Before the Bell

An Ameriprise Investment Research Group Publication

December 18, 2024

Starting the Day

- U.S. futures are pointing to a higher open.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- Housing Starts disappoint.
- All eyes on the Fed's monetary policy decision.
- 10-year Treasury yield at 4.41%.
- West Texas Intermediate (WTI) oil is trading at $70.61.
- Gold is trading at $2,659.40

Market Perspectives

Mark Phelps, CFA Sr. Director – Multi-asset Solutions

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.

Active vs Passive. Assets in U.S. passive mutual funds and ETFs eclipsed that of actively manage funds for the first time just this year.[1] As we approach year-end, it's as good a time as any to look at the relative performance of active and passive approaches in a few large asset classes. The table below shows the difference in the average active fund and passive fund in three Morningstar categories. A positive number indicates that the average active fund outperformed the average passive fund by the percentage points shown.

Relative Returns of Active and Passive Morningstar Fund Categories
As of 11/30/2024

Morningstar Category	YTD	5-Years	10-Years
Large Blend	-1.5	-0.5	-1.0
Foreign Large Blend	0.3	-0.2	-0.2
Intermediate Core-Plus	0.4	0.3	0.1

Source: Morningstar Direct, Ameriprise as of 11/30/24. Periods longer than one year are annualized. Data represents the total return of active funds minus that of passive funds in each category listed.

The trailing period returns for active equity managers shown above aren't great, to say the least. But trailing period returns only show a snapshot in time. Let's look at active fund performance through time with rolling period returns. The chart below shows rolling three-year returns using monthly data for funds in the Large Blend category. The chart plots active fund performance minus passive fund performance. A point above 0.0 would indicate that the average active fund outperformed the average passive fund over the three years ending at the corresponding date on the graph.

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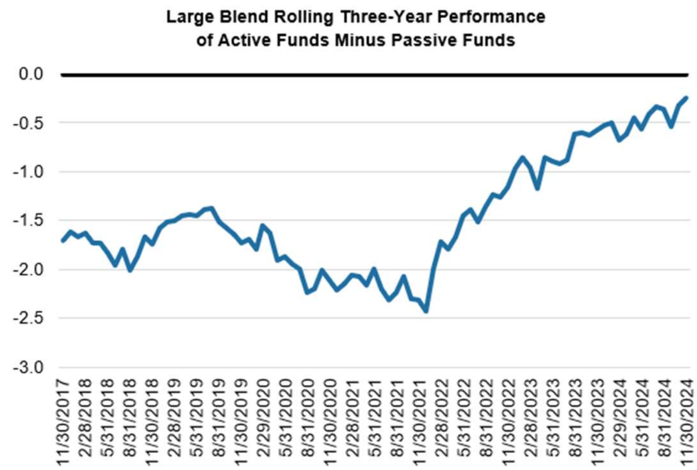
[1] https://www.morningstar.com/business/insights/blog/funds/active-vs-passive-investing

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

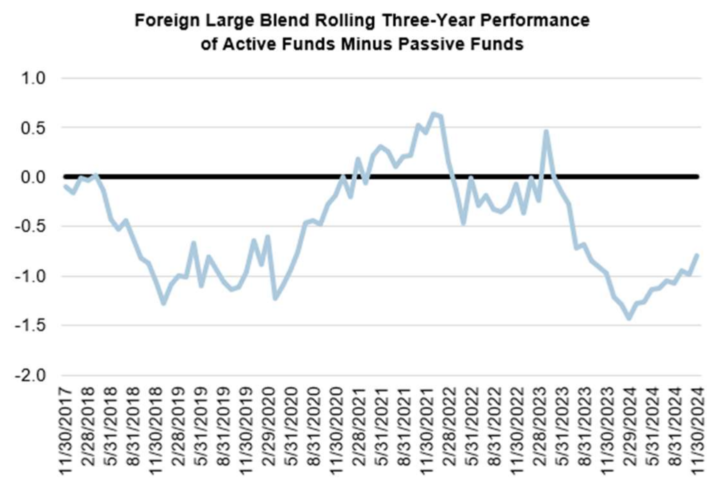
This paints a bleak picture for actively managed U.S. large-cap managers, in our view. Over the past 10 years, there has never been a three-year period when the average active fund outperformed the average passive fund. A few thoughts on this:

1. Actively managed funds generally have higher fees, creating a headwind to their performance relative to passive funds.
2. Most of the recent underperformance is due to the concentration of mega-cap tech companies and their stellar equity returns. Diversified mutual funds, by law, cannot hold these stocks at the weights they are represented in passive indexes.
3. The chart shows *average* fund returns. Not *all* actively managed funds have underperformed.



