Before the Bell

An Ameriprise Investment Research Group Publication

October 30, 2024

Starting the Day

- U.S. futures are pointing to a mixed open.
- European markets are trading lower at midday.
- Asian markets ended mostly lower overnight.
- Solid Tech hit results boosting NASDAQ Comp.
- Q3 real GDP comes in at +2.8%.
- 10-year Treasury yield at 4.27%.
- West Texas Intermediate (WTI) oil is trading at $68.64.
- Gold is trading at $2,789.40

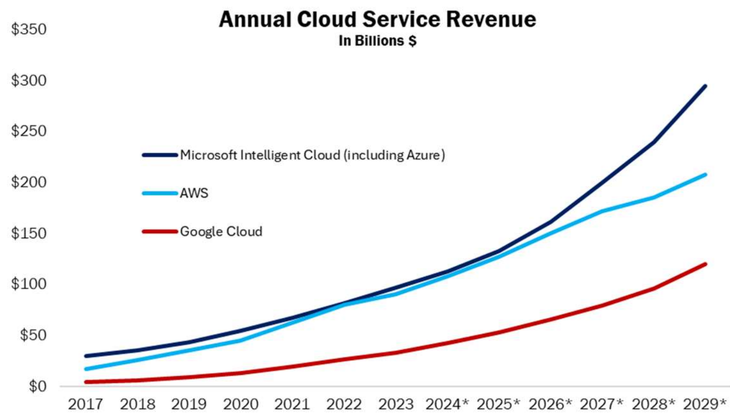
Market Perspectives

Andrew R. Heaney, CFA Director – Technology and Communication Services

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.

Hyperscalers in Focus: AI and Cloud Growth Under the Microscope. The NASDAQ Composite closed at a new all-time high yesterday for the first time since mid-July, following a 16-week period marked by a ~15% drawdown, the highest VIX readings since the pandemic, and a significant shift in interest rate expectations. The market's recovery from the August lows has been driven by record highs for several of the "Magnificent 7" stocks, including Nvidia, Apple, and Meta. However, notably absent from this new-high club are the largest cloud service providers (hyperscalers): Amazon Web Services (AWS), Microsoft Azure, and Google Cloud. While the market's rebound over the last several weeks is attributable to various factors, one key driver has been renewed optimism around artificial intelligence. In our view, the quarterly results and forward guidance from these cloud service providers (CSPs) will serve as a critical barometer for whether that optimism is translating into real-world growth. Put simply, if artificial intelligence is to remain the market's growth engine, AI applications must gain significant traction. When/if that is happening, it should be clearly reflected in the revenue growth of AWS, Azure, and Google Cloud.

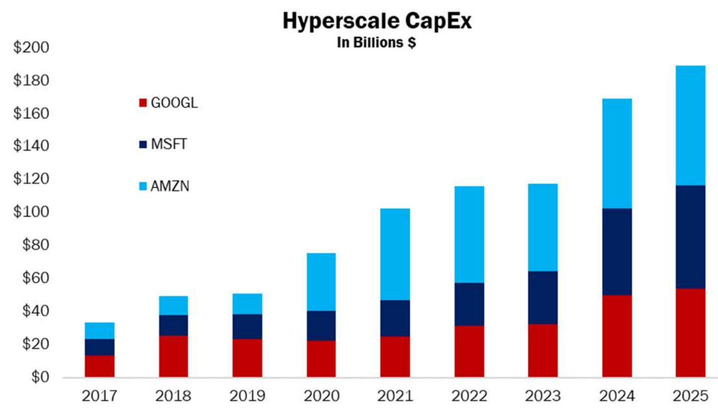
Why Cloud Service Provider Results Matter Even More Than You Might Think. The market rally over the last several quarters has been largely driven by the promise of AI to boost efficiency (and thus margins) and create new revenue streams. While Nvidia, Broadcom and other AI chip and hardware providers have been standout performers, their success is ultimately a reflection of demand for the infrastructure that supports AI development and workloads. The real question is whether AI applications have become useful enough to drive sustained demand for the cloud services that support them.



