FREEDOM WEALTH ALLIANCE

Commentary

Investors Continued to Support Markets in Q3

Investors continued to push equity and bond markets higher in Q3. The S&P 500 Index was up 8.9% and the Bloomberg Barclays U.S. Aggregate Bond Index was up 0.6% for the quarter.[1] July and August were strong months, supported by a combination of investors chasing the rally, heavy monetary and fiscal stimulus supporting the global economy and moving every day closer to a COVID-19 vaccine.

We did not believe markets would move higher unabated. In September, volatility hit the markets as U.S. government stimulus talks stalled and uncertainty increased over the U.S. elections. The Nasdaq Composite Index, a technology-heavy equity index, declined over 10% in three days, the fastest 10% correction from a new high in the index's history.[1,2] Investors were quickly reminded that markets do not move in a straight line higher for long.

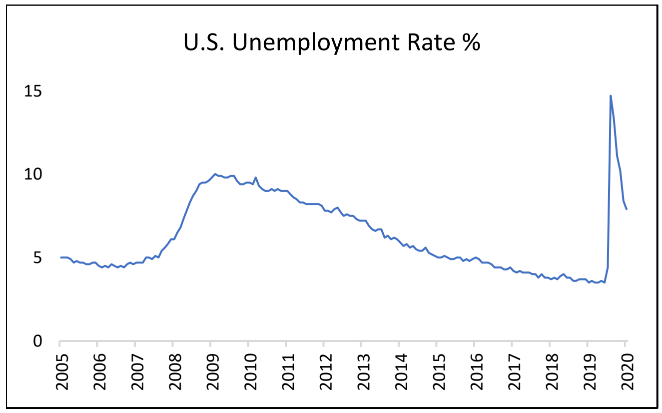
Anticipating Strong Economic Rebound in Q3

While the second quarter was the weakest quarter for U.S. GDP growth in history, down 31.7%[3] when the economy was in lockdown, economists are anticipating a V-shaped economic recovery in the third quarter. According to the Wall Street Journal Economic Forecasting Survey[4], U.S. GDP growth is projected to jump to roughly 24% in Q3 as consumers and businesses resume economic activities. Economists anticipate U.S. growth to continue as the survey forecasts 4% GDP growth in 2021 and 3% growth in 2022.[3]

The U.S. unemployment rate continues to decline from a high of 14.7% in April to 7.9% at the end of September[5], which is a positive sign. This will be important to watch as the pace of decline may slow unless additional stimulus is provided by the U.S. government. At this time, stimulus negotiations have stalled and existing stimulus measures appear to be running out. Although financial markets have been strong, the general economy has a ways to go before reverting back to a sustainable healthy status.

Highlights

- Market volatility increased in Q3 as anticipated, but it was a strong quarter for equities and bonds overall.
- Investors remain optimistic on additional fiscal stimulus and a potential vaccine for COVID-19.
- Recent market strength appears to indicate investors may be comfortable with the potential election outcome.
- Valuations remain a concern in select areas of U.S. equity and bond markets.



Source: U.S. Bureau of Labor Statistics. FRED, Federal Reserve Bank of St. Louis.[5]

Sustained Stimulus Needed for Continued Market Rally

Markets appear to be closely tied to the probability of continued fiscal and monetary stimulus. When recent negotiations of a new comprehensive fiscal stimulus package were halted by President Trump, equity markets quickly declined. President Trump then quickly indicated support for a more targeted stimulus and markets subsequently rebounded. It remains uncertain how the stimulus negotiations will play out. The upcoming presidential election in a few weeks adds extreme uncertainty to the negotiations and timing of any fiscal stimulus package. Until new stimulus measures are defined, market volatility could persist, and investors should be prepared.