A similar, though less bleak picture results from plotting the same date for the Foreign Large Blend category, as shown at right.

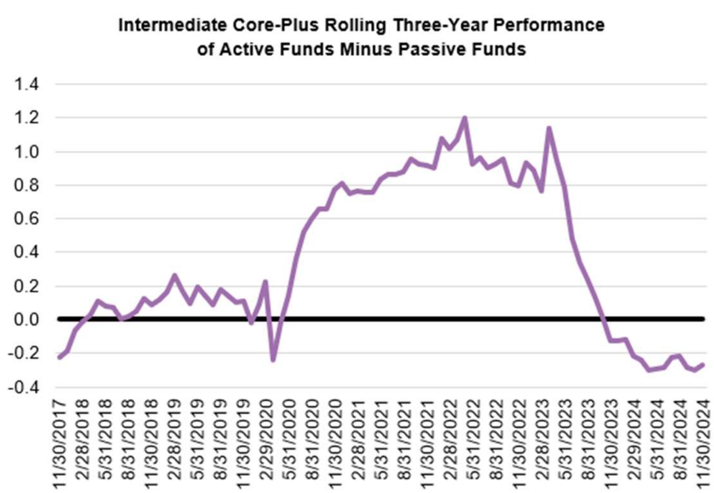
Of the 85 datapoints plotted on the line above, 15 are above 0.0, meaning, over the period shown, the average active foreign large blend fund outperformed the average passive fund in 17.6% of the three-year periods plotted.



Source: Morningstar Direct

Lastly, let's do the same for the same for fixed income managers. The chart below shows the same data, but for funds in the Intermediate Core-Plus category. As you can see, the picture us much more kind to active managers in fixed income.

The average active managers in the Intermediate Core-Plus category have outperformed the average passive fund in 76.5% of the three-year periods shown. Why might this be? Three reasons come to mind:



Source: Morningstar Direct

1. Generally, active fixed income funds have lower fees than active equity funds, so the fee headwind is weaker in this category.
2. While equity market indexes are mostly capitalization-weighted, fixed income indexes weight the constituents by how much debt an issuer has issued. That is, stocks that have performed the best make up larger percentages of equity indexes, while companies and countries that are the most indebted make up larger percentages of fixed income indexes. This creates opportunities for active fixed income managers.
3. Funds in the Intermediate Core-Plus category have more flexibility to invest across multiple asset classes within their mandates. While Large Blend funds invest primarily in U.S. large-cap stocks, with some flexibility to invest in mid-caps or, perhaps, add some international equities, Intermediate Core-Plus funds can and do invest in Treasuries, TIPS, investment grade and high yield corporate bonds, bank loans, mortgage-backed securities, asset-back securities, and

foreign bonds, including emerging market debt. This flexibility provides opportunities for active fixed income managers to add value.

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

United States:

Here is a quick news rundown to start your morning:

- **Fed Rate Decision.** Market participants are expecting a 25-basis point cut to the Fed's target federal funds rate when the Federal Open Market Committee announces its lates policy at 2 PM EST today. Its current target rate range is 4.25% - 4.50%.
- **Housing.** November's housing starts and permits data is set to be released this morning. Analyst's consensus ranges are similar to October's data of 1.3 million starts and 1.4 million permits.

Europe:

European equities are broadly positive as U.K. inflation data indicated prices rose 2.6% in November, in line with analysts' expectations.

Asia-Pacific:

The Markets across Asia were mixed as investors await policy decisions in Japan and the U.S.

