

Before the Bell

An Ameriprise Investment Research Group Publication

May 10, 2024

Starting the Day

- U.S. equity futures solidly in the green this morning.
- European markets are 0.5% to 1.0% higher at midday.
- Asian markets posted solid gains overnight.
- The U.K. economy returns to growth.
- Are investors now looking past inflation results?
- 10-year Treasury yield at 4.46%.
- West Texas Intermediate (WTI) oil is trading at \$79.93.
- Gold is trading at \$2,382.40

Market Perspectives

Russell T. Price, CFA Chief Economist

The economy in review. Over the last two years, the pace of U.S. economic expansion has been remarkably resilient in the face of an aggressive interest rate hiking cycle from the Federal Reserve. In the second-half of last year, U.S. Real GDP grew at an average rate of +4.2%, thus representing an acceleration in the general pace despite the higher rates. Some believe economic activity has yet to see the greatest headwinds from the rate hikes. However, we believe there is little evidence of a material change in economic momentum to be on the near-term horizon (outside of residential housing and commercial real estate where the effects of higher rates have already been prominent) that could see a correction.

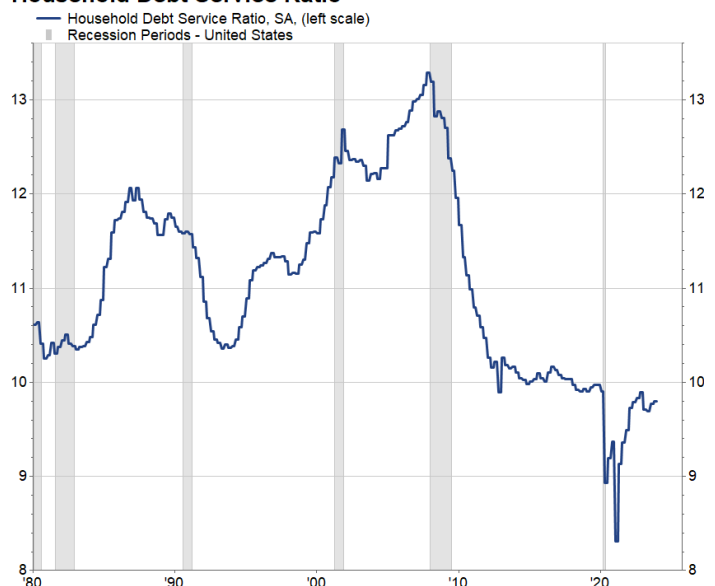
In fact, we believe economic fundamentals are currently in good position to support domestic growth prospects for some time. Most notably is the financial position of consumers. Consumers account for approximately 70% of U.S. economic activity and they heavily influence about another 15% of activity, primarily via business investment. In practically any normal economic environment, consumer spending is paramount to economic prospects.

Since the Financial Crisis (2008-'09), consumers in aggregate have been much more conservative with their finances. Yes, the dollar value of consumer debt has increased over the last few years, but when put into context of consumer disposable income (as shown at right) consumer debt burdens appear quite manageable, in our view.

Business inventory levels are also in good position. Prior to the widespread use of computers (i.e., before the 1980s) fluctuations in business inventories across the economy often resulted in a destabilization of business conditions and economic momentum. Today, as shown in the chart at the top of the next page, business inventories in aggregate are in solid condition, in our view.

The chart at right is sourced from FactSet.

Household Debt Service Ratio



NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.

While business inventories were already low relative to historical averages, a further reduction in inventory levels shaved 0.4 percentage points (pp) from the Commerce Department's Q1 Advance GDP report. Additionally, the drag in Q1 comes after the category offered a hefty 0.5 pp negative contribution to real GDP growth in Q4-2023

Finally, we come to an examination of financial market supports. Here too, we believe conditions may be better than what could be interpreted from a simple look at Price to Earnings (P/E).

