



## Commentary

### U.S. Economy Remains Resilient

The U.S. economy has been performing very well on the back of strong consumer and business confidence. This year, the economy received a jolt of optimism as the recent U.S. tax cuts went into effect. U.S. GDP increased at an annual rate of 4.2% in Q2<sup>1</sup>. Corporate profitability has also been strong, with Q2 year-over-year earnings growth exceeding 20% for the S&P 500 Index<sup>2</sup>.

We anticipate U.S. GDP and corporate earnings growth to slow from their recent highs in the coming quarters. According to the Wall Street Journal Economic Forecasting Survey<sup>3</sup>, participants forecast U.S. GDP growth to decelerate to less than 3% in 2019. Investors should be prepared if the market starts pricing in the potential for slower growth going forward.

### Potential Economic Challenges Going Forward

Inflationary pressures from rising wages and commodity prices, higher interest rates and trade uncertainty are potential headwinds to economic growth. Economic indicators continue to show expansion rather than a recessionary environment, which could continue to support risk assets. Over the longer term, demographic shifts and slowing labor growth rates could keep U.S. economic growth at a slower pace than it has been historically.

Global trade tensions have been a key area of focus. If the flow of imports and exports becomes less efficient and costlier for U.S. consumers and businesses, it could hamper growth and

### Highlights

- U.S. economy remains solid and could continue to support U.S. risk assets.
- U.S. GDP and corporate earnings growth anticipated to slow from strong Q2/Q3 levels.
- Dislocations across asset classes could provide opportunities for longer-term investors.

investments. We are hopeful that the trade disputes will be resolved quickly and in a beneficial manner, but it may take longer than desired.

U.S. midterm elections are scheduled for November and could be a source of added volatility for the market. If Democrats gain seats in the House and/or Senate and Republican power is reduced, markets may start to price in additional uncertainty around trade, taxes and entitlements. Uncertainty can result in weakened consumer and business confidence, which can negatively impact the economy and markets in the short term.

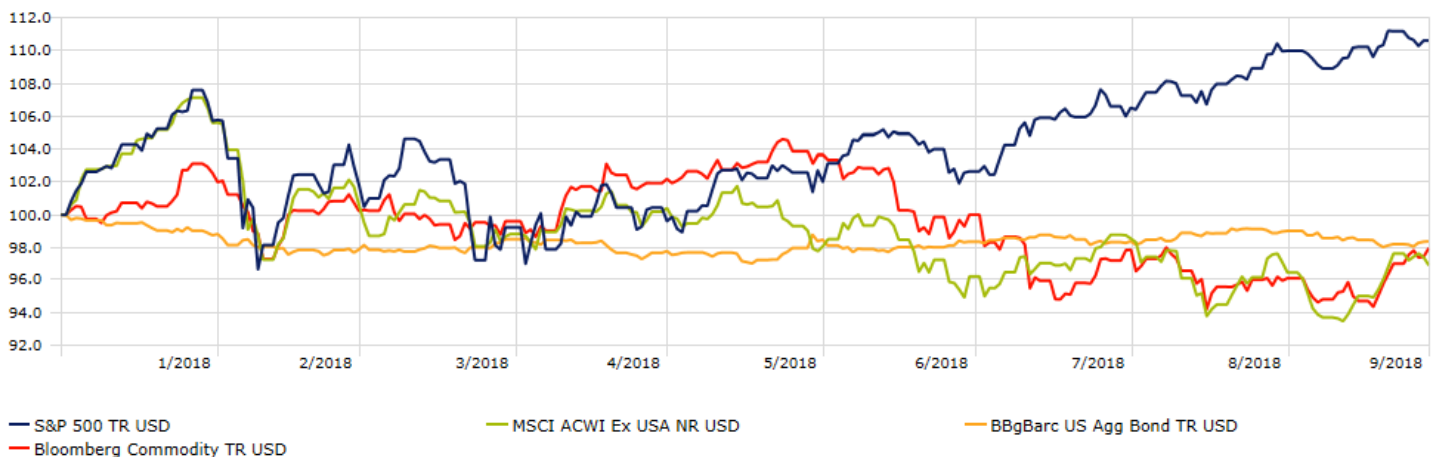
### Dislocations Across Asset Classes Provides Opportunities

The U.S. equity market continued to enjoy strong performance this year as growth in the U.S. accelerated. In August, the S&P 500 Index exceeded its previous high set in January of this year. Investors that were positioned in more aggressive areas of the U.S. equity market were rewarded.

