

Before the Bell

An Ameriprise Investment Research Group Publication

June 14, 2024

Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are down at midday.
- Asian markets ended mixed.
- Political turmoil disrupts markets in Europe.
- S&P 500 has set new record highs every day this week.
- 10-year Treasury yield at 4.21%.
- West Texas Intermediate (WTI) oil is trading at \$78.62.
- Gold is trading at \$2,346.80

Market Perspectives

Russell T. Price CFA Chief Economist

Recession odds were never as high as portrayed. The Federal Reserve began raising their overnight lending rate, the fed funds rate in March 2022 to combat surging inflation. Inflation had reached 8.5% by that time and would go on to reach a peak rate of 9.0% by June of that year. As inflation surged, the pace of Fed rate hikes was aggressive, reaching a peak (and current) target range of 5.25% to 5.50% in 17 months. Nearly as fast were the recession calls surrounding the rate hikes.

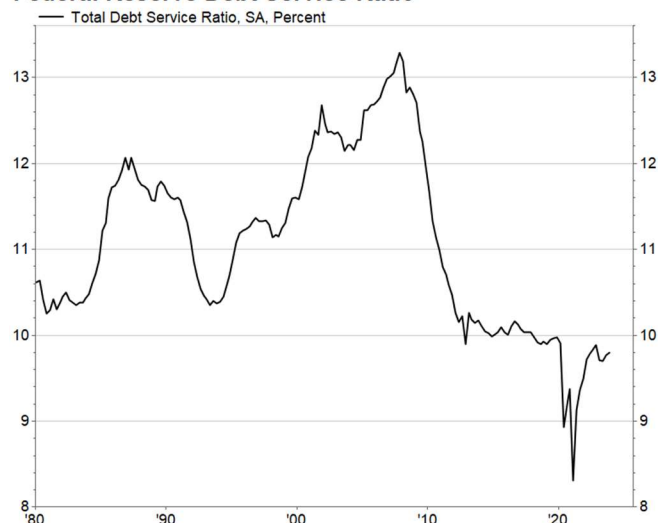
Such calls, however, have proven incorrect. Why? Simply put, consumers were not as dependent on borrowing to spend as they have been at similar points in the past. Consumer debt burdens are still low, they have cash in the bank, their home values are strong and financial assets are at high levels.

When the Fed began raising interest rates too many forecasters did what is too often done in financial markets – they looked to the past and simply said what happened then should happen again. Indeed, in the modern era (since 1970) recessions have followed Fed rate hike cycles consistently in all but the hiking cycle of the mid-1990's (when rates went from 3.0% to 6.0%). This comes as no surprise as the higher rates are meant to slow demand in the economy to reduce inflation.

But a recession never came, and we believe odds of such remain low. This time was different. In those prior periods, consumers were deep in debt when interest rates started to rise. The higher debt levels were indicative of a borrow and spending consumer leading up to that point. As seen in the chart at right, required consumer debt payments relative to disposable income were low when the pandemic arrived and are currently even a bit lower.

We believe it's no surprise that recessions have historically come when consumer debt burdens were high. Consumers account for approximately 70% of U.S. economic activity and they influence even more. Also note that debt burdens were relatively low during the mid-1990's hiking cycle as well. Under normal circumstances, consumer financial health matters more than any other economic fundamental, in our view. *The chart at right is sourced from FactSet.*

Federal Reserve Debt Service Ratio



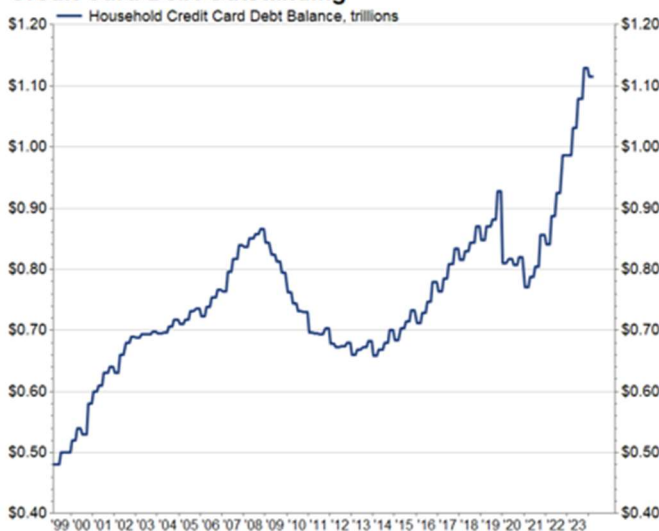
NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.

