Before the Bell

Morning Market Brief

October 22, 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 open; European markets are trading mixed; Asia ended mostly in the green overnight; West Texas Intermediate (WTI) oil trading at $53.83; 10-year U.S. Treasury yield at 1.77%.

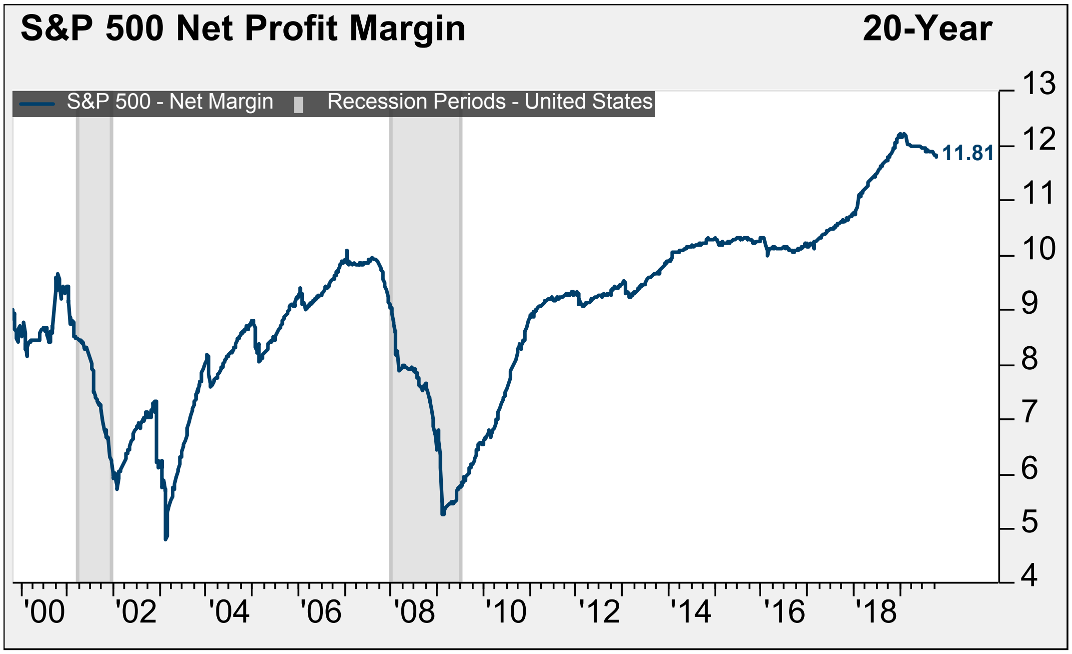
- ***Profit Margins Continue to Decline:*** As we move through a busy week of third quarter earnings results (126 S&P 500 companies on tap), we thought we would dial in on a fundamental driver likely to hit investor's radar – profit margins.

