Before the Bell

Morning Market Brief

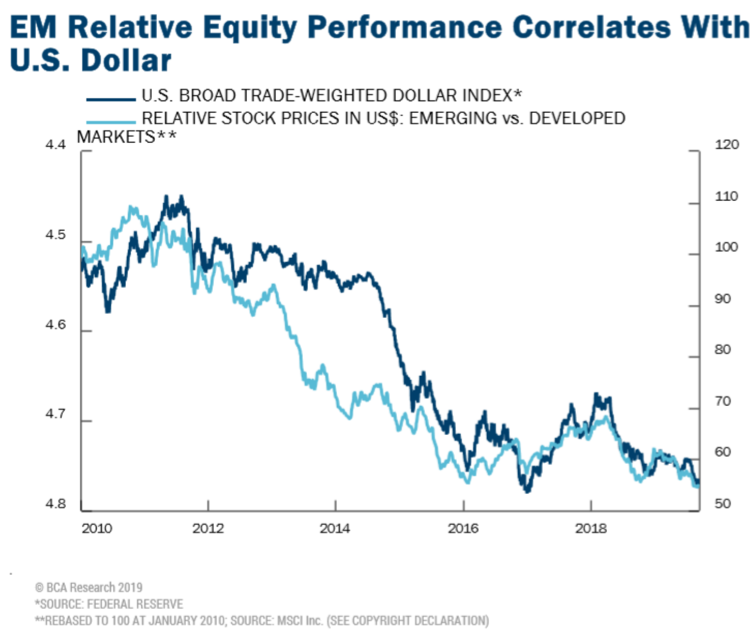
September 19, 2019

FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT

MORNING MARKET COMMENTARY: *Anthony M. Saglimbene, Global Market Strategist*

- ***Quick Take***: U.S. futures are pointing to a flattish-to-lower open; European markets are trading higher; Asia ended mostly mixed overnight; West Texas Intermediate (WTI) oil trading at $59.34; 10-year U.S. Treasury yield at 1.76%.

- ***Is It Time To Get More Constructive On Emerging Markets?*** Investors are currently looking at market undercurrents and asking themselves two key questions: *Do some of the recent rotation trades taking place across sectors and asset classes have legs?* And secondly: *Could this recent shift in market leadership eventually extend into other unloved asset classes, such as Emerging Markets (EM)?*
- Month-to-date, U.S. small-caps are handily outperforming large-caps, reversing 'some' of the well-entrenched outperformance super-sized U.S. companies have enjoyed over the last twelve months. Also, Value stocks have caught a bid in September, as Energy, Financials, and Industrials have taken a leadership role over the last few weeks. This rotation to unloved areas of the market has come at the modest expense of high momentum growth companies and bond-proxy sectors like Consumer Staples and Utilities.
- **In our view, it's still too early to call a more lasting Value over Growth shift, but we are comfortable highlighting that some of the most unloved areas of the market have been long overdue for at least a temporary reversal in sentiment**. Particularly, as bond-proxy and high-momentum growth stocks had become stretched in price/valuation given crowded investor positioning. Also, a market narrative that has hewed heavily toward quality investments, as well as higher-yielding stocks, has benefited sectors such as Technolgy, Consumer Discretionary, Utilities, and Consumer Staples this year. If nothing else, a mean-reversion trade was likely inevitable at some point. Our honest answer to the first question: The rotation trade may or may not continue depending on how the growth and tariff picture shakes out over the coming months.
- On the emerging market question, if you have a long enough time horizon, then yes, there is an opportunity for EM to outperform domestic assets at some point in the future. If an investor is patient and unconcerned by quarter-to-quarter or even year-to-year performance swings



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- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from FactSet unless otherwise noted.

versus domestic assets than Foreign Developed and Emerging Markets, offer long-term opportunity. Assets in these areas are cheaper, and in some cases, offer investors exposure to regions and companies that can grow faster than inside the U.S. **However, given the growth trends in EM, exposure to China, and the stability that U.S. assets offer in today's highly uncertain environment, we do not believe this is the time to get more constructive on EM**.

