

Before the Bell

An Ameriprise Investment Research Group Publication

May 15, 2024

Starting the Day

- U.S. futures look higher open after econ. data.
- European markets are trading mostly higher at midday.
- Asian markets ended mixed.
- AI helps fuel gains in Utilities.
- April CPI rises +0.3% y/y, versus +0.4% expected.
- 10-year Treasury yield drops to +4.36%.
- West Texas Intermediate (WTI) oil is trading at \$77.60.
- Gold is trading at \$2,375.80

Market Perspectives

Anthony M. Saglimbene, Chief Market Strategist

Utilities go on the offensive as the AI theme broadens. As the *Ameriprise* chart below shows, Utilities have gone on a tear higher recently. In fact, Utilities is the best-performing S&P 500 sector month-to-date and over the last month. Additionally, the recent stretch of outperformance has placed the sleepy, slower growth, dividend-focused sector among the top three best-performing sectors of 2024, right alongside the growth-focused Communication Services and Information Technology sectors. A recent shift in sentiment around Utilities includes expected rate cuts out of the Federal Reserve later this year as well as a proliferation of the AI boom outside of the obvious plays in semiconductors, data storage, and cloud computing. Simply, it takes a ton of electricity to run generative AI and large language models. Analysts estimate the U.S. could require 30 to 50 gigawatts of incremental power generation capacity by 2030 to satisfy the power needs of data centers. The recent run in Utilities has coincided with AI-related companies posting strong growth in the first quarter and, importantly, providing strong outlooks for continued expansion/growth as more companies scramble to invest/build their own AI capabilities. The second derivative play from all that potential AI expansion includes looking at the longer-term needs associated with strengthening the U.S. power grid and building capable infrastructure that can handle sophisticated heating/cooling needs. As *Bespoke Investment Group* recently highlighted, three of the five best-performing S&P 500 stocks this year are in the Utilities sector, while the other two are housed in the Information Technology sector. All five stocks are associated with AI and electricity demand. That said, the recent run in Utilities has put the sector on

S&P 500 Utilities (Total Return)



Source: FactSet and American Enterprise Investment Services Inc.

Data as of 5/10/2024

ID: 1001.015

run generative AI and large language models. Analysts estimate the U.S. could require 30 to 50 gigawatts of incremental power generation capacity by 2030 to satisfy the power needs of data centers. The recent run in Utilities has coincided with AI-related companies posting strong growth in the first quarter and, importantly, providing strong outlooks for continued expansion/growth as more companies scramble to invest/build their own AI capabilities. The second derivative play from all that potential AI expansion includes looking at the longer-term needs associated with strengthening the U.S. power grid and building capable infrastructure that can handle sophisticated heating/cooling needs. As *Bespoke Investment Group* recently highlighted, three of the five best-performing S&P 500 stocks this year are in the Utilities sector, while the other two are housed in the Information Technology sector. All five stocks are associated with AI and electricity demand. That said, the recent run in Utilities has put the sector on

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the very high end of its recent trading range and pushed valuation multiples, including price-to-earnings, price-to-sales, and price-to-cash flow, higher. However, the sector is still trading at substantial discounts compared to the broader S&P 500, particularly on a next twelve-month earnings per share basis. And while some may see the recent outperformance in Utilities as a sign of investors becoming more defensive, we would argue power generation and the potential expansion/modernization of delivering electricity to help fuel AI needs is the more dominant investment theme behind the sector's recent run.

U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **Investors like what they see in inflation and retail sales reports.** The headline April Consumer Price Index (CPI) rose +3.4% y/y. Core CPI, which removes food and energy prices, rose +3.6% y/y last month. The updated look at consumer inflation showed prices moderated somewhat compared to March levels. Coming into today's key inflation report and following a slightly hotter-than-expected PPI report on Tuesday, investors were looking for signs that consumer inflation pressures, particularly in services, were on a path lower.
- **Earnings Update:** With roughly 92% of S&P 500 first quarter reports complete, blended earnings per share (EPS) growth is higher by +5.4% year-over-year on revenue growth of +4.1%.

Europe:

Forecasts for economic growth in Germany (the Eurozone's #1 economy) continue to be dialed back this year. The German Council of Economic Experts now sees German GDP coming in at just +0.2% this year, below their previous target of +0.7% and the government's +0.3% forecast. Last year, Germany's economy was the weakest among the major Eurozone economies as a manufacturing slump, high energy prices, and elevated interest rates weighed on activity across Germany. In Q1'24, the German economy grew by a sluggish +0.2% amid a still weak manufacturing economy, an anemic housing market, and weak construction activity. That said, German equities have performed well this year, as investors anticipate improving economic conditions as the year wears on, lower inflation pressures and European Central Bank rate cuts later this year.

