

Before the Bell

An Ameriprise Investment Research Group Publication

October 1, 2024

Starting the Day

- U.S. futures are pointing to a flattish open.
- European markets are trading mixed at midday.
- Asian markets ended mostly lower overnight.
- The S&P 500 rises for a fourth consecutive quarter.
- East Coast and Gulf Coast dock workers on strike.
- 10-year Treasury yield at 3.74%.
- West Texas Intermediate (WTI) oil is trading at \$67.68.
- Gold is trading at \$2,670.10

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

The Bull/Bear Debate. With the S&P 500 Index finishing September with its first gain since 2019 and rising +5.5% in the third quarter, most investors are likely feeling pretty good about the stock market right now. The broad-based U.S. stock benchmark is now higher by nearly +21.0% YTD. Notably, areas outside of Big Tech experienced better performance trends in the third quarter, as expectations rose for an economic soft-landing driven by lower interest rates and stable consumer/business trends. Such conditions could help fuel broader profit growth across industry groups over the coming quarters, and we believe this is one of the principal reasons stock prices added to their gains in late September and following the Federal Reserve lowering its policy rate by an outsized 50 basis points. As the fourth quarter gets underway, below are a few bulleted "bull/bear" considerations to keep in mind and help ground investors in a balanced view of risks and opportunities.

S&P 500 (SP50) \$5,762.48 Key Statistics S&P US

Change (MoM%)		-12.51 █ █ 12.68											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
11 Year Avg	0.4	0.5	0.6	1.2	1.1	1.2	2.9	0.4	-1.9	1.4			
10 Year Avg	0.3	0.1	0.3	1.7	0.7	1.0	3.1	0.3	-2.3	1.6	3.8	0.1	
2024	1.6	5.2	3.1	-4.2	4.8	3.5	1.1	2.3	2.0	0.0			
2023	6.2	-2.6	3.5	1.5	0.2	6.5	3.1	-1.8	-4.9	-2.2	8.9	4.4	
2022	-5.3	-3.1	3.6	-8.8	0.0	-8.4	9.1	-4.2	-9.3	8.0	5.4	-5.9	
2021	-1.1	2.6	4.2	5.2	0.5	2.2	2.3	2.9	-4.8	6.9	-0.8	4.4	
2020	-0.2	-8.4	-12.5	12.7	4.5	1.8	5.5	7.0	-3.9	-2.8	10.8	3.7	
2019	7.9	3.0	1.8	3.9	-6.6	6.9	1.3	-1.8	1.7	2.0	3.4	2.9	
2018	5.6	-3.9	-2.7	0.3	2.2	0.5	3.6	3.0	0.4	-6.9	1.8	-9.2	
2017	1.8	3.7	-0.0	0.9	1.2	0.5	1.9	0.1	1.9	2.2	2.8	1.0	
2016	-5.1	-0.4	6.6	0.3	1.5	0.1	3.6	-0.1	-0.1	-1.9	3.4	1.8	
2015	-3.1	5.5	-1.7	0.9	1.0	-2.1	2.0	-6.3	-2.6	8.3	0.1	-1.8	
2014	-3.6	4.3	0.7	0.6	2.1	1.9	-1.5	3.8	-1.6	2.3	2.5	-0.4	

Bullish Points:

- As the FactSet chart above shows, seasonality trends for stocks have been favorable over the last ten years, with average monthly returns for the S&P 500 in Q4 some of the strongest of the year. While some weak seasonality factors can play out in early October, the S&P 500 has averaged a +4.2% return in the fourth quarter since 2000 and averaged a +9.8% Q4 return over the last five years.

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

- The economy is growing. Inflation is coming down. And the Federal Reserve is likely to cut its policy rate by at least another 50 basis points before year-end. Labor conditions are healthy, implying rapid changes in consumer spending are unlikely to occur outside of an unforeseen event shock. The macroeconomic backdrop remains solid.
- Q3'24 S&P 500 corporate profits are expected to grow year-over-year. Q3'24 S&P 500 earnings per share (EPS) is expected to grow by +4.6% y/y on revenue growth of +4.8%. S&P 500 EPS expectations have moved down for the current quarter from +7.8% growth at the start of Q3, leaving a lower hurdle rate for stocks to surpass over the coming weeks. Information Technology is again expected to provide a large tailwind to S&P 500 profits in the third quarter, while Energy is expected to be the largest drag. Health Care and Communication Services should also be additive to S&P 500 profit growth for the current quarter. Growing profits should be supportive of stock prices through the earnings season.
- Finally, despite a large bounce in stock prices this year, some investors continue to doubt the rally's durability. Hedge funds have added to short positions over the last several weeks (i.e., betting against further stock gains), while institutional investors remain skeptical of additional upside in Tech. Several large banks have recently noted U.S. equity exposure across its institutional clients is not stretched and is near neutral levels. In our view, this implies market positioning overall is not overly positioned for an upside rally, leaving the potential for some investors to play catchup if further good news forces stock prices higher in Q4.