We are starting to see increased dislocations across asset classes, which could provide great opportunities for long-term investors. Since mid-year, the performance of international equity markets started to materially underperform U.S. equity markets,

### Investment Growth - YTD

Time Period: 1/1/2018 to 9/28/2018



Source: Morningstar Direct. S&P 500 reflects performance of the U.S. equity market. MSCI ACWI Ex USA reflects performance of international equity markets. BBgBarc US Agg Bond reflects performance of U.S. bond markets. Bloomberg Commodity reflects performance of broad commodity markets.

providing a potential opportunity for valuation-conscious equity investors. The Federal Reserve raised interest rates 25 basis points (0.25%) in September impacting bond sectors and providing higher income opportunities for bond investors. Many commodities, excluding oil, also weakened, providing potential opportunities for investors seeking other sources of diversification. Although diversification has recently dragged on performance, it may help investors going forward.

## Investment Strategy

### Strong U.S. Economy Could Continue to Support U.S. Equities

If the U.S. economy maintains its positive momentum, investors could continue to push U.S. risk assets higher. Valuations in the U.S. equity market still appear a bit elevated, in our opinion. Momentum investors have pushed speculative growth companies' stocks higher, but we are starting to see some instances of weakness. Valuation is not often a shorter-term concern to momentum investors, but we believe caution may be warranted at this time. Stable, higher quality, slower growing companies have underperformed the broader market, but valuations appear a bit more moderate and could be an area to consider for cautious equity investors.

For those investors that have participated in the outperformance of aggressive U.S. growth stocks, now may be the time to rebalance back to other areas that have underperformed. Long-term investors could also consider allocating to increasingly attractive international equity markets at this time.

### Defense and Diversification Have Underperformed, For Now

The U.S. economy has been in one of the longest expansions in history, resulting in strong equity performance but also elevated valuations, in our opinion. If history is any guide, recessions and bear markets can occur and can lead to significant equity market selloffs. The uncertainty is in the timing and magnitude of a bear market selloff. Investors need to make sure they have a good grasp on their risk tolerance and not chase after strong historical performance. Past performance should not be extrapolated forward indefinitely.

Playing defense has not worked very well the last few years and has been a drag on performance. Even for more aggressive investors, being diversified in international equities has also been a drag on performance. Table 1 shows the negative performance divergence across defensive and diversifying asset classes/strategies relative to the strength of the U.S. equity market this year. We believe it is a mistake for investors to disregard the benefits of defense and diversification. It may be an opportune time to consider allocating to other areas that have recently underperformed.

For those investors that prefer to be defensive, a diversified defensive strategy continues to be a suitable option, in our opinion. Investors can choose to play defense by allocating to cash, high quality bonds, defensive equity sectors, undervalued securities, defensive tactical strategies and/or to be overly diversified.

For investors with a very long-term horizon, typically greater than ten years, that can handle severe market selloffs and/or that can continue to add capital during market selloffs, the need for defense may not be as important. For these investors, being aggressively positioned may be a suitable option.

