FREEDOM WEALTH ALLIANCE

QUARTERLY COMMENTARY | JULY 9, 2021

Commentary

Stock and Bond Markets Send Mixed Messages in Q2

Equity markets continued to rally in Q2 as economic and corporate earnings growth was very strong. There was a shift in sector performance in the second half of the quarter as economically-sensitive areas of the markets started to underperform higher quality secular growth companies.[1] We believe this rotation back and forth across cyclicals and growth companies could persist, and a balanced approach with portfolio rebalancing could be prudent going forward.

Bond markets were also strong in Q2, with interest rate-sensitive bonds outperforming in a falling interest rate environment. Investors' willingness to allocate to bonds could be due to additional profit taking in equities, falling inflation expectations and technically-driven market dynamics. Investors often forget that bonds can be volatile, but heightened bond volatility this year has not gone unnoticed.

Economically-sensitive commodities also rallied significantly in the quarter, led by strong gains in energy with additional strength in industrial metals and agriculture. In our Q1 investment commentary, we shared our belief that investors could support economically-sensitive commodities as the global economy reaccelerated. Following the significant rally in commodities, we believe caution is warranted at this time.

We believe markets could become increasingly volatile in the second half of the year and investors may become more defensive in the short term. As the cyclical recovery slows from peak levels, we could see investors rotating from lower quality cyclical areas of the market to higher quality longer-term secular growth areas of the market.

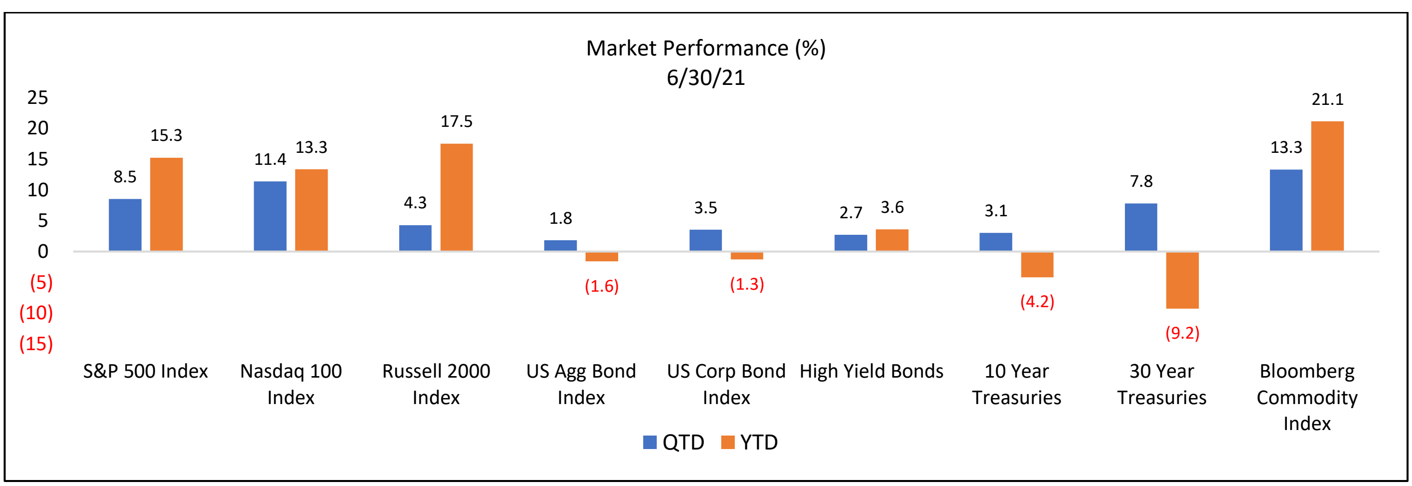
Highlights

- Stock and bond markets are sending mixed messages.
- Global economic recovery increasingly uneven and higher volatility should be anticipated.
- Prefer to move up in quality and reduce exposure to lower quality, highly leveraged cyclicals.
- Higher oil prices could be a negative catalyst investors have yet to fully appreciate.
- Historically high U.S. equity valuations remain a concern.

Falling Interest Rates May Be Driven by Multiple Factors

Interest rates have fallen from recent highs, with the 10-year Treasury yield falling to approximately 1.3% on July 7, 2021, from a year-to-date high of 1.7% achieved on March 19, 2021.[2] This sudden rally in bonds and sharp fall in interest rates could have been driven by a number of coinciding factors, including higher and more attractive yields to start the quarter, simple rebalancing of multi-asset portfolios and the short covering of aggressive bond traders.