Credit card debt has also been touted as a sign of a heavily indebted consumer. But is it really? Through the first quarter of 2024, the dollar value of credit card debt was indeed close to an all-time high of just over \$1.1 trillion. In our view, however, the manner in which the data is measured offers the series a natural upside bias.

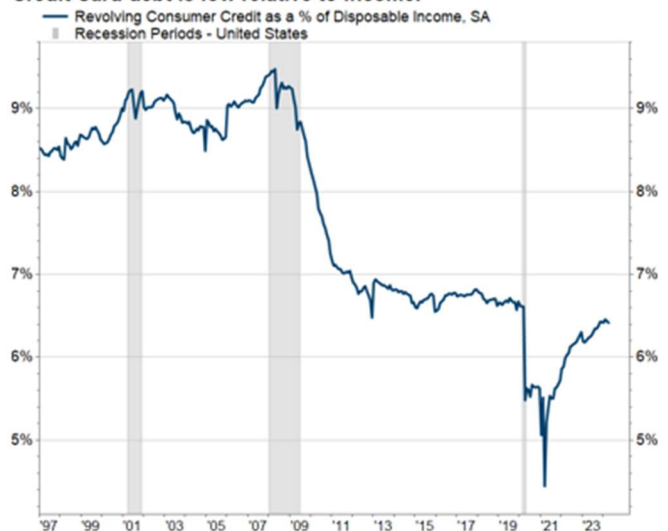
The Federal Reserve measures credit card debt on the basis of its **average monthly balance**. Why does this matter? Over time, consumers have increasingly come to use credit cards in our daily lives for convenience. People have simply become comfortable using credit cards daily, and if the bill is paid each month it's a zero percent loan that usually also offers the cardholder "points" or "cash back." However, even if the bill is paid each month, the increasing dollar value of charges naturally pushes the aggregate dollar value, i.e., the average monthly balance, higher. For example, if you charge \$2000 on your credit card during a given month and then pay it off completely, you may justifiably see yourself as having no credit card debt. According to the Fed's manner of measurement, however, you have \$1000 of credit card debt - because that was your average monthly balance.

There is no way to strip-out this 'convenience' factor, but what we can do is look at credit card debt as a percentage of aggregate consumer income. As seen in the chart at right below, credit card debt as a percentage of consumer disposable income is actually quite low and is currently even below its pre-pandemic averages. *The charts below are sourced from FactSet.*

Credit Card Debt Outstanding



Credit Card debt is low relative to income.



Finally, consumers still appear to have ample money on the sidelines. Consumer savings grew aggressively during the pandemic due to a combination of government transfer payments (stimulus) and the forced savings that came along with socialization restrictions. But how much of these savings do consumers still have available?

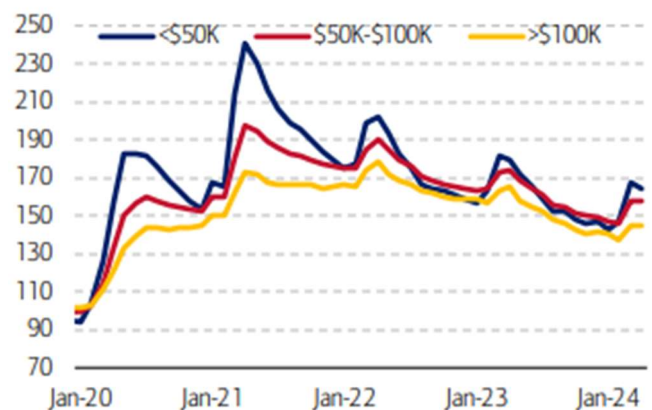
According to Bank of America, the combined value of consumer savings and checking accounts held at the bank currently remains well above pre-pandemic levels. As seen in the chart at right, regardless of income cohort, consumer checking and savings balances at the bank are about 65% above pre-pandemic levels (2019 ending) through May.