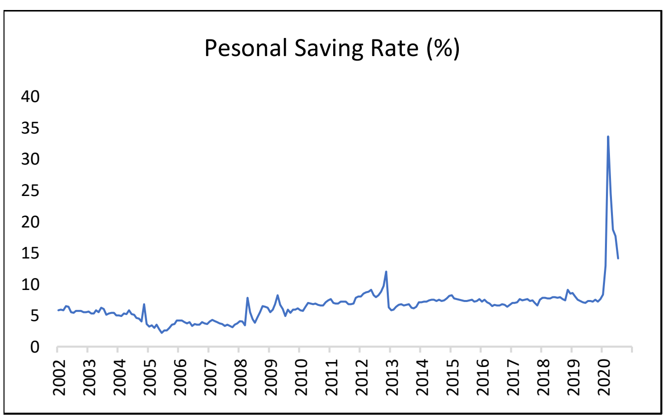
The U.S. Federal Reserve has been consistent in its efforts to provide monetary stimulus to the economy. The Fed indicated that it intends to maintain its historically supportive monetary policy for the foreseeable future. Under this framework, the Fed may keep short-term interest rates low for some time. It appears the Fed would like the economy and inflation to run faster than their long-term neutral growth rates. Time will tell whether they can achieve this objective. This significant liquidity cushion could keep a floor under risk assets even as uncertainty persists.

Monitoring Consumer Spending Potential

Investors will be keeping an eye on the Personal Saving Rate and Personal Income economic data points to determine how much potential spending power is available to push the economy along. Massive fiscal stimulus was enacted to support the economy and many consumers were able to retain their jobs, receive expanded unemployment benefits, and/or received direct stimulus checks during the economic lockdown. This support drove an increase in short-term income and savings. Spending was also reduced as the stay-at-home restrictions were in place and consumers were cautious.

As public gathering restrictions have moderated, consumers have increased their spending with available income and additional stimulus checks. We have seen a continued decline in the Personal Savings Rate from elevated highs over the last couple of months.[6] This may indicate a general increase in spending or more worrisome, less potential income from sustainable job sources that is requiring consumers to dip into savings.

It is uncertain whether savings rates will continue to decline as additional stimulus efforts and income support dry up. Investors may be increasingly concerned if additional stimulus measures are not sufficient and the future purchasing power of consumers declines.



Source: U.S. Bureau of Economic Analysis. FRED, Federal Reserve Bank of St. Louis.[6]

Looking Through Election Uncertainty

In our opinion, investors should not make emotional decisions based on their political beliefs for the upcoming elections. Generally speaking, U.S. presidential election polls are indicating that former Vice President Joe Biden is leading President Donald Trump. Some polls show Biden with a wide lead at this time. We know from the 2016 election that polls may not accurately predict an election outcome.

In our opinion, if investors are utilizing polls to determine a probability of the election outcome and those polls indicate that Mr. Biden has a high probability to win the election, then the recent market strength may be indicating that a Democratic president may not be bad for risk assets. If market participants believed that a Democratic president or Democratic control of Congress would be bad for markets, then given the apparent lead Mr. Biden currently has over President Trump, one would have believed that equity markets would be much lower than they are now. That is currently not the case.

In our opinion, investors may already be trying to price in a Biden presidential victory and potential Democratic sweep. If that is the result, we anticipate an increase in taxes on higher earning households and companies, which may be phased in over time. To offset the negative market impacts of higher taxes, we believe Democrats may want to push through higher spending sooner rather than later, which could support the economy and broaden the economic base. This could be more supportive for consumer and government spending, and as a result, more supportive for equity markets.

If Republicans retain control of the presidency and Senate, we would anticipate more of the same. There may be less appetite from Republicans for fiscal spending than Democrats would have, which may be less bullish for markets. President Trump has consistently shown his preference to support the U.S. equity market, which is a positive for equity investors.