Better Bond Valuations to Start Q1. In our Q1 investment commentary, we believed bonds were slightly more attractive following a quick spike in rates. We also believed foreign bond buyers might find interest in higher yielding U.S. bonds relative to their lower yielding local government bonds. Higher yields to start the quarter may have attracted buyers and may have been a key a factor to bonds rallying and interest rates moving lower in Q2.



Source: Morningstar Direct[1]. Dates 1/1/21-6/30/21.

Simple Portfolio Rebalancing. Another factor that could be driving a short-term rally in bonds is the simple quarterly rebalancing by market participants in multi-asset portfolios. With equity markets rallying in throughout the year, a simple rebalancing strategy with profit taking in equities and a reallocation to bonds could have helped push bond prices higher throughout the quarter.

Short Covering in Bond Markets. Bond trader positioning may also be a factor in the recent bond market rally. Like equity investors, bond investors can short the bond market and make investment bets that bond prices will decline. This positioning can be easily achieved using bond futures where traders can utilize leverage to try to enhance gains.

Using history as a guide, in an improving economy with higher inflation and a Federal Reserve anticipated to raise interest rates, many fundamental investors would believe interest rates should move higher from current levels and push bond prices lower. Aggressive bond traders with a strong belief in interest rates moving higher may have tried to take advantage of the potential fall in bond markets by aggressively shorting bond markets using leverage in the bond futures markets.

As bond prices started to rally quickly and significantly over the last couple of months, these aggressive bond traders that were short the market would have quickly incurred losses and may have had to cover and close out their short positions to protect their capital. To close out their short positions, bond traders may have had to buy back into the bond markets.

In this short covering environment, the buying of bonds to close out short positions could have provided additional fuel to the bond market rally. We believe this short covering may have been a contributing factor to the recent bond rally and corresponding decline in interest rates. If short covering was a factor, then the rally in bonds and lower interest rates may only be a short-term phenomenon and interest rates may start to gravitate higher over the coming quarters.

Investors should be aware that financial markets can be driven by short-term traders or simple market dynamics rather than pure fundamentals. While investment fundamentals may support a thesis of higher interest rates over time, short-term traders and market supply/demand dynamics may be some of the key contributing factors that recently caused bond prices to rally and interest rates to fall in a short period of time.

Corporate Earnings Growth to Persist

Corporate earnings growth is anticipated to show strength in Q2. According to FactSet[3] the Q2 2021 earnings growth rate for the S&P 500 Index is forecasted to be over 63% relative to Q2 of last year. Going forward, the base effects of this year's earnings growth rates relative to last year's significant decline will start to roll off, and year-over-year growth numbers should come down substantially.

S&P 500 Index Analyst Growth Forecasts

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	CY 2021	CY 2022
Revenue Growth	10.9%	19.6%	12.3%	9.2%	12.4%	6.7%
Earnings Growth	52.5%	63.6%	23.6%	18.1%	35.5%	11.4%

Source: FactSet.[3] Quarterly forecasts are year-over-year. CY=calendar year.

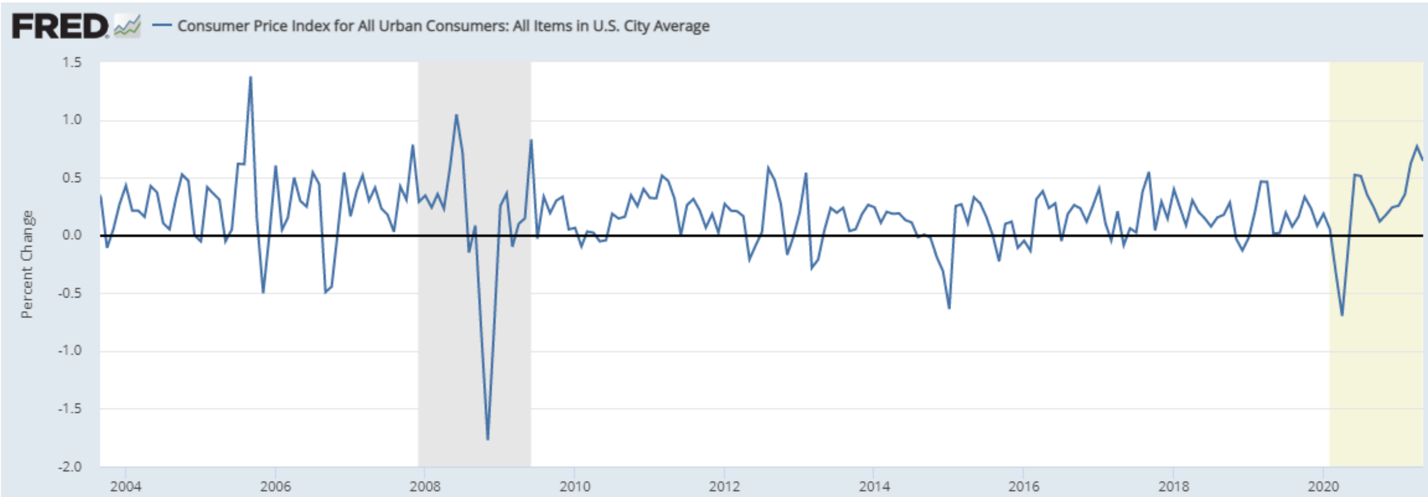
Economic forecasters continue to anticipate positive economic growth for the foreseeable future, but the magnitude and sustainability of that growth is uncertain. As we hit the potential for peak economic GDP and corporate growth rates in Q2, investors will need to shift towards forecasting what the longer-term sustainable growth rates might be and invest accordingly.

