Before the Bell

Morning Market Brief

October 17, 2019

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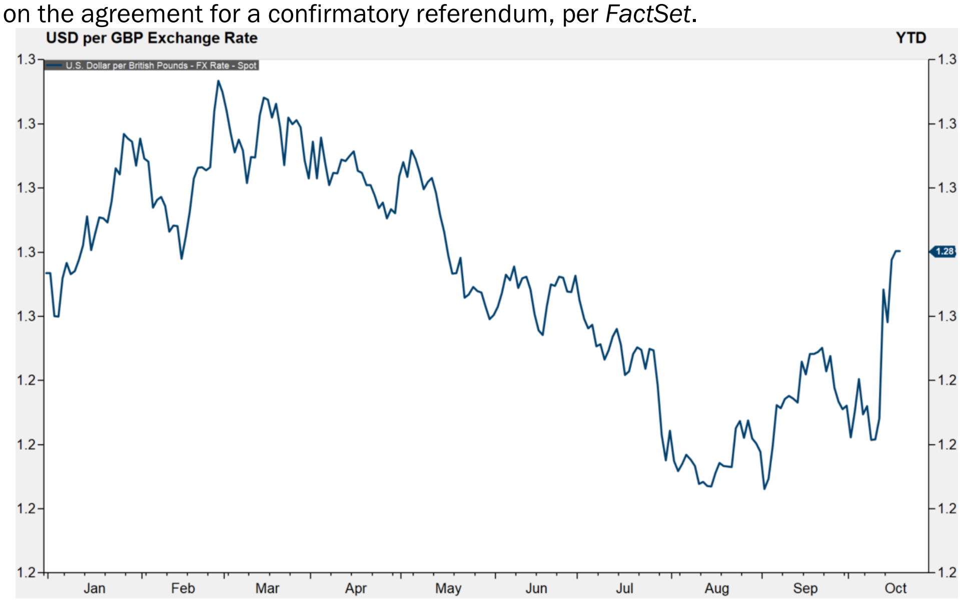
MORNING MARKET COMMENTARY: *Anthony M. Saglimbene, Global Market Strategist*

- ***Quick Take***: U.S. futures are pointing to a higher open; European markets are trading flat-to-higher; Asia ended mostly in the green overnight; West Texas Intermediate (WTI) oil trading at $53.06; 10-year U.S. Treasury yield up to 1.75%.

- ***The UK & EU Reach A Brexit Deal***: After more than three years of malaise, three UK prime ministers, contentious situations across the UK parliament, and countless back and forth between Britain and the European Union (EU), a Brexit deal has finally been struck. **According to multiple reports, the UK and EU reached a Brexit deal, with both UK Prime Minister Boris Johnson and EU President Jean-Claude Junker confirming a deal has been reached — ahead of today's start of the EU summit**. However, Ireland's Democratic Unionist Party (DUP) which Mr. Johnson relies on for his majority control in UK parliament, stands by its previous statements rejecting proposals on issues of consent, customs and the Value Added Tax (VAT), according to *FactSet*.
- The focus now quickly shifts to the UK parliament, which has shown an extreme divide between Members of Parliament (MPs) that support Brexit and members that would prefer the UK stay in the EU. Without the support of DUP, we believe Mr. Johnson's Conservative party could find it difficult to pass through the legal text of the new Brexit agreement. Mr. Johnson will also need to spend the upcoming days convincing hardline Brexit and rebel Conservatives that it's in the country's best interest to support the deal. On the positive side, Jeremy Corbin's Labour party (the main opposition party to Mr. Johnson's Conservatives) said its MPs would support an amendment on the agreement for a confirmatory referendum, per *FactSet*.



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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.

