Before the Bell

An Ameriprise Investment Research Group Publication

February 27, 2025

Starting the Day

- U.S. equity markets are pointing to a higher open.
- European markets are trading mixed at midday.
- Asian markets ended mixed.
- Mag Seven in correction; NVIDIA beats and raises.
- Trump threatens 25% tariffs on the EU.
- 10-year Treasury yield at 4.29%.
- West Texas Intermediate (WTI) oil is trading at $69.43.
- Gold is trading at $2,897.40

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Big Tech dips into correction. Will NVIDIA save the day? It was likely only a matter of time. The Magnificent Seven (Microsoft, Amazon, Alphabet, Apple, NVIDIA, Meta Platforms, and Tesla), or the companies that have fueled Big Tech's rise and powered major U.S. stock averages higher over the last two years, dipped into a correction on Tuesday and maintained that position on Wednesday. Note a market correction is defined as a stock, index, or group of stocks falling 10% or more from a recent top. For the Mag Seven, the tech-heavy group of stocks last saw a correction in the August through September period of last year and, before that, entered a brief correction in October 2023. Importantly, drawdowns of 10% or more are not uncommon in the stock market, and as the *Bloomberg* chart below shows, have happened several times across the Mag Seven over the last five years.

In our view, the simple occurrence of the latest drawdown by itself is not a cause for major concern. As history has shown, brief drawdowns can actually be healthy in the long term by helping reset expectations and offering an opportunity for investors to reground in the reality of current conditions. That said, the catalysts driving the recent loss in momentum across these Big Tech heavyweights are worth exploring and could linger over the intermediate term.

Source: Bloomberg

Tesla, Microsoft, Amazon, and Alphabet have led the declines in this current drawdown and are all down double-digits from the December peak in the Mag Seven basket. Tariff concerns, Telsa-specific issues (e.g., weaker car sales and China EV competition), capex spending on AI machinations, elevated valuations, and embedded bullish outlooks for profitability across the group (which need to come to fruition) have increased volatility for the group this year. After strong runs higher in 2023 and 2024, investors are rightfully a little more cautious about bidding up a group of stocks that already carry historically high influence across major U.S. averages.

In addition, some increased selling pressure over recent days has also intensified the losses across leveraged investment vehicles, which can exaggerate the downside pressure in the market and where popular products have been tied to Mag Seven stocks. According to *Bloomberg*, roughly $95 billion of assets earlier this month were tied to products using derivatives to take "long" positions on single stocks or indexes, compared to just $9 billion that were "short" or positioned to positively gain from losses on a stock or index. Just like the way up, these types of products that can be leveraged as much as 3X can exaggerate gains and losses over shorter periods. Over recent days, those losses have piled up for products that are levered up on the long side, particularly across Mag Seven stocks.

Coming into yesterday's NVIDIA earnings report, the bulls were hoping the results could stem some of the selling pressure and maybe even turn the tide to the positive. However, NVIDIA was already down over 17% from its peak in early January on Tuesday and was trading at the same level it was in June. As *Bespoke Investment Group* recently noted, the stock has been dead money for eight months. Most notably, rallies in the stock over the last nine months have been greeted with sharp selloffs, often an indication of investors taking money off the table after the stock has so aggressively moved higher (in this case, strong cumulative returns since the launch of ChatGPT). When looking at market reactions to post-earnings reports for the other Mag Seven stocks this season, stock performance immediately following their results is mixed, another indication that high expectations and elevated valuations across Big Tech are keeping investors more cautious early in 2025.