Uneven Global Economic Reopening Continues

The U.S. and parts of Asia appear to continue to have COVID-19 and its variants under control for the moment, but parts of Europe, Japan and emerging markets are lagging in the reopening. Rather than a massive synchronous surge in economic activity throughout the world with the pandemic fully under control, many regions of the world are still struggling with new coronavirus variants and vaccine distributions.

Global markets are also being negatively impacted by supply shortages in materials and labor, which may reduce the upside growth potential in the short term. We do believe that supply issues should eventually subside as higher prices and wages entice suppliers to increase production and workers to come back to the labor market.

This uneven reopening may increasingly be an issue for risk assets in the short term but may help stabilize the global recovery over the coming years. Instead of a quick global economic spike with higher inflation and followed by a massive economic hangover, we may experience slower global growth than originally anticipated but spread out over a longer period of time. This slower and steadier economic environment may ultimately be a positive for investors in risk assets as asset bubbles remain in check and bond investors feel less pain from a sudden and significant rise in interest rates.



Source: U.S. Bureau of Labor Statistics.[4] Federal Reserve of St. Louis. FRED.

Some Signs of Moderating Inflation

Inflation expectations are often a factor in the pricing of bonds and market interest rates. As interest rates have recently declined, bond investors may be indicating that inflation expectations are falling, and the interest rate needed to cover inflation rates is lower.

The Consumer Price Index (CPI) is an economic measure that attempts to measure the monthly change in the price for goods and services paid by consumers. Recent CPI data remains elevated month-over-month, but there was a slight decline in the rate of change in May. In May 2021, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.6% month-over-month, which is still relatively high, but lower than the 0.8% increase measured in April.[4] It remains to be seen whether May's decline in CPI-U is the start of a trend to lower inflation or whether inflation will remain sustainably high for months to come.

As shown in the graph of CPI-U above, there are often spikes in CPI following lower levels of inflation. We believe that structural issues, including lower long-term GDP growth, higher technology-driven efficiencies and weaker demographic trends will gradually bring inflation rates back to lower longer-term averages in the coming quarters.

Higher Oil Prices Could Become an Issue

One of the key sources of inflationary pressures to watch is energy prices. WTI Crude Oil prices continued to move higher throughout Q2, reaching over $75 per barrel[5] as demand increases and supply remains somewhat constrained.

From a fundamental perspective, oil prices can move based on supply and demand dynamics. We are currently in a high demand environment for oil that is anticipated to continue as the global economy reopens. There remains a big question on the oil production side of things and whether OPEC and other energy-producing countries will increase supply to meet the higher demand. At some point, oil prices will become high enough to entice energy suppliers to increase production to increase their revenues. As supply increases to meet demand, oil could find an equilibrium price at lower levels.

Not only can oil prices move based on fundamentals, but they can also move on speculation. If enough investors believe that oil prices will move higher, more investors may try to jump on the trade and a self-fulfilling upside move in oil prices could result. Oil prices often overshoot to the upside due to speculation (e.g. $140+/bbl in 2008) and the downside (e.g. *negative* $37/bbl in April 2020) and investors should be mindful of these potential dynamics.[5]

Higher oil prices may be beneficial to oil producers but are often an issue for consumers and businesses. If a higher percentage of income needs to cover higher energy costs, there is less income available to be spent on other goods and services, and the global economy may suffer as a result. It is for this reason that oil prices may be the biggest factor to watch in the coming quarters.

Fiscal and Monetary Policies Slowly Approaching Action

The flow of liquidity and economic support from the U.S. government and Federal Reserve has not changed. Investors remain in a holding period until more clarity is provided and/or support programs expire.

Ongoing Infrastructure and Tax Discussions. On the fiscal side, there appears to be some agreement between Democrats and Republicans on an initial infrastructure bill, but the details are somewhat limited, and nothing is final until it is signed into law. We believe the implementation of any infrastructure plan could take place over multiple years rather than all at once. This longer time frame could keep inflationary pressures in check while keeping the economy moving forward at a moderate pace. Higher taxes on corporations and the wealthy have also been a concern for investors, but there has been limited traction on these efforts thus far.