WORLD CAPITAL MARKETS

12/18/2024 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	-0.4%	28.5%	6,050.6
Dow Jones	-0.6%	17.4%	43,449.9
NASDAQ Composite	-0.3%	34.9%	20,109.1
Russell 2000	-1.2%	16.6%	2,334.1
Brazil Bovespa	0.9%	-7.1%	124,698
S&P/TSX Comp. (Canada)	-0.1%	23.4%	25,119.7
Russell 3000	-0.5%	27.7%	3,463.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.3%	13.3%	4,958.0
FTSE 100 (U.K.)	0.1%	9.9%	8,203.3
DAX Index (Germany)	0.3%	21.2%	20,300.4
CAC 40 (France)	0.2%	0.9%	7,379.6
FTSE MIB (Italy)	0.2%	13.3%	34,385.3
IBEX 35 (Spain)	0.4%	20.4%	11,630.3
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.7%	18.7%	39,081.7
Hang Seng (Hong Kong)	0.8%	21.7%	19,864.6
Korea Kospi 100	1.1%	-5.2%	2,484.4
Singapore STI	-0.5%	23.2%	3,779.6
Shanghai Comp. (China)	0.6%	13.7%	3,382.2
Bombay Sensex (India)	-0.6%	12.4%	80,182.2
S&P/ASX 200 (Australia)	-0.1%	14.6%	8,309.4

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.4%	21.2%	864.0

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.3%	6.6%	2,310.1

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.9%	9.7%	1,093.2

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	-0.6%	45.5%	354.4
Consumer Discretionary	0.3%	39.3%	1,959.7
Consumer Staples	-0.1%	18.7%	883.7
Energy	-0.8%	6.0%	656.8
Financials	-0.7%	32.1%	814.8
Health Care	-0.1%	3.4%	1,617.8
Industrials	-0.9%	20.8%	1,149.2
Materials	-0.5%	4.0%	551.6
Real Estate	-0.5%	8.6%	264.5
Technology	-0.4%	40.2%	4,731.9
Utilities	-0.4%	24.1%	387.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.8%	15.6%	294.1
FTSE NAREIT Comp. TR	-0.4%	8.3%	25,920.5
DJ US Select Dividend	-0.8%	18.8%	3,567.7
DJ Global Select Dividend	0.3%	8.4%	226.8
S&P Div. Aristocrats	-0.6%	10.3%	4,712.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.0%	2.1%	2,206.5
Barclays HY Bond	-0.1%	8.7%	2,695.7

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.2%	-0.1%	543.0
NYMEX WTI Crude (p/bbl.)	1.0%	-1.2%	70.8
ICE Brent Crude (p/bbl.)	0.8%	-4.2%	73.8
NYMEX Nat Gas (mmBtu)	2.5%	34.8%	3.4
Spot Gold (troy oz.)	-0.1%	28.1%	2,643.3
Spot Silver (troy oz.)	-0.6%	27.6%	30.4
LME Copper (per ton)	-0.8%	4.8%	8,869.0
LME Aluminum (per ton)	-1.1%	6.6%	2,499.3
CBOT Corn (cents p/bushel)	0.1%	-13.7%	444.0
CBOT Wheat (cents p/bushel)	0.1%	-19.7%	545.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.0%	-4.9%	1.05
British Pound (£/$)	0.1%	-0.1%	1.27

	% chg.	% YTD	Value
Japanese Yen ($/¥)	-0.3%	-8.3%	153.88
Australian Dollar (A$/$)	-0.2%	-7.2%	0.63

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	0.0%	-7.5%	1.43
Swiss Franc ($/CHF)	-0.1%	-5.9%	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 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
Financials	12.9%	Overweight	2.0%	14.9%	Energy	3.2%	Equalweight	-	3.2%
Consumer Staples	5.9%	Overweight	2.0%	7.9%	Utilities	2.5%	Equalweight	-	2.5%
Information Technology	31.9%	Equalweight	-	31.9%	Materials	2.3%	Equalweight	-	2.3%
Health Care	11.5%	Equalweight	-	11.5%	Real Estate	2.3%	Equalweight	-	2.3%
Communication Services	8.8%	Equalweight	-	8.8%	Consumer Discretionary	10.2%	Underweight	-2.0%	8.2%
As of: September 30, 2024					Industrials	8.5%	Underweight	-2.0%	6.5%