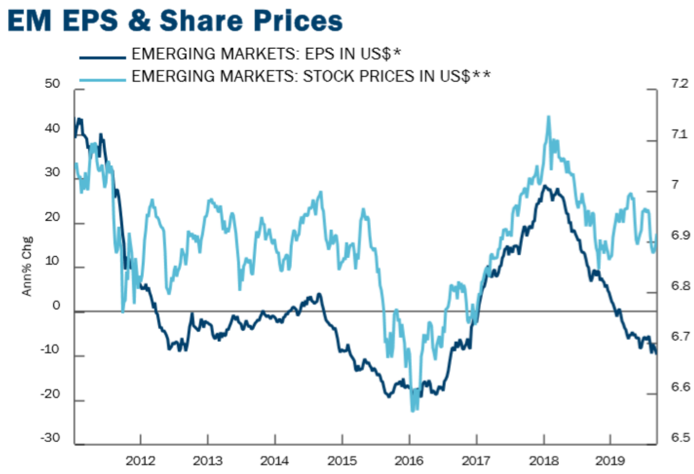
- **As the *BCA Research Chart* on page one shows, the trajectory of the U.S. dollar (which is inverted in this example) is highly correlated with the price direction of international investments**. The dollar has rallied since June, and at the same time, global growth concerns have increased as well as central banks around the world have increased stimulus efforts or rhetoric supporting more stimulus ahead.
- In our view, the recent rally in EM assets is a refection of near-term recession risks coming down and less about a sea-change in the growth environment. Investors should watch the U.S. dollar for cues on EM. If the dollar weakens because the global growth environment is improving, then international investments (including EM) have a better opportunity to outperform domestic assets. However, if the dollar remains firm because global growth is slow, profit growth is uneven, and trade uncertainties linger, EM could continue to trail domestic assets.

Shrinking Chinese Imports

- **Importantly, the outlook for China looms large on the Asia-Pacific region as well as EM on the whole**. Here, the outlook is less certain and largely due to the U.S./China trade war. Manufacturing, as well as other cyclical data in China, has been weak for several months with little sign of materially improving. Overall, China imports have contracted significantly from 2018 levels (noted by the *second BCA Research chart* above). And as the *third BCA Research chart* below shows, auto sales and semiconductor sales have contracted meaningfully this year.
- Additionally, the credit impulse in China, or the appetite to borrow money, has plunged lower over many quarters. To us, there is very little near-term incentive to become more constructive on EM without a better macro outlook on China. **In the absence of a more permanent thawing in U.S./China trade tensions, it's hard to be more positive on China, hence EM assets today**.

No Improvement In Global Growth

- **Lastly, the contraction in EM corporate profits has accelerated in 2019, resulting in a wider-than-normal deviation between stock prices and earnings, shown by the *final BCA Research chart* below**. If EM profits don't recover soon, we believe EM prices are at risk of a modest pullback over time and to right-size the discrepancy in price versus fundamentals. Again, until there is clear evidence the fundamentals in China are shifting in a positive direction, we believe EM is a neutral position at best.