- **As the *FactSet chart* on page one shows, the British pound has spiked higher against the U.S. dollar over recent days as speculation has grown that a Brexit deal was in the works. The pound continues to be one of the best sentiment indicators on Brexit, in our view. Investors wanting to keep tabs on the Brexit saga, as well as the machinations in the UK parliament over the coming days, should watch the direction of the pound against the dollar.**
- Overall, we believe an agreement between the EU and UK that divorces the two European regions would finally put to rest a large macro uncertainty that has hung over the area for several years. Markets, as they have over recent days, could continue to greet this news positively. Global equity prices may grind a little higher as a large macro hurdle is removed from the near-term equation (i.e., a no-deal Brexit). **Nevertheless, the details of how the two regions will trade and interact over time still need to be more fully formed, and the political uncertainty in the UK will remain even if a Brexit deal is passed in parliament. Although the clouds are starting to break over Europe, the forecast is hardly calling for clear and sunny.**

- ***Asia-Pacific:*** Asian equities finished mostly higher on Thursday. Per *Reuters*, China's Ministry of Commerce confirmed Chinese officials are working on the text of the phase one trade agreement with U.S. officials. Additionally, Chinese officials said they are working to reach an agreement as soon as possible. U.S. Treasury Secretary Steven Mnuchin said earlier in the week that deputy level discussions on trade would continue this week, followed by a principle-level call next week. Several reports suggest Beijing is pushing back on President Trump's announcement it will buy $40 to $50 billion in soybean purchases. For China to reach such lofty levels, Chinese officials have said tariffs on soybean purchases from the U.S. would need to be removed first.
- Although the de-escalation in U.S./China trade tensions has helped fuel some additional gains in global equity markets recently, despite a still unsigned phase one deal, other areas of U.S./China tension is escalating. The U.S. House of Representatives passed a series of measures in support of the pro-democracy protesters in Hong Kong, which includes a required certification that Hong Kong remains independent from China. Per *Reuters*, the Senate could take up the legislation as early as next week. Although it is still undetermined if President Trump would sign the legislation, China has vowed to retaliate against such measures.
- Taken in total with the increased restrictions on diplomatic visits to the U.S., further restrictions on some Chinese companies in the tech space, as well as visa restrictions on individuals known to abuse the rights of China's Muslim population, U.S./China tensions appear to be edging closer to a cold-war type environment.
- ***Europe:*** Markets across the region are trading flat-to-higher at mid-day. Although today's Brexit agreement is helping lift sentiment across the region, performance across the UK's FTSE indices is more muted. The still-uncertain path for the divorce agreement in the UK parliament, as well as the strengthening British pound, appears to be keeping UK equities in check at mid-day. Note: the UK derives roughly 30% of its revenue domestically and nearly 70% of its revenue outside its borders. Thus, the strength of its currency is important to its relative competitiveness versus the rest of the world. A stronger pound could make the UK's exports more expensive to nearly 70% of the world which principally buys its goods.
- ***U.S.:*** Equity futures are pointing to a stronger open this morning. Although it's still very early in the earnings season, investors seem to like what they see so far. With nearly 12% of S&P 500 Q3 company reports complete, the blended earnings per share (EPS) growth rate is down 4.9% on revenue of +2.7%. However, we believe the EPS number could drift closer to flatline as we move through earnings season, which could add a modest tailwind for U.S. equities over the coming weeks if other macro conditions hold or improve.
- As they always do, Financials dominate the opening of reporting season, and on average, investors appear comfortable with the earnings trends so far. Although net interest margin came under pressure in the quarter, due to lower interest rates and yield curve pressures, margins held better than analysts expected. Healthy loan demand in the third quarter also contributed to helping some large money-center banks outperform expectations. However, the timing of the Fed's September interest rate cut and the likelihood the FOMC will lower rates again in the fourth quarter could keep Financial earnings pressured, particularly if the steepening yield curve starts to reverse course.