Table 1: Asset Class Performance %	
Index	YTD
<b>U.S. Stocks</b>	
S&P 500	10.56
<b>U.S. Growth Stocks</b>	
S&P 500 Growth	17.24
S&P Consumer Disc Select Sector	20.02
S&P Technology Select Sector	19.24
<b>U.S. Value/Defensive Stocks</b>	
S&P 500 Value	3.51
S&P Cons Staples Select Sector	-3.16
S&P Utilities Select Sector	2.73
<b>International Stocks</b>	
MSCI EAFE	-1.43
MSCI Emerging Markets	-7.68
<b>U.S. High Quality Bonds</b>	
BBgBarc US Agg Bond	-1.60
BBgBarc US Corp Bond	-2.33
<b>Precious Metals</b>	
Bloomberg Sub Gold	-9.36
<b>Tactical Global, Multi-Asset Trend Strategies</b>	
SG Trend Index*	-3.67



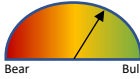

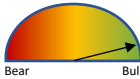
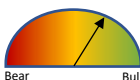
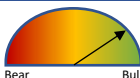
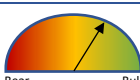
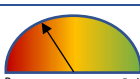
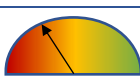
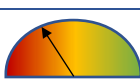
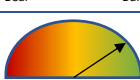
Source: Morningstar Direct. Data as of 1/1/18- 9/30/18. Performance is based on total returns. \*The SG Trend Index performance is as of 9/27/2018.

### Rebalancing Can Be an Effective Strategy Over the Long-Term

Rebalancing a portfolio is a strategy that can help investors stay invested for the long-term. For our Freedom Wealth Alliance-managed portfolios, we dynamically rebalance client portfolios when positions become out of tolerance from our target allocations. This discipline allows us to reduce positions that have done well and reallocate to other areas that may have underperformed.

Although timing is never perfect, rebalancing can help us to buy lower and sell higher over time. Clients in our more diversified portfolios should not be surprised to see us reducing exposure to areas that have done well, such as U.S. equities, and reallocating to bonds or international stocks due to rebalancing.

**FWA INVESTMENT COMMITTEE VIEWPOINTS**

Asset Class		Viewpoints
<b>Risk Assets</b>		Global economy continues to expand. Trade tensions appear to have weakened sentiment overseas but now could be an increasingly attractive entry point in foreign risk assets. U.S. equity valuations remain extended on a number of metrics.
U.S. Equities		Strong U.S. fundamentals and corporate tax cuts continue to support year-over-year earnings growth. Earnings growth comparisons will be much tougher as we enter Q4 and into 2019. Valuations remain stretched, causing us to remain somewhat cautious.
Foreign Developed Equities		Foreign developed equity markets have underperformed U.S. equity markets, but valuations appear increasingly attractive backed by moderately positive fundamentals. Geopolitics remain a concern.
Emerging Market Equities		Emerging markets remained weak but long-term fundamentals and valuations appear compelling from a risk/reward perspective. In the short term, heightened trade disputes could keep a lid on equity prices and volatility may persist.
High Yield Bonds		Credit fundamentals have remained relatively stable backed by a strong U.S. economy. Interest rates continue to move higher and may increase stress on weaker companies. Prefer shorter maturity higher quality below investment grade bonds.
Emerging Markets Debt		Emerging market bonds bounced back from weakness as higher yields attracted investors. We believe the longer-term total return potential from income and currency appreciation appears attractive at these levels.
Commodities		Commodity prices have been hampered by global trade uncertainty, but a growing global economy and stable or falling U.S. dollar could push commodity prices higher over time. Oil prices could continue higher due to potential supply constraints and increasing demand.
<b>Conservative Assets</b>		Interest rates on high quality bonds have increased. Bonds could get support if risk assets weaken from here in the short-term but longer-term rates could continue higher and push bond prices lower.
U.S. Government Bonds		Longer-term government bonds have higher embedded interest rate risk. Prefer to have less interest rate exposure. Short-term rates continue to move higher, increasing the attractiveness of the space.
U.S. Corporate Bonds		Corporate fundamentals remain solid, supporting credit risk exposure. Interest rate sensitivity remains a concern as rates could continue to move higher. Consider shorter-term medium quality bonds in this environment.
<b>Other</b>		Due to above average valuations across a number of asset classes, consider alternative strategies to diversify portfolios.