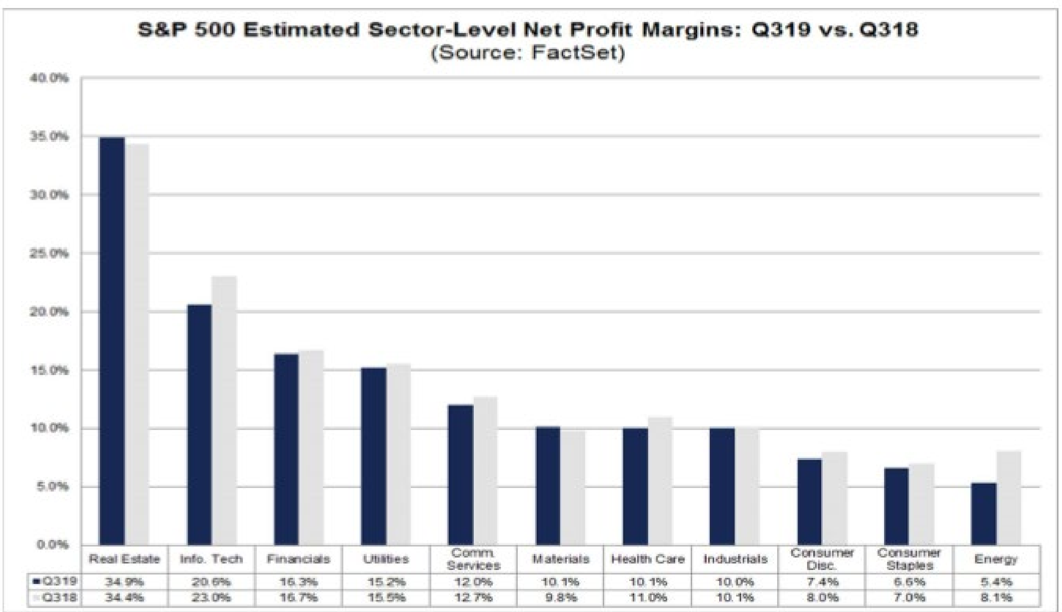
  - **In aggregate, S&P 500 companies are surpassing Q3 earnings estimates by +2.6%, according to *FactSet*, which is below the five-year average of +4.9%. However, it's still early. Just 18% of Q3 profit reports are complete, putting the blended earnings per share (EPS) growth rate lower by 4.8% y/y on sales growth of +2.7%.**
  - **According to *Bespoke Investment Group*, S&P 500 'operating EPS' is expected to decline y/y for the first time since Q2'16.**
  - **Consequently, we expect investors to reward earnings beats less than history as the season progresses, considering near all-time highs in stock prices. However, investors are likely to punish earnings misses more severely compared to history —which has largely been the trend on display all year.**
  - **S&P 500 companies are expected to see lower profit margins in the previous quarter compared to the multi-year high in Q3'18.**
  - **At the S&P 500 sector level, profit margins are expected to decline y/y in nine of eleven industries led lower by Energy and Information Technology.**
  - **With that said, we believe profit margins for S&P 500 companies could remain at somewhat healthy levels through year-end, mainly as input costs and wage inflation pressures hold at modest levels.**

- The *FactSet charts* below help illustrate profit margins for S&P 500 companies are expected to remain below multi-year highs for Q3'19 but above the Q1'19 lows for the year. **Along with expectations for the third consecutive quarter of y/y earnings per share (EPS) growth declines across S&P 500 companies, declining profit margins are yet another cautionary factor currently clouding the corporate environment**. However, we believe stocks are reasonably priced if companies can deliver or exceed earnings expectations through the reporting season, and if profit margins hold as analysts anticipate.

Notations:

- For further information on any of the topics mentioned, please contact your Financial Advisor.
- 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.





- Analysts and companies substantially lowered the hurdle rate for third quarter earnings, particularly as y/y profit margin comparisons will be very tough. In the third quarter of last year, S&P 500 profit margins peaked at +12.0%, which could represent a cycle high. Rising input costs, trade frictions, and slowing global growth could all weigh on Q3'19 profit metrics, making y/y comparisons more difficult — hence the analyst and corporate conservatism across earnings expectations. **Bottom line: Profit margins have likely peaked over the intermediate-term. However, corporate profitability remains at healthy levels, which warrants a constructive view on U.S. stocks, in our opinion**.