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- ***Asia-Pacific:*** Asian equities finished mostly mixed on Thursday. The U.S. and China are preparing to resume face-to-face trade discussions today for the first time in nearly two months. Deputy discussions on Thursday are expected to heavily focus on agriculture but also lay the groundwork for higher-level talks next month. Over recent weeks, trade tensions have cooled with both sides offering modest concessions as a sign of goodwill heading into talks. Some reports suggest the eventual outcome of this latest round of trade talks could produce a commitment from China to buy more agricultural products, while the U.S. agrees to delay the next round of tariffs and possibly ease restrictions on Huawei. With that said, we've seen trade dynamics change on a dime a few times already this year, so we'll remain hopeful but skeptical for the time being.
- The Bank of Japan (BOJ) left interest rate policy unchanged today, as expected. However, the BOJ reiterated its commitment to do more and said it would not hesitate to take additional easing measures if necessary. Importantly, the central bank signaled it would reexamine external developments at the next meeting when it updates its forecasts and considering the growing downside risks to growth.
- ***Europe:*** Markets across the region are trading higher at mid-day. The Bank of England (BOE) voted unanimously to leave interest rate policy unchanged as well today. The statement highlighted ongoing Brexit frictions and uncertainties weighing on global growth. The BOE also noted that the shifting timing of Brexit is causing more volatility across UK assets, though maintained a slightly positive outlook for growth. In a somewhat out-of-step statement with other central banks easing rhetoric of late, the BOE noted if global growth accelerates or Brexit uncertainty clears it may have to lift interest rates gradually. As it stands today, however, those are large 'ifs.'
- According to *FactSet*, the European Union (EU) has given UK Prime Minister Boris Johnson until September 30th to submit a written Brexit proposal on the Irish border otherwise a deal with the EU would not be possible. Although EU deadlines are often extended, such a timeframe would more than halve Mr. Johnson's October 17th deadline for providing such a plan. Mr. Johnson was also planning to verbally present his Irish border plan on the sidelines of the UN meeting next week.
- ***U.S.:*** Equity futures are pointing to a flattish-to-lower open this morning. On Wednesday, the Federal Reserve lowered its Fed Funds target rate by 25 basis points and signaled it could stop at the current level, despite lingering global macro uncertainties. The message to investors: Trade frictions and White House pressure may not be enough to move FOMC members moving forward, particularly if trade machinations do not materially slow economic growth over the coming weeks and months. Language in the Fed's statement was largely unchanged from July, while three FOMC members dissented yesterday's decision.
- In our view, the market largely handled yesterday's 'hawkish cut' in stride, understanding the Fed remains ready to act with more stimulus 'if' the economic data warrants. Other areas of note from yesterday's Fed confab include an interest rate cut on excess reserves, a median projection for no further Fed Fund rate cuts in 2019, and a slight upgrade to 2019 GDP and unemployment forecasts. On the whole, the Fed delivered what most of the market expected coming into the meeting, and Fed Chair Powell's press conference was largely uneventful. Hence, the market's muted reaction yesterday reflects a 'steady as she goes attitude.' But sanguine attitudes toward Fed policy could change rapidly depending on how economic and trade data unfold between now and the next Fed meeting in October.
- The Organization for Economic Co-operation and Development (OECD) described its global economic outlook as "increasingly fragile and uncertain," lowering its 2019 global growth forecast to +2.9% from +3.2%. Its forecast for global growth of +3.0% in 2020, if realized, would be the lowest annual growth rate for the world since the financial

crisis, according to the latest OECD outlook. Importantly, the OECD said economic prospects are weakening across developed and emerging regions due to trade tensions and political uncertainties.

WORLD CAPITAL MARKETS

9/19/2019 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.03%	21.72%	3,006.7
Dow Jones	0.13%	18.51%	27,147.1
NASDAQ Composite	-0.11%	24.23%	8,177.4
Russell 2000	-0.63%	17.43%	1,568.3
Brazil Bovespa	-0.08%	18.94%	104,532
S&P/TSX Comp. (Canada)	-0.20%	19.86%	16,800.3
Mexico IPC	-0.87%	5.69%	43,070.3

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.54%	22.03%	3,547.1
FTSE 100 (U.K.)	0.63%	13.40%	7,360.3
DAX Index (Germany)	0.33%	17.73%	12,430.6
CAC 40 (France)	0.57%	22.99%	5,652.6
FTSE MIB (Italy)	0.72%	20.63%	22,105.2
IBEX 35 (Spain)	0.99%	9.90%	9,121.2
MOEX Index (Russia)	-0.38%	25.11%	2,807.9

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.38%	11.53%	22,044.5
Hang Seng (Hong Kong)	-1.07%	5.79%	26,469.0
Korea Kospi 100	0.46%	2.38%	2,080.4
Singapore STI	-0.25%	6.61%	3,158.8
Shanghai Comp. (China)	0.46%	20.26%	2,999.3
Bombay Sensex (India)	-1.29%	1.08%	36,093.5
S&P/ASX 200 (Australia)	0.54%	24.41%	6,717.5