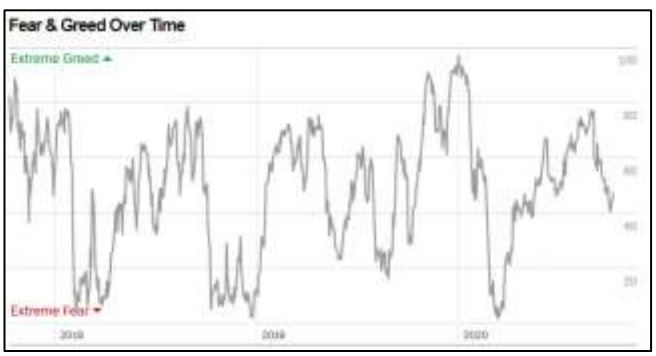
We believe that regardless who has control of the presidency or Congress, a stronger economy remains heavily tied to the slowing of COVID-19, increased fiscal support from the U.S. government and continued monetary support from the Federal Reserve. Every day we move closer to a COVID-19 vaccine and the Federal Reserve has reiterated its heavy monetary support for years. The uncertainty remains on the fiscal support side, and the upcoming election and months following could keep markets volatile until the next wave of fiscal support is defined and flowing through the economy.

Cautious Investors May Be Setting Up for Future Gains

The September market correction quickly reminded investors how fast markets can decline, driving market sentiment weaker as fear started to creep into the markets. With lingering uncertainty on the U.S. presidential election, unresolved government stimulus negotiations and an apparent uptick in COVID-19 cases, there is enough reason for investors to be cautious.

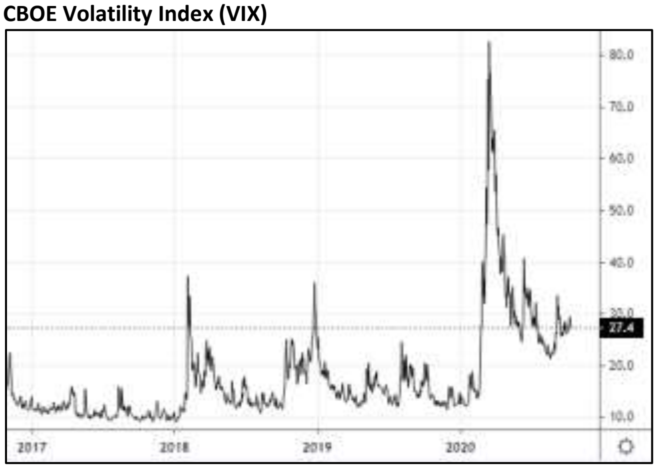
Although investors have reasons to be cautious, these concerns are already well known by professional and non-professional investors alike. The CNN Fear Greed Index[7] shows less investor euphoria and market sentiment is a bit more neutral, which is a positive. The CBOE Volatility Index (VIX), a measure of anticipated 30-day volatility of the S&P 500 Index, remains elevated, also indicating higher near-term volatility and cautious positioning.

Investor concerns and defensive positioning in the market may be building a source of dry powder or cash to be put into the markets once these issues are resolved in the coming months and quarters. This could keep a floor under risk assets with the potential to move higher into next year.



Source: CNN.

CBOE Volatility Index (VIX)



Source: tradingview.com[8]

Investment Strategy

We believe the U.S. presidential election will have a winner, we believe there will be a vaccine for COVID-19 at some point next year and we believe there will be continued fiscal and monetary support for the economy. If investors can look through the uncertainty over the next six months, we believe long-term investors will be rewarded by remaining invested.

