FIRST QUARTER 2024 | PORTFOLIO COMMENTARY

LIBERTY PORTFOLIOS™

RISK MITIGATED

Freedom Capital Management Strategies

PORTFOLIO POSITIONING

Our near-term investment outlook is broadly constructive based on the continued strength of the U.S. economy and corporate earnings, signs of improving economic growth internationally, and the continued deceleration in the rate of inflation from the very elevated levels of recent years. Additionally, consumer sentiment in the U.S. is at its highest level since 2022 and manufacturer surveys suggest a possible uptick in future activity. While there is much to be positive about regarding the economy and equity markets, we are also monitoring key indicators for signals that the goldilocks narrative that has seemingly taken hold among investors may become challenged, namely, the job market, inflation, and rising investor optimism.

In the ***Core Equity*** allocation, we are balanced across the value and growth investment styles. We also have a preference for more established growth companies with strong balance sheets and resilient earnings alongside companies with a history of consistently paying and growing dividends.

Within ***Core Fixed Income***, we allocate to funds that provide broadly diversified exposure to investment grade bond markets and generally maintain a credit quality and duration profile similar to the Bloomberg U.S. Aggregate Bond Index.

In the ***Satellite*** allocation, we made changes to the risk-mitigated equity holdings.

- We removed Horizon Active Risk Assist and replaced it with the Day Hagan/Ned Davis Research Smart Sector ETF. We believe the new fund is better equipped to provide exposure to the long-term growth potential of equity markets while also providing enhanced downside protection through its catastrophic stop loss model. We have also renamed this allocation sleeve Stop Loss to reflect this change.

- We added JP Morgan International Hedged Equity to the Hedged Equity sleeve to increase the geographic diversification of this allocation. This fund, alongside longtime holding JP Morgan Hedged Equity which provides exposure to U.S. stocks, utilizes an options-based strategy that provides structured downside protection with capped upside participation potential.

Below is a breakdown of the portfolio allocations as of quarter-end:

Risk Mitigated Accumulation

CURRENT ALLOCATIONS		RECENT CHANGES
Core Equity	45	
Core Bond	15	–
Satellite Hedged Equity	25	Increased & Added International ▲ March 2024
Satellite Stop Loss	15	Reduced & Reallocated ▼ March 2024

Risk Mitigated Growth & Income

CURRENT ALLOCATIONS		RECENT CHANGES
Core Equity	35	Increased ▲ March 2024
Core Fixed Income	25	Increased ▲ March 2024
Satellite Growth & Income	10	
Satellite Hedged Equity	20	Added International ▲ March 2024
Satellite Stop Loss	10	Reduced & Reallocated ▼ March 2024

PERFORMANCE REVIEW

Global equity markets finished 2023 on a strong note and the rally continued during 1Q24. Market participants are increasingly encouraged about the U.S. economy. GDP increased a robust 3.4% annualized in 4Q23 and many recent economic indicators have exceeded expectations, including employment data, consumer sentiment, and manufacturing survey data. As a result, the Citigroup Economic Surprise Index remains firmly in positive territory. The strength in economic activity translated into better-than-anticipated corporate earnings and has led to rising expectations for company earnings growth in 2024. Additionally, the recession fears that dominated the financial headlines a year ago have largely vanished amid the strength of the U.S. economy.

Conversely, the economic strength did not translate to gains for bond market investors last quarter as fixed income markets experienced modest declines in response to rising interest rates. Bond prices and bond yields have an inverse relationship. Interest rates rose in response to some hotter-than-anticipated U.S. inflation data in Q1 and the aforementioned strength in economic activity raising the risk that inflation may remain elevated for longer than expected. Of note, bond markets are now expecting half the number of interest rate cuts from the Federal Reserve in 2024 compared to the beginning of the year; said simply, bond markets are now expecting interest rates to remain higher for longer.

The Risk Mitigated Liberty Portfolios generated strong gains in the quarter and were led higher by the Core Equity and Risk Mitigated Equity allocations. The following were key contributors to and detractors from performance, on a relative basis, during the quarter.

CONTRIBUTORS

- Within the ***Core Equity*** allocation, both U.S. large cap growth & value stocks were strong performers. Growth stocks were the leading sector within the strategy as technology stocks continue to lead the market, helped by positive operating trends and potential benefits from AI. Within the value segment, the energy sector performed well as oil prices increased and industrial companies rallied on the back of continued economic strength in the U.S.
- Elsewhere within the ***Core Equity*** allocation, mid-cap U.S. stocks experienced a relatively strong quarter, and our dividend-focused fund was a positive contributor to performance, as oil and industrial stocks, were also a benefit.
- In the ***Satellite*** allocation, JP Morgan Hedged Equity and Horizon Active Risk Assist produced strong gains during the quarter and broadly kept pace with global equity markets.

DETRACTORS

- In the ***Core Equity*** allocation, emerging markets stocks were a relative underperformer. China has weighed on the group's performance over the past several quarters and this continued into 1Q24.
- Also in the ***Core Equity*** allocation, small-cap stocks detracted from performance and were impacted by the increase in interest rates during the quarter. Small-cap companies are more sensitive to interest rates as they typically have weaker balance sheets and a higher percentage of debt compared to large-cap companies.
- Bond markets declined modestly in response to rising interest rates. The ***Core Fixed Income*** allocation was a modest detractor but slightly outperformed the benchmark Bloomberg U.S. Aggregate Bond Index during the quarter.

ABOUT THE RISK MITIGATED LIBERTY PORTFOLIOS

Liberty Portfolios™ are comprehensive investment strategies designed to meet the important needs of investors across the key phases of financial planning. These portfolios are constructed through a **core** and **satellite** approach that provides enhanced diversification through the integration of multiple investment methodologies. The Risk Mitigated Liberty Portfolios seek to provide an additional layer of protection by combining a core allocation to traditional equity and fixed income investments with a satellite allocation to risk-mitigated equity strategies designed to provide enhanced downside protection.