Unemployment Benefits Expiring. The expiration of supplemental unemployment benefits is another factor to monitor in the coming months. As mentioned in previous commentaries, we believed that tight labor supply could be a potential issue for companies that need employees to expand. Higher unemployment benefits may have kept some potential employees from seeking jobs, causing an imbalance in labor supply/demand and aggregate economic output.

As unemployment benefits are reduced, it is uncertain as to the net impact on the economy. It could be a net negative if lower income consumers used the extra unemployment income for spending purposes, and with less income to spend on products and services as support expires, corporate earnings could weaken as a result. Expiring unemployment benefits could be a net positive if the un-/under-employed become re-employed and aggregate income levels increase. This higher income can increase aggregate consumer spending even further and support the broader economy. Investors will need to wait until after unemployment benefits are reduced to get a better sense of the net impact to the economy.

*Fed Remains Patient***.** The Federal Reserve continues to take a wait and see approach to its monetary policy. The Fed recently indicated some surprise to higher inflationary data and revised its short-term inflation forecasts higher, but the Fed reiterated its belief that the near-term spike in inflation is transitory. An increasing number of Fed members did shift their timing forward for the raising of the fed funds rate, but most still forecast 2023 as the start of the rate hikes.

We believe the Fed will start to reduce its Treasury and mortgage bond buying program, potentially as early as the end of this year, but markets often move ahead of well-telegraphed activity by the Fed. Interestingly, with interest rates now at lower levels from recent highs, it may provide some room for the Fed to reduce its bond purchases with less overall impact to the bond markets that could have been if interest rates were at the previous higher levels.

Investment Strategy

Focus on Higher Quality Balanced Equity Exposure

In our last quarterly commentary, we believed that investors may be better served by having a more balanced portfolio across economically-sensitive areas of the market and higher quality, profitable growth companies. We believe this strategy could continue to benefit investors throughout the year, and we prefer to focus on the higher quality, less leveraged, stronger balance sheet, profitable companies going forward.

As the cyclical jump in the economy starts to subside over the coming quarters, investors could consider reducing some cyclicality in their portfolios. Investors could consider reducing exposure to overleveraged cyclical parts of the market and move up in quality, with more focus on economically-sensitive companies that have stronger balance sheets and moderately-priced stock valuations. We continue to believe that long-term investors will support higher quality secular growth companies, even with moderately high valuations, and investors should consider positions here accordingly.

Prefer Credit and Underweight Treasury Duration

The fundamentals across credit markets remain solid in this environment, but credit spreads remain tight and absolute yields are historically low. We believe the U.S. economy can continue to grow in the coming years, which can continue to support credit fundamentals. With U.S. Treasuries less attractive from a potential total return perspective, we continue to prefer credit exposure through active bond managers that can take advantage of various opportunities throughout the bond markets.

In our Q1 investment commentary, when 10-year Treasury rates were at roughly 1.7%[2], we believed bonds were becoming slightly more attractive. As interest rates have moved lower in Q2, we are increasingly concerned with interest rates moving higher and prefer an underweight duration position in this environment. Going forward, interest rates across the intermediate- and longer- part of the Treasury yield curve could remain volatile, but we maintain our bias that rates could move higher over the coming quarters and putting downward pressure on bond prices.

Anticipate and Plan for Volatile Markets

It is important to remind investors that just because markets are higher, it does not mean that they need to sell off in any material manner. Investors that believed equity markets should have sold off after a big run in 2020, have missed out on upside in the first two quarters of 2021.

Investors often forget that if demand for stocks and bonds outpaces supply (regardless of the reasons), prices often move higher. In this market environment, investors may not see material negative near term catalysts in the market and may have less desire to sell (provide supply). If investors continue to deploy capital to the financial markets backed by a growing global economy, with substantial global liquidity from governments and central banks, markets could continue to move higher, or just simply avoid a significant market selloff. If financial markets do decline substantially at some point for any reason, now may be a good time to determine the plan of action to take advantage of the decline or to try to set expectations and try to avoid making emotional decisions at that time.

