concerned with the illiquidity in the bond markets, which provide the transmission fluid throughout the financial markets and the global economy. As fear gripped the financial markets, credit spreads quickly widened at a similar pace during the depths of 2008 and faster than the recession in 2000/2001. This was another indication of the potential for significant market stress that we had not seen before.



Source: FRED, Federal Reserve Bank of St. Louis[6] Dates: 1/3/00-3/31/20

We also saw unprecedented dislocations in liquid bond exchange-traded funds (ETFs), where ETF prices were trading at significant discounts to their net asset values (NAVs). On March 12, the closing prices for some of the largest, most liquid bond ETFs traded at roughly 5% discounts to their NAVs. A high yield municipal bond ETF closed at a roughly 19% discount to its NAV[5]. These dislocations were very worrisome.

In past financial crises, credit seized up and some credit managers had difficulty raising cash to meet investor redemptions. This can result in credit managers halting redemptions and investors not being able to redeem assets out of what they believed to be a liquid investment. We believed we were quickly entering that scenario in an unprecedented rush to safety and wanted to try to protect client assets under a worse-case scenario. For that reason, we dramatically reduced exposure to highly credit-sensitive investments across our portfolios.

Credit market weakness can be a precursor for equity market weakness. If credit collapsed, equity markets could decline much further than they had already done. The last two recessionary periods experienced equity market selloffs of approximately 50% or more for the S&P 500. We were deeply concerned that we could experience a continuation of the selloff we had already experienced. Due to the unprecedented nature of the global economic shutdown, a potential market decline greater than the last two recessions was no longer out of the question. With this increased possibility, we reduced equity exposure across our portfolios.

S&P 500 Index

Source: TradingView.com[8] FWA Analysis.

Fortunately, the U.S. Federal Reserve quickly came to the rescue of the bond markets by pumping an unprecedented amount of liquidity into the markets. This appeared to put a backstop to the markets to try to protect from a full-blown credit crisis. Without the Fed stepping in to provide a historic amount of liquidity, we believe the situation could have been significantly worse.

Following the U.S. Federal Reserve and U.S. government support measures, we started to feel slightly better about the financial markets. As we continued to see some stabilization across the equity and bond markets in conjunction with what appeared to be slowing COVID-19 cases and an increased desire to get the global economy back on track, we incrementally increased risk back into select portfolios in early April. We fully acknowledge the uncertainty that remains but prefer to slowly increase risk back into portfolios to longer-term targets over time as the uncertainty abates.

What's Priced Into the Markets?

With major parts of the U.S. economy on hold and unemployment numbers expected to skyrocket, the question is whether the financial markets have already discounted the wide range of possibilities. Based on the recent market rally, we believe the markets may currently be pricing in a relatively quick return to economic activity this year. If the recovery takes much longer, market volatility may persist at a heightened level.

Although volatility reached historic levels, we have not seen valuations across core U.S. equity markets reach "pound the table cheap" levels. This may be indicating that markets could be pricing in a quick recovery in corporate earnings growth over the next 9-12 months. In the short-term, upcoming Q1 corporate earnings announcements and corporate guidance will be key for investors going forward.

Significant Uncertainty Remains

We continue to be subject to the uncertain path of COVID-19, its containment and the ability for the global economy to regain its footing. We believe both upside and downside volatility could persist in the near term until there is a clearer path to combat the virus, which may take some time.

It is difficult to determine whether a market bottom has been reached in risk assets and there are cases to be made on both sides. If the economy remains on pause for an extended period, risk assets may struggle to rally further and could continue on their downward path. If the virus is contained, or investors believe it can be contained, and the peak of infections is near, markets may be able to look towards a better future, stabilize and then move higher from here.

Equities Increasingly Compelling

Following the significant selloff in risk assets, we are starting to see more compelling opportunities in some of the harder hit areas, including cyclicals and smaller company stocks. With near-term earnings estimates anticipated to be very weak, it is tough to put valuations in a short-term context.

From a broad market perspective, as of April 9, 2020, the S&P 500 is trading at a price-to-earnings ratio of 21.2 based on trailing 12-month earnings.[9] If near-term earnings estimates are anticipated to weaken, from a pure price-to-earnings perspective, equity markets are not overly attractive. The market is trading at similar levels prior to the health crisis.