- ***Asia-Pacific:*** Asian equities finished higher on Tuesday. Trade comments yesterday from the White House and Beijing officials continue to point to positive momentum toward completing a phase one deal —possibly in time for a signed agreement at next month's APEC summit in Chile.
- Based on yesterday's news, both sides are working diligently on a trade agreement, China is resuming agricultural purchases, and White House officials indicate the planned December 15th tariffs on Chinese imports could be postponed. However, outside of these developments, trade news is light. When it comes to trade, we believe investors continue to focus on the de-escalation in tensions aspect, which has helped build positive market momentum across Asia and the U.S. this month.
- ***Europe:*** Markets across the region are trading mixed at mid-day. UK Prime Minister Boris Johnson will look to secure a Brexit breakthrough today in the UK parliament, as reports suggest he may have the votes to pass through his deal. The House of Commons is expected to debate and vote on the Withdrawal Agreement bill later today, which the prime minister is introducing as a means to push through his Brexit deal. Mr. Johnson was unable to secure a vote on his European Union (EU) divorce agreement on Monday after House Speaker Bercow ruled that the same motion (which failed on Saturday) cannot be brought forward again in the same session, per *FactSet*.
- Importantly, the prime minister is seeking a vote on his Brexit bill without members of parliament (MPs) forcing the government into a customs union with the EU or holding a second referendum, according to the *Financial Times*. Nevertheless, the parliamentary debates and possible amendments to any 'passed legislation' continue to make the path for Brexit unclear. We would say a no-deal Brexit on October 31st, while not impossible, seems less likely today.
- ***U.S.:*** Equity futures are pointing to a flattish open this morning. The S&P 500 Index closed above the 3,000 level on Monday for the first time since mid-September and is less than 1.0% off its all-time high. Communication Services, Real Estate, and Consumer Discretionary are leading markets higher in October, while Energy, Materials, and Utilities are underperforming the broader benchmark. A good start to earnings season and lower trade tensions have helped risk sentiment at the start of the fourth quarter.
- As we discussed in the new edition of the *Quarterly Capital Market Digest (QCMD)* report, 2020 earnings expectations are likely too high considering the current trade and economic environment. According to *Bloomberg*, analysts lowered S&P 500 earnings estimates for 2020 last week by almost $1 — down to $178.40 a share. Last week's cut to next year's earnings estimates was the largest weekly cut since January, and to us, indicates analysts' lofty views about 2020 are starting to fall back to earth. We suspect more analysts could start to lower the bar for the front half of 2020 earnings expectations as we move through the third quarter reporting season.
- On a related note, more U.S. companies are preparing for a prolonged U.S./China trade war. According to *The Wall Street Journal*, citing comments from an expert from the U.S./China Business Council, U.S. companies expect tensions with China to extend beyond ongoing trade discussions. As a result, companies are in the process of diversifying their supply chain investment and making structural changes to shift production away from China. However, the impact on some U.S. businesses could result in a negative hit to financial positions, and credit ratings if long-term supply contracts are lost. As the article points out, and we agree with, this plays into the Trump administration's desire to decouple the world's two largest economies.
- In Canada, Prime Minister Justin Trudeau won a second term but lost both his majority in parliament and the popular vote. Per *FactSet*, Mr. Trudeau's Liberal Party won or was leading in races for 156 seats, down from 177 at the start of the campaign, and short of the 170 required for a majority. Mr. Trudeau's Liberal Party and the pro-labor New Democratic Party are expected to form a coalition and to maintain a stable government.

This space intentionally left blank.

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

Americas	% chg.	% YTD	Value
S&P 500	0.69%	21.89%	3,006.7
Dow Jones	0.21%	17.24%	26,827.6
NASDAQ	0.91%	24.08%	8,163.0
Russell 2000	0.95%	16.21%	1,550.1
Brazil Bovespa	1.23%	20.63%	106,022.3
S&P/TSX Comp. (Canada)	0.25%	17.44%	16,418.5
Mexico IPC	0.53%	6.53%	43,405.4

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.11%	24.17%	3,604.2
FTSE 100 (U.K.)	0.48%	11.19%	7,197.8
DAX Index (Germany)	0.13%	20.89%	12,764.8
CAC 40 (France)	0.05%	23.12%	5,651.2
FTSE MIB (Italy)	0.02%	22.69%	22,481.7
IBEX 35 (Spain)	-0.23%	13.23%	9,381.1
Russia TI	0.44%	24.19%	4,863.3

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	Closed	14.80%	22,548.9
HK Hang Seng (H. Kong)	0.23%	7.24%	26,786.2
Korea Kospi 100	1.16%	2.80%	2,088.9
Singapore STI	0.69%	6.69%	3,160.7
Shanghai Comp. (China)	0.50%	21.34%	2,954.4
Bombay Sensex (India)	-0.85%	9.13%	38,963.8
S&P/ASX 200 (Australia)	0.30%	23.63%	6,672.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.62%	18.58%	528.5

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.57%	15.96%	1,931.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.44%	9.17%	1,028.5