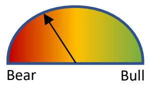
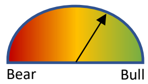
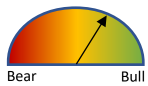
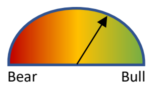
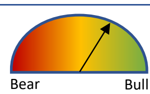
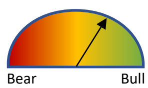
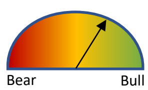
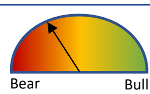
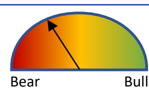
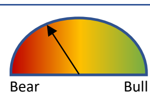
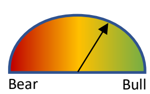
Reconfirm Your Risk Tolerance

Many investors were caught by surprise when the pandemic hit last year and both equities and bonds sold off quickly as liquidity came out of the financial markets. Some investors reduced risk as uncertainty was extremely high, while other investors took the opportunity to add to the markets.

There appears to be some investor complacency in the current market environment with broad U.S. equity markets at close to all-time highs. Now might be the prudent time for investors to revisit their risk tolerance and confirm that one can handle a material decline in the value of their assets. Investors may find it beneficial to reiterate their long-term, neutral risk tolerance, and adjust their allocations to risk and conservative assets accordingly. Investors may also find it prudent to determine a level (if any) to increase exposure to risk assets if the opportunity presents itself to do so. Having a plan in action prior to an event occurring is often a better investment strategy than reacting when any particular event occurs.

At Freedom Wealth Alliance, our financial advisors have access to multiple tools to help clients ascertain their appropriate risk level and to provide investment solutions accordingly. The time to plan for unforeseen events is now and clients should take advantage of their relationship with their financial advisors to make sure everyone is on the same page going forward.

FWA INVESTMENT COMMITTEE VIEWPOINTS

Asset Class	Bear — Bull	Viewpoints
Risk Assets		Risk assets continue to find investor support as the global economy reopens and corporate earnings growth persists. An increasing focus on quality companies and stock selection, rather than pure equity beta, and a diversified approach across risk assets could be a prudent strategy going forward. Due to increasing concerns over the intermediate-term, we have changed our views to slightly bearish overall.
U.S. Equities		U.S. equities continue to rally, supported by strong underlying corporate fundamentals. A blend of higher quality, economically-sensitive equities and higher quality, secular growth companies could be appropriate in a growing economy and peak earnings growth rate environment. Higher valuations, commodity inflation, higher interest rates and higher taxes in the U.S. could be headwinds to U.S. equities going forward.
Foreign Developed Equities		Europe and parts of Asia have lagged the U.S. in the economic recovery. Valuations remain relatively attractive, and investors could support non-U.S. developed markets if economic data starts to outpace the U.S. in the coming quarters.
Emerging Market Equities		Economically-sensitive areas (Brazil, Russia) of emerging markets have materially outperformed, but may be due for consolidation. Valuations remain attractive and could be supportive for investors as the global economic rebound broadens out. China has been reducing monetary support and increasing political assertiveness, which could be short-term headwinds. Following the rally in economically-sensitive areas across emerging markets, we have reduced our bullishness one level.
High Yield Bonds		Credit spreads remain tight, but fundamentals remain strong. High yield corporate credit could be considered a higher income-generating, potentially less volatile option to pair with pure equity exposure.
Emerging Markets Debt		Select emerging market central banks are reducing monetary support to attempt to reduce inflationary pressures. Higher rates could attract foreign buyers, keeping a floor under emerging markets debt and providing potential currency tailwinds.
Commodities		Commodity prices have become increasingly volatile, with select economically-sensitive materials declining significantly from highs, and others, including oil, continuing to trade higher. WTI Crude Oil prices have rallied to $75/bbl, and momentum could cause prices to overshoot higher over the short term. Sustained higher oil prices could be a negative on other risk assets and should be monitored. Gold prices have sold off from recent highs and may need a falling dollar or risk aversion to hit equity markets to move higher from these levels.
Conservative Assets		Total returns across low-yielding government bonds are anticipated to persist. Stronger global economic growth could put upside pressure on interest rates, pushing bond prices lower.
U.S. Government Bonds		U.S. government bonds not attractive at these levels, but higher rates relative to other foreign government bonds could continue to attractive foreign buyers. This could keep a lid on U.S. interest rates until foreign rates move higher.
U.S. Corporate Bonds		Fundamentals remain strong, but credit spreads remain tight. Prefer corporate credit over U.S. Treasuries in a strong economic environment. Due to tight spreads and increased interest rate risk, we have changed our views to slightly bearish overall.
Other		Conservative investors could consider hedges on U.S. equities as valuations remain high. Within fixed income, prefer to allocate to tactical bond managers that can adjust duration, yield curve and credit positioning in this environment. Active global credit managers seeking idiosyncratic opportunities could be favorable in a global economic recovery.

