Before the Bell

An Ameriprise Investment Research Group Publication

January 8, 2025

Starting the Day

- U.S. equity futures are pointing to a lower open.
- European markets are trading lower at midday.
- Asian markets ended lower overnight.
- Global markets under pressure from rising interest rates.
- ADP employment change comes in light.
- 10-year Treasury yield at 4.71%.
- West Texas Intermediate (WTI) oil is trading at $74.78.
- Gold is trading at $2,670.40

Market Perspectives

Thomas Crandall, CFA, CFP, CMT, CAIA V.P. Asset Allocation

It takes time for trees, and portfolios, to grow: *"The best time to plant a tree was 20 years ago; the second best time is today."* This age-old proverb is meant to emphasize the power of starting early and encourage those taking their first step today. Just as a tree needs time to grow before it becomes large enough to provide shade or strong enough to bear fruit, an investment portfolio can develop and flourish over time with proper care. To bring either to maturity requires patience, consistent effort, a forward-looking perspective, and attentive care when problems arise. Over the years, these small, disciplined touches, can give the orchardist, or investor, a better chance to meet their goals.

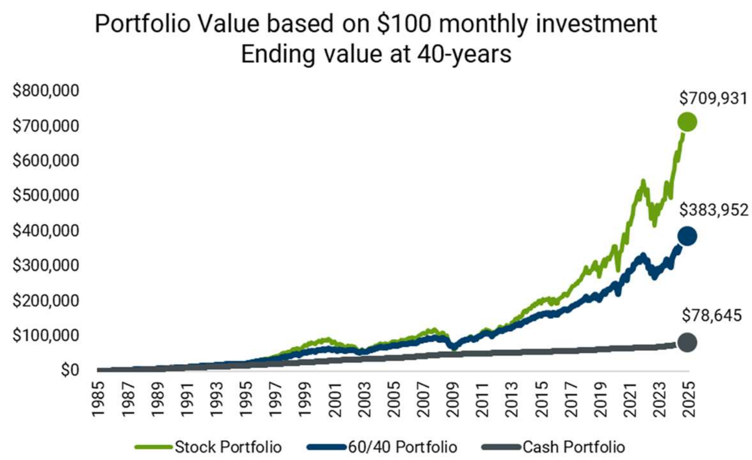
In this article we'll look at a slow but steady approach to saving and investing for retirement, comparing it over the different generations and starting with the most relevant case – that of the just-retired baby boomer.

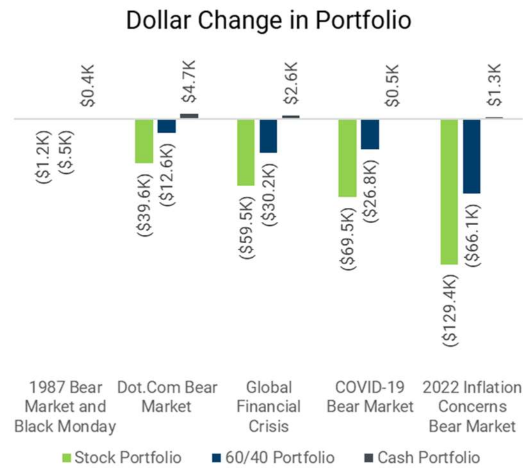
Baby Boomer's Experience: Consider the case of a hypothetical investor named Mary, born in 1961. Let's assume Mary started her first professional job at the beginning of 1985 when she turned 24. Even more, let's suppose Mary began to invest a little bit of her paycheck, $100 per month, into the S&P 500 during her first month on the job and kept this practice for the next forty years until she retired at the end of 2024. How did Mary fare?

If you're a student of the markets and economy, you may look back on these last forty years, recall the overall upward trajectory, and conclude that Mary must have succeeded in her approach. Or, you may bemoan the series of unfortunate events Mary faced throughout her career, including recessions, pandemics, and bear markets, and be less sure of her success.

