

Market Recap & Portfolio Commentary

Fourth Quarter 2014

Global Economic Update

The global economic recovery has become increasingly uneven. The U.S. continues to lead the global recovery driven by accelerating economic growth, an improving labor market, and a healthy corporate sector. Europe, on the other hand, is struggling to emerge from its recent recession and continues to be plagued by slow growth, high unemployment, and lingering fears of deflation. The emerging world has experienced mixed results geographically with strong but slowing growth in Asia led by China, ongoing geopolitical uncertainty in Eastern Europe driven by Ukraine and Russia, and slowing growth in Latin America, especially Brazil, largely impacted by declining commodity prices.

One of the notable results of the strengthening U.S. economy has been a resurgence of the U.S. dollar relative to international currencies, especially the euro. After declining meaningfully during the decade of the 2000s, the U.S. dollar has started to appreciate relative to international currencies led by a strengthening domestic economy and an improving trade balance, largely due to increased domestic energy production. The U.S. dollar has been further supported by expectations that the Federal Reserve (FED) appears set to gradually reduce the unprecedented, accommodative monetary policies that have been in place to support the economic recovery since the financial crisis of 2008. The FED has been steadily tapering its monthly purchases of U.S. treasury and mortgage bonds and has also indicated that it will likely end this asset purchase program, better known as quantitative easing, this month. Further, the FED has communicated that it is likely to gradually begin raising short-term interest rates sometime in 2015, a signal that the FED believes the US economic recovery has strengthened and should be more self-sustaining going forward.

In Europe, deteriorating economic conditions and increased concerns of deflation have led the European Central Bank (ECB) to announce a new round of accommodative monetary policies designed to increase lending to businesses and consumers in the Eurozone. While the ECB has been slower to implement aggressive monetary policies than its peers, including the FED, in recent years, the ECB has recently communicated its intention to begin implementing more accommodative policies by expanding its balance sheet through a combination of attractive loans to financial institutions and purchases of asset backed securities. The ECB appears determined to follow the playbook of the FED in its efforts to help drive a self-sustaining economic recovery in the Eurozone but will likely face challenges in implementing these policies due to structural impediments in the European Union.

Looking forward, we will be closely monitoring the diverging monetary policies of the FED in the US and the ECB in Europe and the impact on the global economy and capital markets. Will the U.S. economy continue to strengthen if the FED becomes less supportive heading into 2015? Will the new ECB monetary policies be the catalyst for a virtuous circle to emerge in the Eurozone economy, similar to what has occurred in the US? What are the implications of a strengthening dollar for capital flows in emerging markets? The answers to these questions will be important drivers of global equity, fixed income, and currency markets in the coming quarters.



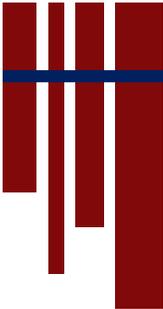
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Authored by the Freedom Capital Management Strategies® Investment Committee

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Global Capital Markets Update

In response to the uneven nature of the global economic recovery and questions over the future direction of central bank policy, the third quarter of 2014 proved volatile for global capital markets.

The majority of global equity market indices experienced declines during the quarter. The S&P 500 was a notable exception as the index ended slightly higher despite a meaningful decline in the stock prices of small companies in the U.S., as measured by the Russell 2000. International equity markets also experienced broad based declines during the quarter. European equities were negatively impacted by disappointing economic data from the Eurozone and fears that Europe risks falling back into recession. Emerging market equities were led lower by concerns that the Chinese economy is slowing and a strengthening U.S. dollar could lead to capital outflows from developing nation capital markets.

One of the key questions facing investors today is whether equity markets, especially in the U.S., are over-valued after the strong stock market rally in recent years has led broad market indices, such as the S&P 500, to surpass all-time highs. From a valuation perspective, U.S. equities continue to appear reasonably valued based upon widely followed metrics such as: price-to-earnings and price-to-book ratios. The reason that valuations appear reasonable despite the broad rise in stock prices is that the fundamentals supporting equities, corporate earnings, have also steadily improved as earnings have reached all-time highs and profit margins have improved markedly over this period. If corporate earnings continue to improve, U.S. equity markets should continue to have fundamental support at current valuation levels.

International equity markets, on the other hand, have failed to keep pace with US markets in recent years and remain well below peak levels. The reason for this relative under-performance in international equity markets has been ongoing economic uncertainty in Europe and decelerating growth in emerging markets, especially China. Currently, valuations in international equity markets appear favorable relative to the U.S. as market expectations for international markets remain subdued. The success of the ECB in its efforts to support the European economy will likely be a key factor in determining whether the apparent value in international equities is ultimately realized.

Fixed income markets were also volatile during the quarter in response to economic uncertainty in Europe and questions over the potential timing of an increase in interest rates from the FED. While U.S. fixed income markets were broadly flat during the quarter, international fixed income markets declined as they were negatively impacted by currency weakness as the U.S. dollar strengthened meaningfully.