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.00%	17.86%	526.3

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.10%	14.06%	1,905.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.24%	8.24%	1,021.4

Note: International market returns shown on a local currency basis. Equity index data is total return, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	-0.08%	24.71%	171.4
Consumer Discretionary	-0.07%	24.29%	961.5
Consumer Staples	0.02%	21.35%	620.3
Energy	-0.42%	9.99%	453.6
Financials	0.44%	21.18%	471.9
Health Care	0.01%	6.76%	1,054.8
Industrials	-0.14%	24.25%	664.0
Materials	0.08%	17.51%	366.2
Real Estate	-0.31%	29.00%	242.9
Technology	0.07%	32.26%	1,423.3
Utilities	0.47%	22.72%	321.7

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.21%	8.20%	24.1
FTSE NAREIT Comp. TR	-0.33%	27.23%	21,114.8
DJ US Select Dividend	-0.03%	17.48%	2,185.6
DJ Global Select Dividend	0.31%	5.65%	218.5
S&P Div. Aristocrats	0.03%	20.14%	2,879.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.16%	7.79%	2,206.0
Barclays HY Bond	-0.04%	11.72%	2,133.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.35%	-8.11%	441.5
NYMEX WTI Crude (p/bbl.)	2.25%	30.85%	59.4
ICE Brent Crude (p/bbl.)	2.75%	21.47%	65.4
NYMEX Nat Gas (mmBtu)	-0.76%	-10.99%	2.6
Spot Gold (troy oz.)	0.45%	17.02%	1,500.7
Spot Silver (troy oz.)	0.56%	15.23%	17.9
LME Copper (per ton)	-0.17%	-2.85%	5,779.8
LME Aluminum (per ton)	-0.36%	-5.82%	1,754.3
CBOT Corn (cents p/bushel)	-0.07%	-6.67%	371.0
CBOT Wheat (cents p/bushe	0.05%	-9.72%	489.8

Foreign Exchange (Intra-da	% chg.	% YTD	Value
Euro (€/$)	0.33%	-3.50%	1.11
British Pound (£/$)	-0.03%	-2.24%	1.25
Japanese Yen ($/¥)	0.44%	1.59%	107.97
Australian Dollar (A$/$)	-0.51%	-3.63%	0.68
Canadian Dollar ($/C$)	0.09%	2.71%	1.33
Swiss Franc ($/CHF)	0.61%	-0.94%	0.99

Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.

Ameriprise Global Asset Allocation Committee

U.S. Equity Sector - Tactical View

Sector	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1) Communication Services	10.2%	Underweight	- 2.0%	8.2%
2) Consumer Discretionary	10.2%	Equalweight	-	10.2%
3) Consumer Staples	7.3%	Equalweight	-	7.3%
4) Energy	5.0%	Equalweight	-	5.0%
5) Financials	12.9%	Underweight	- 2.0%	10.9%
6) Health Care	14.3%	Overweight	+2.0%	16.3%
7) Industrials	9.3%	Equalweight	-	9.3%
8) Information Technology	21.6%	Overweight	+2.0%	23.6%
9) Materials	2.7%	Equalweight	-	2.7%
10) Real Estate	3.1%	Overweight	+1.0%	4.1%
11) Utilities	3.4%	Underweight	- 1.0%	2.4%

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC).Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Index weights as of 6/21/19. Numbers may not add due to rounding.

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Ameriprise Global Asset Allocation Committee

Global Equity Region - Tactical View

Region	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1) United States	55.5%	Overweight	+4.3%	59.8%
2) Canada	3.0%	Equalweight	-	3.0%
3) United Kingdom	5.0%	Underweight	- 1.0%	4.0%
4) Europe ex U.K.	14.5%	Underweight	- 1.0%	13.5%
5) Latin America	1.5%	Equalweight	-	1.5%
6) Asia-Pacific ex Japan	12.2%	Equalweight	-	12.2%
7) Japan	7.0%	Underweight	- 1.0%	6.0%
8) Middle East / Africa	1.3%	Underweight	- 1.3%	-

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC).Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Index weights as of 6/21/19. Numbers may not add due to rounding.