Leading into NVIDIA's earnings report on Wednesday, major U.S. averages finished the trading session mixed, with the S&P 500 Index and NASDAQ Composite ending with slight gains. This morning, and following NVIDIA's report, stocks look to open the session broadly higher, suggesting investors liked what they heard from the company yesterday. Here's a brief snapshot of what we learned from NVIDIA's latest profit update and outlook:

- Revenue in the fourth quarter rose +78%, with full-fiscal year revenue up +114% to %130.5 billion.
- NVIDIA surpassed analyst estimates for revenue and earnings per share in the fourth quarter and guided first quarter revenue higher than analyst estimates, implying year-over-year growth of +65%. However, the revenue growth estimate for Q1'25 does represent a significant slowdown from the +262% annual growth rate seen in the same period a year ago.
- The company is seeing a significant increase in demand for its latest and greatest AI chip, "Blackwell," with the company booking $11 billion in revenue during the previous quarter and as the company ramps up production. CEO Jensen Huang said that demand for Blackwell is "amazing," while CFO Colette Kress said the new AI chip represents "the fastest product ramp in our company's history." Notably, Hopper (the previous generation AI chip) and Blackwell are housed in NVIDIA's data center business, which accounted for a whopping 91% of the company's total sales in Q4, up from 83% a year ago and 60% during the same period in 2023. This will come as a surprise to no one. NVIDIA's growth and current valuation are almost entirely tied to the AI theme and its chip business at this point. Yet, the company did highlight growth opportunities across networking, autos, and robotics.
- The company did address growing market concerns that lower cost/efficient AI engines like China's DeepSeek could dent the need for NVIDIA's advanced chips by reiterating that hardware like Blackwell will be used to deliver AI software over time. As an example, CFO Kress noted that new ways of running AI models that require the engine to think through more sophisticated responses/software and ever-increasing demands could require as much as 100 times the amount of NVIDIA chips used today. The main message? Breakthroughs like DeepSeek will likely increase demand for AI chips over time and power more sophisticated software applications.

Bottom line: Results from NVIDIA were solid, and the demand environment for its critical AI chips over the next few quarters appears well-established. This should remain a strong secular driver for the stock and Big Tech companies tied to the AI theme. However, overall revenue growth rates are slowing for NVIDIA, and expectations are high, which could keep the stock volatile over the shorter term and susceptible to pullbacks if investors more broadly reduce stock exposure due to weaker macroeconomic factors outside company-specific dynamics (e.g., slowing economic growth or rising tariff frictions). At the same time, there is caution building in the market around the Technology sector, associated industries, and themes driving artificial intelligence which shouldn't be ignored. In our view, long-term investors should look through these dynamics and focus on the strong secular fundamental drivers that make companies like NVIDIA, Big Tech, and U.S. markets an engine for global growth. If you're underexposed to these areas, buying on potential weakness with a long horizon could make sense for some investors. However, in the shorter term, tactical investors should expect a bumpier ride over the next several weeks and months as macro factors jostle broader averages around and as company specifics move to the back burner until the next quarterly update.

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 higher open.** At least early in premarket trading, major averages are higher, with the NASDAQ Composite benefiting from a modest bump higher in NVIDIA's stock post-earnings report. On Wednesday, President Trump threatened the European Union with 25% tariffs without providing much detail. Interestingly, Trump said tariffs would take effect against Canada and Mexico on April 2nd. However, it was unclear if that was in relation to the 25% tariffs that were scheduled to go into effect on March 4th or reciprocal tariffs being driven by the Commerce Department and U.S. Trade Representative. In addition to potential executive actions looking into new copper tariffs and further trade restrictions on China, it's not an easy environment for companies to navigate. Falling earnings revisions, blaming higher interest rates, a strong U.S. dollar, and tariff uncertainties have ramped higher over recent weeks. And without a material change in the growth trajectory or more clarity on fiscal policies, Federal Reserve rate policy is likely on hold, which could continue to create headwinds for smaller U.S. companies.
- **Earnings Update:** With 93% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +18.2% year-over-year on revenue growth of +5.3%.

Europe:

With President Trump suggesting 25% tariffs on the EU, there was also some confusion in yesterday's press conference about whether that was on all products or more targeted against car imports to the U.S. Car exports to the U.S. from the EU represented roughly 14.7% of total exports to the U.S. in 2023, per *FactSet*. If the EU reduces car tariffs universally, that could inadvertently favor China, and navigating high tariffs from the U.S. could necessitate European car manufacturers to move production over time, which would be costly. That said, market reactions have been muted, as the thrust of all these U.S. tariff announcements on various countries, including the EU, continue to be seen as negotiating tactics for better bilateral trade agreements.