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' structural overweight to growth companies was a tailwind in Q2 as growth companies generally outperformed broader core equity markets. Investors appeared to gravitate back to larger cap growth stocks in the quarter and our large cap growth manager positions participated in the rally. Exposure to mid and small cap growth managers also added value, but lagged large cap. Our position in a global growth manager also participated in the rally in growth stocks, but this manager slightly lagged U.S. equity growth managers in the quarter. Within our fixed income allocation, the portfolios' structural overweight to credit and underweight U.S. Treasuries and duration held the portfolios back a bit as interest rates declined and interest-rate sensitive U.S. government bonds outperformed.

We were recently made aware that one of the small cap growth managers we allocate to was closing to new investors on June 1st. For this reason, on May 28, 2021, we allocated out of the manager and reallocated to a new small cap growth manager that we believe can successfully navigate the small cap growth universe for investors over time.

Risk Assets

- We remain allocated across active and passive equity managers to attempt to provide diversified exposure to growth companies.
- We believe our exposure to growth companies across market cap and geography allows the portfolios to take advantage of a wider selection of both long-term secular and emerging growth opportunities over time.

Conservative Assets

- We maintain our exposure to moderately aggressive bond managers with heavier exposure to credit across our Aggressive and Moderately Aggressive 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 cap stocks was the strongest contributor to the portfolios in the quarter. The relative overweight to large cap growth stocks in U.S. large cap indices was a tailwind as growth stocks generally outperformed. Exposure to mid and small caps, while additive, lagged large caps in the quarter. Exposure to international developed and emerging markets was also a positive, but foreign stocks underperformed U.S. stocks in Q2. The portfolios' structural exposure to higher income-generating high yield bonds was also a positive contributor to the portfolios, but the limited price appreciation could not keep up with the rally in broad equity markets. Across our taxable fixed income positions, the portfolios' structural underweight to duration and overweight credit slightly dragged on the portfolios as interest rates declined and longer duration U.S. Treasuries outperformed. Across our ETF Muni portfolios' muni allocation, the portfolios' structural underweight to duration detracted, while an overweight to credit added value.

Risk Assets

- The portfolios remain allocated across U.S. large, mid and small cap equities to provide broad diversification to U.S. equity markets.
- We remain structurally positioned in international developed and emerging markets to provide global diversification across the portfolios.
- To attempt to increase income and provide some potential diversification to equities, we remain allocated to high yield credit across the portfolios.

Conservative Assets

- We remain allocated across multi-sector intermediate-term core bonds and short-term fixed income across the ETF Core portfolios.
- The portfolios' structural underweight to interest rate sensitivity may reduce negative price pressures on bond positions in a rising interest rate environment.

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 U.S. equities was a positive contributor in the quarter as markets continued to rally. The portfolios' structural hedge was a drag on the portfolios as would be expected in a strong equity market. Our tactical and hedged equity manager positions positively contributed to the portfolios in the quarter but lagged broader U.S. large cap equities. Our enhanced volatility equity tactical equity manager was the largest contributor across the tactical managers as it remained fully invested, but its tilt towards value stocks was a detractor. Our most tactical trend-following manager we allocate to was the second largest tactical equity contributor, but the manager was not fully invested throughout Q2, as trends were relatively choppy, and the manager took defensive action at times. Our option-based hedged equity and valuation-based hedged equity managers dragged on the portfolios as their defensive positioning was not rewarded in the strong equity rally throughout the quarter. Across our fixed income allocation, two of our tactical credit manager positions materially added value as their positioning was favored. Our positioning in a fundamentally-driven core plus bond manager also added value in the quarter. The portfolios' structural allocation to a short-term bond manager dragged on the portfolios as short-term bonds underperformed longer-term bonds in Q2.

We were recently made aware that one of the hedged equity managers we utilize in the FlexTrend portfolios was closing to new investors. For this reason, on May 3, 2021, we swapped out of the fund and reallocated to a similar strategy managed by the same manager. We maintain our conviction in this manager and new but similar strategy and its ability to provide downside protection in certain market environments.

Risk Assets

- We prefer to remain diversified across multiple tactical and hedged equity managers to try to protect value in different types of weak market environments.
- The FlexTrend trading signal remained bullish to end Q2 and we maintain our full U.S. equity long position at this time.
- As equity valuations remain elevated, our valuation-conscious tactical equity manager remains very defensive and could help the portfolios protect some value if equity markets decline from these levels.
- We maintain our positions in hedged equity managers that utilize structured option hedges to try to protect the portfolios from sudden, deep market selloffs.

Conservative Assets

- We maintain our blended exposure to fundamentally-driven multi-sector bond managers and tactically-driven credit managers across the portfolios.
- Our fundamentally-driven managers remain underweight duration and overweight credit as the economy remains strong.