BY THE NUMBERS: ECONOMIC ACTUALS AND FORECAST:

Current Projections:

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Est. 2019	Est. 2020	Quarterly Actual Q1-2019	Actual Q2-2019	Est. Q3-2019	Est. Q4-2019
Real GDP (YOY)	2.5%	2.9%	1.6%	2.4%	2.9%	2.2%	2.1%	3.1%	2.0%	1.9%	2.2%
Unemployment Rate	5.6%	5.0%	4.7%	4.1%	3.9%	3.6%	3.5%	3.8%	3.7%	3.6%	3.6%
CPI (YoY)	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	2.1%	1.6%	1.8%	1.9%	2.0%
Core PCE (YoY)	1.6%	1.3%	1.7%	1.6%	1.9%	1.8%	1.9%	1.6%	1.5%	1.7%	1.8%

Sources: Historical data via FactSet. Estimates (Est.) via American Enterprise Investment Services, Inc.

YoY = Year-over-year, Unemployment numbers are period ending. GDP: Gross Domestic Product; CPI: Consumer Price Index

PCE: Personal Consumption Expenditures Price Index. Core excludes food and energy

Last Updated: September 6, 2019

ECONOMIC NEWS OUT TODAY:

Economic Releases for Thursday, September 19, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Sep 14	Initial Jobless Claims	213k	**208k**	204k	206k
8:30 AM	Sep 7	Continuing Claims	1672k	**1661k**	1670k	1674k
8:30 AM	SEP	Philly Fed. Manufacturing Index	10.5	**12.0**	16.8	
10:00 AM	AUG	Leading Econ. Index	-0.1%		+0.5%	
10:00 AM	AUG	Existing Home Sales (annualized)	5.38M		5.42M	
10:00 AM	AUG	Existing Home Sales (MoM)	-0.7%		+2.5%	

Economic Perspective: ***Russell T. Price, CFA – Chief Economist***

- **What the Fed action means for the economy: not much.** Fed officials cut the fed funds rate by a quarter point yesterday as was widely expected. There appeared to be a heightened divergence of opinion on the Committee as to the path ahead, as well as what the outlook may require from a policy perspective. Regardless, we still believe another quarter-point cut before year-end is likely. (There are two more meetings this year – late October and the second week of December.) Beyond this year, we believe any further moves will likely be heavily dependent of the path and developments surrounding the U.S. /China relationship.
- As we mentioned yesterday, we see the Fed cuts as supportive of economic growth rather than outright stimulative. This point seems "driven home" by the fact that market-based rates (i.e., treasury security rates that primarily influence consumer and corporate borrowing costs) have been moving higher over recent weeks. The 10-year Treasury is currently yielding 1.75% versus its recent low of 1.48% on August 28th.
- **Manufacturing activity fighting to stay positive.** There's no question that the pace of manufacturing output in the U.S. has slowed considerably over the last year. Largely based on steady demand from the American consumer, however, manufacturing activity seems to be stabilizing right here near the breakeven level. Today's report on manufacturing conditions in the Philadelphia Federal Reserve District was evident of such, as was Tuesday's report from the New York Fed.

- Both reports showed month-over-month growth in new orders, although this aspect may not continue over the near-term depending on how the long the labor strike at General Motors lasts. Other components of the Philly Fed index were also nearly universally good. Order backlogs expanded at a strong rate as did employment and the length of the workweek.
- However, on a negative note, both surveys reflected a weakening of growth expectations 6-months down the road. Both indicated growth as being expected to continue, but with less “gusto.” The outlook for business conditions 6-months forward fell to 14 from 26 in the New York survey while the Philly survey showed a deceleration to 21 from 33. Investors should note that these surveys, being just that surveys rather than based on hard data, can be influenced by background economic sentiment at times.