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

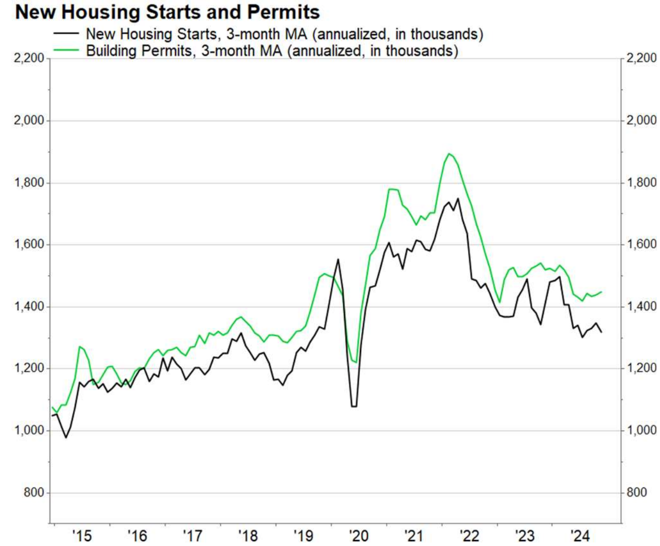
Releases for Wednesday, December 18, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised
8:30 AM	NOV	Housing Starts (annualized)	1345k	**1289k**	1311k	1353k
8:30 AM	NOV	Housing Starts (MoM)	+2.6%	**-1.8%**	-3.1%	-1.9%
8:30 AM	NOV	Building Permits (annualized)	1455k	**1505k**	1416k	1425k
8:30 AM	NOV	Building Permits (MoM)	+1.0%	**+6.1%**	-0.6%	-3.1%

Commentary:

- **New housing starts remained under pressure last month as the annualized pace of starts fell to its second lowest rate in over 3 years.** Builders indicated stronger activity ahead, however, as building permits jumped more than 6% month-over-month to their strongest pace since February. The lack of sales traction, however, suggests a weak market overall, in our view.
- New starts in the South jumped , as expected, following hurricane activity in September and October. Starts were lower, however, in the Midwest (down 28% m/m after jumping 24% m/m in October) and Western sections of the country (down 12% after a 15% gain in October).
- On a year-over-year basis, total new starts were down a sharp 16%. Single-family starts were down 10.7% and multi-family units were off by 29.7%. We note that availability in the multi-family sector, which is dominated by

New Housing Starts and Permits



the construction of apartments, has improved markedly in recent quarters thus the segment is likely to see new unit construction stabilize or ease modestly, in our view.

- *The chart at right has been sourced from FactSet and HAS been updated to reflect today's release.*

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q4-2023	Actual Q1-2024	Actual Q2-2024	Actual Q3-2024	Est. Q4-2024	Est. Q1-2025	Est. Q2-2025
Real GDP (annualized)	2.5%	2.9%	2.8%	2.0%	3.2%	1.6%	3.0%	2.8%	2.7%	1.8%	2.3%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.7%	3.8%	4.1%	4.1%	4.2%	4.2%	4.2%
CPI (YoY)	8.0%	3.4%	2.5%	2.0%	3.4%	3.5%	3.0%	2.4%	2.5%	2.2%	2.1%
Core PCE (YoY)	5.2%	2.9%	2.7%	2.0%	2.9%	2.8%	2.6%	2.7%	2.7%	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: December 12, 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:	6,100	**6,000**	5,300
10-Year U.S. Treasury Yield:	4.00%	**3.75%**	3.00%
Fed Funds Target Range:	4.25% to 4.50%	**4.50% to 4.75%**	4.00% to 4.25%

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

Please see latest *Quarterly Capital Market Digest* for more information. **Last Updated: October 30, 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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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.

Investment Research Leader

John C. Simmons, CFA
Vice President

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
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Amit Tiwari, CFA
Sr Associate I

Chief Economist
Russell T. Price, CFA
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Equity Research

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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
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Sagar Batra
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Analyst II

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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

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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

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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.

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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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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