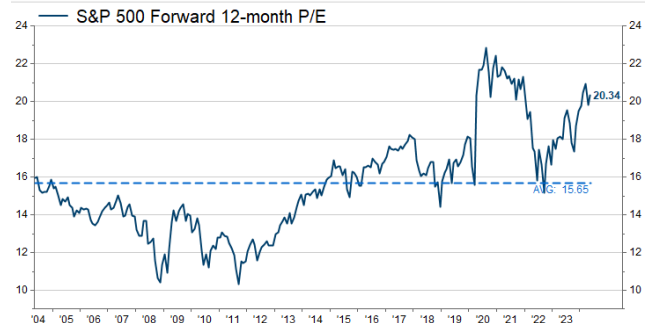
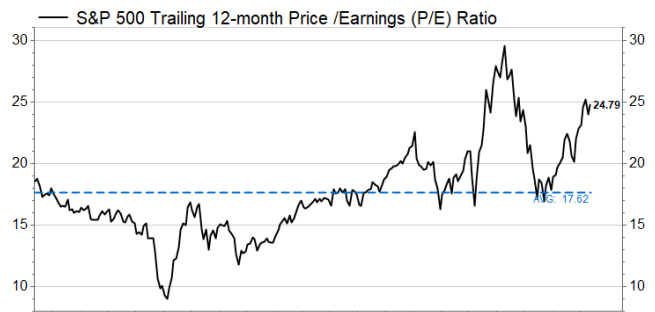
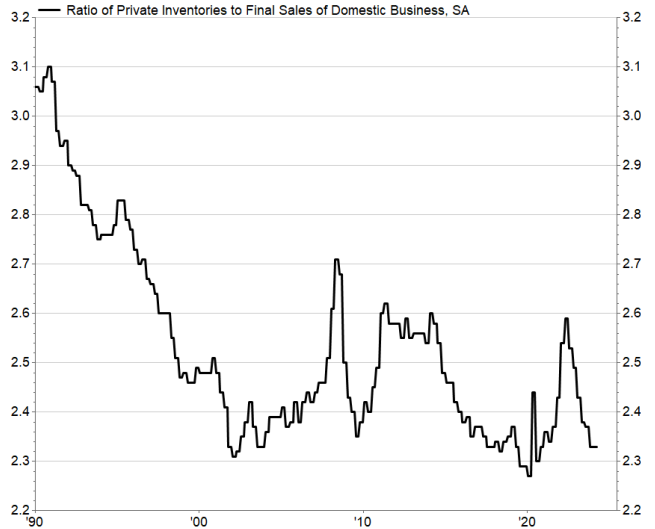
As seen in the second chart at right, S&P 500 aggregate P/E ratios (trailing and forward) are high compared to their multi-decade averages. Nevertheless, as we pointed out a few weeks ago, other valuation metrics tell a more digestible message.

The measures at the bottom of the page suggest conditions may be in better shape than the P/E ratios indicate.

Corporate free cash flow is likely THE best indicator of any company's profit generation potential. In looking at current S&P 500 valuations on this basis provides a solid perspective. This is not to say that equity markets are "cheap" by any means, but neither do they seem to be as expensive as simple glance at P/E ratios might suggest.

In conclusion, there are many risks on the path ahead over the intermediate-term, especially, as we all know, on the global geopolitical risk landscape. However, we believe it is important for investors to periodically look past the clamor fueled by market media outlets and take a fresh look at the underlying economic and financial market basics that are most important to intermediate-to-longer term financial market prospects.