U.S. Equity and Bond Valuations Remain a Concern

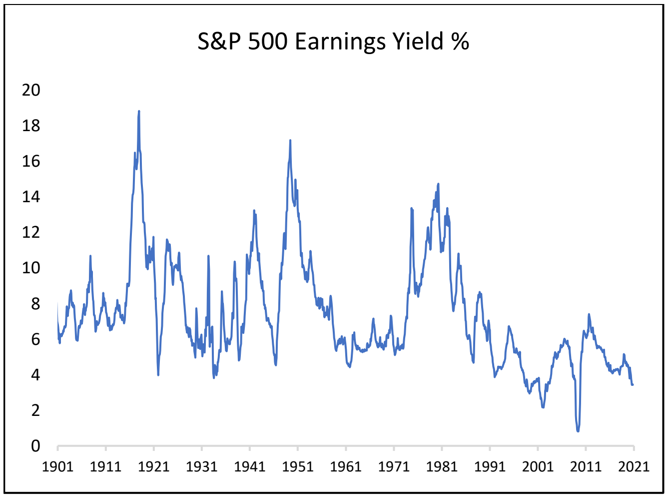
Buying and selling equities purely on valuation has not consistently proven to be a reliable investment strategy over shorter periods of time. Investors that have made investment decisions purely based on the belief that the U.S. equity market is expensive based on historical valuation metrics have missed out on material gains.

We do believe that valuations can be an important consideration for intermediate to longer time horizons and trying to access future potential returns. Valuations may also be used as a guide to determine how much concentrated risk an investor should take versus a more diversified approach. U.S. equity and bond markets are currently trading at material valuation premiums relative to their longer-term averages and remain a concern.

As of October 9, 2020, the estimated S&P 500 Index price-to-earnings ratio is 29.8 based on estimated earnings and current value of the index.[9] This is at the higher end of its long-term historical range. If we look at the S&P 500 Index's estimated 12-month trailing earnings yield (total estimated earnings generated divided by the value of the index), the yield is roughly 3.4%.[9] Earnings yield is not the same as dividend yield, which is based on the dividend income distributed to shareholders. The 12-month trailing dividend yield of the S&P 500 Index is estimated to be approximately 1.7%, also near its lower historical range.[9]

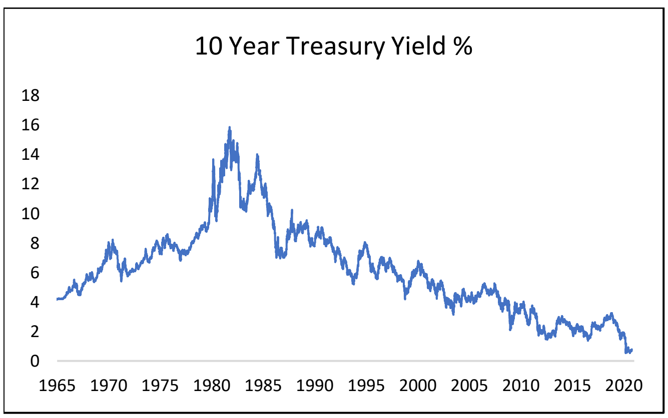
Remember, the S&P 500 Index is a market cap-weighted index, and is heavily weighted towards very large, faster growing technology-related companies (Apple, Microsoft, Amazon, etc.). These companies have valuations higher than the broad market average with earnings that are primarily reinvested in their companies rather than paying them out in dividends.

Although we believe U.S. equity market valuations may be elevated as a whole in the near term, we believe the ingenuity of U.S. companies will continue to push companies' earnings higher over the long term and exposure to U.S. equities remains appropriate, in our opinion. Looking forward, given current valuations and improving earnings for economically-sensitive areas of the market, we believe the S&P 500 Index can generate sustainable earnings yields of roughly 4-6%.



Source: multpl.com [9]

Bond yields are also providing limited return potential for the foreseeable future. The 10-year U.S. Treasury yield remains close to its historical lows, with a yield of 0.76% as of October 6, 2020. Unlike equities where earnings can grow over time, investors in a newly issued 10-year U.S. Treasury are subject to the interest rate paid on the bond through maturity. Investors willing to take on credit risk have higher return potential than Treasuries, but volatility can be higher as well.



Source: Board of Governors of the Federal Reserve System (US). FRED, Federal Reserve Bank of St. Louis[12]

Comparing bond yields to equity earnings yields, equities appear more attractive than low-yielding Treasury bonds at these levels, but equities come with higher expected volatility. We believe that at these valuations, future equity and bond market returns may be lower than they have been in the past, so investors should be prepared for potentially lower future returns with similar levels of historical volatility.