*Indicades FactSet consenus estimate. Source: Factset, American Enterprise Investment Services, Inc

An effective way to gauge the usefulness and adoption of AI is through the results of the hyperscalers. These companies provide the cloud infrastructure that powers AI applications across industries. If businesses are finding AI valuable, they will increasingly rely on AWS, Azure, and Google Cloud to deploy and scale their AI models. Strong revenue growth in these cloud segments could justify the extraordinary increase in capital expenditures over the last several quarters.

Elevated capital expenditures from hyperscalers, as illustrated by the accompanying chart, are, in our view, a direct reflection of their commitment to expanding cloud infrastructure, particularly to support the growing demand for AI-driven services. These investments are critical for maintaining their competitive edge, as AI workloads require immense computational power and specialized hardware. However, high CapEx also raises concerns about profitability and return on investment. If AI adoption were to slow or fail to meet expectations, these companies could face pressure to reduce spending, which could have significant market impacts beyond the Tech sector. Conversely, if AI continues to gain traction, hyperscalers could be well-positioned to capitalize on this trend, justifying their investments.



*Indicades FactSet consenus estimate. Source: Factset, American Enterprise Investment Services, Inc

Optimism Builds After Strong Start to the 3Q'24 Earnings Season for CSPs. Yesterday's better-than-expected results from Alphabet, featuring a reacceleration of revenue growth in cloud services, could bode well not only for the company and its peer hyperscale CSPs but also for the AI theme and the numerous Technology, Communications, Utilities, and Consumer companies that have tied their success to the adoption and scalability of AI-driven cloud infrastructure. Google Cloud revenue growth reached 35% year-over-year, well ahead of expectations, as improved margins and AI capabilities helped the firm attract new customers and win larger deals. When Microsoft and Amazon report (this afternoon and tomorrow, respectively) investors will likely be looking for similar strength in cloud revenue growth. Azure revenue growth is forecast to reach~30% y/y while AWS is expected to post revenue growth of nearly 20% y/y. For additional information on Alphabet's better-than-expected results, please refer to today's Morning Research Notes..

In our view, if these hyperscalers can continued to demonstrate strong revenue growth, and further justify their elevated CapEx, it could reinforce the AI-driven growth thesis and provide a sustained tailwind, not just for the semiconductor and technology hardware providers that support AI infrastructure, but for the broader market as well.

U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- US equity futures are suggesting a mixed open, with the NASDAQ Composite modestly higher in the premarket session while the Dow Jones Industrials are slightly lower. U.S. Treasury yields are lower with investors awaiting new economic data for further clues on the rate cut outlook.
- The market is focused on a busy earnings calendar, with Google setting a positive tone after strong cloud results and upbeat AI commentary. However, AMD disappointed with a lackluster revenue forecast, highlighting the divergence within the Tech sector. Investors are also bracing for noisy labor market data later this week, which has the potential to introduce volatility. The Fed is still expected to deliver a 25 bp rate cut next week, signaling continued monetary support. Third quarter GDP is expected to slow to 2.6%, down from 3.0% in Q2, reflecting a deceleration in growth but not a recessionary environment.
- In fixed income, Treasury yields are mixed, with the 10-year yield at 4.22%, reflecting a balancing act between economic resilience and inflation concerns. The upcoming US election remains a significant overhang, with hedge fund and options flows pointing to risk-off positioning.

Europe: European markets opened lower, with the STOXX 600 down 0.9% and the DAX down 0.7%. Investors are digesting weaker-than-expected German unemployment data and inflation prints from Spain and German regions, which suggest a slight resurgence in inflationary pressures. This could challenge expectations for aggressive ECB easing into year-end. The UK bond market is pricing in a risk premium ahead of today's budget announcement, with Gilt yields hitting their highest levels since July.