Business Inventories to Sales

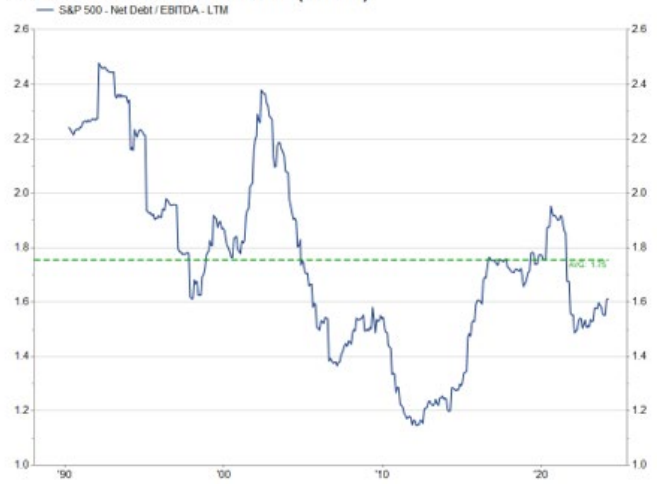


All charts on this page are sourced from FactSet.

S&P 500 Valuation: Price to Free Cash Flow



S&P 500: Net debt to Free Cash Flow (EBITDA)



U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **Stocks look to open higher.** U.S. equity index futures currently indicate a moderately higher open to the trading day of about 0.4% to 0.5%. The University of Michigan will release a preliminary look at its Consumer Sentiment Index for the month of May at 10 AM ET but there are no other reports of prominence on the docket today.
- **Earnings Update:** With roughly 92% of S&P 500 companies having reported their financial results for the first quarter, blended earnings per share (EPS) growth is currently seen as being +5.4% year-over-year on revenue growth of +4.1%, according to FactSet.

Europe:

Stocks are solidly higher at mid-day in Europe with most major bourses in the region seeing gains of +0.6% and +1.1%. Investor sentiment in the region got a boost earlier today when the U.K.'s Office of National Statistics released data showing the country grew at a +0.6% quarter-over-quarter pace in Q1. If the number holds in future revisions it would mark the island nation's first expansion after seeing modest contractions in Q3 and Q4 2023. Stocks across the region have been on a winning streak since last Thursday as growth measures signal a better pace of activity and officials at the European Central Bank (ECB) have confirmed that rate cuts are on the horizon.

Asia-Pacific:

Stock prices were also higher across the Asia /Pacific overnight, but the gains were very unevenly distributed. Hong Kong's Hang Seng Index surged another +2.3% with bank and financial services firms leading the way, according to Bloomberg. Other markets in the region posted gains of about 0.3% to 0.4% albeit China's main Shanghai CSI 300 which was generally flat.

WORLD CAPITAL MARKETS

5/10/2024

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	%YTD	Value	Asia/Pacific (Last Night)	% chg.	%YTD	Value
S&P 500	0.5%	9.9%	5,214.1	DJSTOX 50 (Europe)	0.6%	14.7%	5,086.2	Nikkei 225 (Japan)	0.4%	15.1%	38,229.1
Dow Jones	0.8%	5.2%	39,387.8	FTSE 100 (U.K.)	0.7%	10.8%	8,439.7	Hang Seng (Hong Kong)	2.3%	12.2%	18,963.7
NASDAQ Composite	0.3%	9.2%	16,346.3	DAX Index (Germany)	0.5%	12.1%	18,771.8	Korea Kospi 100	0.6%	3.5%	2,727.6
Russell 2000	0.9%	2.8%	2,073.6	CAC 40 (France)	0.7%	10.8%	8,242.1	Singapore STI	0.8%	4.2%	3,290.7
Brazil Bovespa	-1.0%	-4.5%	128,188	FTSE MIB (Italy)	1.0%	14.3%	34,683.6	Shanghai Comp. (China)	0.0%	6.0%	3,154.5
S&P/TSX Comp. (Canada)	0.5%	7.9%	22,375.8	IBEX 35 (Spain)	0.6%	12.3%	11,114.7	Bombay Sensex (India)	0.4%	0.9%	72,664.5
Mexico IPC	1.3%	1.4%	57,846.1	MOEX Index (Russia)	0.5%	13.3%	3,449.5	S&P/ASX 200 (Australia)	0.4%	4.1%	7,749.0
Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	0.4%	8.1%	779.6	MSCI EAFE	0.3%	6.0%	2,332.0	MSCI Emerging Mkts	-0.3%	4.7%	1,063.5