Opportunistically Diversified Approach Preferred

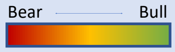
Although broader U.S. assets appear extended from a valuation standpoint, we do see pockets of opportunity in areas that have struggled this year. Assuming we get through the COVID-19 pandemic and enough stimulus is provided to support the economy, investors may gravitate towards economically-sensitive areas of the market into next year as consumers and businesses increase their spending. Higher dividend-yielding companies have also struggled this year over fear of dividend cuts, but the income generation could be beneficial if broader equity price appreciation is muted.

Equities outside of the U.S., particularly Asian equity markets, appear attractive from a growth and valuation perspective. We also see opportunities in global credit-sensitive bonds, where yields of 3-5%+ can be found, depending on the credit quality. In this environment of elevated valuations in the U.S. and increased short-term uncertainty, a diversified allocation across sectors, market cap, geography and income-generating assets is prudent, in our opinion.

Investors looking to reduce risk in their portfolios and utilize bonds to do so will need to be cognizant that low starting bond yields may fail to produce significant bond price appreciation to help offset equity market declines. Low-yielding bonds and/or cash incur opportunity costs due to their low expected returns over time. Other risk reduction strategies investors could consider may include sophisticated tactical allocation strategies, hedged risk strategies and trend-following strategies. Investors should be mindful of these non-traditional strategies as they each have weaknesses depending on the market environment.

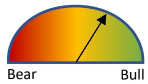
Investors should continue to anticipate market volatility and take advantage of portfolio rebalancing opportunities when one area of the market does well and another lags. Eventually, when market leadership shifts, investors can take advantage.

FWA INVESTMENT COMMITTEE VIEWPOINTS

Asset Class | 

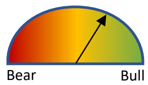
| **Viewpoints**

Risk Assets



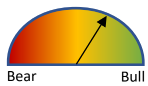
In September, investors were reminded how quickly risk assets can decline when sentiment is overly bullish and more recently, when economic stimulus does not come fast enough. Volatility is anticipated to continue through the U.S. elections and as the COVID-19 pandemic persists, but we believe there is enough global economic stimulus to support risk assets into 2021. We prefer to be diversified across sectors, market cap, geography and income-generating assets in this environment.

U.S. Equities



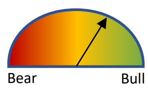
We remained concerned with overly bullish sentiment on fast growing, high valuation companies over the short term. Investors may want to consider increased diversification across both growth and economically-sensitive areas of the market to take advantage of a potential continuation of economic growth into next year. Fiscal stimulus, the election outcome and COVID-19 containment remain unknowns to investors but are anticipated to be partially resolved in the coming months/quarters.

Foreign Developed Equities



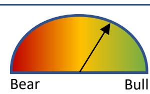
International markets remain attractive, particularly in Asia where an economic recovery persists, and valuations remain moderate. Europe appears to be experiencing a recent uptick in COVID-19 cases and the recovery may be muted over the short term until cases are better contained.

Emerging Market Equities



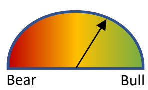
Economic data in China and broader Asia remains solid, while Latin America and European regions are a bit weaker. We remain optimistic for the longer-term growth prospects and attractive valuations across emerging markets. Prefer an active manager to identify attractive opportunities in this diverse space.

High Yield Bonds



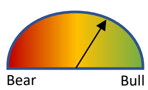
Absolute yields remain at the lower end of the historical range, but total return expectations appear favorable in a stable economic environment. High yield bonds could be considered a higher income-generating risk asset to complement investors' equity exposure.

Emerging Markets Debt



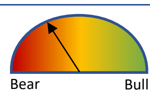
Emerging markets debt remains attractive, but volatility should be expected. Credit selection is key in this space and the potential rewards can be attractive for patient, risk tolerant investors.

