Before the Bell

An Ameriprise Investment Research Group Publication

September 25, 2024

Starting the Day

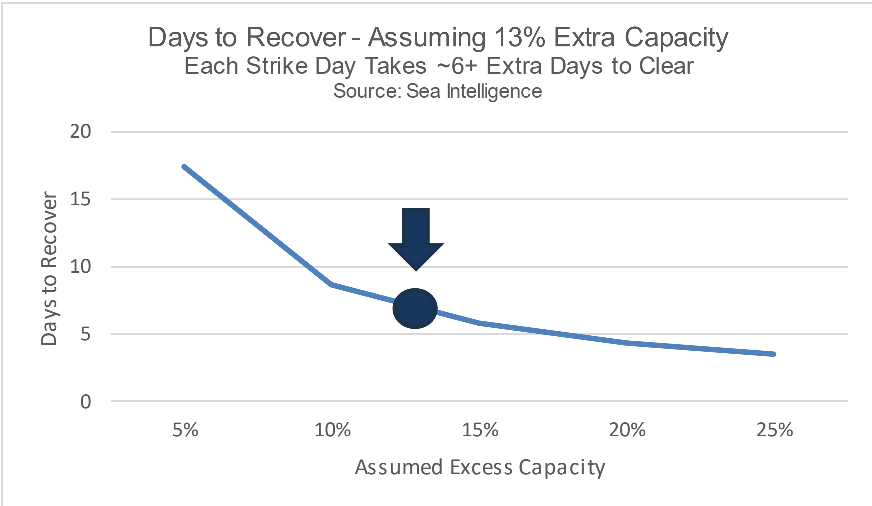
- U.S. equity index futures suggest a slightly lower open.
- European markets are mixed at midday.
- Asian markets ended mixed with sharp differences.
- Mortgage applications surge 11% week/week.
- Market activity in a lull until earnings start in 2 weeks.
- 10-year Treasury yield at 3.77%.
- West Texas Intermediate (WTI) oil is trading at $70.41.
- Gold is trading at $2,681.60

Market Perspectives

Frederick M. Schultz, Senior Director Industrials and Materials

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.

No Baltimore Bridge, but East & Gulf Coast Ports Heading Toward Potential Closures. The Industrials sector continues to face headwinds. Coming of a Q2 earnings cycle with negative y/y comps and manufacturing still in contraction, a new worry has emerged. As we have been covering in the Morning Research Notes (MRN), next Monday, the union contract covering the U.S. East and Gulf Coast port workers (ILA) and the terminal organization known as USMX is set to expire. FactSet data estimates this contract and potential strike impacts more than 45,000 union dock workers and could cause significant supply chain issues depending on the length of the strike. Eastern ports stretched for excess capacity, as we depict below.



According to a scenario analysis impact from Sea Intelligence, the length of the disruption depends on excess capacity. Under this scenario, each strike day adds extra days to clear the backed up cargo. Each strike day could add an extra 17 days to clear the docks under an extra 5% excess capacity scenario, or as few as 4 days to clear assuming 25% extra capacity.

According to Sea Intelligence data, East Coast ports managed 2.3 million TEUs of cargo in October 2023, or 74,000 TEUs per day (36k imports, 38k exports). Assuming similar conditions in 2024, each

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union strike day adds a week of backlog. If the unions strike for one week, the estimates push into mid-November to clear the cargo stacks, two weeks would push into early 2025 and so forth. In other words, port strikes can be very disruptive to the U.S. industrial economy. This does not assume weather impacts, which hurricanes and such can prolong any attempt to clear up the potential bottleneck.

There is obviously still time to settle the matter before midnight next Monday, but the timing is meant to impact the U.S. Presidential election news cycle and provide leverage to union negotiators, assuming all sides want to avoid the economic impact. However, should a deal fail to materialize, we provide the back of the envelope math on what a potential impact could be. Like dog years, each strike day adds a week to clear cargo. According to Sea Intelligence data, on average, around 13% extra capacity exists along the East and Gulf Coast port systems, as we highlighted in the previous chart. The Industrial sector storm clouds remain on the horizon, in our view.