Commodity prices continued to struggle and were down meaningfully in the quarter. Subdued inflation globally and decelerating growth in China have resulted in downward pressure on commodity prices for several years. Further, domestic energy production in the U.S. has increased significantly due to technological advances, which has reduced U.S. reliance on imported oil and has led to declines in global energy prices.



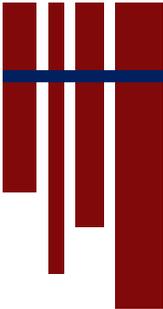
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Fourth Quarter 2014

Portfolio Commentary

Below are portfolio commentaries that summarize the positioning of our investment strategies across each of our core Elements – Foundation, Dynamic, and Alternative – along with a summary of activity in our risk mitigation strategies. The Investment Committee at Freedom Capital Management Strategies® is continually monitoring the complex financial world in an effort to prudently manage the balance of risk and opportunity for our clients. We remain confident that our active investment strategy, with risk management at its core, is well positioned to navigate ever-changing capital markets in an effort to provide our clients a path to achieving their financial goals and dreams.

Freedom Foundation® Element

Despite the volatility in global capital markets during the third quarter, the Investment Committee has decided to maintain equity exposure at maximum levels heading into the last quarter of the year. The primary reason for our positive outlook is based upon improving economic fundamentals in the U.S. as growth is accelerating and labor markets are steadily improving. We also continue to find the current risk/reward trade-off favorable in equities relative to fixed income assets as bond yields remain low and bond prices may face headwinds from rising interest rates in the U.S. in 2015.

Heading into the fourth quarter, the Investment Committee has reduced exposure to emerging market equities due to concerns over the impact of an appreciating U.S. dollar negatively impacting capital flows into developing nations and has reallocated those assets to large capitalization U.S. equities as the domestic economy continues to strengthen. We maintain a significant allocation to European equities, which has detracted from performance this year, as we continue to see value in European equity markets and expect the recently announced policy measures from the ECB to be positive for European markets in the coming quarters. We also continue to maintain reduced exposure to small capitalization equities in the U.S. due to concerns over stretched valuations in these markets.

The fixed income portion of the Foundation Element remains conservatively positioned and broadly diversified. We continue to prefer active managers with flexible mandates in the current environment due to uncertainty regarding the future path of interest rates and increasing volatility in currency markets. In the U.S., we have reduced interest rate risk in favor of credit risk as the FED appears likely to raise rates in 2015 in response to a strengthening U.S. economy. We continue to maintain exposure to international bond markets where central banks appear likely to continue implementing accommodative monetary policies designed to suppress interest rates, similar to those implemented by the FED in recent years, which we expect to be supportive of international bond markets.



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Fourth Quarter 2014

Freedom Dynamic® Element

The Freedom Dynamic® Element seeks to utilize tactical asset management and concentrated portfolios in an effort to achieve higher rates of return with less attention to levels of risk.

During the third quarter, the core tactical strategy, Dynamic Focused, was positioned with tactical exposure to developed international equity markets, especially Europe, due to compelling valuations and supportive policy measures from the ECB. From a sector perspective, this model held tactical exposures in technology due to favorable dynamics in the PC market and banks due to improving balance sheets and compelling valuations.

The individual security models in the Dynamic Element have generated mixed results on the year through the third quarter. Dynamic Dividend has generated gains in 2014 due to a combination of strong stock picking and exposure to large cap franchise businesses in the U.S. Dynamic Equity has declined during the year and has faced headwinds due to its emphasis on smaller capitalization companies in the U.S., which have struggled in 2014. Dynamic Income has produced positive returns in 2014 as yields in the portfolio remain robust and the holdings within the portfolio have benefitted from a general decline in interest rates.

Freedom Alternative® Element

The Freedom Alternative® Element seeks to capitalize on non-traditional asset classes and investment strategies in an effort to more holistically diversify investor portfolios. As is typical, the Alternative models were impacted by a variety of factors during the quarter due to the unique, and oftentimes uncorrelated, nature of these strategies. The Absolute Return model declined modestly during the quarter as hedging activity proved insufficient to offset declines in international and U.S. small capitalization equity markets. The Quantitative model, which follows a relative-strength based, technical investment approach, was flat during the quarter as gains in domestic equity holdings were offset by exposure to international equities. The Hard Assets model declined in the third quarter as commodity markets sold off in response to concerns over slowing growth and continued low inflation levels globally.

Risk Management

The proprietary risk mitigation overlays available through Freedom Capital Management Strategies® are designed to provide an additional layer of wealth protection to investors through a systematic hedging process. The Risk Assist models remained un-hedged throughout the third quarter, but as volatility levels increased toward the end of the quarter, several Risk Assist models were close to their hedging thresholds at quarter end. As market volatility has increased markedly in recent weeks, several Risk Assist models have recently reached their thresholds and triggered hedge events in an effort to reduce volatility and protect investor capital.



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