Commodities



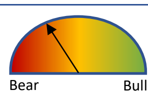
WTI Crude Oil remains range bound around the $40/bbl level, without material catalysts to drive prices higher in the near term. Gold prices have traded as a hedge on a falling U.S. dollar and may need further dollar depreciation to continue its rally. Economically-sensitive industrial metals need sustained global economic growth to find support going forward.

Conservative Assets



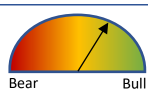
Low-yielding government bonds remain unattractive from an expected return perspective but may act as a defensive hedge in risk off markets. Prefer corporate credit over government bonds in a stabilizing economy.

U.S. Government Bonds



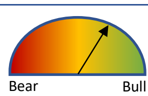
U.S. Treasuries remain unattractive, particularly for longer maturity bonds where interest rate risk and downside price potential are high.

U.S. Corporate Bonds



U.S. corporate bonds remain attractive relative to government bonds, in our opinion. Prefer to remain in shorter maturities and to utilize an active manager to find idiosyncratic opportunities in the credit space.

Other



Risk assets could remain volatile through the U.S. election, but investor sentiment is already less bullish, which is a positive. Prefer hedges on interest rate-sensitive bonds that may be pressured in an anticipated improving global economy through next year.

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.

Darren Liberski
Vice President
Darren brings 20+ years of fundamental, technical and behavioral financial analysis experience to the team. Darren's valuable insights help determine how strategic allocations strive to satisfy different client preferences and expectations.

FREEDOM WEALTH ALLIANCE MANAGED PORTFOLIOS

AGGRESSIVE GROWTH PORTFOLIOS

The FWA Aggressive Growth portfolios primarily provide equity exposure to companies with above average growth prospects. The portfolios provide exposure to a mix of stable growth, secular growth and speculative, disruptive growth companies. The portfolios are structured with less focus on valuation as being a driver of equity positioning. The Aggressive Growth portfolios may underperform in weaker market environments or when investors become concerned with high valuations of growth companies.

The Aggressive Growth portfolios' exposure to fast growing companies positively contributed in Q3 as investors continued to prefer growth and capital appreciation relative to slower growing companies or income-oriented investments. Strong positive contributions were provided across our large cap, mid cap and small cap equity manager positions as well as our global growth equity manager position in the quarter. Our exposure to credit-sensitive bond managers also added value in Q3 as credit markets rallied.

Risk Assets

- We remain overweight active equity growth managers with a blend of exposure to stable growth, long-term secular growth and disruptive growth companies.
- The portfolios maintain exposure across the market cap spectrum to try to diversify the opportunities for long-term growth potential.

Conservative Assets

- We are overweight moderately aggressive credit-sensitive bond managers to provide added income to the portfolios.

ETF CORE PORTFOLIOS

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

The ETF Core portfolios' exposure to U.S. large and small companies positively contributed in Q3 as U.S. equities rallied. Exposure to international developed and emerging market equities also positively contributed to the portfolios as foreign equity markets rallied in the quarter. Exposure to high yield bonds also positively contributed to the portfolios as investors supported credit markets. Exposure to high-quality core bonds positively contributed to the portfolios as broad bond markets continued to rally throughout the quarter.

Risk Assets

- We maintain broad market exposure across dedicated U.S., international developed and emerging market equities.
- The portfolios remain positioned in high yield bonds to complement equity exposure and provide additional income generation.

Conservative Assets

- We remain positioned in core investment grade, intermediate- and short-term bonds across the 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.

The FlexTrend portfolios' exposure to equity and credit positively contributed in Q3. Our dedicated positions in U.S. large cap equities and an enhanced index manager added value as U.S. equities rallied in the quarter. As U.S. equity markets continued to show stabilization throughout the quarter, we incrementally increased exposure to U.S. equities in July, August and September. Trend-following equity managers were generally fully invested throughout the quarter, with one manager becoming more defensive as volatility increased. Our positions in hedged equity managers positively contributed to the portfolios but they lagged broader equity markets as would be expected in a broad equity rally. Our position in a fundamentally-driven long/short equity manager materially dragged on the portfolios in Q3 as its overweight position to undervalued quality companies and short high valuation, less profitable and often momentum-driven companies hurt throughout the quarter. Exposure to fundamentally-driven actively-managed bond managers materially added value in Q3 as their overweight credit positioning was favored. Our positions in tactical credit managers was mixed as one manager added value while the other manager negatively contributed to the portfolios in Q3.