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' allocation to active global growth equity managers was a material positive contribution to the portfolios in Q2 as growth companies generally outperformed. Exposure to global core and value managers was also a positive contributor in the quarter, but these managers lagged broader global equity markets. Our allocation to emerging markets equities was a positive contributor to the portfolios, but the exposure dragged on the portfolios relative to broader international equity indices. In our Ultra-Aggressive portfolios, additional exposure to a global growth manager, international small caps and an emerging markets core/value equity manager added value, while exposure to U.S. small caps was a positive but slight drag on the portfolio. Across the fixed income allocation, the portfolios' exposure to core and core plus bond managers added value as interest rate-sensitive bonds and credit outperformed. Our exposure to a tactical bond manager was a positive contributor in the quarter, but the manager lagged broader core bond benchmarks primarily due to its underweight duration position.

Risk Assets

- We prefer to remain allocated across a mix of active and enhanced index strategies to attempt to provide diversified exposure across the global equity universe.
- We remain allocated across different equity investment management styles, including growth/core/value, large/mid/small caps, U.S./international, developed/emerging markets and fundamental/quantitative strategies.

Conservative Assets

- We maintain our positioning across active bond managers that can take advantage of opportunities across the broad fixed income universe.
- Due to the underlying bond managers' positioning, the portfolios remain underweight duration and overweight credit in this 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' diversified exposure to risk assets was a positive contributor as risk assets rallied in Q2. The portfolios' exposure to U.S. large caps was additive as U.S. markets outperformed. A dedicated position in U.S. small caps dragged on the portfolios as small caps generally underperformed large caps in the quarter. The portfolios' exposure to global growth stocks through a global growth manager and international small caps added value in the quarter as growth stocks outperformed. The portfolios' exposure to global core and global value managers was a positive contributor but developed value stocks generally underperform in the quarter. The portfolios' exposure to emerging markets was mixed, as one core/value manager outperformed broader international equity markets and another manager lagged. The portfolios' dedicated exposure to multi-asset income strategies was a positive contributor in the quarter but underperformed broad equity indices in Q2. The portfolios' exposure to a hedged equity manager was also a positive contributor but its hedged approach dragged on the portfolios. The portfolios' fixed income allocation was mixed in Q2 as our underweight duration detracted more than our overweight credit position added value. Two tactical core plus bond managers were in line with broader core bond markets in the quarter. Our positions in a short-term core plus manager and a tactical core bond manager were positive but underperformed core bond markets in the quarter.

We were recently made aware that one of the hedged equity managers we utilize in the Global Opportunities portfolios was closing to new investors. For this reason, on May 3, 2021, we swapped out of the fund and reallocated to a similar strategy managed by the same manager. We maintain our conviction in this manager and new but similar strategy and its ability to provide downside protection in certain market environments.

Risk Assets

- We remain overweight to active equity managers that we believe have the ability to appropriately navigate what we believe to be an increasingly challenged global equity market.
- We maintain our position in a higher income-generating, multi-asset income manager to try to provide additional income and potential downside protection in weaker equity markets.
- We continue to allocate assets to a hedged equity manager that has the ability to protect some value in deeper market selloffs, with upside potential during moderate market rallies.

Conservative Assets

- We prefer to remain overweight active bond managers with the flexibility to take advantage of a potential increase in credit and interest rate volatility going forward.
- The portfolios remain overweight credit and underweight duration in this improving global economic environment.

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 higher income-generating risk assets positively contributed to the portfolios in Q2 as global risk assets rallied. The portfolios' exposures to a high income multi-asset manager and a global real estate manager were the strongest contributors in the quarter. Modest contributions from dividend-oriented equity managers and dynamic multi-asset managers were also positives in Q2. Across our fixed income allocation, the portfolios' structural overweight to credit was a positive, but an underweight to interest rate-sensitive government bonds dragged on the portfolios as lower yielding, long duration Treasuries outperformed in Q2.

Following the strong rally in economically-sensitive areas of the dividend-oriented equity market over the last twelve months, we wanted to reduce our tactical overweight to our most economically-sensitive equity manager position in the Income portfolios. On June 30, 2021, we reduced our position in a high equity income manager and reallocated the proceeds to a U.S dividend growth manager and a multi-asset income manager. This reallocation does not impact the Income – Ultra-Conservative portfolio as the portfolio does not contain dedicated exposure to equities.

Risk Assets

- We maintain our exposures across higher income-generating strategies, including higher global dividend, dividend growth, global real estate, tactical multi-asset income, high yield credit and closed-end fund strategies.

Conservative Assets

- The portfolios remain structurally overweight fundamentally-driven, credit-sensitive bond managers and underweight lower yielding, government bonds. Although higher credit sensitivity can increase potential volatility of the portfolios, the higher income mandate of the portfolios enables us to overweight these higher income-generating bond managers.