In sum, higher interest rates are clearly having a negative impact on certain sectors of the economy, particularly those that are especially interest rate sensitive such as housing, small business lending and commercial real estate where loans are refinanced more frequently. Their total impact on the overall economy, however, is limited currently by the relatively lower borrowing demand of consumers.

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Exhibit 6: Households saw a bump in deposit levels due in part to tax refunds, especially for the lower-income cohort

Monthly median household savings and checking balances by income (2019=100) for a fixed group of households through April



Source: Bank of America internal data

U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **Equity markets look to consolidate after a week of fresh new highs.** The S&P 500 has ended the day at new record highs every day this week. On Thursday, the Index closed at an all-time high of 5433.7, representing a year-to-date, price-only gain of +13.9%. The gains have been driven by good inflation data and some signs of modest slack building in the labor market which should take pressure off of wage inflation. Generally favorable comments from Federal Reserve Chairman Powell after the Fed's mid-week policy meeting were also well received.
- So far this week the S&P 500 has added about 1.6%. Equity index futures this morning, however, indicate some give-back may occur, at least at the open. Currently, Dow Jones Industrial Average futures suggest a 0.7% decline, the S&P 500 looks to open about 0.5% lower, and the tech-heavy NASDAQ looks to be down about 0.3%.

Europe:

At mid-session, stock prices are notably lower across Europe with declines ranging from a 0.2% pull-back in the United Kingdom to much sharper losses on the continent. Italy's FTSE MIB is 2.4% lower and France's CAC 40 is down 2.2% at the time of his writing.

Unlike the U.S., equity markets across the region had been trading mixed this week after recent election results for the European Parliament gave more seats to candidates on the right. The results suggested a general shifting of overall political sentiment across the region and French President Macron has called for snap parliamentary elections.

Asia-Pacific:

Equity markets ended mixed overnight in Asia in somewhat of a diverse mix. Typically, when stocks move higher in mainland China the moves are also seen in the Chinese Territory of Hong Kong. Overnight, however, China's mainland Shanghai CSI 300 was 0.4% higher while Hong Kong's Hang Seng was down a notable 0.9%. Stocks in Japan and South Korea were each modestly higher with gains of 0.2% and 0.1%, respectively.

WORLD CAPITAL MARKETS

6/14/2024

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	0.2%	14.7%	5,433.7	DJSTOXX 50 (Europe)	-1.5%	10.4%	4,862.4	Nikkei 225 (Japan)	0.2%	16.9%	38,814.6
Dow Jones	-0.2%	3.5%	38,647.1	FTSE 100 (U.K.)	-0.2%	7.6%	8,151.0	Hang Seng (Hong Kong)	-0.9%	7.3%	17,941.8
NASDAQ Composite	0.3%	18.1%	17,667.6	DAX Index (Germany)	-1.1%	7.9%	18,068.2	Korea Kospi 100	0.1%	4.7%	2,758.4
Russell 2000	-0.9%	1.2%	2,038.9	CAC 40 (France)	-2.1%	2.7%	7,546.2	Singapore STI	-0.8%	4.6%	3,297.6
Brazil Bovespa	-0.3%	-10.9%	119,568	FTSE MIB (Italy)	-2.4%	8.0%	32,790.3	Shanghai Comp. (China)	0.1%	1.9%	3,032.6
S&P/TSX Comp. (Canada)	-1.2%	5.0%	21,698.1	IBEX 35 (Spain)	-0.9%	10.9%	10,964.9	Bombay Sensex (India)	0.2%	7.4%	76,992.8
Russell 3000	0.1%	12.9%	3,083.3	MOEX Index (Russia)	0.6%	5.3%	3,191.2	S&P/ASX 200 (Australia)	-0.3%	4.1%	7,724.3

Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	-0.2%	11.2%	799.7	MSCI EAFE	-1.6%	6.6%	2,334.8	MSCI Emerging Mkts	0.7%	6.4%	1,075.5