**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

### 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.

### FLEXTREND

#### Performance Review

In Q3, the FlexTrend portfolios generated positive total returns, driven by strong performance in U.S. equities and our growth-focused positions. Our tactical international equity position added some value, but international equities underperformed U.S. equities in the quarter. Persistently weak short-term trends in international equities and value-oriented sectors resulted in a heavy defensive position throughout most of the quarter and dragged on performance. Exposure to equity precious metals also dragged on performance as the start of a positive short-term trend in Q2 quickly reversed downward, resulting in poor performance for the position in Q3. Our position in a tactical credit manager added value relative to higher quality core bonds in the quarter.

#### Risk Assets

- In July, we increased U.S. equity, high yield bonds and emerging market debt exposure as trends became increasingly positive.
- In August, we sold out of the equity precious metals position due to the weak trend that developed. Proceeds were reallocated to cash.
- In September, we increased our exposure to tactical equity managers to attempt to increase the diversification of tactical strategies in the portfolios. Capital was sourced from excess cash and fixed income positions.
- We anticipate adding additional tactical equity managers in Q4 to attempt to further diversify the portfolios.

#### Conservative Assets

- In September, we increased our exposure to tactical bond managers to attempt to increase the diversification of tactical strategies in the portfolios. We also reduced our overweight cash position to source allocations to new tactical managers.
- We maintain an elevated allocation to bonds at this time but anticipate reducing those positions in the coming months as our increased tactical diversification efforts are fully implemented.

### FLEXTREND SAS

#### Performance Review

The FlexTrend SAS portfolios generated positive total returns in Q3, driven by strong performance of U.S. large cap stocks. Exposure to international equities added to performance, but underperformed U.S. equities in the quarter. Our allocation to active bond managers added value relative to core bond markets, which were generally flat for the quarter. Excess cash in select portfolios was a drag throughout the quarter, but the excess cash was reallocated to tactical managers in mid-September.

We will be transitioning the FlexTrend SAS portfolios to the FlexTrend portfolios before the end of the year. Clients that remain in the FlexTrend SAS portfolios will be seamlessly transitioned to the FlexTrend portfolios over the coming months. Please contact your financial advisor with any questions.

#### Risk Assets

- In July, we increased exposure to U.S. equities in our moderate and more aggressive portfolios due to positive trends in U.S. equities. Capital was sourced from excess cash in the portfolios.
- In September, we increased our exposure to tactical equity managers to attempt to increase the diversification of tactical strategies in the portfolios. Capital was sourced from excess cash, managed futures and multi-asset allocation funds.
- We anticipate adding additional tactical equity managers in Q4 to attempt to further diversify the portfolios.

#### Conservative Assets

- In September, we increased our exposure to tactical bond managers to attempt to increase the diversification of tactical strategies in the portfolios. We also reduced our overweight cash position to source allocations to new tactical equity and credit managers.

## 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 FWA Global Opportunities Simple Allocation Solutions (SAS) portfolios typically hold fewer positions and are generally less tactical than the core Global Opportunities portfolios.

## GLOBAL OPPORTUNITIES

### Performance Review

In Q3, the Global Opportunities portfolios were slightly positive, driven by exposure to U.S. equities and less so from international equity markets. The portfolios' heavy exposure to foreign markets, and emerging markets in particular, has been a drag on performance this year as U.S. markets have materially outperformed. Exposure to energy infrastructure and financial sector stocks added value in the quarter, but these areas underperformed the broader U.S. equity market. Core bond markets were flat in Q3, but our active bond managers added value. Our diversifying alternative strategy positions were weak during the quarter as global trends were limited and value-oriented strategies generally underperformed in the growth-led market.

### Risk Assets

- In August, we reallocated out of our passive U.S. equity index position to enhanced U.S. large cap and U.S. small cap equity index positions. We believe these new positions have the potential to outperform the comparable passive equity index over time.
- In September, we increased exposure to international equities due to what appeared to be increasingly attractive valuations. We also increased our exposure to our global long/short equity position to attempt to take advantage of increased global market dislocations. We sourced these positions by selling out of one of our tactical managed futures positions.