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 equities positively contributed as global equity markets rallied in Q2. The portfolios' slight tilt towards growth stocks added value as growth stocks generally outperformed in the quarter. Exposure to value managers, while positive, dragged on the portfolios as these managers generally lagged core and growth-oriented equity benchmarks. Within our U.S. allocation, dedicated exposure to small caps was a slight drag on the portfolios as small caps underperformed large caps in the quarter. The portfolios' dedicated exposure to an emerging markets equity manager was a detractor as the manager's positioning was not rewarded in Q2. The portfolios' exposure to multi-asset income strategies was a positive, but the managers could not keep up with the broader equity rally. Our taxable fixed income allocation was mixed in Q2. The portfolios' structural underweight to interest rate exposure dragged on the portfolios as interest rates fell and long duration bonds outperformed. The portfolios' structural overweight to credit was rewarded as investors continued to support credit markets throughout the quarter. For the Total Return Muni portfolios, the muni allocation was also mixed in the quarter, as an underweight to interest rate sensitive bonds dragged on the portfolios, while an overweight to credit was a positive contributor.

We were recently made aware that a small cap value manager that we allocate to in our DPS Total Return portfolios was closing to new investors on June 1, 2021. For this reason, on May 28, 2021, we allocated out of the manager and reallocated to a new small cap manager that we believe has the experience to successfully invest across the small cap equity space.

Risk Assets

- We remain positioned across market caps to provide a broader set of investment opportunities throughout the world.
- We maintain our position in growth and value strategies that may be able to take advantage of an increasingly volatile rotation across investment styles.
- Although international markets have lagged U.S. markets, we believe exposure to companies outside of the U.S. could be beneficial for long-term investors.
- The portfolios' exposure to higher income-generating assets could provide some return potential in a flat and choppy market equity environment.

Conservative Assets

- We remain allocated to short-term and intermediate-term bond managers that we believe can navigate what we believe could be increasingly challenged bond markets.

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 was a positive contributor in Q2 as U.S. equity markets rallied. The portfolios' exposure to a fundamentally-driven, quality-focused U.S. equity index manager was our strongest contributor as investors appeared to gravitate more to higher quality companies in the quarter. U.S. large caps and growth managers were also solid contributors as large cap growth companies generally outperformed. Exposure to small caps and international equities via global equity managers dragged on the portfolios as these areas of the market lagged. Across our taxable fixed income allocation, our core and core plus bond manager positions performed in-line with the core bond markets, while our tactical core manager underperformed, primarily due to an underweight duration position. In our U.S. Core Muni portfolios, our core and core plus muni manager positions added material value in the quarter, while our shorter-term tactical muni manager position underperformed, primarily due to an underweight duration positioning.

Risk Assets

- We remain allocated across a mix of passive index, enhanced index and active equity managers.
- We prefer to remain positioned across market cap and growth/core/value to attempt to take advantages of rebalancing opportunities as market leadership shifts over time.
- We remain positioned in global equity managers that provides the portfolios some exposure to companies outside of the U.S. that can do business inside the U.S.

Conservative Assets

- We maintain our exposure across core and tactical bond managers to try to provide some stability with high quality bond exposure, plus tactical exposure to take advantage of opportunities in more credit-sensitive areas of the bond markets.
- The portfolios remain overweight credit and underweight duration, which may be beneficial as the U.S. economy continues to improve.

SOURCES

1. Morningstar Direct. Performance provided as total returns. U.S. Agg Bond Index represented by the Bloomberg Barclays U.S. Aggregate Bond TR Index. U.S. Corp Bond Index represented by the Bloomberg Barclays U.S. Corporate Bond TR Index. High Yield Bonds represented by the Bloomberg Barclays High Yield Corporate TR Index. U.S. Treasuries represented by the Bloomberg Barclays U.S. Treasury Bellwethers indices.
2. U.S. Department of the Treasury. *Daily Treasury Yield Curve Rates*. Retrieved from https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield, July 8, 2021.
3. FactSet. *Earnings Insight*. July 2, 2021.
4. U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPIAUCSL, July 5, 2021.
5. Investing.com. *Crude Oil WTI Futures Historical Data*. Retrieved from https://www.investing.com/commodities/crude-oil-historical-data on July 7, 2021.

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.

Dow Jones Industrial Average Index: The Dow Jones Industrial Average Index is a price-weighted stock market index that tracks 30 large, publicly traded companies in the United States.

NASDAQ-100 Index: The NASDAQ-100 Index is a stock index that includes the largest 100, non-financial stocks traded on the Nasdaq exchange.

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.