- **Age 24:** She started her career as the U.S. was coming out of a recession
- **Age 26:** The bear market of 1987, including "Black Monday", causes her portfolio to fall by 34%
- **Age 28:** Another recession returns in 1990 dragging her portfolio down 20%.
- **Age 39-41:** The "Dot.Com" crash cuts her portfolio by 49%
- **Age 47-49:** The Global Financial Crisis again cuts her portfolio by 52%
- **Age 59:** The COVID-19 bear markets wipes out 34% of her retirement
- **Age 61:** Inflation diminishes the spending value of her retirement

Now, the numbers. In the chart below, we show the ending value of a cash portfolio (invested in 30-day T-bills), a 60/40 balanced portfolio, and an all-stock portfolio based on Mary's monthly $100 contributions (assuming she was steadfast in her approach and unrattled by lousy news along the way). We also show how much Mary would have lost, in dollar terms, over selected events. While investors may remember the unfortunate times (and the significant cash losses that accompanied these events), Mary's disciplined investment approach still would have resulted in a gain over cash had she consistently invested in either stocks or a balanced portfolio.





Source: Morningstar and American Enterprise Investment Services. Please see index descriptions and calculation methodology at the end of this section.

Mary's success wasn't without challenges along the way. As Mary neared retirement, she would have seen the dollar value of her portfolio drop by $130,000 (in an all-stock portfolio) during the bear market in 2022 caused by inflation concerns. During this time, she lost the most money in her forty-year investing career (even leaving aside the additional drop in purchasing power caused by inflation). The Global Financial Crisis and the Dot.Com selloffs were worse in percentage terms, but she also had less capital invested.

Asset allocation becomes more impactful as your assets grow, resulting in more considerable gains and losses in dollar terms. Your portfolio is typically the largest when approaching retirement, as you've had the most time to grow your assets; this also means that your portfolio is most sensitive at or near retirement. Pay special attention to your asset allocation in the final years leading up to retirement and the first years you are retired.

The cost of delay: Saving is challenging, particularly when you are just starting your career. What if Mary, like many people in their mid-20s, decided to delay retirement savings? Instead of putting $100 a month toward this goal, she may have decided to start saving for a house, start a family, or travel the world. What would this delay have cost her portfolio, if anything?

Mary's chart on the next page, based on a 60% Stock and 40% Bond balanced portfolio, suggests urgency but also provides hope that "it's not too late." Delaying even five years cost Mary nearly half of her retirement. However, planting this proverbial tree after five years would still have benefited Mary compared to delaying further or not saving at all.

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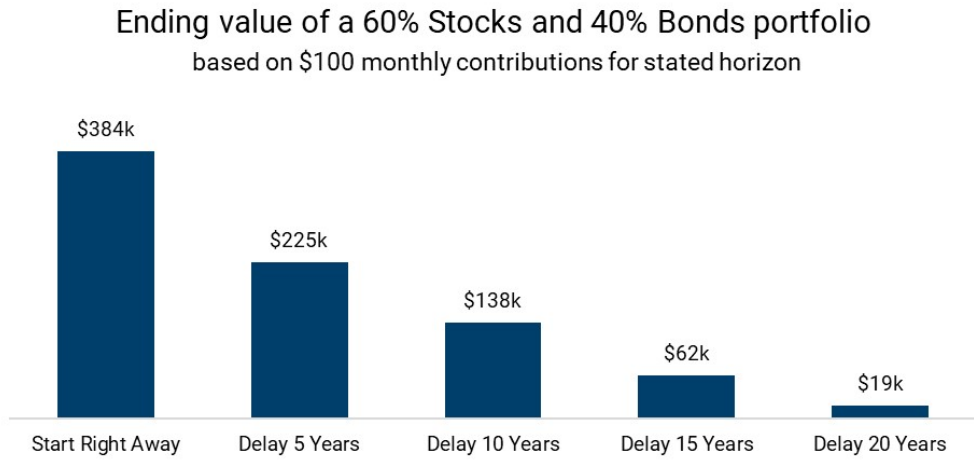
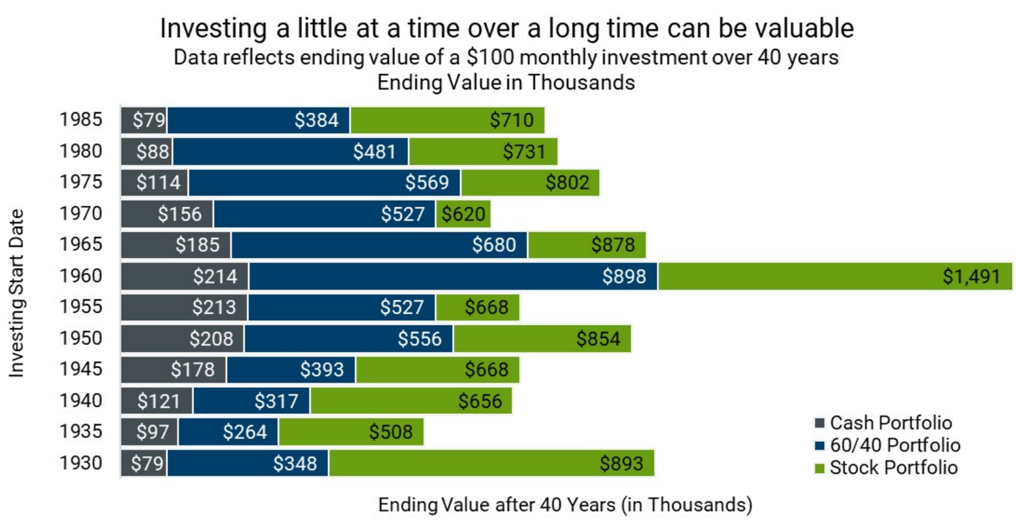