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	Equity Income Indices	% chg.	% YTD	Value	Commodities			
Communication Services	0.4%	19.5%	292.8	JPM Alerian MLP Index	0.1%	11.8%	284.2	Futures & Spot (Intra-day)			
Consumer Discretionary	0.7%	3.5%	1,464.6	FTSE NAREIT Comp. TR	2.0%	-4.9%	22,742.1	CRB Raw Industrials	0.1%	2.3%	556.3
Consumer Staples	0.8%	8.9%	823.1	DJ US Select Dividend	0.9%	6.8%	3,206.7	NYMEX WTI Crude (p/bbl.)	0.8%	11.5%	79.9
Energy	1.4%	13.7%	720.4	DJ Global Select Dividend	1.0%	5.9%	230.0	ICE Brent Crude (p/bbl.)	0.6%	9.6%	84.4
Financials	0.7%	11.2%	692.1	S&P Div. Aristocrats	0.9%	5.0%	4,486.1	NYMEX Nat Gas (mmBtu)	0.5%	-8.0%	2.3
Health Care	0.8%	5.5%	1,668.6					Spot Gold (troy oz.)	1.2%	15.1%	2,374.0
Industrials	0.9%	10.6%	1,062.0					Spot Silver (troy oz.)	1.0%	20.2%	28.6
Materials	1.1%	7.6%	577.5	Bond Indices	% chg.	% YTD	Value	LME Copper (per ton)	0.1%	15.6%	9,780.6
Real Estate	2.3%	-4.6%	237.7	Barclays US Agg. Bond	0.2%	-1.7%	2,124.3	LME Aluminum (per ton)	0.5%	7.2%	2,513.8
Technology	-0.3%	11.2%	3,769.4	Barclays HY Bond	0.0%	1.5%	2,517.4	CBOT Corn (cents p/bushel)	0.7%	-7.0%	459.5
Utilities	1.5%	13.7%	362.0					CBOT Wheat (cents p/bushel)	2.2%	0.9%	651.3
Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/\$)	0.0%	-2.4%	1.08	Japanese Yen (\$/¥)	-0.1%	-9.4%	155.70	Canadian Dollar (\$/C\$)	0.0%	-3.2%	1.37
British Pound (£/\$)	0.0%	-1.6%	1.25	Australian Dollar (A\$/S)	-0.2%	-3.0%	0.66	Swiss Franc (S\$/CHF)	-0.1%	-7.2%	0.91

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

Ameriprise Global Asset Allocation Committee (GAAC)

U.S. Equity Sector - Tactical Views

	S&P 500					S&P 500			
	Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight		Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.9%	Overweight	2.0%	7.9%	Communication Services	8.9%	Equalweight	-	8.9%
Information Technology	30.0%	Equalweight	-	30.0%	Energy	3.9%	Equalweight	-	3.9%
Health Care	12.3%	Equalweight	-	12.3%	Utilities	2.1%	Equalweight	-	2.1%
Financials	13.1%	Equalweight	-	13.1%	Materials	2.3%	Equalweight	-	2.3%
Industrials	8.8%	Equalweight	-	8.8%	Real Estate	2.3%	Equalweight	-	2.3%
					Consumer Discretionary	10.4%	Underweight	-2.0%	8.4%

As of: March 29, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/21/2024. 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. Numbers may not add due to rounding.