If companies can get back to business and reaccelerate their earnings growth over the next two years, valuations based on future growth may support the market at current levels. Fundamentally, we remain concerned with areas that have high sensitivity to the ability to contain COVID-19, but much of the uncertainty may have already been priced in.

High quality growth stocks could be an area where investors find longer-term comfort. In general, these companies' valuations are priced at a premium, but the secular growth opportunities in technology and health care could be a place for investors to embrace in an environment where sustainable global growth is uncertain.

Select Areas Across Credit Markets Attractive

Valuations across credit markets are increasingly attractive, particularly in those areas less directly impacted by COVID-19 long term. Although valuations are compelling, investors should be selective in the credit markets and find areas and companies that can survive a longer road to recovery. If the economy remains on a slow trajectory and businesses have trouble opening back up, credit markets could continue to be stressed. Below investment grade markets may continue to feel pressure. Less liquidity in high yield bond markets may keep prices lower and yields higher over the near term.

Investing in an Uncertain World

When equity markets are down significantly, fundamentals are deteriorating and investors seem to be in a state of confusion as history is being made, there are generally three things investors can do from a risk management perspective: *do nothing*, *increase risk* or *reduce risk*. Each one of these options has the potential to be an investment mistake. The key is to determine which mistake the investor is willing to make.

Do Nothing. In the current market environment, an unprecedented economic slowdown and the fastest equity market selloff in history rattled investors' nerves. Those investors that do nothing and stay the course, risk a more substantial downside move that causes damage to their wealth. If markets move back higher, the investor will participate in the gains they temporarily lost.

Increase Risk. When markets decline significantly, investors often ask "where's the bottom?" Oftentimes investors increase their risk and buy more as the market continues to decline. The risk is that the market may continue to decline much further or take a lot longer to recover than originally believed. If the market improves, additional risk exposure can help increase returns on the way up.

Reduce Risk. If markets decline and fundamentals are deteriorating, investors may decide to reduce risk even after a significant selloff to attempt to protect from further declines. In this case, the risk to investors is that the market stabilizes and eventually moves higher and the investor has less upside participation.

It is never easy to determine which investment mistake one is willing to make during uncertain times. It is generally always the case that *someone* made the exact right investment decision at exactly the right time. Understanding that investing mistakes will be made and having a plan of action that you can stick to is key to longer-term success.

Looking Forward

We believe the challenges across the economic landscape could persist and that signs of some stabilization of the COVID-19 spread would be needed before investors would broadly support risk assets again. Markets are forward-looking and investors need better clarity to determine when the economy can reopen.

We do not believe there will be an "all clear" signal and that consumers and businesses may be hesitant to fully embrace an open economy. Consumers and businesses whose financial well-being has been weakened may be hesitant to go back to peak spending levels until they are financially healthy again.

We believe it may take some time for the economy to regain its footing, and even then, it may be different than it has been in the past. Strains on companies that need personal interaction and group settings to survive may struggle over the next 6-12 months, or more. It will take time to truly assess the temporary and potentially permanent damage to the economy and select industries following this crisis.

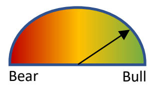
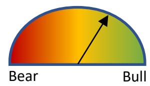
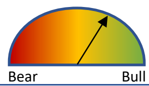
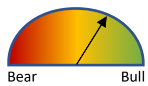
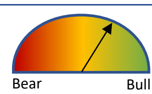
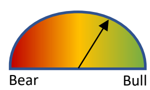
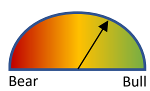
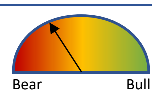
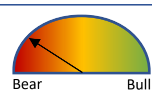
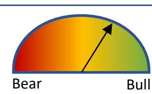
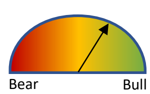
FWA Financial Advisors Offer Support

We know it has been an extremely challenging time for most. We are very appreciative of those fellow Americans at the medical front lines of this pandemic and countless others that are working tirelessly to support economic activity in its halted state. We continue our hopeful thoughts for those who have been impacted from this virus, including those that have passed away, are sick or who are enduring financial hardship.

