Before the Bell

Morning Market Brief

September 16, 2020

MORNING MARKET COMMENTARY: ***Justin H. Burgin, Director of Equity Research***

In addition to comments related to overnight activity and pre-market conditions, each Wednesday, we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide additional insight into Committee allocation recommendations.

- ***Quick Take:*** U.S. futures are pointing to a higher open which would mark the third straight day of gains for the broad market. The closely-watched FOMC meeting is slated for later today but analysts not expecting a material change in policy. Markets in Europe and Asia mostly mixed and in a narrow trading range. Treasury yields mostly unchanged, while WTI crude is trading up 2% and Gold is 0.4% higher.

- ***Sector Performance and Earnings Trends:*** As the economy gradually digs out of the COVID-19 bunker, performance and earnings trends across the S&P 500 are steadily improving. However, it is not a linear progression for all sectors, as there are pockets of continuing stress, as well as areas of strength. In the graphic below, we show the S&P 500 sector performance over a range of periods. Unless stranded on a deserted island over the past six months, most equity investors are aware of the strong gains made in the Technology sector. As the graphic highlights, Technology has been the clear performance winner over both the short-term (trailing 1-month, 3-month) as well as longer-term. The Tech sector benefited from pandemic-driven demand for cloud computing, video, gaming, computer devices, and software-as-a-service solutions.
- Beyond Technology, the "pseudo-technology" sectors of the economy such as Consumer Discretionary and Communications Services are also strong performers on a very short-term (1 and 3-month) horizon. Why do we label these "pseudo-technology" sectors? Because technology-focused names such as Amazon.com (~45% of the Consumer Discretionary sector) and Google-parent Alphabet (~30% of the Communication Services sector) are very large constituents, and their

U.S. Equity Sector Returns %

	1M	3M	1Y	3Y	5Y
Consumer Discretionary	2.6	18.7	26.7	20.9	16.7
Consumer Staples	1.4	11.7	9.7	8.4	9.5
Energy	-14.9	-17.8	-43.0	-17.6	-8.9
Financials	-1.8	3.0	-11.2	1.9	7.6
Health Care	-0.7	8.9	18.8	10.7	10.3
Industrials	1.4	13.8	1.4	5.9	10.4
Information Tech	1.7	15.8	44.9	27.8	26.2
Materials	5.9	20.0	15.2	8.1	11.7
Real Estate	2.7	3.2	-1.4	7.1	8.4
Communication Services	2.0	10.7	18.0	11.8	10.4
Utilities	-0.6	2.4	-1.4	6.4	11.3

Chart Source: Bloomberg and American Enterprise Investment Services Inc. As of 2020-09-15

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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.

performance and earnings can have a significant impact for their respective non-Technology sectors.

- In contrast to gains for Technology-related sectors that were beneficiaries of the work/learn-from home trends, other areas of the economy were more negatively impacted and remain under pressure (or have been slow to recover). Specifically, the Energy, Financials, Real Estate, and Utilities sectors have lagged the broader market's performance. In our view, the primary drivers for weakness in these sectors include the ultra-low interest rate environment, and the pandemic-driven lifestyle changes. For Financials, banks experienced a significant drop in the amount of interest income they generate, while pandemic-driven job losses have resulted in sharp increases in loan loss reserves—a 'double-whammy' that is difficult to navigate. For Energy, this sector continues to feel the negative impact of travel lockdowns for both businesses and consumers that hurts global oil demand. Utilities (a traditional 'bond proxy' group) did not live up to their traditional defensive nature during the market meltdown, which we would attribute to multiple quarters of outperformance versus the broader market and record-high valuations—thus leaving limited room for relative strength. Finally, the Real Estate sector has experienced its own pandemic-driven tsunami as retail and commercial real estate came under intense pressure during the height of the lockdown phase.
- **Performance Follows Earnings.** While performance is what most investors focus on, a deeper dive into the 'why' behind these moves paints a more holistic picture. In the table at right, we show the y/y change in earnings contribution for each of the eleven S&P sectors for both Q2 (reported) and Q3 (estimates). Supporting the above-mentioned performance data, the two worst-performing sectors (Financials and Energy) have generated the largest negative contribution to S&P 500 EPS. Note that "contribution" to S&P 500 EPS considers the market cap of the sector as a percentage of the entire S&P 500.