Source: Morningstar and American Enterprise Investment Services. Please see index descriptions and calculation methodology at the end of this section. The ending values assume that the hypothetical investor followed the same disciplined approach and had the same ending point but did so with different starting points. Past performance does not guarantee future results.

What about other generations? Investors in each generation face different obstacles. We laid out six different bear markets during Mary's investment career, which doesn't count the one she narrowly missed right before her career began. Still, she also invested during some of the longest and strongest bull markets within U.S. stocks and benefited from a nearly 40-year tailwind in U.S. bonds.

Was Mary just lucky? In the graph below, we assumed different starting points for Mary's career, moving backward in 5-year increments. All other aspects of these case studies mirrored the original as described above. Mary would have faced different social, economic, market, and geopolitical conditions depending upon when she started her career; however, in all cases, the largest ending value was one where she invested in an all-stock portfolio, and the smallest ending value was when she invested in 30-day treasuries. Likewise, delaying was costly for all Mary's when looking at ending wealth. Despite going through world wars, depressions, pandemics, and global recessions, the findings held.

There were, however, generational differences; someone starting their 40-year career in 1935 would have finished with about one-third of the wealth of someone starting their career in 1960. There is still a little bit of luck involved.



Source: Morningstar and American Enterprise Investment Services. Please see index descriptions and calculation methodology at the end of this section. Past performance does not guarantee future results.

Conclusion: While we often take time in these pages to talk about current market events, we took a step back today to look at the longer term. We recommend you do the same.

As investors and planners, we don't know what the future holds, so we look to history. In the analysis above, we did not discuss the value of employer 401k matches, pension plans, social security, or any other support Mary may have received. We assumed only that Mary dared to invest consistently and always stay disciplined. These are simple assumptions but very difficult to practice in real life, especially when losses mount, and economic conditions look murky. These are the times to lean on your plan.

Patience, discipline, and a forward-looking perspective are virtues for the orchardist and the investor. By starting early, investors have more time to recover and benefit from market fluctuations and the overall upward trajectory that we've historically seen in the market. Yet, the message remains optimistic for those who haven't begun their investment journey: it's never too late to start. Embracing the principles of long-term investing today may still yield benefits. The key is to take that first step, to plant that tree.

Indices and Methodology Used Throughout This Report: Stocks represented by the IA SBBI U.S. Large Stock TR Index, which is a custom index designed by Ibbotson Associates to measure the performance of Large Capitalization U.S. Stocks from 1926 – 1969. Since 1970 Stocks represented by the S&P 500 Total Return Index. Bonds represented by the IA SBBI U.S. IT Govt TR Index, which is a custom index designed by Ibbotson Associates that measures the performance of U.S. Treasury bonds with a maturity of five years from 1926 - 1975. Since 1976 Bonds represented by the Bloomberg U.S. Aggregate Bond Index. Cash represented by the IA SBBI US 30 Day Treasury Bill Index, which is a custom index designed by Ibbotson Associates that measures the performance of U.S. Treasury bills with a maturity of thirty days. For the balanced portfolio we assumed a 60% Stock and 40% Bond mix, rebalanced monthly. Performance figures include dividends and interest reinvested but do not include transaction costs. Performance figures assume a $100 monthly investment beginning at the time indicated and lasting through the end date. Past performance does not guarantee future results.