Global Equity Regions - Tactical Views

	MSCI All-Country					MSCI All-Country			
	World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight		World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	62.4%	Overweight	2.1%	64.5%	Latin America	1.0%	Equalweight	-	1.0%
Europe ex U.K.	13.5%	Overweight	2.0%	15.5%	Asia-Pacific ex Japan	10.3%	Underweight	-3.0%	7.3%
Japan	5.6%	Overweight	1.0%	6.6%	Canada	2.9%	Underweight	-1.0%	1.9%
United Kingdom	3.2%	Equalweight	-	3.2%	Middle East / Africa	1.1%	Underweight	-1.1%	0.0%

as of: March 29, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 03/21/2024. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are 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. Numbers may not add due to rounding.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Friday May 10, 2024

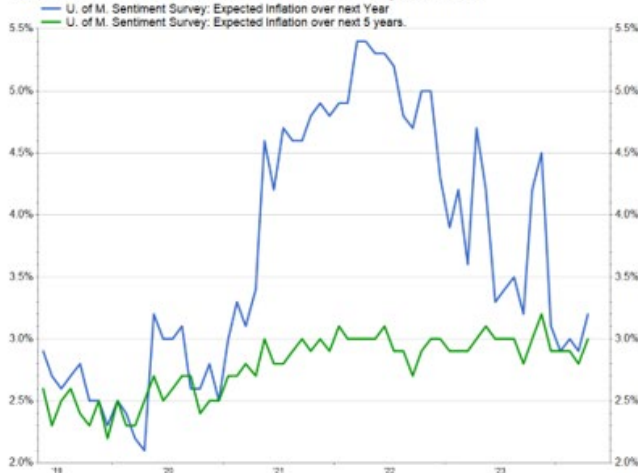
All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
10:00 AM	May P	U. of M. Consumer Sentiment	76.2		77.2	
10:00 AM	May P	Sentiment - Current econ. conditions	79.0		79.0	
10:00 AM	May P	Sentiment - Expectations	75.0		76.0	

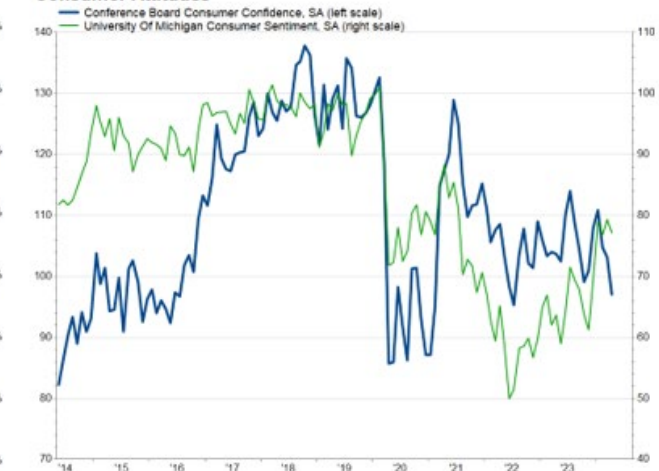
Commentary:

- **What say consumers on inflation?** The University of Michigan is scheduled to release its preliminary read on May Consumer Sentiment at 10 AM ET. Consumer attitudes are always important, but, in what seems to be an illogical pattern, sentiment measures have historically had weak correlation with consumer spending habits over the near-term unless there was a notable economic contraction. Let's hope that historical relationship holds because Consumer Confidence and Sentiment both remain well below their pre-pandemic averages.
- Possibly more important than today's headline sentiment figures will be the report's inflation and inflation expectations measures.
- As seen in the chart at left at the top of the next page, consumer's short-term (1-year) inflation views are down significantly from their 2022 highs. Still, consumer inflation expectations overall remain elevated relative to pre-pandemic averages. *The charts at the top of the next page are sourced from FactSet.*

U. of M. Consumer Sentiment: Inflation Expectations



Consumer Attitudes



Ameriprise Economic Projections

Forecast:	Full-year				Quarterly							
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q2-2023	Actual Q3-2023	Actual Q4-2023	Actual Q1-2024	Est. Q2-2024	Est. Q3-2024	Est. Q4-2024	
Real GDP (annualized)	1.9%	2.5%	2.2%	1.8%	2.1%	4.9%	3.4%	1.6%	2.6%	1.9%	1.6%	
Unemployment Rate	3.6%	3.7%	4.2%	4.2%	3.6%	3.8%	3.7%	3.8%	4.0%	4.1%	4.2%	
CPI (YoY)	8.0%	3.4%	2.3%	2.0%	3.0%	3.7%	3.4%	3.5%	3.3%	2.6%	2.3%	
Core PCE (YoY)	5.2%	2.9%	2.1%	1.9%	4.3%	3.6%	2.9%	2.8%	2.5%	2.2%	2.1%	

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.