Sector	2Q 20 Contribution to S&P 500 EPS	3Q 20 Contribution to S&P 500 EPS (Est)
Communication Services	-1.8%	-2.0%
Consumer Discretionary	-5.6%	-3.5%
Consumer Staples	-0.4%	-0.5%
Energy	-7.7%	-4.1%
Financials	-9.9%	-4.3%
Health Care	1.3%	-0.1%
Industrials	-7.3%	-6.1%
Information Technology	0.6%	-0.6%
Materials	-0.8%	-0.5%
Real Estate	-0.2%	-0.2%
Utilities	0.2%	-0.1%
S&P 500	-31.58	-22.03

- **It's Still the Big Dogs.** And speaking of size and market cap, the largest companies in the S&P 500 continue to drive the overall market performance. As the table below shows, the five largest companies (by market capitalization) have significantly contributed to total returns for both the year-to-date (YTD) and quarter-to-date (QTD) time frames. For example, on a YTD basis, without the performance of these five companies, instead of posting a 6.16% total return, the market would be down 1.47%. Similarly, for the 2.5 months thus far in Q3, the group of five has helped the market post a *hefty* 9.5% return, but without these, performance drops to 6.74%.
- **Committee Recommendations.** While investors have experienced a year for the record books, there is a proverbial light at the end of the tunnel, in our view, as economic growth slowly returns and corporate earnings rebound from the Q2 lows. The strength for sectors that were well-positioned to benefit from the pandemic (i.e., Technology) continues and some of the hardest-hit parts of the economy are beginning to stabilize. This has resulted in an upward trajectory for corporate earnings (granted off a low Q2 base) that are expected to continue into 2021. In our view, having a balanced exposure to both cyclical and defensive parts of the economy provide a diversified approach that can weather market volatility and the uncertainty that comes with bringing the economy back to growth.
- *Please see tables on next page…*

	Year-to-Date Return (as of 9/14/20)	Year-to-Date Contribution to S&P 500 Return	Quarter-to-Date Return (as of 9/14/20)	Quarter-to-Date Contribution to S&P 500 Return
S&P 500	**6.16**		**9.54**	
Microsoft	31.29	1.62	1.18	0.08
Apple	58.22	2.75	26.72	1.55
Amazon	67.92	2.23	12.47	0.58
Facebook	29.67	0.61	17.21	0.36
Google	13.14	0.42	6.94	0.23
Alphabet A	12.65	0.21	6.40	0.11
Alphabet C	13.63	0.21	7.48	0.12

	YTD	QTD
S&P 500 Return	**6.16**	**9.54**
excluding Microsoft	4.54	9.46
excluding Apple	3.41	7.99
excluding Amazon	3.93	8.96
excluding Facebook	5.55	9.18
excluding Google	5.74	9.31
S&P 500 Return Excluding Top 5	-1.47	6.74

	YTD	QTD
Number of Stocks with Positive Return	176	256
Number of Stocks with Negative Return	281	120