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

United States and North America:

- **Fed Minutes.** At it’s December meeting the U.S. fed signaled that the rate cut path may be shallower and slower than investors had thought. When the meeting minutes are released later today investors get to read more into this hawkish shot.
- **US Employment.** In December, the U.S. labor market showed signs of moderation as private employers added 122,000 jobs, falling short of the 140,000 jobs analysts had anticipated. Hiring decelerated across various sectors, and manufacturing employment declined for the third consecutive month.

Europe:

- **UK Bonds.** Borrowing costs in 10-year United Kingdom gilts are up another 11 basis points overnight, reaching levels not seen since 2008. This surge higher comes as investors grow increasingly concerned about fiscal sustainability and remain worried that inflationary pressures could become more entrenched than previously anticipated.

Asia-Pacific:

- **China Subsidies.** The Ministry of Finance announced an expansion to their consumer subsidy program yesterday, now including smartphones and other electronics, as well as broadening the range of home appliances eligible for the subsidy. Consumers can receive a subsidy equivalent to 20% of the sales price for each new appliance purchase. The program also supports trade-ins, allowing old appliances to be exchanged for new ones at a discounted rate.While China has prioritized boosting consumption to combat deflation and address subdued household and business confidence markets remain concerned that these efforts are not large enough to make much of an impact.
- **India Growth.** On Tuesday, India, Asia's third-largest economy, projected an annual growth rate of 6.4% for the fiscal year ending in March, the slowest in four years and below initial government projections of 7.0%. While most countries would envy this level of growth investors have pulled back from this region, bringing the headline S&P BSE Sensex Index down 9.2% since September. Modi wants to make India a “developed country” by 2047, a goal that requires growth closer to 8%, a level that may be difficult to achieve given current trends.

WORLD CAPITAL MARKETS

1/8/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-1.1%	0.5%	5,909.0
Dow Jones	-0.4%	0.0%	42,528.4
NASDAQ Composite	-1.9%	0.9%	19,489.7
Russell 2000	-0.7%	0.9%	2,249.8
Brazil Bovespa	0.0%	0.7%	121,160
S&P/TSX Comp. (Canada)	-0.3%	0.9%	24,929.9
Russell 3000	-1.1%	0.6%	3,376.1

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.7%	1.7%	4,977.3
FTSE 100 (U.K.)	-0.4%	0.5%	8,211.0
DAX Index (Germany)	-0.3%	1.9%	20,285.7
CAC 40 (France)	-1.1%	0.4%	7,404.9
FTSE MIB (Italy)	-0.1%	2.1%	34,914.6
IBEX 35 (Spain)	-0.7%	1.2%	11,727.7
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.3%	0.2%	39,981.1
Hang Seng (Hong Kong)	-0.9%	-3.6%	19,279.8
Korea Kospi 100	1.2%	5.1%	2,521.1
Singapore STI	1.5%	2.6%	3,887.0
Shanghai Comp. (China)	0.0%	-3.6%	3,230.2
Bombay Sensex (India)	-0.1%	0.0%	78,148.5
S&P/ASX 200 (Australia)	0.8%	2.3%	8,349.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.7%	0.7%	846.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.3%	1.2%	2,287.5

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.1%	0.5%	1,080.1

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	-1.1%	2.5%	350.2
Consumer Discretionary	-2.2%	-0.5%	1,821.9
Consumer Staples	-0.3%	-1.5%	840.2
Energy	1.1%	2.6%	672.0
Financials	-0.2%	0.1%	804.5
Health Care	0.6%	1.6%	1,630.0
Industrials	-0.1%	0.4%	1,120.4
Materials	0.0%	-0.4%	527.2
Real Estate	-0.7%	-1.7%	251.4
Technology	-2.4%	0.4%	4,628.6
Utilities	-0.3%	0.5%	386.6

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.4%	1.5%	298.7
FTSE NAREIT Comp. TR	-0.7%	-1.8%	24,640.2
DJ US Select Dividend	-0.1%	-0.3%	3,490.8
DJ Global Select Dividend	-1.0%	-0.2%	223.0
S&P Div. Aristocrats	0.0%	-0.8%	4,539.5