U.S. Pre-Market Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **Stock futures are pointing to a lower open this morning.** After making the 41st all-time high of the year, the S&P 500 Index looks to open lower, despite news of new stimulus impacts from China. We would expect Materials (base metals, chemicals) and select conglomerate international firms to trade well into the session on the China news.
- **Rates Odds Update –** According to Bloomberg, the U.S. swaps markets are currently baking in an additional seventy-five basis points (bps) of interest rate cuts before year end (YE).
- **Fed Watch –** The commentary read from the Fed minutes suggests a focus on employment versus inflation, which brings the September employment report into focus for early next week. The next report, or catalyst date, for Fed data is October 4th. Consensus is for NFP +150k, versus prior +142k and the unemployment rate to stay ~3.8%. Before the next FOMC meeting, the next potential rate cut announcement date, the October employment report, as well as a vast majority of Q3 earnings will help provide guidelines for that meeting, in our view.

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Europe:

Most major European bourses are lower at midday, although Italy and the U.K. positive outliers. Wire house notes this morning pegged the positive stimulus news from China as positive for dividend paying stocks in Europe on the sentiment shift. Sweden eased interest rate policy by 25 bps to 3.25% in line with expectations but hinting at more before year end. Recent PMI readings across the Eurozone showed continued weakness, especially in Germany where the reading near 40 showed a deeper than anticipated contraction. The probability of an October ECB 25 bps rate cut lifted to 42% from 25% after the PMI data over the weekend showed the Eurozone stalling, according to FactSet data. Luxury goods and auto makers in Germany are trading near YTD lows as a sign that cooling wage and employment growth are stalling in Europe's largest economy. According to FactSet data, since March, equities in the U.K. have outperformed Europe by 5%. The attraction to "Value" stocks has been a growing theme.

Asia-Pacific:

Markets in Asia were mixed after China announced a 20-bps cut to 7-day reverse repo rate, a 50 bps RRR cut, and a 50-bps cut on existing mortgage rates, according to FactSet data. China also lowered the down payment rate on second home sales to 15% from 25% previously to stimulate sales. The SSE Composite rallied more than 1% on the news. The Yuan moved to a 16-month high on the back of the stimulus news and the U.S. dollar being pressured from recent rate cuts. Iron ore futures are up more than 5% for a second day, the biggest rally in the metal since early 2023 on the prospects of China recovering sooner than expected thanks to the newly announced measures.

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WORLD CAPITAL MARKETS

9/25/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.3%	21.4%	5,732.9
Dow Jones	0.2%	13.6%	42,208.2
NASDAQ Composite	0.6%	21.1%	18,074.5
Russell 2000	0.2%	10.8%	2,224.0
Brazil Bovespa	1.2%	-1.5%	132,156
S&P/TSX Comp. (Canada)	0.2%	16.8%	23,952.2
Russell 3000	0.2%	20.1%	3,266.7

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.3%	12.2%	4,927.0
FTSE 100 (U.K.)	0.3%	10.7%	8,309.6
DAX Index (Germany)	-0.3%	13.0%	18,931.3
CAC 40 (France)	-0.3%	3.5%	7,584.9
FTSE MIB (Italy)	0.2%	11.8%	33,944.0
IBEX 35 (Spain)	0.0%	21.1%	11,837.1
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.2%	14.2%	37,870.3
Hang Seng (Hong Kong)	0.7%	17.0%	19,129.1
Korea Kospi 100	-1.3%	-1.2%	2,596.3
Singapore STI	-1.1%	16.0%	3,583.3
Shanghai Comp. (China)	1.2%	-2.6%	2,896.3
Bombay Sensex (India)	0.3%	19.2%	85,169.9
S&P/ASX 200 (Australia)	-0.2%	11.5%	8,126.4

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.5%	18.0%	844.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.7%	12.4%	2,447.5

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.9%	13.2%	1,132.0

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	0.4%	26.8%	309.8
Consumer Discretionary	0.8%	14.6%	1,615.0
Consumer Staples	-0.4%	18.6%	887.8
Energy	-0.3%	9.5%	683.4
Financials	-0.9%	21.1%	749.6
Health Care	-0.2%	14.4%	1,797.4
Industrials	0.7%	19.4%	1,139.5
Materials	1.4%	13.5%	604.6
Real Estate	-0.1%	14.8%	281.9
Technology	0.8%	29.0%	4,360.4
Utilities	-0.8%	29.0%	405.2