### Conservative Assets

- In August, we reallocated out of our passive U.S. core bond index position and into an active bond manager. We believe a reallocation to a more active core bond manager may be able to better help navigate the increasingly challenged bond market. This change was also made in our tax-sensitive portfolios through the reallocation to an active municipal core bond manager.
- Overweight tactical bond managers to help reduce interest rate sensitivity and provide global diversified bond exposure.

## GLOBAL OPPORTUNITIES SAS

### Performance Review

The Global Opportunities SAS portfolios generated positive total returns in Q3 driven by strength in U.S. equity markets. Exposure to foreign equity markets dragged on performance as foreign equities underperformed U.S. equities. Higher quality bond markets were relatively flat as rising interest rates put pressure on bond prices, but our allocation to tactical bond managers helped add value in the quarter. Exposure to diversified income strategies and alternatives also dragged on performance as U.S. risk assets were favored and income-sensitive asset classes underperformed.

### Risk Assets

- In August, we reallocated out of our passive U.S. equity index position to enhanced U.S. large cap and U.S. small cap equity index positions. We believe these new positions have the potential to outperform the comparable passive equity index over time.
- In September, we increased our exposure to international equities due to what appeared to be increasingly attractive valuations. To do so, we added exposure to a global growth equity manager and a global value equity manager. We also increased exposure to a multi-asset income manager and a global multi-asset, value-oriented manager to attempt to increase income potential and diversification in the portfolios. We sourced capital from a diversified alternatives strategy and an aggressive allocation fund.
- Remain underweight U.S. equities due to what we believed to be elevated valuations and increasing risks.

### Conservative Assets

- In August, we reallocated out of our passive U.S. core bond index position and into an active bond manager. We believe a reallocation to a more active core bond manager may be able to better help navigate the increasingly challenged bond market.
- Overweight tactical bond managers to help reduce interest rate sensitivity and provide global diversified bond exposure.

## CORE ALLOCATION PORTFOLIOS

The FWA Core Allocation 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.

### Performance Review

The Core Allocation portfolios were made available to clients in August 2018. Since August 1<sup>st</sup> the portfolios performed well, driven by our allocation to U.S. equities, which had strong total returns. Performance from the global equity managers was positive, but their exposure to underperforming foreign equity markets dragged on overall portfolio performance. High quality core bond markets were relatively flat as interest rates moved higher, but our allocation to active bond managers helped add value.

### Risk Assets

- The portfolios are structurally overweight U.S. equities through the utilization of a mix of U.S. equity index, U.S. equity enhanced index and global equity managers. We believe the allocations to these positions can help the portfolios perform well during strong U.S. equity markets.

### Conservative Assets

- The portfolios are structurally overweight U.S. bonds through the utilization of a mix of core multi-sector bond managers. We believe the allocations to these positions can help the portfolios perform well during strong U.S. credit markets.

## GLOBAL HIGH INCOME PORTFOLIOS

The FWA Global High 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. Tactical adjustments are driven by forward-looking, value-oriented, fundamental analysis.

### Performance Review

The Global High Income portfolios generated positive total returns in Q3 driven by exposure to stronger performing energy infrastructure and global dividend paying stocks. Exposure to global high yield bonds also added to performance. Our position in a core, high quality bond manager was relatively flat in Q3 as interest rates moved higher in the quarter. Exposure to emerging markets debt was a slight detractor from performance in the quarter.

### Risk Assets

- Maintain position in energy MLPs due to attractive valuations, improving fundamentals and above average income generation.
- Prefer global dividend equity manager as international equities appear attractive, relative to core U.S. equities.
- Maintain position in emerging markets debt as valuations and longer-term opportunities appear more attractive than developed market bonds.

### Conservative Assets

- In August, we reallocated out of our passive U.S. core bond index position and into an active bond manager. We believe a reallocation to a more active core bond manager may be able to better help navigate the increasingly challenged bond market.
- Overweight credit-oriented bond managers to target higher yields in what appears to be a stable credit market at this time.
- Overweight tactical bond managers to attempt to hedge interest rate sensitivity and provide global diversified bond exposure.