In these challenging times, it is important to work with your FWA financial advisor to help determine the best way for you to navigate the environment, with a focus on your longer-term objectives. Please reach out to our team if you have any questions.

We are in this together.

FWA INVESTMENT COMMITTEE VIEWPOINTS

Asset Class	Bear — Bull	Viewpoints
Risk Assets		Risk assets sold off significantly as COVID-19 spread throughout the world. Investors that can take the longer-term view may find opportunities to put capital to work. We increased our bullishness on risk assets to start Q2, particularly relative to more conservative assets. We prefer to be more selective in higher quality growing companies that can survive the crisis longer-term and areas that have been hit the hardest, including smaller cap stocks and cyclically-sensitive areas of the market.
U.S. Equities		Fundamentals are anticipated to remain weak. It is uncertain when COVID-19 will be contained, and the economy opens back up for business. Significant government support is a positive. Valuations are tough to gauge until earnings visibility becomes clearer. Anticipate inability for companies to forecast earnings with much confidence over the short term.
Foreign Developed Equities		International markets are struggling to contain the spread of the virus, but there are some initial positive signs. Valuations remain attractive relative to U.S. markets. We reduced our bullishness as international economies struggle to navigate the aftermath of a global shutdown.
Emerging Market Equities		China appears to have potentially come out the other side of the health crisis, but the data is questionable, and it is still early. Increased concerns on other emerging markets' ability to support their economy in this environment, but valuations remain attractive. We reduced our bullishness as emerging economies may not have the same financial firepower to combat an economic slowdown that developed economies may have.
High Yield Bonds		Credit spreads have widened significantly, and valuations are attractive, but uncertainty remains high. Investors may be better served with an active manager selecting credits that can survive an extended economic shutdown, rather than an index approach in this space.
Emerging Markets Debt		Valuations have improved, but caution and patience remain warranted until the cost of the global economic slowdown can be better estimated across emerging markets.
Commodities		Oil prices quickly fell to $20/bbl in Q1 as demand weakened considerably from the global economic slowdown, and OPEC+ nations could not come to an agreement to cut supply. Gold prices had been volatile in Q1 as investors appeared uncertain how gold would perform during the unprecedented extreme volatility across financial markets.
Conservative Assets		Interest rates were pushed to historic lows in Q1 as investors rushed to safety. The U.S. Federal Reserve cut interest rates to 0% and provided unlimited liquidity to support bond markets. If the economy can restart and gain traction, interest rates may move higher and bond prices lower.
U.S. Government Bonds		High quality, longer-term bonds acted as a safety net for investors in Q1. The Federal Reserve remains a backstop, keeping rates low for the foreseeable future. Longer-term, we would anticipate U.S. government rates to gravitate higher.
U.S. Corporate Bonds		Corporate bond spreads widened significantly in Q1, providing select opportunity for investors. Credit selection is key as the duration of the economic shutdown and impact on corporate revenues remains extremely uncertain.
Other		As risk assets quickly declined, valuations became more attractive. Although economic uncertainty remains significant, a reduction in portfolio hedges may be prudent for longer-term, more aggressive investors. Less need for a hedge resulted in our reduction in our bullishness in the Other category.

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 equities and credit dragged on the portfolios as risk assets declined significantly in Q1. Exposure to small caps and cyclically-overweight equity managers also hurt the portfolios as the swift downturn in the economy weakened these positions. Exposure to tactical bond managers with heavier credit-sensitivity put pressure on the portfolios. The portfolios' underweight to safe-haven Treasuries did not allow for as much buffer as we would have preferred during the selloff. We do believe Treasuries may underperform other credit-sensitive assets over the longer-term and prefer to be structurally underweight Treasuries across the portfolios.