Asia-Pacific: Asian markets were mostly lower overnight, with the Hang Seng posting the steepest losses, closing at its lowest level in eight sessions. Japan's Nikkei 225 rose 0.96%, with the Topix up 0.81%, ahead of the Bank of Japan's policy meeting, where rates are expected to remain steady. Asian markets were mostly down Wednesday, despite U.S. tech gains. Australia's S&P/ASX 200 fell 0.83% after Q3 inflation hit 2.8%, its lowest since 2021, reinforcing expectations of a cautious RBA. China's Hang Seng dropped 1.65%, and the CSI 300 fell 0.90%, as reports surfaced that China may approve over 10 trillion yuan in extra debt to stimulate its economy.

WORLD CAPITAL MARKETS

10/30/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.2%	23.7%	5,832.9
Dow Jones	-0.4%	13.8%	42,233.1
NASDAQ Composite	0.8%	25.4%	18,712.8
Russell 2000	-0.3%	11.6%	2,238.1
Brazil Bovespa	-0.4%	-2.6%	130,730
S&P/TSX Comp. (Canada)	0.0%	20.2%	24,562.6
Russell 3000	0.1%	22.3%	3,324.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-1.4%	11.3%	4,882.0
FTSE 100 (U.K.)	-0.6%	8.9%	8,166.6
DAX Index (Germany)	-1.1%	15.0%	19,260.0
CAC 40 (France)	-1.6%	0.9%	7,389.4
FTSE MIB (Italy)	-1.4%	13.5%	34,446.4
IBEX 35 (Spain)	-1.1%	20.1%	11,667.1
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.0%	19.2%	39,277.4
Hang Seng (Hong Kong)	-1.5%	24.6%	20,380.6
Korea Kospi 100	-0.9%	-1.2%	2,593.8
Singapore STI	-0.9%	15.3%	3,558.9
Shanghai Comp. (China)	-0.6%	9.8%	3,266.2
Bombay Sensex (India)	-0.5%	12.0%	79,942.2
S&P/ASX 200 (Australia)	-0.8%	12.3%	8,180.4

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.0%	18.6%	848.1

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.4%	8.7%	2,360.6

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.1%	13.8%	1,136.5

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
Communication Services	1.6%	32.2%	322.4
Consumer Discretionary	-0.2%	14.2%	1,609.3
Consumer Staples	-1.0%	15.9%	865.2
Energy	-1.4%	8.4%	676.5
Financials	-0.6%	26.2%	779.7
Health Care	-0.3%	10.2%	1,728.8
Industrials	-0.1%	20.2%	1,146.2
Materials	-0.7%	11.4%	593.0
Real Estate	-0.9%	12.1%	274.6
Technology	1.1%	35.6%	4,582.2
Utilities	-2.1%	28.2%	402.7

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.2%	11.3%	283.0
FTSE NAREIT Comp. TR	-0.8%	11.7%	26,716.4
DJ US Select Dividend	-1.2%	17.3%	3,521.0
DJ Global Select Dividend	-0.6%	10.6%	232.8
S&P Div. Aristocrats	-0.8%	11.8%	4,775.0

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	2.0%	2,204.7
Barclays HY Bond	0.0%	7.5%	2,667.0

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.1%	1.3%	550.7
NYMEX WTI Crude (p/bbl.)	1.3%	-5.0%	68.1
ICE Brent Crude (p/bbl.)	1.2%	-6.6%	72.0
NYMEX Nat Gas (mmBtu)	-1.3%	12.3%	2.8
Spot Gold (troy oz.)	0.1%	34.7%	2,778.0
Spot Silver (troy oz.)	-1.2%	43.1%	34.1
LME Copper (per ton)	-0.1%	10.9%	9,388.0
LME Aluminum (per ton)	0.6%	12.0%	2,627.4
CBOT Corn (cents p/bushel)	-0.2%	-18.0%	413.0
CBOT Wheat (cents p/bushel)	-0.9%	-15.5%	565.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	-1.9%	1.08
British Pound (£/$)	-0.3%	1.9%	1.30
Japanese Yen ($/¥)	0.2%	-7.8%	153.02
Australian Dollar (A$/$)	0.3%	-3.4%	0.66
Canadian Dollar ($/C$)	-0.1%	-4.9%	1.39
Swiss Franc ($/CHF)	0.0%	-3.0%	0.87