- ***Asia /Pacific:*** Markets in Asia closed mostly mixed, but Taiwan and Australia posted strong performance. Tech companies in Asia followed gains in the U.S. and positive momentum from Apple's press event showcasing upcoming new Watch and iPad products. Further gains for tech in Taiwan came from U.S. bans on Huawei products. Japan officially elected Suga as its new prime minister with a ceremony scheduled for later this evening. The WTO claims the U.S. violated trade rules with its 2018 China tariffs—but the U.S. can veto the decision with an appeal anytime in the next 60 days.
- ***Europe:*** At mid-day, European markets are mostly higher and trading near the best levels of the session. Economic data showed U.K. inflation for August was at its lowest level in five years. NVIDIA's announcement to acquire UK-based ARM Holdings has sent shock waves through the global tech community as both Chinese and European participants consider the ramifications of a possible new US-based owner. Regulatory approval for the merger could be a significant hurdle, owing to the expectation for up to 18 months to close the deal.
- ***U.S.:*** S&P futures pointing to a higher open for the broad market, which would mark the third straight day of solid gains following last week's pullback. Although corporate earnings announcements are limited, positive reports from both FedEx and Adobe are helping boost futures. While the FOMC meeting will be closely watched, most market participants expect a continuation of the Fed's dovish stance.

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WORLD CAPITAL MARKETS

9/16/2020 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.52%	6.72%	3,401.2
Dow Jones	0.01%	-0.14%	27,995.6
NASDAQ Composite	1.21%	25.63%	11,190.3
Russell 2000	0.08%	-6.91%	1,538.2
Brazil Bovespa	0.02%	-13.27%	100,298
S&P/TSX Comp. (Canada)	0.43%	-1.42%	16,431.3
Mexico IPC	-0.41%	-14.69%	36,729.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.09%	-8.95%	3,329.4
FTSE 100 (U.K.)	-0.20%	-17.04%	6,093.2
DAX Index (Germany)	0.00%	-0.24%	13,217.6
CAC 40 (France)	-0.13%	-13.63%	5,061.2
FTSE MIB (Italy)	-0.55%	-15.56%	19,847.9
IBEX 35 (Spain)	0.19%	-24.41%	7,049.4
MOEX Index (Russia)	-0.28%	1.49%	2,972.3

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.09%	0.41%	23,475.5
Hang Seng (Hong Kong)	-0.03%	-9.59%	24,725.6
Korea Kospi 100	-0.31%	11.31%	2,435.9
Singapore STI	0.78%	-19.41%	2,505.2
Shanghai Comp. (China)	-0.36%	7.67%	3,283.9
Bombay Sensex (India)	0.66%	-3.77%	39,302.9
S&P/ASX 200 (Australia)	1.04%	-8.00%	5,956.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.52%	3.57%	575.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.22%	-3.89%	1,914.9

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.76%	1.75%	1,112.6

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

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	1.72%	11.89%	201.4
Consumer Discretionary	1.03%	24.39%	1,217.6
Consumer Staples	-0.10%	4.84%	664.5
Energy	-0.76%	-44.51%	243.2
Financials	-1.36%	-18.56%	409.0
Health Care	0.16%	5.27%	1,234.5
Industrials	0.08%	-2.22%	663.0
Materials	0.47%	9.52%	415.7
Real Estate	1.39%	-3.09%	228.3
Technology	1.00%	28.08%	2,045.3
Utilities	0.73%	-5.28%	303.5

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-2.10%	-46.99%	115.7
FTSE NAREIT Comp. TR	1.18%	-8.33%	19,574.3
DJ US Select Dividend	-0.61%	-17.63%	1,886.4
DJ Global Select Dividend	0.11%	-18.93%	184.2
S&P Div. Aristocrats	-0.13%	-0.97%	3,037.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.05%	7.01%	2,380.9
Barclays HY Bond	0.09%	1.42%	2,213.8

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.15%	1.95%	460.62
NYMEX WTI Crude (p/bbl.)	2.30%	-35.87%	39.16
ICE Brent Crude (p/bbl.)	2.12%	-37.29%	41.39
NYMEX Nat Gas (mmBtu)	-1.69%	6.08%	2.32
Spot Gold (troy oz.)	0.62%	29.60%	1,966.35
Spot Silver (troy oz.)	0.84%	53.30%	27.37
LME Copper (per ton)	-0.54%	10.23%	6,777.75
LME Aluminum (per ton)	-0.65%	-1.74%	1,750.25
CBOT Corn (cents p/bushel)	-0.41%	-9.44%	364.50
CBOT Wheat (cents p/bushel)	-0.37%	-7.18%	536.25