In August, we removed our position in a trend-following equity manager and replaced it with an options-based hedged equity manager. We made this change due to the trend-following manager anticipating a major change in investment strategy, which is an inherent risk to the strategy. We also wanted to reduce the FlexTrend portfolios exposure to the potential negative impacts of deep market whipsaws, which we believe could continue, and preferred a more structural hedged equity strategy as a replacement.

Risk Assets

- We maintain dedicated long-only exposure to U.S. equities via an enhanced index manager. We balance this exposure with our tactical trading equity allocation driven by the FWA FlexTrend trading signal. The trading signal remained bullish to end Q3 and our tradeable equity exposure is fully invested at this time.
- One of the trend-following equity managers we allocate to has tactically adjusted its risk exposure throughout the recent market volatility and remains slightly defensive.
- Our hedged equity positions maintain their structural hedges which could protect value in a sharp market decline.

Conservative Assets

- We maintain a mix of fundamentally-driven core bond managers and trend-following credit bond managers across the FlexTrend portfolios. This mix of managers may provide some needed diversification in a low-yielding, interest-rate sensitive bond market environment.

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 and credit markets positively contributed to the portfolios in Q3 as risk assets rallied. Exposure to global growth managers and emerging markets added material value throughout the quarter as these areas did well relative to broader global equity markets. Dedicated exposure to a U.S. large cap enhanced index manager also added value in Q3. Exposure to global core and global value managers positively contributed to the portfolios, but these managers generally lagged the broader global equity markets. Our positions in actively-managed bond managers materially added value in the quarter as their overweight to credit and underweight interest rate-sensitive bonds was rewarded. We believe the Global Core portfolios are well-positioned should the global economy reaccelerate going forward.

Risk Assets

- The portfolios remain invested across a diversified mix of enhanced-index, global equity, international developed and emerging market equity managers.
- We continue to prefer an allocation to both growth and value equity managers that can contribute in either a slower growth environment or in a reaccelerating pro-cyclical environment.

Conservative Assets

- We remain concerned with low yielding, interest rate-sensitive global government bonds and remain underweight this area of the bond market. The portfolios maintain exposure to actively-managed bond managers that we believe can successfully navigate this difficult bond market environment.

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 positively contributed to the portfolios in Q3 as global risk assets rallied. Our positions across global growth, international small cap and emerging markets equities materially added value in the quarter. Dedicated exposure to U.S. large cap equities also added value as U.S. markets did well relative to foreign equity markets. Exposure to global core and global value managers added value in Q3 but they generally trailed broader global equity indices. Exposure to multi-asset income strategies also positively contributed to the portfolios. Our position in a hedged equity manager positively contributed to the portfolios but lagged broader equity markets as would be expected. Allocations to credit-sensitive bond managers also materially contributed to the portfolios as investors favored credit over interest rate-sensitive government bonds.

In August, as valuations across credit became less attractive, we reduced our exposure to an aggressive multi-asset income manager and reallocated to a less volatile actively-managed multi-asset income manager. This slight increase in defensiveness provides us with future potential opportunities to put capital to work when valuations become more attractive.

Risk Assets

- We prefer to take a diversified approach across market cap and geography for our equity allocation, with a preference for international markets where valuations appear more attractive relative to U.S. markets.
- We maintain exposure to multi-asset income and hedged equity managers to provide income and potential defensiveness to the portfolios.