FIXED INCOME NEWS & VIEWS: *Brian M. Erickson, CFA, Fixed Income Research & Strategy*

Treasury Markets This Morning

- Treasury markets sold off on the long-end Wednesday following the Fed rate announcement. This morning, Treasury yields headed lower and prices higher after the OECD cut global growth expectations below 3% for the first time in a decade.

Fed Cuts Rates Amidst a Expanding Range of Views

- Rate Cut: The Fed implemented a second quarter point cut lowering the fed funds target rate to 1.75%-2.00% yesterday, down from 2.25%-2.50% at the start of the year. After entering the year with expectations for further hikes, the Fed orchestrated a messy pivot to a mid-cycle pivot that began with a quarter point hike in July. The Fed’s pivot this year centered on its desire to extend the expansion given that inflation remains below the Fed’s 2% target and a concern that risks shifted to the downside with slowing global growth and escalation the U.S./China trade war.
- We point to the Fed member summary of economic projections that suggest the Fed may be done after two quarter-point cuts, but seven of the 17 committee members currently forecast an additional quarter point cut before year end. In his press conference following the policy statement release, Fed Chairman Jerome Powell anchored expectations on a data dependent Fed that would make a decision on a meeting by meeting basis. Though this is truly the standing context for Fed decisioning, we see the approach as appropriate based on the degree of uncertainty created by trade tensions that can change with a series of tweets.
- The dispersion of views among voting members stands out with the Fed’s latest meeting. While decisions have not been unanimous, the latest policy decision had a dissenter looking for a 50 basis point cut to 1.50%-1.75% and two voters seeking to leave rates unchanged at 2.00%-2.25%. We view the dispersion of views as parallel to the broad range of investor views, and reasonable given the context of growth, trade, and potential paths for Fed policy.
- **Our view: We believe the Fed’s mid-cycle adjustment supports markets in two ways. First, it improves financial conditions by lowering the risk-free rate, which also compels support for credit spreads to lower corporate borrowing rates. Second, the Fed’s willingness to pivot from tightening policy to easing policy dovetails with the global central bank support, providing peace of mind for global markets and also serving to keep the U.S. on the same side of potential currency implications for lower rates. We anticipate the Fed likely sees support for a third rate cut by the end of the year capping a potential mid-cycle adjustment, or marking the transition into a full-fledged rate cut cycle through 2020.**
- Implications for investors: The Fed’s rates cuts serve to lower yields on the short-end. Investors caught too short are likely to find lower yields when positions mature and funds need to be reinvested. We recommend terming out income strategies to ensure coupon income provides for a more sustained income. See our report *Committee Perspectives: Selecting Fixed Income Investments* dated August 23 for more information.

Bank of England and Bank of Japan Leave Rates Unchanged This Morning

- This morning the Bank of England left its key rate unchanged, highlighting that uncertainty around the timing and context of a potential Brexit could weigh on growth leading to potential cuts even before a final Brexit decision is made. In Japan, the Bank of japan left rates unchanged allowing for European Central Bank and Fed stimulus to play the lead role this month and leaving future cuts as an available option.

Fed Addresses Repo Squeeze

- Fed Chairman Powell touched on recent liquidity squeezes in the repo market after the Fed stepped in with temporary repo lending capacity between Tuesday and this morning. He characterized the Fed's involvement as temporary, indicating the overall reserve levels were adequate but would be fluid in the future. We concur with his assessment that while important for the Fed to respond to, that the recent spike in repo funding rates were not indicative of deeper issues and the would likely not become a repeated issue. Essentially, the jump in repo funding rates while notable at the time, is essentially a non-event in the greater context for markets.

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As of June 30, 2019

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Diversification and **Asset Allocation** do not assure a profit or protect against loss.

RISK FACTORS

Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur.

Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

Income Risk: We note that dividends are declared solely at the discretion of the companies' boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some instances, ADR holders are eligible to reclaim a portion of the withholding tax.