In early March, we reduced our exposure to lower yielding bond managers and reallocated to tactical bond managers that could navigate the uncertain market environment. In late March, as a severe economic slowdown appeared evident, we were increasingly concerned about the structure of the financial markets and we reduced equity and credit risk exposure across the portfolios to attempt to reduce portfolio volatility. In early April, we selectively increased risk back into the portfolios as some initial indications that social distancing measures were slowing the spread of the virus. In addition, increased political and corporate support for restarting the global economy seemed to pick up pace. We anticipate adding risk back to the portfolios when there are better signs of stabilization in the COVID-19 spread and the economy.

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.
- In March, we reduced pure equity exposure and reallocated to tactical equity mangers and an active balanced fund to attempt to reduce some of the volatility in the portfolios, while allowing for upside participation. In early April, we added back some equity exposure by reducing the tactical equity exposure and reallocated to a U.S. equity index strategy that focuses on companies with strong fundamental metrics.
- 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

- In March, we reduced exposure to credit-sensitive tactical core bond managers and reallocated to shorter-term bond managers as markets remained volatile.
- We remain patient adding credit risk to the portfolios as the duration of the economic shutdown is unclear.

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 global equity markets, including emerging markets and cyclically-sensitive equity managers dragged on the portfolios in Q1. Exposure to credit-sensitive tactical bond managers also dragged on the portfolios as credit markets sold off. In early March, we adjusted our positions across fixed income by reducing exposure to lower yielding fixed income markets and reallocating to tactical bond managers. As we became increasingly concerned that a severe economic slowdown could continue to negatively impact risk assets, in late March, we reduced equity and credit exposure across the portfolios and reallocated to tactical equity managers, an actively managed U.S. balanced fund and bond managers with less exposure to credit. In early April, we incrementally increased risk back into the portfolios as signs that the COVID-19 spread may be slowing and vocal support for reengaging the economy became more pronounced.

Risk Assets

- The portfolios are invested across a mix of index, enhanced-index, active U.S. and global equity, tactical equity and multi-asset managers. We believe that during these uncertain times, an increase in diversification has the potential to reduce volatility while allowing for participation when markets move higher.
- We continue to maintain dedicated exposure to international markets, including emerging markets and international small caps. These areas have been hit hard by the recent market weakness but may offer compelling opportunities longer term.

Conservative Assets

- The portfolios' fixed income exposure remains overweight to U.S. core and tactical bond managers. As we reduced credit risk exposure across the portfolios in March, we increased exposure to a short-term government bond manager to attempt to reduce volatility of the portfolios' bond allocation.
- Government bond yields remain historically low and may struggle to provide attractive returns longer term. As credit markets show increased signs of stabilization, we anticipate reallocating back to credit-sensitive bond managers.

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 dragged on the portfolios as global equity markets declined in Q1. The portfolios' exposure to high yield bonds also weakened the portfolios. Exposure to higher quality bonds helped provide some support as equity markets declined. Due to the increased uncertainty from the COVID-19 health crisis, we reduced equity risk across the portfolios in late March. We reallocated these proceeds to short-term, high quality bond exposure. In early April, as markets appeared to stabilize and there was optimism around a slower COVID-19 spread rate, we incrementally increased the equity exposure in the portfolios.

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, and real estate securities.

The Income portfolios' structural exposure high income-generating assets weighed heavily on the portfolios in Q1. Credit markets, dividend-paying stocks, emerging market debt, real estate and energy infrastructure securities were down significantly in Q1. Investors became increasingly concerned on the weakening economy and the potential negative impact it would have on cash flows and assets' ability to continue distributing cash flows at existing levels.

As market liquidity became an increasing concern in late March, and energy markets were significantly distressed, we materially reduced risk exposure across the portfolios. We reduced our exposure to dividend-paying equities, real estate, credit and sold out of our energy infrastructure position. We preferred to reallocate to higher quality income-producing assets, including shorter-term fixed income. We also allocated to tactical credit managers that have the flexibility to increase exposure to high yield bonds when credit markets become more favorable. In early April, as markets appeared to have stabilized a bit and slight positive news that the COVID-19 spread may be slowing, we incrementally increased risk back into the portfolios, by reducing exposure to tactical credit managers and increased exposure to dividend-paying equities.