Conservative Assets

- Our bond allocation remains overweight credit and underweight government bonds. We do not believe investors are adequately being compensated for lower-yielding, interest rate-sensitive bonds at this time, thus our underweight to these assets.

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' exposure to dividend-focused, global real estate, multi-asset income and credit-sensitive managers positively contributed in Q3. Lower-yielding equity dividend growth managers were favored relative to higher-yielding dividend equity managers in the quarter. Income-focused investments generally trailed broader equity markets as investors continued to prefer growth and capital appreciation potential over income. Our positions in credit-sensitive, actively-managed bond strategies added significant value in Q3 as their positioning was favored throughout the quarter.

Following a significant rally in risk assets from the March/April lows, in August we sold out of an aggressive multi-asset income manager and reallocated to a less volatile multi-asset income manager. We believe this repositioning reduced some of the potential volatility across the Income portfolios.

Risk Assets

- We maintain exposure across higher income-generating assets through global dividend, global real estate, high yield credit and multi-asset income strategies.
- We continue to see attractive valuations across higher dividend-focused equities and maintain our overweight across the portfolios.

Conservative Assets

- The portfolios remain overweight credit-sensitive, higher income-generating bond managers. We believe these managers are well-positioned in a stable to reaccelerating global economy and potentially rising interest rate environment.

TOTAL RETURN PORTFOLIOS

The FWA Total Return portfolios provide long-term diversified exposure across U.S. and international equity, bond and income-generating assets. The portfolios are structured to participate in the upside of bullish equity and credit markets and provide moderate income generation. The portfolios' risk exposure is not tactically managed by Freedom Wealth Alliance and can result in poor performance in weak market environments.

The Total Return portfolios' exposure to U.S. and international equity markets positively contributed to the portfolios in Q3 as global equity markets rallied. Exposure to growth companies added value as investors continued to prefer faster growing companies over slower growing, undervalued companies. Our position in a multi-asset income manager positively contributed in Q3, but income-oriented assets generally trailed broader equity markets in the quarter. Our positions in actively-managed bond strategies added material value in Q3 as the overweight allocations to credit and underweight allocations to interest rate-sensitive bonds were rewarded.

Risk Assets

- We maintain our exposure to actively- and passively-managed strategies across U.S. and international large, mid and small cap equities.
- Our positioning across growth and value managers may allow the portfolios to participate in slower growth and cyclically-favored market environments.
- Our exposure to a dynamic, multi-asset income manager provides above average income generation that could add value in stagnant market environments.

Conservative Assets

- We remain diversified across short- and intermediate-term actively-managed bond managers. We believe these managers can successfully navigate a challenging, low-yielding bond market environment.

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 markets positively contributed as risk assets rallied throughout Q3. Exposure to large cap growth companies added value as investors continued to prefer growth companies over undervalued companies. Our positions in a large cap U.S. equity enhanced index manager and a fundamentally-driven equity index manager also positively contributed to the portfolios. Our exposure to small caps, global core and global value managers positively contributed in Q3, but these areas generally trailed the broader U.S. large cap benchmarks. Our positions in actively-managed bond managers also added significant value in Q3 driven by these managers' exposure to credit and underweight interest rate exposure. We believe the U.S. Core portfolios remain well-positioned to take advantage of a continuation of U.S. economic expansion going forward.

Risk Assets

- The portfolios remain diversified across U.S. equities with exposure across market cap and growth/value companies.
- We maintain our exposure to enhanced index strategies that may add value relative to traditional equity indices over time.
- We remained positioned in actively-managed global equity managers that can provide exposure to investment opportunities outside of the U.S.

Conservative Assets

- We continue to be positioned in actively-managed bond strategies that have the potential to successfully navigate a low and/or rising interest rate environment. In our opinion, investors are not being adequately compensated for interest rate-sensitive high quality government bonds, and we believe active managers could add value in this environment going forward.

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.

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 to 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 to attempt to forecast future investment performance.

Technical Analysis: Technical analysis generally refers to analyzing an investment's price performance over a specified time period to 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.