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.3%	13.5%	288.7
FTSE NAREIT Comp. TR	0.0%	14.9%	27,482.8
DJ US Select Dividend	-0.1%	17.8%	3,538.0
DJ Global Select Dividend	0.1%	14.1%	241.3
S&P Div. Aristocrats	0.2%	13.3%	4,841.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	4.8%	2,265.5
Barclays HY Bond	0.0%	7.8%	2,673.7

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.7%	2.2%	555.8
NYMEX WTI Crude (p/bbl.)	-1.3%	-1.4%	70.6
ICE Brent Crude (p/bbl.)	-1.2%	-3.6%	74.3
NYMEX Nat Gas (mmBtu)	1.4%	2.9%	2.6
Spot Gold (troy oz.)	0.0%	28.8%	2,657.7
Spot Silver (troy oz.)	-0.6%	34.1%	31.9
LME Copper (per ton)	2.7%	14.2%	9,665.3
LME Aluminum (per ton)	2.5%	8.0%	2,534.1
CBOT Corn (cents p/bushel)	-0.7%	-18.8%	408.8
CBOT Wheat (cents p/bushel)	-0.3%	-13.8%	576.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	1.4%	1.12
British Pound (£/$)	-0.3%	5.1%	1.34
Japanese Yen ($/¥)	-0.7%	-2.3%	144.29
Australian Dollar (A$/$)	-0.2%	1.0%	0.69
Canadian Dollar ($/C$)	-0.1%	-1.5%	1.34
Swiss Franc ($/CHF)	-0.6%	-0.8%	0.85

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
Consumer Staples	5.8%	Overweight	2.0%	7.8%
Information Technology	32.5%	Equalweight	-	32.5%
Financials	12.3%	Equalweight	-	12.3%
Health Care	11.7%	Equalweight	-	11.7%
Communication Services	9.4%	Equalweight	-	9.4%
Industrials	8.1%	Equalweight	-	8.1%
Energy	3.6%	Equalweight	-	3.6%
Utilities	2.3%	Equalweight	-	2.3%
Materials	2.2%	Equalweight	-	2.2%
Real Estate	2.1%	Equalweight	-	2.1%
Consumer Discretionary	10.0%	Underweight	-2.0%	8.4%

As of: June 30, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 6/30/2024. 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
United States	63.6%	Overweight	2.1%	65.7%
Europe ex U.K.	12.8%	Overweight	2.0%	14.8%
Japan	5.1%	Overweight	1.0%	6.1%
United Kingdom	3.3%	Equalweight	-	3.3%
Latin America	0.8%	Equalweight	-	0.8%
Asia-Pacific ex Japan	10.6%	Underweight	-3.0%	7.6%
Canada	2.7%	Underweight	-1.0%	1.7%
Middle East / Africa	1.1%	Underweight	-1.1%	0.0%

as of: June 30, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 06/30/2024. 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:

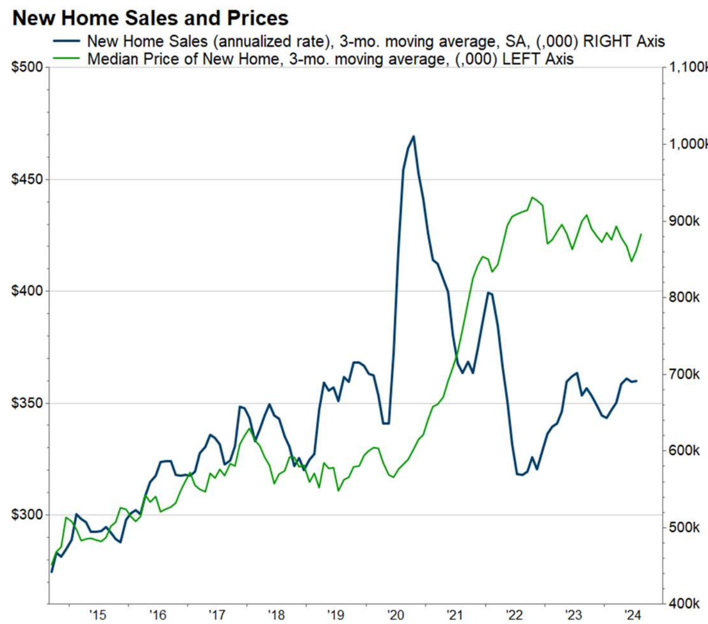
Russell T. Price, CFA – Chief Economist

Releases for Wednesday September 25, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