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.20%	5.87%	1.19
British Pound (£/$)	0.74%	-2.06%	1.30
Japanese Yen ($/¥)	0.33%	3.35%	105.09
Australian Dollar (A$/$)	0.51%	4.53%	0.73
Canadian Dollar ($/C$)	0.15%	-1.34%	1.32
Swiss Franc ($/CHF)	0.23%	6.69%	0.91

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	10.9%	Underweight	- 2.0%	8.9%
2)	Consumer Discretionary	10.8%	Overweight	+2.0%	12.8%
3)	Consumer Staples	7.0%	Underweight	- 2.0%	5.0%
4)	Energy	2.9%	Equalweight	-	2.9%
5)	Financials	10.3%	Underweight	- 2.0%	8.3%
6)	Health Care	14.6%	Overweight	+2.0%	16.6%
7)	Industrials	8.0%	Overweight	+2.0%	10.0%
8)	Information Technology	27.1%	Overweight	+2.0%	29.1%
9)	Materials	2.5%	Equalweight	-	2.5%
10)	Real Estate	2.8%	Equalweight	-	2.8%
11)	Utilities	3.1%	Underweight	- 2.0%	1.1%

As of: July 1, 2020

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	56.0%	Overweight	+5.1%	61.1%
2)	Canada	2.7%	Equalweight	-	2.7%
3)	United Kingdom	3.9%	Underweight	- 2.0%	1.9%
4)	Europe ex U.K.	13.6%	Underweight	- 2.0%	11.6%
5)	Latin America	1.0%	Equalweight	-	1.0%
6)	Asia-Pacific ex Japan	14.7%	Overweight	+2.0%	16.7%
7)	Japan	7.0%	Underweight	- 2.0%	5.0%
8)	Middle East / Africa	1.1%	Underweight	- 1.1%	-

As of July 1, 2020

BY THE NUMBERS: ECONOMIC ACTUALS AND FORECAST:

Current Projections:	Full Year						Quarterly				
	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Est. 2020	Est. 2021	Actual Q4-2019	Actual Q1-2020	Actual Q2-2020	Est. Q3-2020	Est. Q4-2020
Real GDP (YOY)	1.7%	2.3%	3.0%	2.2%	-4.1%	3.8%	2.1%	-5.0%	-31.7%	26.5%	4.5%
Unemployment Rate	4.7%	4.1%	3.9%	3.5%	8.0%	6.0%	3.5%	4.4%	11.1%	9.0%	8.0%
CPI (YoY)	1.3%	2.1%	2.4%	1.8%	1.0%	2.1%	2.0%	2.1%	0.4%	1.2%	1.0%
Core PCE (YoY)	1.6%	1.6%	2.0%	1.6%	1.1%	1.5%	1.6%	1.7%	0.9%	1.1%	1.1%

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 4, 2020**

Please note: Due to the very dynamic nature of current economic conditions, economic forecasts may change measurably and quickly.

ECONOMIC NEWS OUT TODAY:

Economic Releases for Wednesday, September 16, 2020. All times Eastern. Consensus estimates via Bloomberg.