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	0.47%	24.57%	963.3
Consumer Staples	0.33%	22.69%	625.5
Energy	1.86%	3.97%	428.5
Financials	1.42%	21.70%	473.1
Real Estate	0.70%	32.51%	248.8
Health Care	-0.07%	7.50%	1,060.8
Industrials	0.61%	22.18%	652.4
Materials	-0.35%	15.42%	359.3
Technology	1.07%	33.46%	1,435.0
Communication Services	0.42%	24.96%	171.2
Utilities	0.37%	24.12%	325.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.06%	-0.33%	22.2
FTSE NAREIT Comp.	0.76%	31.31%	21,791.4
DJ US Select Dividend	0.67%	17.89%	2,193.1
DJ Global Select Dividend	-0.04%	9.00%	225.4
S&P Div. Aristocrats	0.32%	21.09%	2,902.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.17%	8.16%	2,213.5
Barclays HY Bond	0.07%	11.73%	2,133.4

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.10%	-8.68%	438.7
NYMEX WTI Crude (p/bbl.)	0.49%	17.97%	53.6
ICE Brent Crude (p/bbl.)	0.49%	10.13%	59.3
NYMEX Nat Gas (mmBtu)	1.07%	-23.06%	2.3
Spot Gold (troy oz.)	0.12%	15.89%	1,486.3
Spot Silver (troy oz.)	0.23%	13.60%	17.6
LME Copper (per ton)	0.34%	-2.43%	5,804.3
LME Aluminum (per ton)	-0.75%	-7.58%	1,721.5
CBOT Corn (cents p/bushel)	1.23%	-1.38%	392.0
CBOT Wheat (cents p/bushel)	1.38%	-2.17%	530.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.2%	-2.9%	1.11
British Pound (£/$)	-0.2%	1.4%	1.29
Japanese Yen ($/¥)	0.01%	0.99%	108.61
Australian Dollar (A$/$)	-0.16%	-2.72%	0.69
Canadian Dollar ($/C$)	0.0%	4.1%	1.31
Swiss Franc ($/CHF)	-0.2%	-0.6%	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%	-

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.

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%	1.8%	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

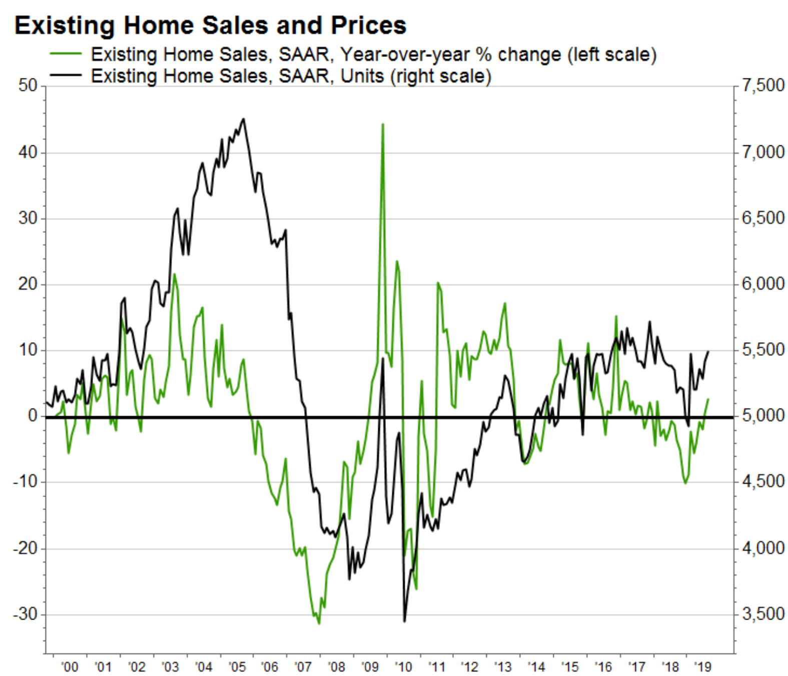
ECONOMIC NEWS OUT TODAY:

Economic Releases for Tuesday, October 22, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
10:00 AM	SEP	Existing Home Sales (annualized)	5.45M		5.49M	
10:00 AM	SEP	Existing Home Sales (MoM)	-0.7%		+1.3%	
10:00 AM	OCT	Richmond Fed. Mfg. Index	-6		-9	