All estimates other than GDP are period ending.

Last Updated: May 1, 2024

Ameriprise Global Asset Allocation Committee Targets and Views

Targets

	Favorable Scenario	Base-Case Scenario	Adverse Scenario
2024 Year-end Targets:			
S&P 500 Index:	5,400	5,200	4,500
10-Year U.S. Treasury Yield:	4.00%	3.50%	3.00%
Fed Funds Target Range:	4.25% to 4.50%	4.75% to 5.00%	3.75% to 4.00%

Estimates (Est.) via American Enterprise Investment Services Inc.

Please see latest *Quarterly Capital Market Digest* for more information.

Last Updated: April 24, 2024

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Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2024 Year-end S&P 500 Target: 5,200
2024 Year-End 10-year Treasury Target: 3.50%

as of 03/27/2024

	Overweight	Equalweight	Underweight
Equity	<ul style="list-style-type: none"> U.S. Large Cap Value Developed Foreign Equity 	<ul style="list-style-type: none"> U.S. Large Cap Growth U.S. Mid Cap Value U.S. Mid Cap Growth U.S. Small Cap Value U.S. Small Cap Growth 	<ul style="list-style-type: none"> Emerging Foreign Equity
S&P 500 Sectors	<ul style="list-style-type: none"> Consumer Staples 	<ul style="list-style-type: none"> Communication Services Energy Financials Health Care Industrials Information Technology Materials Real Estate Utilities 	<ul style="list-style-type: none"> Consumer Discretionary
Global Equity Regions	<ul style="list-style-type: none"> United States Europe ex U.K. Japan 	<ul style="list-style-type: none"> Latin America United Kingdom 	<ul style="list-style-type: none"> Asia Pacific ex Japan Middle East/Africa Canada
Fixed Income	<ul style="list-style-type: none"> U.S. Government U.S. Investment Grade Corp. 	<ul style="list-style-type: none"> Developed Foreign Bonds U.S. High Yield Bonds 	<ul style="list-style-type: none"> Emerging Foreign Bonds Municipal Bonds
Alternatives		<ul style="list-style-type: none"> Real Assets 	<ul style="list-style-type: none"> Alternative Strategies
Cash		<ul style="list-style-type: none"> Cash Cash Investments 	

Note: Our Tactical Allocations are designed to augment a Strategic portfolio over a 6-12-month time horizon. **Asset Allocation and diversification do not ensure or guarantee better performance and do not eliminate the risk of investment losses. Investors should note that rising interest rates could have a detrimental effect on bond prices. Please consult with your financial advisor.** Cash generally refers to assets, securities and/or products low in risk and highly liquid. For asset allocation purposes, instruments can include Treasury bills, certificates of deposit, money market funds and high quality bonds whose maturities are less than 3 months. Outside of asset allocation purposes, cash investments can also include illiquid cash held in a mutual fund or pledged as collateral for derivatives. You can only access this cash by redeeming the fund using it, subject to fees or time constraints associated with redemptions.