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
Financials	12.9%	Overweight	2.0%	14.9%
Consumer Staples	5.9%	Overweight	2.0%	32.5%
Information Technology	31.9%	Equalweight	-	31.9%
Health Care	11.5%	Equalweight	-	11.5%
Communication Services	8.8%	Equalweight	-	8.8%
Energy	3.2%	Equalweight	-	3.2%
Utilities	2.5%	Equalweight	-	2.5%
Materials	2.3%	Equalweight	-	2.3%
Real Estate	2.3%	Equalweight	-	2.3%
Consumer Discretionary	10.2%	Underweight	-2.0%	8.2%
Industrials	8.5%	Underweight	-2.0%	6.5%

As of: September 30, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 9/26/2024. 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	62.8%	Overweight	2.2%	65.0%	United Kingdom	3.2%	Equalweight	-	3.2%
Europe ex U.K.	12.9%	Equalweight	-	12.9%	Latin America	0.9%	Equalweight	-	0.9%
Asia-Pacific ex Japan	11.0%	Equalweight	-	11.0%	Canada	2.8%	Underweight	1.0%	1.8%
Japan	5.2%	Equalweight	-	5.2%	Middle East / Africa	1.2%	Underweight	-1.2%	0.0%

as of: September 30, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 09/26/2024. 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:

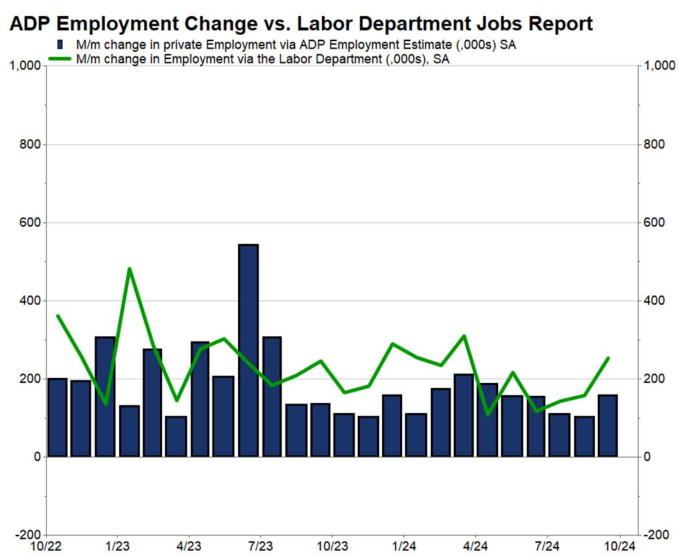
Russell T. Price, CFA – Chief Economist

Releases for Wednesday October 30, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:15 AM	OCT	ADP Employment Estimate	111k	**+233k**	143k	+159k
8:30 AM	Q3-A	Real GDP Annualized (first estimate)	+2.9%	**+2.8%**	+3.0%	
8:30 AM	Q3-A	Personal Consumption (first estimate)	+3.3%	**+3.7%**	+2.9%	
10:00 AM	SEP	Pending Home Sales (m/m)	+1.9%		+0.6%	
10:00 AM	SEP	Pending Home Sales (y/y)	-1.2%		-4.3%	

Commentary:

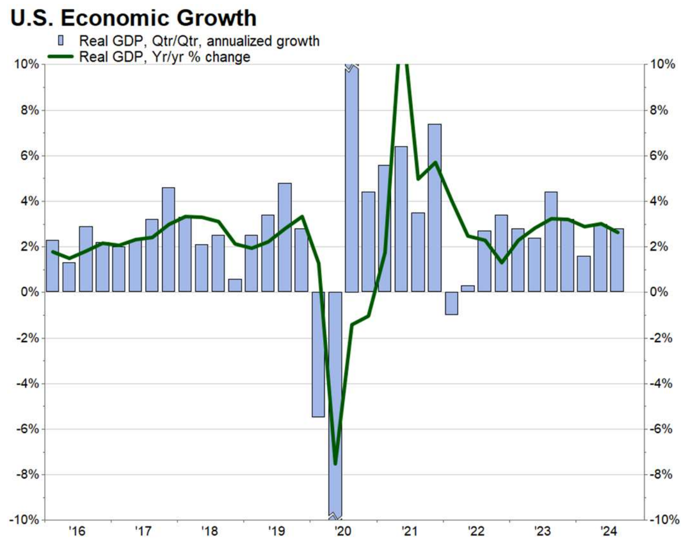
- **Generally strong economic data this morning could be viewed as likely to result in a "pause" for Fed officials at their next FOMC policy meeting on November 7th.**
- **ADP Employment surged last month as it more than doubled the Bloomberg estimate**. Net new job creation was exceptionally strong in the month of October, according to this morning's Jobs Estimate from payroll processor ADP. The reported gain of 233,000 was the strongest pace of net job growth reported by the organization since July 2023.
- Almost all the job growth for the month came from Medium (50 to 499 employees) and Large sized businesses (500+ employees) as small companies added just 4,000 net new jobs. Medium sized businesses added 86,000 new positions while Large businesses added 140,000. *The chart at right is sourced from FactSet and HAS NOT been updated to reflect today's release.*



- **Separately, the Commerce Department's first estimate of Q3 real Gross Domestic Product (GDP) growth came-in at 2.8%. On a y/y basis, real growth was up 2.7%.**

- *Continued on next page…*

- Activity in the period was primarily fueled by strong consumer spending (up a much better than expected 3.7% on an annualized rate). Business fixed investment was 3.3% higher, thus offering 0.5% percentage points of upside. Inventory destocking and slower new home construction were each a drag on growth in the period, as each shaved about 0.2 pp from the final figure.
- Net trade was the largest drag on growth (shaving 0.6 pp from headline growth) in the period, a factor that was evidenced in yesterday's dismal trade balance report for the month of September. According to the trade report, the U.S. trade deficit jumped to -$108B from -$94B in August.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*



Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual	Actual	Est.	Est.	Actual	Actual	Actual	Est.	Est.	Est.	Est.
	2022	2023	2024	2025	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025
Real GDP (annualized)	2.5%	2.9%	2.6%	1.8%	3.2%	1.6%	3.0%	2.5%	1.9%	1.8%	2.0%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.7%	3.8%	4.1%	4.1%	4.4%	4.4%	4.4%
CPI (YoY)	8.0%	3.4%	2.4%	2.0%	3.4%	3.5%	3.0%	2.4%	2.3%	2.0%	2.0%
Core PCE (YoY)	5.2%	2.9%	2.4%	2.0%	2.9%	2.8%	2.6%	2.4%	2.3%	2.2%	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: October 14, 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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Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2024 Year-end S&P 500 Target: 5,750
2024 Year-End 10-year Treasury Target: 3.75%

as of 09/27/2024

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

As of September 30, 2024	Rolling Returns			
Major Market Indices	**Q3'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	6.23%	35.19%	10.29%	15.26%
MSCI ACWI Ex USA Index – net (Foreign Equity)	8.06%	25.35%	4.14%	7.59%
Bloomberg U.S. Universal Bond Index (Fixed Income)	5.20%	12.08%	-1.05%	0.70%
Wilshire Liquid Alternative Index (Alternatives)	2.56%	10.18%	2.35%	3.18%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.63%	3.63%	2.38%

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

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Vice President

Strategists

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Vice President – Asset allocation

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Sr Analyst – Quantitative, Asset allocation

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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

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Sr Director

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Sagar Batra
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Vice President

Kay S. Nachampassak
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Quantitative Research
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Vice President

Peter W. LaFontaine
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Gaurav Sawhney
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Analyst II

Matt Burandt
Analyst II

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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
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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 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.

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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.

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