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

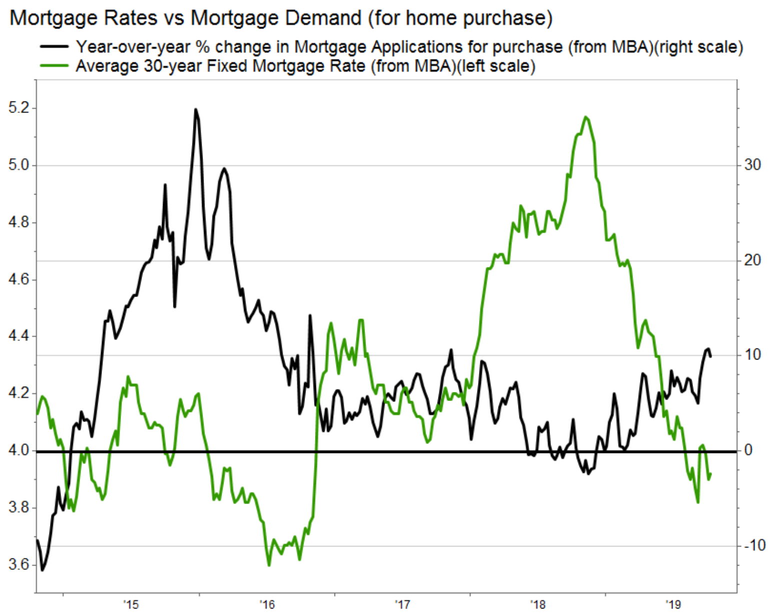
- The National Association of Realtors (NAR) will release its figures on **September Existing Home Sales** today at 10 AM ET. Forecasters expect sales to have softened a bit from their August sales rate but remain well within their general trend of the last several… well, years.
- As seen in the chart at right (as sourced from FactSet), existing home sales have been slow to recover throughout this economic expansion. The excess supply that weighed on the market after the housing bubble has long since been absorbed. New building activity, meanwhile, has been very slow to recover given that so many builders went bust during the downturn taking many skilled workers with them. New building activity, though making small gains every year, is still not up to the level of home building that is needed based on simple demographics. Shortages remain especially acute at the lower-end of the price spectrum but as availability at upper price points grows, builders are finally starting to move down the price-point chain in supply new units.



- These dynamics have left the existing home market especially tight on supply. At the end of August there were 4.1 months' supply of inventory on the market, well below the 6.0 months that has historically been seen as a "balanced" market.
- We should note, however, that although existing home sales are generally "stuck in neutral" due to constrained supply, our estimate for today's release on September sales equates to a 6% increase over year-ago levels. If achieved, it would represent the best yr/yr gain since Q1-2017.
- As seen in the second chart at right (as seen at the top of the next page and sourced from FactSet) new mortgage applications for the purchase of a home (as opposed to refinancing) have grown smartly over the last few quarters

amid a very notable decline in mortgage interest rates. At the end of September, the national average rate on a 3—year fixed mortgage was 3.99% according to the Mortgage Bankers Association (MBA), about a full percentage point lower than its level one-year ago.

- Overall, residential construction activity has improved somewhat recently after a particularly wet spring curtailed some building in Q2. This should offer a very slight boost to real GDP (we estimate about +0.16 pp) for the quarter after the segment subtracted approximately 0.1 pp from real GDP in Q2.
- As we mentioned, we believe the segment, though not a downside risk to economic growth due to its strong demographic need, is likely to remain fairly stagnant as far as a GDP contributor over the intermediate-term at least.



- **IMF lowers its global outlook… again. But it also estimates the cost of trade turmoil.** Last week, the International Monetary Fund (IMF) released its quarterly World Economic Outlook (WEO). Not surprisingly, the organization lowered its forecast of intermediate-term global growth, making it the fifth consecutive quarter it has done so.
- IMF forecasters currently expect 2019 global growth (as measured by Real GDP) of +3.0%, which is down 0.2 percentage points (pp) from July and down 0.7 pp from a year-ago. Their forecast for 2020 global growth is +3.4%, which is down 0.1 pp since July and down 0.2 pp from a year-ago. It's 2019 forecast would also represent the slowest pace of global growth since 2009.
- For the U.S., the IMF lowered its 2019 real GDP growth estimate to 2.4%, which we believe is still a bit high as our estimate stands (and has stood since June) at +2.2%. For 2020, the IMF forecasts a U.S. expansion rate of +2.1%, which is in-line with our estimate.
- So how much of the recent global slowdown does the IMF attribute to trade disputes, principally the U.S. /China trade war but also Brexit and others? Generally, all of it. According to the report, IMF analysts estimate the dispute will cost global growth about $700 billion this year and next, equating to about 0.8% of global output. They further estimate that three-fourths of the impact is likely to be "indirect," meaning higher uncertainty and lower confidence resulting in reduced business investment and spending.
- Such "self-inflicted" challenges are unwelcome to say the least. However, they are also much easier to rectify than are the fundamental economic imbalances such as excessive debt burdens or, as seen in the 2008/2009 experience, excessive housing supply AND excessive debt, that have often led to some of the last century's most difficult recessions. Trade disputes can get very nasty (and we believe the U.S. /China dispute could still get worse before getting better) but they have a natural containment factor as mutually beneficial trade agreements are just that… meant to be good for all involved.