Bearish Points:

- Stock valuations are near the top of their historical range. While areas outside of Big Tech have valuations that are less stretched, we believe a lot of the good news about the economy, interest rates, and profits are priced into expectations. Moving forward, fundamentals may need to catch up with expectations, which leaves some room for disappointment in Q4 if conditions don't align with the outlook.
- With rates still high, inflation elevated, and economic conditions slowing, the risk of an unexpected downturn has not gone away. While a negative economic/profit surprise based on fundamental conditions ebbed lower in the previous quarter, they were not eliminated given still stressed consumer and small business conditions (e.g., bifurcated consumer trends, more discerning spending patterns, high interest rate costs for small businesses).
- S&P 500 profit estimates for Q4 and 2025 may be elevated if the economy slows at a more rapid pace than what most economists forecast. We see the U.S. economy growing slightly below trend in Q4 and through 2025. However, double-digit S&P 500 earnings per share (EPS) growth forecasts for Q4 and next year may be harder to achieve than analysts currently expect. This may lead to bouts of stock volatility should analysts need to lower estimates.
- While the U.S. economy has never been driven into a recession "just because" or because growth slowed, stocks can adjust lower or move sideways over the short term for a host of reasons that have little to do with current profit/economic conditions. At the moment, the market is priced for divided government following the November 5th U.S. election. An outcome that leads to one-party control could see stocks face increased volatility. In addition, a broader conflict in the Middle East that disrupts oil supply and/or a sudden shift lower in risk appetite should expectations around "status-quo" U.S. fiscal/monetary policies unexpectedly change could see stock volatility increase as the year winds down.

U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **Stocks are looking at a lower open.** The fourth quarter kicks off today with the S&P 500 up over +20% through September. This week's fresh looks at U.S. employment trends and tonight's Vice-Presidential debate are on deck. The Q3 earnings season, the November election, rising tensions in the Middle East, and two Fed meetings will likely color the rest of Q4.
- **East Coast and Gulf Coast ports shut down.** Union dock workers on the East Coast and Gulf Coast walked off the job at 12:01 am EST Tuesday. A last-minute offer to union workers that would raise wages by 50% over six years was rejected by the union on Monday. Between 40% to 50% of total containerized goods entering the U.S. are processed through the East Coast and Gulf Coast. According to *Import Genius*, Walmart, Ikea, Samsung, Bob's Discount Furniture, LG, and Home Depot are the companies most exposed to the East/Gulf Coast ports over the last year. According to an analysis done by The Conference Board, a one-week strike could cost the economy \$3.78 billion. While the White House said it would not intervene in negotiations at this point, President Biden could lean on the Taft-Hartley Act at some point, which could suspend the strike for an 80-day "cooling off period."

Europe:

A preliminary look at September Eurozone CPI showed the headline figure dipping to +1.8% y/y — the lowest reading since June 2021. Eurozone core CPI (ex-food and energy) grew by +2.7% last month, though stickier services inflation remained elevated at +4.0%. The market currently expects at least a 25-basis point rate cut from the European Central Bank at its next meeting on October 17th.

Asia-Pacific:

Japan's lower house elected Shigeru Ishiba as the new prime minister, replacing Fumio Kishida. The upper house will also hold a vote, though the vote is seen as a formality, given the Liberal Democratic Party's coalition control.

WORLD CAPITAL MARKETS

10/1/2024

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	0.4%	22.1%	5,762.5	DJSTOX 50 (Europe)	0.2%	14.1%	5,010.6	Nikkei 225 (Japan)	1.9%	17.3%	38,652.0
Dow Jones	0.0%	13.9%	42,330.2	FTSE 100 (U.K.)	0.6%	10.4%	8,284.9	Hang Seng (Hong Kong)	2.4%	29.2%	21,133.7
NASDAQ Composite	0.4%	21.8%	18,189.2	DAX Index (Germany)	0.5%	16.0%	19,424.4	Korea Kospi 100	-2.1%	-1.3%	2,593.3
Russell 2000	0.2%	11.2%	2,230.0	CAC 40 (France)	0.1%	4.3%	7,640.6	Singapore STI	-0.1%	16.0%	3,581.0
Brazil Bovespa	-0.7%	-1.8%	131,816	FTSE MIB (Italy)	0.1%	12.5%	34,153.9	Shanghai Comp. (China)	8.1%	12.2%	3,336.5
S&P/TSX Comp. (Canada)	0.2%	17.2%	24,000.4	IBEX 35 (Spain)	-0.6%	20.8%	11,801.8	Bombay Sensex (India)	0.0%	17.9%	84,266.3
Russell 3000	0.4%	20.6%	3,281.3	MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A	S&P/ASX 200 (Australia)	-0.7%	12.6%	8,208.9

Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	-0.1%	19.1%	851.8	MSCI EAFE	-1.5%	13.6%	2,468.7	MSCI Emerging Mkts	-0.3%	17.1%	1,170.9

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	0.8%	28.8%	314.6	JPM Alerian MLP Index	0.3%	12.3%	285.7	Futures & Spot (Intra-day)			
Consumer Discretionary	-0.3%	13.9%	1,605.4	FTSE NAREIT Comp. TR	0.8%	14.2%	27,328.5	CRB Raw Industrials	0.6%	2.9%	559.3
Consumer Staples	0.1%	18.7%	887.8	DJ US Select Dividend	0.3%	18.8%	3,567.6	NYMEX WTI Crude (p/bbl.)	-0.7%	-5.5%	67.7
Energy	0.8%	8.4%	676.5	DJ Global Select Dividend	-0.8%	14.2%	241.1	ICE Brent Crude (p/bbl.)	-0.6%	-7.5%	71.3
Financials	0.3%	21.9%	754.2	S&P Div. Aristocrats	0.2%	14.2%	4,877.6	NYMEX Nat Gas (mmBtu)	-3.1%	12.6%	2.8
Health Care	0.6%	14.4%	1,796.5				Spot Gold (troy oz.)	0.8%	28.7%	2,654.9	
Industrials	0.5%	20.2%	1,147.1				Spot Silver (troy oz.)	0.7%	31.9%	31.4	
Materials	-0.6%	14.1%	607.7	Bond Indices	% chg.	% YTD	Value	LME Copper (per ton)	-1.6%	14.5%	9,692.0
Real Estate	0.8%	14.3%	280.5	Barclays US Agg. Bond	-0.2%	4.4%	2,258.2	LME Aluminum (per ton)	-0.8%	11.2%	2,608.7
Technology	0.6%	30.3%	4,403.7	Barclays HY Bond	0.0%	8.0%	2,678.5	CBOT Corn (cents p/bushel)	-0.2%	-15.8%	423.8
Utilities	0.4%	30.6%	410.3				CBOT Wheat (cents p/bushel)	0.3%	-12.4%	586.0	

Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/€)	-0.5%	0.4%	1.11	Japanese Yen (\$/¥)	-0.1%	-1.9%	143.84	Canadian Dollar (\$/C\$)	0.0%	-2.1%	1.35
British Pound (£/\$)	-0.4%	4.7%	1.33	Australian Dollar (A\$/€)	0.0%	1.5%	0.69	Swiss Franc (\$/CHF)	-0.2%	-0.7%	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		S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.8%	Overweight	2.0%	7.8%	Industrials	8.1%	Equalweight	-	8.1%
Information Technology	32.5%	Equalweight	-	32.5%	Energy	3.6%	Equalweight	-	3.6%
Financials	12.3%	Equalweight	-	12.3%	Utilities	2.3%	Equalweight	-	2.3%
Health Care	11.7%	Equalweight	-	11.7%	Materials	2.2%	Equalweight	-	2.2%
Communication Services	9.4%	Equalweight	-	9.4%	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				MSCI All-Country World Index				
	Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight	Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight	
United States	63.6%	Overweight	2.1%	65.7%	Latin America	0.8%	Equalweight	-	0.8%
Europe ex U.K.	12.8%	Overweight	2.0%	14.8%	Asia-Pacific ex Japan	10.6%	Underweight	-3.0%	7.6%
Japan	5.1%	Overweight	1.0%	6.1%	Canada	2.7%	Underweight	-1.0%	1.7%
United Kingdom	3.3%	Equalweight	-	3.3%	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 Tuesday October 1, 2024

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
10:00 AM	SEP	ISM Manufacturing Index	47.6		47.2	
10:00 AM	SEP	ISM Prices Paid	53.5		54.0	
10:00 AM	SEP	ISM New Orders	45.0		44.6	
10:00 AM	SEP	ISM Employment	45.0		46.0	
10:00 AM	AUG	Construction Spending	+0.1%		-0.3%	

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

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

Ameriprise Global Asset Allocation Committee Tactical Asset Class Views

As of 6/30/24

	Overweight	Equalweight	Underweight
Equity	<ul style="list-style-type: none"> U.S. Large Cap Growth Developed Foreign Equity 	<ul style="list-style-type: none"> 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 	<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"> Europe ex U.K. Japan United States 	<ul style="list-style-type: none"> Latin America United Kingdom 	<ul style="list-style-type: none"> Asia-Pacific ex Japan Canada Middle East / Africa
Fixed Income	<ul style="list-style-type: none"> U.S. Government U.S. Inv. Grd Corporate 	<ul style="list-style-type: none"> Developed Foreign Bond 	<ul style="list-style-type: none"> Emerging Foreign Bond High Yield Bond
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 	

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

Major Market Indices	Rolling Returns			
	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.

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As of September 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

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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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Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

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