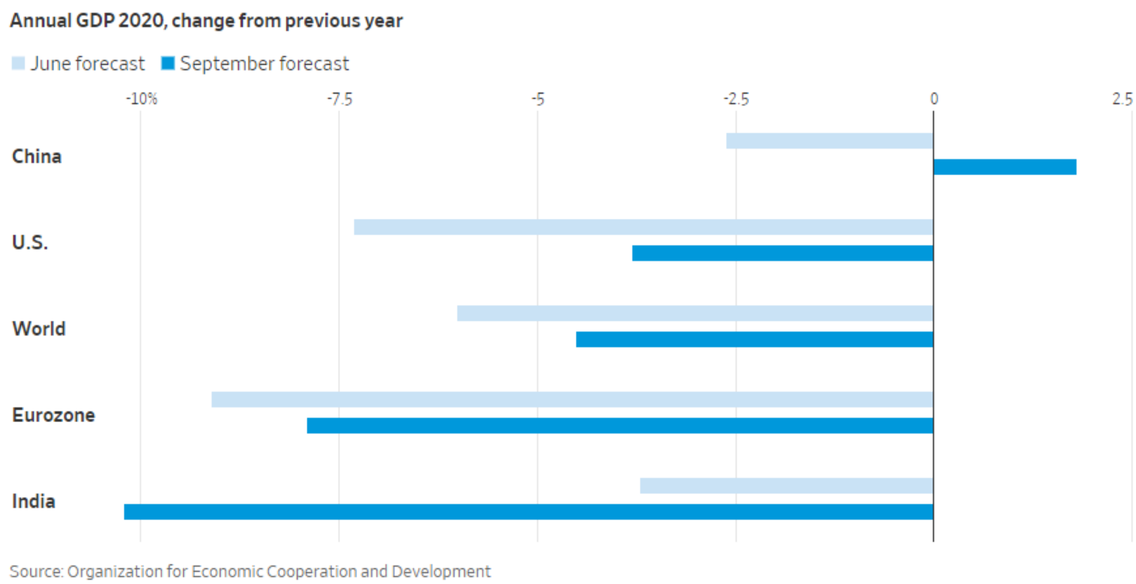
Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	AUG	Retail Sales (MoM)	+1.0%	**+0.6%**	+1.2%	+0.9%
8:30 AM	AUG	Retail Sales Ex. Autos (MoM)	+1.0%	**+0.7%**	+1.9%	+1.3%
8:30 AM	AUG	Retail Sales Ex. Autos and Gas (MoM)	+0.9%	**+0.7%**	+1.5%	+1.1%
10:00 AM	JUL	Business Inventories (MoM)	+0.1%		-1.1%	
10:00 AM	SEP	NAHB Housing Market Index	78		78	
2:00 PM	NA	FOMC Rate (Fed Funds Upper Bound)	+0.25%		+0.25%	
2:00 PM	NA	FOMC Rate (Fed Funds Lower Bound)	+0.0%		+0.0%	

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

- Retail sales for the month of August came-in just shy of consensus forecasts this morning while the previously reported increase for July was trimmed. August's month-over-month gain of 0.6%, however, was close to our estimate of a 0.7% increase.
- Although the moderate "miss" versus estimates may be somewhat disappointing to financial markets, we believe it's important to note **that total retail sales for the month were still 2.6% ABOVE year-ago levels, a remarkable development in our view given the background circumstances.**
- Absent an agreement on another federal stimulus package (the odds of which appear weak, currently) we believe consumer spending may ease in the months ahead. We do not expect to see significant declines, however. The federal enhanced unemployment support of $600 /week ended at the end of July, but most states are now participating in the President's executive order program of $300 from the federal government combined with $100 from the state. Not as many people qualify for this program but it is better than a complete elimination of support.

- **The pandemic's global economic consequences proving "less bad" than previously expected.** The Organization for Cooperation and Development (OECD) now forecasts the global economy to contract by 4.5% in 2020. Though one of the worst years in economic history, the projection is materially better than the 6.0% decline forecast by the organization just three months ago. Next year, OECD forecasts see global real GDP growth of 5%, with the U.S. advancing by 4.0% and the Euro Area expanding by 5.1%.
- The organization's 2020 outlook for the U.S. economy has also improved considerably. Their current forecast of a 3.8% decline is essentially half that of its June projection of a 7.3% drop.
- In our latest Economic Perspectives report (as published Friday, 9/11) we highlighted much of the same. In June, we had forecast a U.S. real GDP decline for 2020 of 5.8%. Currently, we forecast a decline of 4.1%.
- Nearly all aspects of economic activity have been recovering at a better than expected pace, in our view, primarily due to a strong consumer. Unlike past recessions, we believe U.S. consumers entered this downturn in strong financial condition, while the rapid deployment of massive government stimulus offered unprecedented support for those that lost their jobs.