International investing involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in emerging markets.

Market Risk: Equity markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

Quantitative Strategy Risk: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

PRODUCT RISK DISCLOSURES

Exchange Traded Funds (ETF) trade like stocks, are subject to investment risk and will fluctuate in market value.

For additional information on individual ETFs, see available third-party research which provides additional investment highlights. SEC filings may be viewed at sec.gov

All fixed income securities are subject to a series of **risks** which may include, but are not limited to: interest rate risk, call risk, refunding risk, default risk, inflations risk, liquidity risk and event risk. Please review these risks with your financial advisor to better understand how these risks may affect your investment choices. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. This means you may lose money if you sell a bond prior to maturity as a result of interest rate or other market movement.

Any information relating to the income or capital gains tax treatment of financial instruments or strategies discussed herein is not intended to provide specific tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

A real estate investment trust or **REIT** is a company that owns and operates income-producing real estate. In addition, some **REITs** participate in the financing of real estate. To qualify as a **REIT**, a company must: I) invest at least 75% of its total assets in real estate assets, II) generate at least 75% of its gross income from real property or interest, and III) pay at least 90% of its taxable income to shareholders in the form of distributions. A company that qualifies as a **REIT** is permitted to deduct the distributions paid to shareholders from its corporate taxes. Consequently, many **REITs** target to payout at least 100% of taxable income, resulting in virtually no corporate taxes.

An investment in a REIT is subject to many of the same risks as a direct investment in real estate including, but not limited to: Illiquidity and valuation complexities, redemption restrictions, distribution and diversification limits, tax consequences, fees, defaults by borrowers or tenants, market saturation, balloon payments, refinancing, bankruptcy, decreases in market rates for rents and other economic, political, or regulatory occurrences affecting the real estate industry.

Ratings are provided by Moody's Investors Services and Standard & Poor's.

Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Securities offered through AFSI may not be suitable for all investors. Consult with your financial advisor for more information regarding the suitability of a particular investment.

For further information on fixed income securities please refer to FINRA's Smart Bond Investing at FINRA.org, MSRB's Electronic Municipal Market Access at emma.msrb.org, or Investing in Bonds at investinginbonds.com.

DEFINITIONS OF TERMS

Agency – Agency bonds are issued by Government Sponsored Enterprises (GSE), but are NOT direct obligations of the U.S. government. Common GSE's are the Federal Home Loan Mortgage Corp. (Freddie Mac) Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank (FHLB).

Beta: A measure of the risk arising from exposure to general market movements as opposed to company-specific factors. Betas in this report, unless otherwise noted, use the S&P 500 as the market benchmark and result from calculations over historic periods. A beta below 1.0, for example, can suggest the equity has tended to move with lower volatility than the broader market or, due to company-specific factors, has had higher volatility but generally low correlations with the overall market.

Corporate Bonds – Are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Mortgage Backed Securities – Bonds are subject to prepayment risk. Yield and average lives shown consider prepayment assumptions that may not be met. Changes in payments may significantly affect yield and average life. Please contact your financial advisor for information on CMOs and how they react to different market conditions.

Municipal Bonds – Interest income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal securities subject to AMT assume a "nontaxable" status for yield calculations. Certain municipal bond income may be subject to federal income tax and are identified as "taxable". Gains on sales/redemptions of municipal bonds may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the claims-paying ability of the listed insurance company.

Treasury Securities – There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.

Price/Book: A financial ratio used to compare a company's market share price, as of a certain date, to its book value per share. Book value relates to the accounting value of assets and liabilities in a company's balance sheet. It is generally not a direct reflection of future earnings prospects or hard to value intangibles, such as brand, that could help generate those earnings.

Price/Earnings: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by earnings per share. Trailing P/E uses the share price divided by the past four-quarters' earnings per share. Forward P/E uses the share price as of a certain date divided by the consensus estimate of the future four-quarters' EPS.

Price/Sales: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by the company's sales per share over the most recent year.

INDEX DEFINITIONS

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

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Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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