## CAPITAL PRESERVATION PORTFOLIO

The FWA Capital Preservation portfolio is constructed in a conservative manner. The portfolio is primarily invested in higher quality fixed income investments. The portfolio is constructed to be less volatile relative to the Conservative benchmark. The portfolio may underperform the benchmark in strong risk-led markets but may help protect value when risk markets are challenged.

### Performance Review

The Capital Preservation portfolio was slightly positive in Q3 led by strength in our credit and tactical bond managers. Interest rates moved higher in the quarter, but our defensive positioning on interest rate sensitivity added value. Most of our bond managers were positive in the quarter, driven by an overweight to credit and underweight to longer-term, interest rate sensitive bonds. Our core bond manager position was relatively flat on the quarter and an unconstrained tactical bond manager generated slightly negative performance partially due to its exposure to foreign bonds and currencies.

### Conservative Assets

- In August, we reallocated out of our passive U.S. core bond index position and into an active bond manager. We believe a reallocation to a more active core bond manager may be able to better help navigate the increasingly challenged bond market.
- Overweight shorter-term bonds to help reduce interest rate sensitivity in the portfolio.
- Overweight tactical bond managers to attempt to hedge interest rate sensitivity and provide global diversified bond exposure.

## ALL EQUITY PORTFOLIO

The FWA All Equity portfolio is allocated across actively managed and passive equity strategies. Tactical adjustments are driven by forward-looking, value-oriented, fundamental analysis. Portfolios will generally remain fully invested, with minimal cash balances. This portfolio is suited for investors who are willing to take on higher potential risk for higher potential longer-term returns.

### Performance Review

The All Equity portfolio was slightly positive in Q3, led by strength in U.S. large cap stocks. U.S. small cap exposure also added to performance but underperformed large caps in the quarter. Positioning in global equity managers, financials and energy infrastructure also added to performance, but trailed the broader U.S. equity market. Emerging market equity exposure dragged on performance as investors pushed emerging market equities lower during the quarter. Our international small cap position, which focuses on undervalued small cap companies outside of the U.S., including emerging markets, also declined during the quarter.

### Risk Assets

- In August, we reallocated out of our passive U.S. equity index position to enhanced U.S. large cap and U.S. small cap equity index positions. We believe these new positions have the potential to outperform the comparable passive equity index over time.
- Overweight to international equities via exposure to global equity managers and an international small cap manager. We believe dislocations may be increasing internationally and these managers have the potential to take advantage in this environment.
- Maintain exposure to emerging market equities due to what appear to be strong longer-term fundamentals and currently attractive valuations.
- Maintain positions in financials and energy infrastructure due to relatively attractive valuations and what we believe to be improving fundamentals.

## PASSIVE ALLOCATION PORTFOLIOS

FWA Passive Allocation portfolios provide exposure to broad equity and fixed income markets, utilizing passive, lower-cost investment options. Portfolios are not tactically managed and are fully invested to the target allocation.

### Performance Review

The Passive and Passive SAS portfolios generated positive total returns in Q3 led by strength in the U.S. equity market. International developed markets also added to performance, but emerging markets exposure detracted. High quality intermediate-term bonds were relatively flat, while lower quality credit exposure positively contributed to performance. The portfolios continue to track their respective benchmarks within acceptable ranges, in our opinion.

## SOURCES

1. U.S. Bureau of Economic Analysis. Gross Domestic Product: Second Quarter 2018 (Second Estimate); August 29, 2018.
2. "Earnings Insight". FactSet. September 21, 2018.
3. Economic Forecasting Survey, The Wall Street Journal, retrieved from <http://projects.wsj.com/econforecast>, September 28, 2018.

## 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® Value 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.

**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.

**Société Générale Trend Index:** The Société Générale (SG) Trend Index is designed to track the ten largest (by AUM) trend following CTAs and be representative of trend followers in the managed future space.

**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.

**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.

**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.

**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) 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. 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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