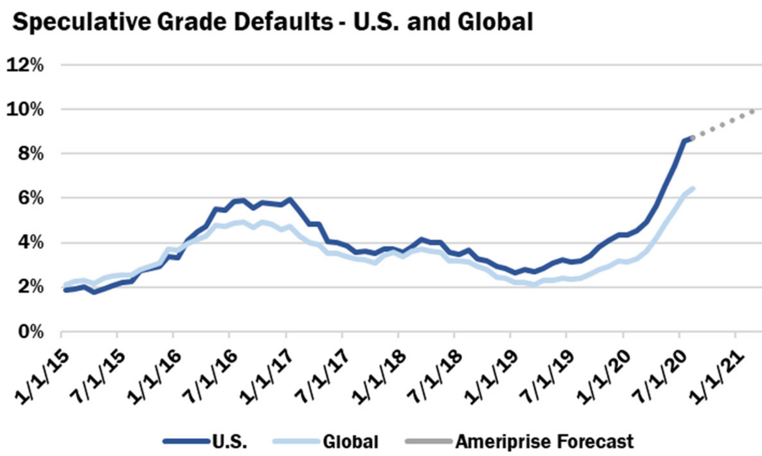
- Elsewhere, OECD forecasters expect China to see growth this year of 1.8% - much better than the 2.6% decline forecast in June. Not all countries are beating expectations, however. India's economy is now seen as likely contracting by a massive 10.2% versus the -3.7% forecast in June.
- For additional information on this commentary or the economic outlook, please contact Ameriprise Financial Chief Economist, Russell Price, CFA. The chart below is sourced from *The Wall Street Journal*.



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

Defaults Rise

- Though the U.S. and global economies rebounded since the first half of the year, market cycles play different tunes. Equity markets look ahead, focusing six months or more into the future. For credit markets, the pace of defaults arrive with a lag as companies attempting to bridge out to a recovery of business exhaust liquidity and default. Defaults may not be the end of the road, with many companies restructuring capital structures and emerging anew. However, whether a company goes out of business or restructures, bond investors typically lose principal, which impacts total returns and erodes the basis investors have to earn future income.
- Trailing 12-month global defaults rose to 6.2% in August, the highest level in more than a decade, according to Moody's Investor Service. While the 12-month average rose, only 13 companies defaulted in August, a sharp drop from 28 per month between April and July. Beyond the oil & gas sector, retail and business services rounded out the top three industries for defaults. Looking ahead the Hotel, Gaming and Leisure sector likely experience the brunt of losses.
- Our forecast – We believe U.S. defaults likely continue to rise into the first quarter of 2021. Our outlook anchors in the elevated leverage companies maintained leading up to 2020 and how the additional borrowing served as the primary hope for reaching a recovery in consumer and business demand. New debt that initially adds liquidity may become a barrier for further funding and additional drag on cash flow. Defaults impact the lower fringe of speculative-grade (high yield) ratings, supporting our up-in-quality bias this year. Though the Fed's support for credit markets narrowed credit spreads, we point out that investors still hold the default risk as the Fed's programs remain largely unexpended. As defaults continue to rise, investors may wish they required greater yield since the Fed put never materialized. We recommend underweighting U.S. High Yield Bonds in more conservative risk tolerances heading into uncertainties of the fourth quarter, such as the election, flu season, and the potential for profit-taking.



Source: Moody's Investor Service, American Enterprise Investment Services, Inc.

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As of June 30, 2020

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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.

Alternative investments cover a broad range of strategies and structures designed to be low or non-correlated to traditional equity and fixed-income markets with a long-term expectation of illiquidity. Alternative investments involve substantial risks and are more volatile than traditional investments, making them more suitable for investors with an above-average tolerance for risk.

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors.

Value securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

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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