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	% chg.	% YTD	Value
Communication Services	-1.0%	23.4%	302.3	JPM Alerian MLP Index	-0.6%	9.4%	278.1	Futures & Spot (Intra-day)			
Consumer Discretionary	-0.2%	3.3%	1,458.8	FTSE NAREIT Comp. TR	0.5%	-3.3%	23,127.6	CRB Raw Industrials	0.0%	1.6%	552.5
Consumer Staples	0.1%	8.5%	818.0	DJ US Select Dividend	-0.4%	4.0%	3,123.1	NYMEX WTI Crude (p/bbl.)	0.6%	10.4%	79.1
Energy	-0.9%	6.9%	673.1	DJ Global Select Dividend	-1.0%	1.8%	218.9	ICE Brent Crude (p/bbl.)	0.7%	8.2%	83.3
Financials	-0.2%	8.8%	676.3	S&P Div. Aristocrats	-0.1%	2.5%	4,378.5	NYMEX Nat Gas (mmBtu)	-0.2%	17.5%	3.0
Health Care	0.0%	7.6%	1,698.5				Spot Gold (troy oz.)	1.2%	13.1%	2,332.4	
Industrials	-0.6%	7.8%	1,033.0	Bond Indices			Spot Silver (troy oz.)	1.0%	23.0%	29.3	
Materials	0.0%	5.3%	563.8	Barclays US Agg. Bond	0.5%	0.0%	2,161.4	LME Copper (per ton)	-1.6%	14.2%	9,663.7
Real Estate	0.5%	-3.1%	240.7	Barclays HY Bond	0.0%	2.6%	2,544.2	LME Aluminum (per ton)	-0.8%	6.5%	2,498.8
Technology	1.4%	29.0%	4,367.0				CBOT Corn (cents p/bushel)	-0.4%	-5.8%	474.3	
Utilities	0.2%	11.7%	353.7				CBOT Wheat (cents p/bushel)	-0.6%	-4.6%	616.3	

Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/€)	-0.4%	-3.2%	1.07	Japanese Yen (\$/¥)	0.0%	-10.2%	157.03	Canadian Dollar (\$/C\$)	-0.1%	-3.7%	1.38
British Pound (£/\$)	-0.5%	-0.3%	1.27	Australian Dollar (A\$/S)	-0.3%	-2.9%	0.66	Swiss Franc (\$/CHF)	0.2%	-5.6%	0.89

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 June 14, 2024

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	MAY	Import Price Index (M/M)	-0.1%	-0.4%	+0.9%	
8:30 AM	MAY	Import Price Index (Y/Y)	+1.4%	+1.1%	+1.1%	
10:00 AM	Jun P	Univ. of Michigan Consumer Sentiment	72.0		69.1	

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%	1.3%	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 30, 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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Strategists

Chief Market Strategist

Anthony M. Saglimbene

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

Justin H. Burgin

Vice President

Patrick S. Diedrickson, CFA

Director – Consumer goods and services

William Foley, ASIP

Director – Energy and utilities

Lori Wilking-Przekop

Sr Director – Financial services and REITs

Chris Macino

Director – Health care

Frederick M. Schultz

Sr Director – Industrials and materials

Andrew R. Heaney, CFA

Director – Technology and Communication Services

Bishnu Dhar

Analyst II – Quantitative strategies and international

Research Support

Jillian Willis

Sr Administrative Assistant

Kimberly K. Shores

Investment Research Coordinator

Jeff Carlson, CLU®, ChFC®, RICP®

Business Risk Manager

Manager Research

Michael V. Jastrow, CFA

Vice President

ETFs, CEFs, UITs

Jeffrey R. Lindell, CFA

Sr Director

Alex Narum

Analyst II

Sagar Batra

Sr Associate I

Alternatives

Justin E. Bell, CFA

Vice President

Kay S. Nachampassak

Director

Quantitative Research

Kurt J. Merkle, CFA, CFP®, CAIA

Vice President

Peter W. LaFontaine

Sr Analyst

Gaurav Sawhney

Analyst II

Ryan Elvidge

Analyst II

Matt Burandt

Analyst II

Parveen Vedi

Sr Associate I

Harish Chauhan

Sr Associate I

Ankit Srivastav

Associate II

Pulkit Kumar

Associate II

Sameer Asif

Associate II

Equities

Benjamin L. Becker, CFA

Sr Director – International and global equity

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

Multi-Asset and Fixed Income

Mark Phelps, CFA

Sr Director – Multi-asset solutions

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

Brian M. Erickson, CFA

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

Vice President

Matt Morgan

Director

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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