IMF Global Economic Projections

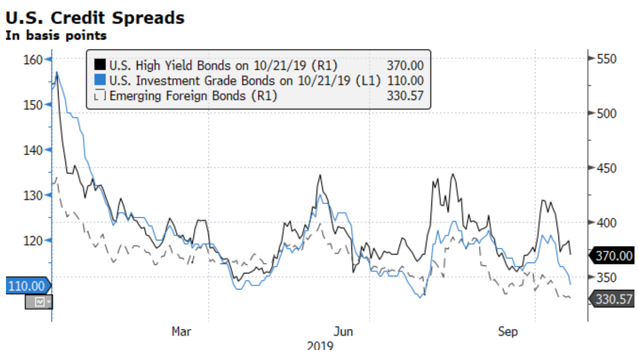
	Actuals			Projections		*Difference from July projections*	
	2016	2017	2018	2019	2020	2019	2020
World	3.4	3.8	3.6	3.0	3.4	-0.2	-0.1
United States	1.6	2.2	2.9	2.4	2.1	-0.2	0.2
Euro Region	2.0	2.4	1.9	1.2	1.4	-0.1	-0.2
Japan	0.6	1.9	0.8	0.9	0.5	0.0	0.1
Developing Asia	6.7	6.6	6.4	5.9	6.0	-0.3	-0.2
China	6.7	6.8	6.6	6.1	5.8	-0.1	-0.2
India	8.2	7.2	6.8	6.1	7.0	-0.9	-0.2
Russia	0.3	1.6	2.3	1.1	1.9	-0.1	0.0
Brazil	1.1	1.1	0.9	2.0	2.3	1.2	-0.1
Mexico	2.9	2.1	2.0	0.4	1.3	-0.5	-0.6

Source: IMF World Economic Outlook Update, October 2019

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

Treasury Yields Rise Monday, Settle Lower This Morning

- Treasury yields retraced a portion of the drop in price and rise in yield seen Monday in early trading today. Ten-year yields widened five basis points to 1.80%, the widest level since September 17 Monday, and rebounded this morning to 1.77%. Two dynamics dovetailed to lead global sovereign yields higher in the first trading session of the week. First, markets were buoyed by the potential Brexit deal and prospects for eliminating a hard Brexit from the list of uncertainties European economies face. Second, bond investors contemplating how monetary and fiscal policies could evolve in coming quarters priced in less potential for European Central Bank (ECB) asset purchases to sustain low yields across the Eurozone and less potential for knock-on global impact of future ECB bond buying.
- Credit spreads remain well supported this week in the context of how credit markets traded over the past 6 months. Investment Grade Corporate Bond spreads at +110 basis points are modestly above the tightest level year-to-date. High Yield Bond spreads have been resilient, but lagged degree of tightening seen by Emerging Foreign Bonds. We believe this dynamic has likely run too far, and that Emerging Foreign Bonds are likely fully valued. See page 11 of our latest *Quarterly Capital Market Digest* report dated August 18 for more information.



Source: Bloomberg L.P.