WORLD CAPITAL MARKETS *(all data as of approximately 8:00 AM ET)*

Americas	% chg.	% YTD	Value
S&P 500	-0.20%	21.19%	2,989.7
Dow Jones	-0.08%	17.97%	27,002.0
NASDAQ	-0.30%	23.49%	8,124.2
Russell 2000	0.12%	14.33%	1,525.1
Brazil Bovespa	0.89%	19.95%	105,422.8
S&P/TSX Comp. (Canada)	0.05%	17.49%	16,427.2
Mexico IPC	0.68%	6.86%	43,538.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.11%	23.86%	3,595.2
FTSE 100 (U.K.)	0.63%	11.43%	7,213.3
DAX Index (Germany)	0.02%	20.02%	12,673.0
CAC 40 (France)	-0.26%	23.79%	5,682.1
FTSE MIB (Italy)	0.12%	22.54%	22,454.9
IBEX 35 (Spain)	-0.07%	13.20%	9,380.4
Russia TI	0.16%	22.47%	4,796.2

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.09%	14.30%	22,451.9
HK Hang Seng (H. Kong)	0.69%	7.49%	26,848.5
Korea Kospi 100	-0.23%	2.26%	2,077.9
Singapore STI	-0.27%	5.53%	3,126.1
Shanghai Comp. (China)	-0.05%	22.29%	2,977.3
Bombay Sensex (India)	1.17%	9.49%	39,052.1
S&P/ASX 200 (Australia)	-0.77%	23.85%	6,684.7

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.00%	17.84%	525.3

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.28%	15.08%	1,916.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.47%	8.67%	1,024.1

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
Consumer Discretionary	0.41%	23.97%	958.9
Consumer Staples	0.09%	21.45%	619.8
Energy	-1.49%	2.59%	422.8
Financials	-0.25%	19.58%	464.8
Real Estate	-0.12%	29.44%	243.0
Health Care	-0.12%	7.13%	1,057.2
Industrials	-0.04%	21.90%	651.0
Materials	0.30%	15.72%	360.3
Technology	-0.71%	33.58%	1,436.2
Communication Services	0.14%	24.74%	170.9
Utilities	0.23%	22.93%	322.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.55%	-0.61%	22.1
FTSE NAREIT Comp.	-0.02%	28.39%	21,307.8
DJ US Select Dividend	-0.09%	16.52%	2,167.8
DJ Global Select Dividend	0.56%	7.61%	222.5
S&P Div. Aristocrats	-0.07%	19.64%	2,867.9

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.11%	8.32%	2,216.9
Barclays HY Bond	0.08%	11.54%	2,129.8

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.16%	-8.68%	438.7
NYMEX WTI Crude (p/bbl.)	-0.54%	16.87%	53.1
ICE Brent Crude (p/bbl.)	-0.56%	9.83%	59.1
NYMEX Nat Gas (mmBtu)	1.56%	-20.44%	2.3
Spot Gold (troy oz.)	0.23%	16.46%	1,493.6
Spot Silver (troy oz.)	1.17%	13.61%	17.6
LME Copper (per ton)	-0.70%	-4.19%	5,699.8
LME Aluminum (per ton)	0.29%	-7.53%	1,722.5
CBOT Corn (cents p/bushel)	0.64%	-0.82%	394.3
CBOT Wheat (cents p/bushel)	1.22%	-4.24%	519.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.4%	-3.0%	1.11
British Pound (£/$)	-0.2%	0.4%	1.28

	% chg.	% YTD	Value
Japanese Yen ($/¥)	0.10%	0.96%	108.65
Australian Dollar (A$/$)	1.01%	-3.15%	0.68

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	0.3%	3.6%	1.32
Swiss Franc ($/CHF)	0.7%	-0.7%	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**	10.5%	Underweight	- 2.0%	8.5%
2)	**Consumer Discretionary**	10.0%	Overweight	+2.0%	12.0%
3)	**Consumer Staples**	7.4%	Equalweight	-	7.4%
4)	**Energy**	4.6%	Equalweight	-	4.6%
5)	**Financials**	13.1%	Underweight	- 2.0%	11.1%
6)	**Health Care**	13.9%	Equalweight	-	13.9%
7)	**Industrials**	9.3%	Equalweight	-	9.3%
8)	**Information Technology**	21.8%	Overweight	+2.0%	23.8%
9)	**Materials**	2.7%	Equalweight	-	2.7%
10)	**Real Estate**	3.2%	Overweight	+1.0%	4.2%
11)	**Utilities**	3.5%	Underweight	- 1.0%	2.5%

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 9/20/19. Numbers may not add due to rounding.