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.3%	-0.5%	2,177.2
Barclays HY Bond	-0.1%	0.4%	2,693.6

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.2%	0.8%	545.3
NYMEX WTI Crude (p/bbl.)	0.8%	4.3%	74.8
ICE Brent Crude (p/bbl.)	0.6%	3.8%	77.5
NYMEX Nat Gas (mmBtu)	4.1%	-1.2%	3.6
Spot Gold (troy oz.)	0.3%	1.3%	2,657.4
Spot Silver (troy oz.)	0.2%	4.2%	30.1
LME Copper (per ton)	0.0%	2.7%	8,886.9
LME Aluminum (per ton)	1.2%	-1.5%	2,488.7
CBOT Corn (cents p/bushel)	-0.3%	-0.4%	456.8
CBOT Wheat (cents p/bushel)	-0.9%	-2.5%	537.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.4%	-0.6%	1.03
British Pound (£/$)	-1.1%	-1.4%	1.23
Japanese Yen ($/¥)	-0.2%	-0.7%	158.34
Australian Dollar (A$/$)	-0.5%	0.2%	0.62
Canadian Dollar ($/C$)	-0.1%	0.0%	1.44
Swiss Franc ($/CHF)	-0.2%	-0.4%	0.91

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	13.5%	Overweight	2.0%	15.5%
Consumer Staples	5.5%	Equalweight	-	5.5%
Information Technology	32.8%	Equalweight	-	32.8%
Industrials	8.1%	Equalweight	-	8.1%
Communication Services	9.4%	Equalweight	-	9.4%
Energy	3.0%	Equalweight	-	3.0%
Utilities	2.3%	Equalweight	-	2.3%
Materials	1.9%	Equalweight	-	1.9%
Real Estate	2.0%	Equalweight	-	2.0%
Consumer Discretionary	11.5%	Equalweight	-	11.5%
Health Care	10.0%	Underweight	-2.0%	8.0%

As of: January 2, 2025

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 12/19/2024. 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	66.1%	Overweight	3.2%	69.3%
Europe ex U.K.	11.3%	Equalweight	-	11.3%
Latin America	0.8%	Equalweight	-	0.8%
Japan	4.7%	Equalweight	-	4.7%
United Kingdom	3.0%	Equalweight	-	3.0%
Asia-Pacific ex Japan	10.2%	Underweight	-1.0%	9.2%
Canada	2.7%	Underweight	-1.0%	1.7%
Middle East / Africa	1.2%	Underweight	-1.2%	0.0%

as of: January 2, 2025

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 12/26/2024. 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:

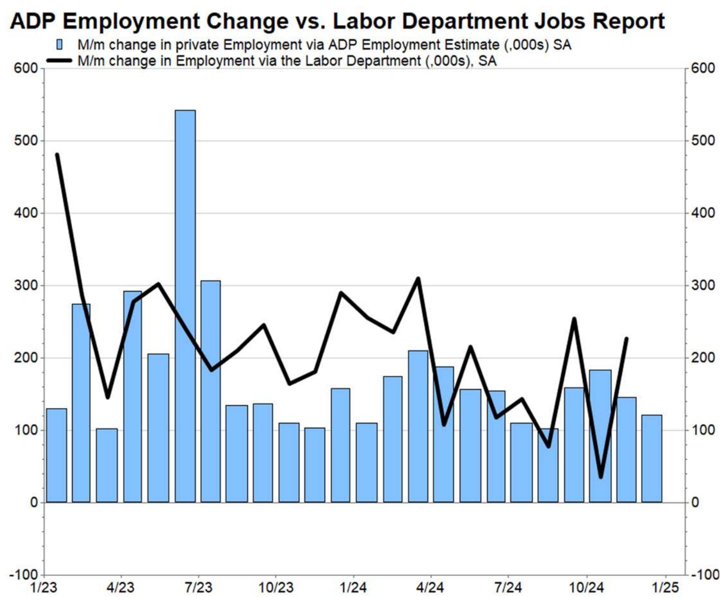
Russell T. Price, CFA – Chief Economist

Releases for Wednesday January 8, 2025 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised
8:15 AM	DEC	ADP Employment Change	+135k	**+122k**	146k	
8:30 AM	Jan. 4	Initial Jobless Claims	215k	**211k**	211k	
8:30 AM	Dec. 28	Continuing Claims	1862k	**1844k**	1844k	
2:00 PM	NA	Dec. 18 FOMC Meeting Minutes				
3:00 PM	NOV	Consumer Credit	+$10.5B		+$19.2B	