Major Market Indices	Rolling Returns			
	Q1'24	1-year	3-years	5-years
Russell 3000® Index (U.S. Equity)	10.02%	29.29%	9.78%	14.34%
MSCI ACWI Ex USA Index – net (Foreign Equity)	4.69%	13.26%	1.94%	5.97%
Bloomberg U.S. Universal Bond Index (Fixed Income)	-0.47%	2.67%	-2.11%	0.69%
Wilshire Liquid Alternative Index (Alternatives)	3.16%	8.25%	1.95%	2.92%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.52%	2.70%	2.07%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of March 29, 2024

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The Ameriprise Investment Research Group

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Vice President

Thomas Crandall, CFA, CFP®, CMT, CAIA
Vice President – Asset allocation

Jun Zhu, CFA, CAIA
Sr Analyst – Quantitative, Asset allocation

Sumit Chugh, CFA
Analyst II

Amit Tiwari, CFA
Sr Associate I

Chief Economist

Russell T. Price, CFA
Vice President

Equity Research

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Director – Technology and Communication Services

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Analyst II – Quantitative strategies and international

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Jeff Carlson, CLU®, ChFC®, RICP®
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Manager Research

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Vice President

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Sr Analyst

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Analyst II

Ryan Elvidge
Analyst II

Matt Burandt
Analyst II

Parveen VEDI
Sr Associate I

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Sr Associate I

Ankit Srivastav
Associate II

Pulkit Kumar
Associate II

Sameer Asif
Associate II

Equities

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Cynthia Tupy, CFA
Director – Value equity and equity income

Andrew S. Murphy, CFA
Analyst II – Core equity

Teneshia Butler
Analyst II – Growth equity

Kuldeep Rawat
Sr. Associate I

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Josh Whitmore, CFA
Director – Fixed income

Lukas Leijon
Sr Associate II – Fixed income

Diptendu Lahiri
Sr Associate I – Fixed income

Fixed Income Research and Strategy

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Vice President

Jon Kyle Cartwright
Sr Director – High yield and investment grade credit

Stephen Tufo
Director – High yield and investment grade credit

Retirement Research

Rohan Sharma
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Matt Morgan
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Will Ikola
Sr Manager

Keyur Mathur
Sr Manager

Shringarika Saxena
Business Analyst

Abhishek Anand
Principal Lead - Quality Engineering

Karan Prakash
Technical Lead - Quality Engineering

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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: Model portfolios and 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.

Sector Risk: The Ameriprise Global Asset Allocation Committee and managers of this model portfolio can elect to overweight or underweight (or completely avoid) certain economic sectors. This could lead to substantial underperformance versus a more diversified or balanced weighting.

Security Recommendation Risk: The research team may not be successful in selecting securities that collectively perform better than the benchmark. When viewing return comparisons investors should keep in mind the following information. Our model portfolio generally maintains less than 50 securities, whereas benchmark indices contain several times that amount. The benchmark index is market capitalization weighted, providing greater weight to the larger company movements, whereas our model portfolio is designed to be equally dollar weighted. Furthermore, the model portfolio may deviate significantly, at times, from the sector allocation of the benchmark due to our interpretation of economic conditions and market factors as well as our security selection process.

The benchmark index returns are taken from Bloomberg Financial Markets and reflect dividends reinvested. Additionally, there is no fee or cost assumption in the index comparison return.

Product Risk Disclosures

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.

American Depositary Receipts (ADR) are securities issued by a U.S. bank that typically represent a foreign company’s equity and that trade similarly to domestic

equities, and are either listed on an exchange or over-the-counter. As with any equity investment, ADRs are subject to market and company specific risks. ADRs will also be subjected to foreign market risks. These risks include possible losses due to foreign currency translation, geopolitical instability, and deviations in the market value of an ADR compared to that of the underlying common shares in its primary market. ADRs may suffer from a lack of investor protection and recourse. In the event of a liquidation of the underlying company, the holders of its ADRs are not guaranteed of being able to enforce their right of claim and therefore they may lose their entire investment. Investors of ADRs may also take on risks associated with the parties involved with the sponsoring Bank.

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.

There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

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.

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 enhanced for **emerging market** issuers.

Interest payments on **inflation-protected securities** may be more volatile than interest payments on ordinary bonds. In periods of deflation, these securities may provide no income.

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.

Disclosures of potential conflicts of interest

One or more members of the research team who prepared this research report may have a financial interest in securities mentioned in this research report through investments in a discretionary separately managed account program.

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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