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**	55.6%	Overweight	+7.3%	62.9%
2)	**Canada**	3.1%	Equalweight	-	3.1%
3)	**United Kingdom**	4.8%	Underweight	- 2.0%	2.8%
4)	**Europe ex U.K.**	14.5%	Underweight	- 2.0%	12.5%
5)	**Latin America**	1.4%	Equalweight	-	1.4%
6)	**Asia-Pacific ex Japan**	12.0%	Equalweight	-	12.0%
7)	**Japan**	7.3%	Underweight	- 2.0%	5.3%
8)	**Middle East / Africa**	1.3%	Underweight	- 1.3%	-

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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	Quarterly Actual Q2-2019	Quarterly Est. Q3-2019	Quarterly Est. Q4-2019
Real GDP (YOY)	2.5%	2.9%	1.6%	2.4%	2.9%	2.2%	2.1%	3.1%	2.0%	1.8%	2.2%
Unemployment Rate	5.6%	5.0%	4.7%	4.1%	3.9%	3.6%	3.5%	3.8%	3.7%	3.5%	3.6%
CPI (YoY)	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	2.1%	1.6%	1.8%	1.8%	1.9%
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: October 7, 2019

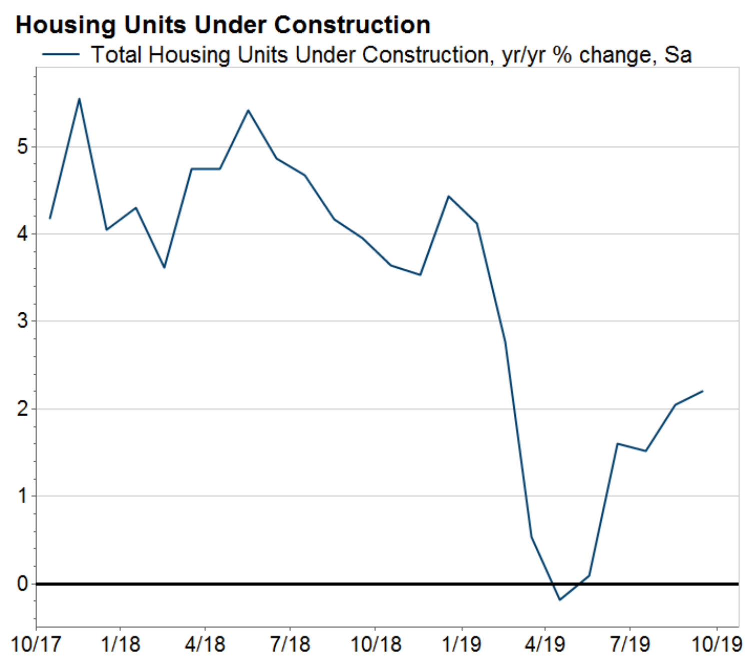
ECONOMIC NEWS OUT TODAY:

Economic Releases for Thursday, October 17, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	Oct. 12	Initial Jobless Claims	215k	**214k**	210k	
8:30 AM	Oct. 5	Continuing Claims	1675k	**1679k**	1684k	1689k
8:30 AM	SEP	Housing Starts (annualized)	1320k	**1256k**	1364k	1386k
8:30 AM	SEP	Housing Starts (MoM)	+0.2%	**-9.4%**	+12.3%	+15.1%
8:30 AM	SEP	Building Permits (annualized)	1350k	**1387k**	1419k	1425k
8:30 AM	SEP	Building Permits (MoM)	-3.1%	**-2.7%**	+7.7%	+8.2%
9:15 AM	SEP	Industrial Production (MoM)	+0.2%		-0.2%	
9:15 AM	SEP	Capacity Utilization	77.6%		77.5%	
9:15 AM	SEP	Manufacturing Output (MoM)	+0.2%		-0.4%	