Commentary:

- **ADP Employment:** According to payroll processing provider ADP, net new job creation was light last month with particular weakness seen in the small and medium sized businesses categories on a seasonally adjusted basis.
- Practically all of December's net gains came from Large businesses. Small businesses (1 to 49 employees) added 5,000 net new jobs, according to the report while Medium sized operators (50 to 499 employees) added 9,000 and Large businesses (500+ employees) contributed 97,000 via the report.
- Medium sized businesses added 42,000 new positions while Large businesses added 120,000. *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*
- On a favorable note, the report also indicated a further easing of wage inflation pressures. Year-over-year wage gains for job-stayers were 4.6% higher while job-changers saw a reported 7.1% increase. These numbers have been in generally steady decline over the last several quarters. Six months ago, job stayers were seeing wage growth of 4.9% while job-changers experienced a 7.7% gain.



- **Outlook for Friday's Labor Department report:** With a backdrop of very high equity market valuations, 10-year Treasury rates at elevated levels, and a more cautious Fed, Friday's Employment Report for the month of December will be very closely monitored and could bring a considerable reaction should the results deviate materially from expectations. Also, employment results around the holidays can be volatile given the significant hiring and subsequent firing of temporary holiday period workers.
- Forecasters look for a sound yet moderate number of net new payroll positions to have been added in December. The Bloomberg consensus looks for 160,000 new jobs, down from November's 227,000. We note that the November number was very likely a partial rebound from October's strike and weather induced weakness of just 36,000.
- The Unemployment Rate, meanwhile, is projected to hold steady, ending 2024 at 4.2%.

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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

2025 Year-end Targets:	Favorable Scenario	Base-Case Scenario	Adverse Scenario
S&P 500 Index:	7,000	6,500	5,500
10-Year U.S. Treasury Yield:	5.00%	4.25%	3.00%
Fed Funds Target Range:	4.25% to 4.50%	3.75% to 4.00%	3.25% to 3.50%

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

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

Last Updated: January 2, 2025

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Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2025 Year-end S&P 500 Target: 6,500
2025 Year-End 10-year Treasury Target: 4.25%

as of 12/30/2024

	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	• Financials	• Communication Services • Consumer Discretionary • Consumer Staples • Energy • Health Care • Industrials • Information Technology • Materials • Real Estate • Utilities	• Health Care
Global Equity Regions	• United States	• Europe ex U.K. • Japan • Latin America • United Kingdom	• Middle East/Africa • Asia-Pacific ex Japan • Canada
Fixed Income	• U.S. High Yield Bonds	• U.S. Inv. Grade Corporates • 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.

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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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
Sr Analyst

Amit Tiwari, CFA
Sr Associate I

Chief Economist
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Equity Research

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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

ETFs, CEFs, UITs
Jeffrey R. Lindell, CFA
Sr Director

Alex Narum
Analyst II

Sagar Batra
Sr Associate I

Alternatives
Justin E. Bell, CFA
Vice President

Kay S. Nachampassak
Director

Quantitative Research
Kurt J. Merkle, CFA, CFP®, CAIA
Vice President

Peter W. LaFontaine
Sr Analyst

Gaurav Sawhney
Analyst II

Ryan Elvidge, 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
Benjamin L. Becker, CFA
Sr Director – International and global equity

Cynthia Tupy, CFA
Director – Value equity and equity income

Andrew S. Murphy, CFA
Analyst II – Core equity

Teneshia Butler
Analyst II – Growth equity

Kuldeep Rawat
Sr. Associate I

Multi-Asset and Fixed Income
Mark Phelps, CFA
Sr Director – Multi-asset solutions

Josh Whitmore, CFA
Director – Fixed income

Lukas Leijon
Sr Associate II – Fixed income

Diptendu Lahiri
Sr Associate I – Fixed income

Fixed Income Research and Strategy

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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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