Asia-Pacific:

As expected, the Biden administration announced a range of increased tariffs on roughly \$18 billion of Chinese imports. Tariffs on Chinese electric vehicles quadrupled to 102.5%. However, as *Reuters* points out, the move may be more political than practical, as the number of imported Chinese EVs in the U.S. is very small. EV materials, including lithium-ion batteries, photovoltaic cells, and critical minerals, also saw steep increases in their tariff rates. More tariffs on semiconductors and lithium-ion batteries are expected to follow in 2025 and 2026, according to *FactSet*.

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WORLD CAPITAL MARKETS

5/15/2024

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.5%	10.6%	5,246.7
Dow Jones	0.3%	5.6%	39,558.1
NASDAQ Composite	0.8%	10.3%	16,511.2
Russell 2000	1.1%	3.4%	2,085.7
Brazil Bovespa	0.3%	-4.2%	128,515
S&P/TSX Comp. (Canada)	-0.1%	7.3%	22,243.3
Russell 3000	0.5%	9.8%	3,002.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.0%	14.7%	5,082.6
FTSE 100 (U.K.)	0.2%	10.9%	8,447.2
DAX Index (Germany)	0.4%	12.2%	18,795.9
CAC 40 (France)	-0.1%	10.7%	8,218.0
FTSE MIB (Italy)	0.3%	16.2%	35,265.9
IBEX 35 (Spain)	0.4%	14.0%	11,285.7
MOEX Index (Russia)	0.1%	13.9%	3,467.8

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.1%	15.6%	38,385.7
Hang Seng (Hong Kong)	-0.2%	12.9%	19,073.7
Korea Kospi 100	0.1%	3.6%	2,730.3
Singapore STI	-0.7%	4.2%	3,289.4
Shanghai Comp. (China)	-0.8%	4.9%	3,119.9
Bombay Sensex (India)	-0.2%	1.4%	72,987.0
S&P/ASX 200 (Australia)	0.3%	4.4%	7,753.7

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.4%	9.0%	785.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.2%	7.2%	2,357.1

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.2%	6.5%	1,081.0

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	0.5%	19.6%	293.2
Consumer Discretionary	0.4%	3.1%	1,458.9
Consumer Staples	-0.2%	9.1%	824.2
Energy	-0.1%	13.0%	713.9
Financials	0.5%	11.8%	695.8
Health Care	0.4%	6.1%	1,677.9
Industrials	0.0%	10.2%	1,058.0
Materials	0.1%	7.7%	578.2
Real Estate	0.7%	-4.0%	239.1
Technology	0.9%	13.4%	3,841.1
Utilities	0.2%	13.8%	362.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.0%	10.2%	280.2
FTSE NAREIT Comp. TR	0.8%	-4.1%	22,950.7
DJ US Select Dividend	0.5%	7.6%	3,230.7
DJ Global Select Dividend	0.2%	6.8%	232.2
S&P Div. Aristocrats	-0.1%	5.1%	4,491.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.3%	-1.6%	2,127.4
Barclays HY Bond	0.0%	1.5%	2,517.4

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	2.6%	557.8
NYMEX WTI Crude (p/bbl.)	-0.7%	8.2%	77.5
ICE Brent Crude (p/bbl.)	-0.7%	6.2%	81.8
NYMEX Nat Gas (mmBtu)	1.5%	-5.4%	2.4
Spot Gold (troy oz.)	0.2%	14.6%	2,363.7
Spot Silver (troy oz.)	0.5%	20.9%	28.8
LME Copper (per ton)	-0.7%	18.2%	10,008.5
LME Aluminum (per ton)	0.0%	6.4%	2,496.1
CBOT Corn (cents p/bushel)	0.7%	-4.7%	471.0
CBOT Wheat (cents p/bushel)	2.3%	6.5%	687.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/€)	0.1%	-1.8%	1.08
British Pound (£/€)	0.2%	-0.9%	1.26

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	0.6%	-9.3%	155.43
Australian Dollar (A\$/€)	0.3%	-2.5%	0.66

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	0.1%	-2.8%	1.36
Swiss Franc (\$/CHF)	0.2%	-7.0%	0.90

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 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight		S&P 500 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 World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight		MSCI All-Country 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