Risk Assets

- The portfolios remain allocated to dividend-paying equities, global real estate and multi-asset income strategies.
- In March, we reduced our dedicated exposure to a multi-asset income strategy, energy infrastructure, global high yield and emerging markets debt and reallocated to a less volatile multi-asset balanced manager and tactical credit managers. As high yield markets remain stressed, we believed that an allocation to tactical credit managers can provide some upside participation when investors move back into the high yield markets.

Conservative Assets

- We have positioned the portfolio with a partial barbell approach, with a heavier allocation on less volatile shorter-term bond managers paired with an allocation to tactical credit managers that can increase/decrease credit exposure as the credit markets show signs of improving to the upside.
- In our Ultra-Conservative portfolio, we raised cash and reduced credit exposure in late March to try to protect from some of the potential sustained volatility in credit markets. In early April, we redeployed the excess cash to a short-term bond strategy as markets appeared to stabilize.

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 markets dragged on the portfolios in Q1. As risk assets quickly sold off, underlying tactical managers began de-risking their portfolios to attempt to protect value. The significant selloff occurred too quickly for short- to intermediate-term equity trading managers to reduce risk as fast as needed, resulting in a steeper decline in the portfolios than desired. One equity hedged manager and one longer-term trading manager were able to protect some value during the selloff. Credit sensitive managers were able to protect significant value during the selloff in high yield bonds, getting in front of most of the decline. In late March, as markets persisted to the downside, we reduced equity exposure across the portfolios. Due to the historical speed at which the markets declined, our intermediate-term trading signal did not confirm the decline until after the selloff.

The FlexTrend portfolios remain very defensively positioned to start April. Should risk assets move quickly higher from here, we would anticipate the FlexTrend portfolios to lag on the upside. We believe markets may be choppy in the near-term. We will need to see persistent positive trends in equity and credit markets to begin to increase risk exposure across the portfolios.

Risk Assets

- The FWA FlexTrend trading signal ended Q1 with a bearish trading signal as markets sold off quickly and deeply. In late March, we reduced our equity position and reallocated to short-term government bonds.
- We remain diversified across tactical equity managers, including trend-following, hedged equity and long/short equity managers.
- The portfolios are defensively positioned as intermediate-term trends remain negative. Until trends start to persist to the upside, we anticipate remaining defensively positioned in the FlexTrend portfolios.

Conservative Assets

- We reduced exposure to tactical core bond managers and reallocated to tactical credit managers that can increase exposure to credit markets when trends turn positive. We believe these managers may add value relative to tactical core managers in a sustained credit bull market.

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 global equities and credit sensitive bond managers put significant pressure on the portfolios in Q1. Emerging markets, international small caps, high yield and cyclically-positioned equity managers had a tough quarter. In early March, following the initial market selloff, we started to see better opportunities in U.S. small caps and reduced our exposure to a long/short equity manager and reallocated to U.S. small caps. In late March, we became very concerned with the potential severe negative economic impact from a global shutdown and reduced exposure to equity and credit risk across the portfolios. We reallocated proceeds to tactical equity and tactical credit managers that were defensively positioned. In early April, as we saw some signs of stabilization of COVID-19 around the world and markets appeared to stabilize a bit, we increased dedicated global equity and multi-asset income exposure across the portfolios. U.S. equity markets have been relatively resilient during this time period, and valuations have yet to get overly discounted, thus we remain cautious on U.S. equity markets from a valuation standpoint. We prefer global exposure with pockets of opportunities in active managers that can take advantage of dislocations throughout the world.

Risk Assets

- We continue to be overweight active managers across global equity, international small cap and emerging markets. We believe with increasing dislocations throughout the world, active managers have the potential to take advantage.
- Valuations are increasingly attractive in U.S. small caps and international markets and we maintain positions in these areas.
- We re-added exposure to a multi-asset income strategy to take advantage of better valuations in credit markets and other higher income generating asset classes.
- We maintain positions in tactical equity managers that have the potential to increase risk exposure when positive equity trends emerge.

Conservative Assets

- We are positioned across defensive, tactical core and tactical credit managers to attempt to provide increased diversification in an uncertain bond market environment. If we continue to see stabilization in credit markets, we would be willing to increase credit exposure to the portfolios.

SOURCES

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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.