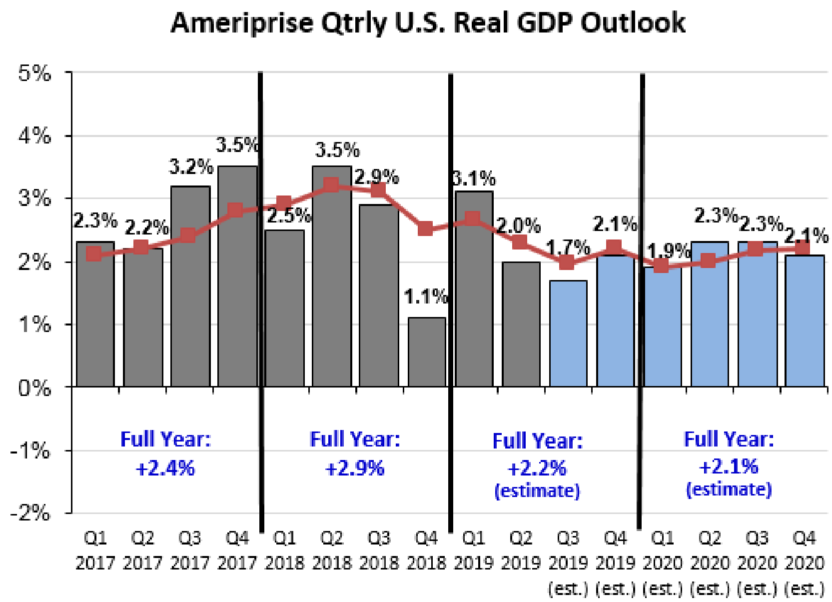
Economic Perspective: ***Russell T. Price, CFA – Chief Economist***

- **Housing Starts fell more than expected in September but this comes after a very strong surge in August. Meanwhile, the Philly Fed Manufacturing Index (when combined with Monday's positive New York Fed. Mfg. Index) shows manufacturing is far from dead.**
- September **new housing starts** were weaker than expected but not as materially off of our estimate for the period of 1280k. The September results represent a sharp 9.4% drop month-over-month, but the decline must be considered in the context of the strong surge of activity seen in August (which was revised even higher with today's release). As we often mention, this data series can be VERY volatile from month-to-month and often sees notable revisions. Overall, on a 3-month moving average basis, single family new starts were 2.8% higher than year-ago levels in September while the multi-family category is up 6.6%.
- We believe a look at the number of units under construction is often a better gauge of overall activity. As seen in the chart at right (as sourced from FactSet), new starts are recovering from the weakness seen in the spring of this year – a period that represented a lag-effect, in our view, from the fact that mortgage interest rates had jumped so materially in late 2018.
- **An update on our outlook: Q3 should be modest, with more of the same likely on the horizon.** Yesterday's report on retail sales for the month of September was notably weaker than we were forecasting (-0.3% actual versus



our estimate for a 0.3% gain), but after adjusting for modest upward revisions for prior months, the dollar value of sales was not materially off our expectations.

- Yesterday's report was also one of the final key indicators leading up to the Commerce Department's first estimate of Real GDP for the period on October 30th. There are other reports yet to come that could materially affect forecasts, but we feel quite comfortable in our current real GDP estimate for the period of +1.7%.
- The chart at right offers a broader update to our quarterly U.S. Real GDP outlook. As can be recognized by the shift lower of the red line in the chart, which depicts the year-over-year pace of real growth, we believe growth has slowed, but rather than recession, the most likely path is still one of slow but solidly positive, expansion.