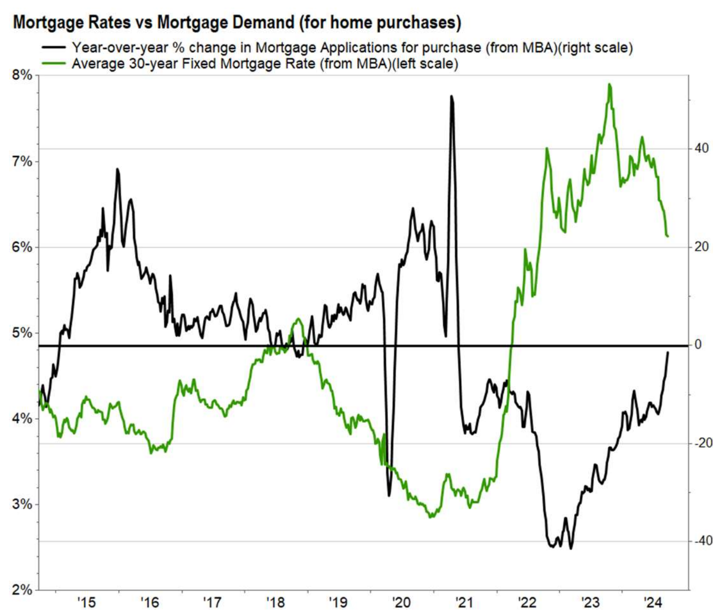
Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
10:00 AM	AUG	New Home Sales (annualized)	700k		739k	
10:00 AM	AUG	New Home Sales (MoM)	-5.3k		10.6%	

Commentary:

- **August New Home Sales:** After jumping nearly 11% month-over-month (m/m) in July, new home sales are expected to have moderated in August. Forecasters as surveyed by Bloomberg expect sales to be down about 5% m/m in today's report from the Census Department.
- Although down on a month-over-month basis, the predicted sales rate of 700,000 units (annualized) would represent a year-over-year increase of about 7%. Much like the activity recently reported in the existing home market, potential buyers of new homes may have delayed signing their purchase agreements until after last week's Fed decision on interest rates. We note however, that the new home market has been less affected by the sharply higher mortgage rates of the last few years as many builders have offered mortgage rate buydowns or other incentives to keep sales running more smoothly.
- *The chart at right has been sourced from FactSet.*



- **Modestly lower mortgage rates lead to a surge in demand.** Mortgage demand has surged in the last two weeks amid a moderation of mortgage borrowing costs. Most of the gains have been due to refinancing activity but mortgage applications for the purchase of a home were 2.4% higher on a year-over-year (y/y) basis last week, representing their first positive y/y comparison since May 2021.
- Its intuitive to expect mortgage demand to increase as rates fall, especially when the rise in rates over the last few years has been so steep. The reflection in mortgage demand, however, can also tell us much about pent-up demand amongst potential home buyers.
- As seen in the chart at right, mortgage applications, as reported by the Mortgage Bankers Association (MBA) have been steadily rising in recent weeks. Applications related to the purchase of a property have shown week-over-week gains for five straight weeks, turning positive on a y/y basis with this morning's data. *Note that the chart at right, as sourced from FactSet, has NOT been updated to reflect this morning's release.* Refinancing demand has been particularly strong, jumping 20.3% last week off a 24.2% w/w jump in the prior period.



Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q3-2023	Actual Q4-2023	Actual Q1-2024	Actual Q2-2024	Est. Q3-2024	Est. Q4-2024	Est. Q1-2025
Real GDP (annualized)	1.9%	2.5%	2.6%	1.7%	4.9%	3.4%	1.4%	3.0%	2.4%	1.5%	1.8%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.8%	3.7%	3.8%	4.1%	4.3%	4.4%	4.4%
CPI (YoY)	8.0%	3.4%	2.4%	2.0%	3.7%	3.4%	3.5%	3.0%	2.5%	2.4%	2.1%
Core PCE (YoY)	5.2%	2.9%	2.4%	2.0%	3.6%	2.9%	2.8%	2.6%	2.5%	2.3%	2.2%

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: August 30, 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:	5,900	5,750	5,000
10-Year U.S. Treasury Yield:	4.00%	3.75%	3.00%
Fed Funds Target Range:	4.50% to 4.75%	4.75% to 5.00%	4.25% to 4.50%

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

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

Last Updated: July 8, 2024

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Ameriprise Global Asset Allocation Committee Tactical Asset Class Views

As of 6/30/24

	Overweight	Equalweight	Underweight
Equity	• U.S. Large Cap Growth • Developed Foreign Equity	• U.S. Large Cap Value • U.S. Mid Cap Value • U.S. Mid Cap Growth • U.S. Small Cap Value • U.S. Small Cap Growth	• Emerging Foreign Equity
S&P 500 Sectors	• Consumer Staples	• Communication Services • Energy • Financials • Health Care • Industrials • Information Technology • Materials • Real Estate • Utilities	• Consumer Discretionary
Global Equity Regions	• Europe ex U.K. • Japan • United States	• Latin America • United Kingdom	• Asia-Pacific ex Japan • Canada • Middle East / Africa
Fixed Income	• U.S. Government • U.S. Inv. Grd Corporate	• Developed Foreign Bond	• Emerging Foreign Bond • High Yield Bond
Alternatives		• Real Assets	• Alternative Strategies
Cash		• Cash	

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.

As of June 30, 2024	Rolling Returns			
Major Market Indices	**Q2'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	3.22%	23.13%	8.05%	14.14%
MSCI ACWI Ex USA Index – net (Foreign Equity)	0.96%	11.62%	0.46%	5.55%
Bloomberg U.S. Universal Bond Index (Fixed Income)	0.19%	3.47%	-2.68%	0.11%
Wilshire Liquid Alternative Index (Alternatives)	0.49%	7.30%	1.37%	2.75%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.64%	3.17%	2.22%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of Date.

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The Ameriprise Investment Research Group

With Ameriprise Financial, you can benefit from our dedicated team of experienced investment research and due diligence professionals. Our objective market insight, strategies and guidance are designed to provide you with insight into investment strategies and solutions to help you feel more confident about your financial future. It's the higher level of sophistication and service you've come to expect from Ameriprise.

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
Sr Analyst

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
Sr Analyst – Quantitative strategies and international

Research Support

Jillian Willis
Sr Administrative Assistant

Kimberly K. Shores
Investment Research Coordinator

Jeff Carlson, CLU®, ChFC®, RICP®
CRPC™
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
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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, CFA
Analyst II

Matt Burandt
Analyst II

Parveen Vedi
Sr Associate I

Harish Chauhan
Sr Associate I

Ankit Srivastav
Sr Associate I

Pulkit Kumar
Associate II

Sameer Asif
Associate II

Equities
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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
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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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As of June 30, 2024

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Risk Factors

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.

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.

Investing in **derivatives** is a specialized activity that involves special risks that subject the fund to significant loss potential, including when used as leverage, and may result in greater fluctuation in fund value.

Diversification and **Asset Allocation** do not assure a profit or protect against loss.

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.

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.

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 certain risks and volatility due to potential political, economic currency instabilities and different financial and accounting standards. 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.

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.

The **mutual funds** and **ETFs** included in this report are subject to specific risk factors, generally the same as those of the underlying securities and may result in a loss of the principal amount invested.

Non-investment-grade (high-yield or junk) securities present greater price volatility and more risk to principal and income than higher rated securities.

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.

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.

Investments in **small- and mid-capitalization companies** involve greater risks and volatility than investments in larger, more established companies.

The products of **technology companies** may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

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

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Definitions of terms 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

Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

Disclaimer section

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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