Global Central Bank Policy Evolve; We Recommend Bond Portfolio Section Should as Well

- We believe the market pattern in how central banks reacted to slowing economic data and how bond markets respond is evolving. Since the 2008 financial crisis, a bold central bank response prompted a bottom-up risk-on response in bond markets. Today, incremental central bank reactions are measured. Take for example the Fed's conservative mid-cycle adjustment, or the ECB's tepid stimulus announced in September that fell short of past moves and market expectations. This is partly due to how over-extended monetary intervention has become, and partly the limited ability for further monetary stimulus to offset trade uncertainty that clouds future growth prospects. As a result, bond investors have leaned toward quality, rather than rushing in to any risk available. We believe this change is critical for fixed income investors to see, and to adjust how they select fixed income investments to comprise their allocations. See our report, *Committee Perspectives: Selecting Fixed Income Investments* dated August 23 for more information on what to select and what to avoid at this stage in the credit and rate cycles.
- We are looking ahead this week to the ECB policy meeting on Thursday. A number of questions surround the modest asset purchase program President Mario Draghi announced in September including the mechanics of the latest round of purchases and how the member nation central banks would be enabled to navigate current caps on purchases. In some nations with less debt outstanding, the current capital key approach risks the central bank owning more debt than the public, while in more indebted nations there is more room for purchases to play out. The risk is that Germany, arguably the strongest credit in the Eurozone, doesn't want to be on the hook for owning more and more debt of the weaker peripheral nations such as Italy and Spain. We look ahead to Thursday for how the ECB may navigate those hurdles, especially with the transition of leadership to Christine Lagarde from Mario Draghi at the end of the month. Overall, we believe future ECB actions may fall short of what markets expect in the short-term while policymakers set the stage for what comes next. This may include greater fiscal engagement, or more exotic monetary moves.

This space intentionally left blank.

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

The content in this report is authored by American Enterprise Investment Services Inc. ("AEIS") and distributed by Ameriprise Financial Services, Inc. ("AFSI") to financial advisors and clients of AFSI. AEIS and AFSI are affiliates and subsidiaries of Ameriprise Financial, Inc. Both AEIS and AFSI are member firms registered with FINRA and are subject to the objectivity safeguards and disclosure requirements relating to research analysts and the publication and distribution of research reports. The "Important Disclosures" below relate to the AEIS research analyst(s) that prepared this publication. The "Disclosures of Possible Conflicts of Interest" section, where applicable, relates to the conflicts of interest of each of AEIS and AFSI, their affiliates and their research analysts, as applicable, with respect to the subject companies mentioned in the report.

Each of AEIS and AFSI have implemented policies and procedures reasonably designed to ensure that its employees involved in the preparation, content and distribution of research reports, including dually registered employees, do not influence the objectivity or timing of the publication of research report content. All research policies, coverage decisions, compensation, hiring and other personnel decisions with respect to research analysts are made by AEIS, which is operationally independent of AFSI.

IMPORTANT DISCLOSURES

As of September 30, 2019

The views expressed regarding the company(ies) and sector(s) featured in this publication reflect the personal views of the research analyst(s) authoring the publication. Further, no part of research analyst compensation is directly or indirectly related to the specific recommendations or views contained in this publication.

A part of a research analyst's compensation may be based upon overall firm revenue and profitability, of which investment banking, sales and trading, and principal trading are components. No part of a research analyst's compensation is based on a specific investment banking transaction, nor is it based on sales, trading, or principal trading. A research analyst may have visited the material operations of one or more of the subject companies mentioned in this research report. No payment was received for the related travel costs.

Additional information and current research disclosures on individual companies mentioned in this research report are available on our website at ameriprise.com/legal/disclosures in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor. You may also submit a written request to Ameriprise Financial, Inc., 1441 West Long Lake Road, Troy MI, 48098. Independent third-party research on individual companies is available to clients at ameriprise.com/research-market-insights. SEC filings may be viewed at sec.gov.

Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee's general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, Inc. Please consult with your financial advisor.

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.

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.

This summary is based upon financial information and statistical data obtained from sources deemed reliable, but in no way is warranted by Ameriprise Financial, Inc. as to accuracy or completeness. This is not a solicitation by Ameriprise Financial Services, Inc. of any order to buy or sell securities. This summary is based exclusively on an analysis of general current market conditions, rather than the suitability of a specific proposed securities transaction. We will not advise you as to any change in figures or our views.

Past performance is not a guarantee of future results.

Investment products are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

AFSI and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Ameriprise Financial Services, Inc. Member FINRA and SIPC.