- Stalled business investment spending and lower export demand are the primary sources of the slower pace, but consumers, being in very strong financial shape – especially this deep into an economic expansion – are capable of maintaining the expansion in our view without any acceleration of their current pace. Of course, consumers could pull-back should some material adverse external development occur. Adverse developments capable of causing such a strong hit to consumer sentiment in our opinion would likely only be conveyed via very adverse trade developments, some other geopolitical troubles of significant consequence, or the like.
- Historical values depicted in the chart below are sourced from the Commerce Department while forecasts are via American Enterprise Investment Services, Inc.

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Ameriprise Investment Research Group

Ameriprise Financial
1441 West Long Lake Road, Suite 250, Troy, MI 48098
investment.research.group@ampf.com
For additional information or to locate your nearest branch office, visit ameriprise.com

RESEARCH & DUE DILIGENCE LEADER

Lyle B. Schonberger - Vice President

Business Unit Compliance Liaison (BUCL)

Jeff Carlson, CLU, ChFC – Manager

Investment Research Coordinator
Kimberly K. Shores

Sr Administrative Assistant
Jillian Willis

EQUITY RESEARCH

Equity Research Director
Justin H. Burgin – Vice President

Consumer Goods and Services
Patrick S. Diedrickson, CFA – Director

Energy/Utilities
William Foley, ASIP – Director

Financial Services/REITs
Lori Wilking-Przekop – Sr Director

Health Care
Daniel Garofalo – Director

Industrials/Materials
Frederick M. Schultz – Director

Technology/Telecommunication
Curtis R. Trimble – Director

Quantitative Strategies/International
Andrew R. Heaney, CFA – Director

STRATEGISTS

CHIEF MARKET STRATEGIST
David M. Joy – Vice President

GLOBAL MARKET STRATEGIST
Anthony M. Saglimbene – Vice President

Thomas Crandall, CFA, CAIA – Sr Director, Asset Allocation

Gaurav Sawhney – Research Analyst

Amit Tiwari – Sr Research Associate

CHIEF ECONOMIST
Russell T. Price, CFA – Vice President

MANAGER RESEARCH

Michael V. Jastrow, CFA – Vice President

Jeffrey R. Lindell, CFA – Director – ETFs & CEFs

Mark Phelps, CFA – Director – Multi-Asset Solutions

Equities
Christine A. Pederson, CAIA, CIMA – Sr Director – Growth Equity, Infrastructure & REIT

Benjamin L. Becker, CFA – Director – International/Global Equity

Alex Zachman – Analyst – Core Equity

Cynthia Tupy, CFA – Analyst – Value and Equity Income Equity

Fixed Income & Alternatives
Jay C. Untiedt, CFA, CAIA – Sr Director – Alternatives

Steven T. Pope, CFA, CFP® – Director – Non-Core Fixed Income

Douglas D. Noah – Analyst – Core Taxable & Tax-Exempt Fixed Income

Blake Hockert – Associate – Reporting & Analytics

FIXED INCOME RESEARCH & STRATEGY

Fixed Income Research
Brian M. Erickson, CFA – Vice President

High Yield and Investment Grade Credit
Jon Kyle Cartwright – Sr Director

Stephen Tufo – Director

INVESTMENT DUE DILIGENCE

Justin E. Bell, CFA – Vice President

Kurt J. Merkle, CFA, CFP®, CAIA – Sr. Director

Kay S. Nachampassak – Director

Peter W. LaFontaine – Sr. Analyst

James P. Johnson, CFA, CFP® – Sr. Analyst

David Hauge, CFA – Analyst

Bishnu Dhar – Sr. Research Analyst

Parveen Vedi – Sr. Research Associate

Darakshan Ali – Research Process Trainee

INNOVATION AND DEVELOPMENT

Allen Rodrigues – Vice President

Nidhi Khandelwal – Director

Dan Bums – Sr. Manager

Matt Morgan – Sr. Manager

Natasha Wayland – Sr. Manager

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As of September 30, 2019

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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.

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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.

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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.

DISCLAIMER SECTION

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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Past performance is not a guarantee of future results.

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