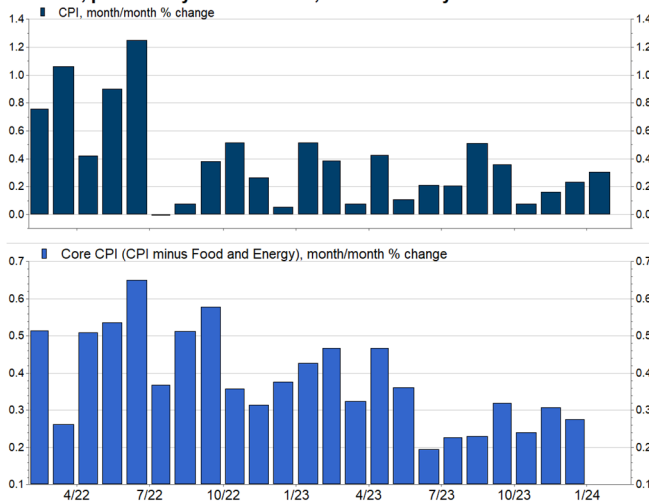
Releases for Wednesday May 15, 2024 All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	APR	Consumer Price Index (CPI)(MoM)	+0.4%	+0.3%	+0.2%	
8:30 AM	APR	Core CPI – Less Food & Energy (MoM)	+0.3%	+0.4%	+0.3%	
8:30 AM	APR	Consumer Price Index (CPI)(YoY)	+3.4%	+3.4%	+3.4%	
8:30 AM	APR	CPI – Less Food & Energy (YoY)	+3.6%	+3.6%	+3.9%	
8:30 AM	APR	Retail Sales (MoM)	+0.4%	+0.0%	+0.7%	+0.6%
8:30 AM	APR	Retail Sales Ex. Autos (MoM)	+0.2%	+0.2%	+1.1%	+0.9%
8:30 AM	APR	Retail Sales Ex. Autos & Gas (MoM)	+0.2%	-0.1%	+1.0%	+0.7%
8:30 AM	MAY	Empire Manufacturing Index	-10.0	-15.6	-20.9	
10:00 AM	MAY	NAHB Housing Market Index	51		51	

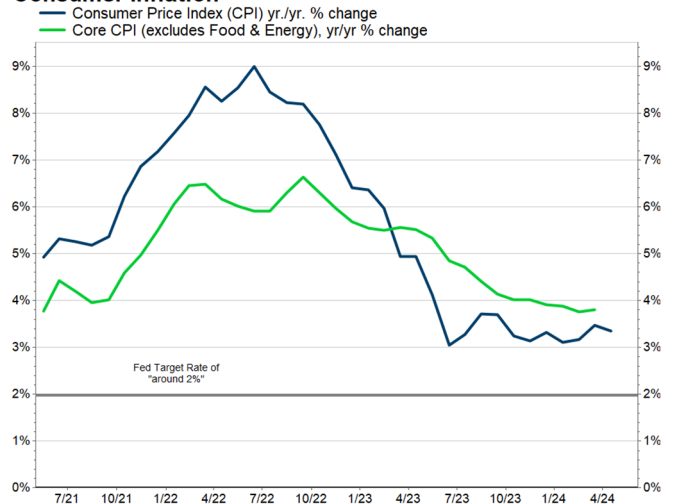
Commentary:

- **A lot to like in an initial look at today's CPI and Retail Sales reports.**
- **Headline inflation** came-in a tenth lower than expected but both headline and core continue to grow at a fast pace, nonetheless. Headline inflation grew at a better than +0.2% month-over-month rate for a fifth straight month. Worse, Core inflation (excludes food & energy) grew by +0.3% or better for a fourth straight month and a better than +0.2% pace for a tenth month. A 2.0% annualized inflation rate would see monthly gains of +0.16%.
- **Notables:** "Food Away from Home" prices jumped 0.3% last month. The category accounts for about 5% of the Index and was under close watch given that the rate was expected to see a boost from higher prices in California where a new law, boosting fast food wages to a \$20/hr. minimum, went into effect April 1st. April's rate however, was in-line with that seen in March, thus no real effect.
- **Shelter:** Shelter costs were 0.4% higher in April equating to a y/y rate of 5.5%. The monthly rate matched that as seen over the prior two months
- *The charts below are sourced from FactSet. In both charts, the headline CPI numbers HAVE been updated for today's release but the core measures have NOT.*

Inflation, particularly Shelter costs, remain "sticky".



Consumer Inflation



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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

2024 Year-end Targets:	Favorable Scenario	Base-Case Scenario	Adverse Scenario
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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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: 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.

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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.

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