Asia-Pacific:

Equities in Asia finished Thursday mixed in a largely directionless session. *Bloomberg* reported that Chinese authorities are planning to inject fresh capital into three major state banks in the coming months. Such a move would be the first since the financial crisis in 2008-2009.

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WORLD CAPITAL MARKETS

2/27/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.0%	1.5%	5,956.1
Dow Jones	-0.4%	2.3%	43,433.1
NASDAQ Composite	0.3%	-1.1%	19,075.3
Russell 2000	0.2%	-2.4%	2,174.2
Brazil Bovespa	0.0%	3.7%	124,763
S&P/TSX Comp. (Canada)	0.5%	2.8%	25,328.4
Russell 3000	0.0%	1.2%	3,391.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.7%	12.5%	5,491.9
FTSE 100 (U.K.)	0.3%	7.7%	8,758.6
DAX Index (Germany)	-0.7%	13.7%	22,642.9
CAC 40 (France)	-0.4%	10.1%	8,114.8
FTSE MIB (Italy)	-1.1%	13.5%	38,802.1
IBEX 35 (Spain)	-0.4%	15.1%	13,280.8
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.3%	-4.0%	38,256.2
Hang Seng (Hong Kong)	-0.3%	18.7%	23,718.3
Korea Kospi 100	-0.7%	9.7%	2,621.8
Singapore STI	0.3%	3.8%	3,921.2
Shanghai Comp. (China)	0.2%	1.1%	3,388.1
Bombay Sensex (India)	0.0%	-4.3%	74,612.4
S&P/ASX 200 (Australia)	0.3%	1.9%	8,268.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.3%	3.5%	869.1

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.6%	9.1%	2,463.2

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.2%	5.9%	1,135.4

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	0.1%	2.8%	350.6
Consumer Discretionary	-0.4%	-5.4%	1,731.9
Consumer Staples	-1.9%	6.4%	906.1
Energy	-0.5%	4.0%	676.2
Financials	-0.2%	5.2%	844.4
Health Care	-0.7%	7.5%	1,720.4
Industrials	0.1%	2.5%	1,141.5
Materials	-0.1%	5.4%	557.3
Real Estate	-0.6%	4.9%	267.8
Technology	0.9%	-2.1%	4,507.8
Utilities	0.4%	5.4%	404.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.5%	9.1%	321.2
FTSE NAREIT Comp. TR	-0.5%	3.8%	26,049.9
DJ US Select Dividend	-0.1%	4.4%	3,654.1
DJ Global Select Dividend	-0.4%	6.5%	236.8
S&P Div. Aristocrats	-0.9%	3.1%	4,716.5

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.2%	2.5%	2,243.1
Barclays HY Bond	0.2%	2.0%	2,737.5

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	4.1%	563.5
NYMEX WTI Crude (p/bbl.)	1.2%	-3.1%	69.5
ICE Brent Crude (p/bbl.)	1.3%	-1.6%	73.4
NYMEX Nat Gas (mmBtu)	-1.8%	7.0%	3.9
Spot Gold (troy oz.)	-1.0%	10.0%	2,887.7
Spot Silver (troy oz.)	0.0%	10.3%	31.9
LME Copper (per ton)	0.9%	9.2%	9,448.3
LME Aluminum (per ton)	-0.3%	4.7%	2,646.3
CBOT Corn (cents p/bushel)	0.1%	6.0%	493.8
CBOT Wheat (cents p/bushel)	-1.1%	1.9%	573.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	1.2%	1.05
British Pound (£/$)	0.0%	1.3%	1.27
Japanese Yen ($/¥)	-0.3%	5.1%	149.52
Australian Dollar (A$/$)	-0.1%	1.7%	0.63
Canadian Dollar ($/C$)	-0.2%	0.1%	1.44
Swiss Franc ($/CHF)	-0.3%	1.1%	0.90

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:

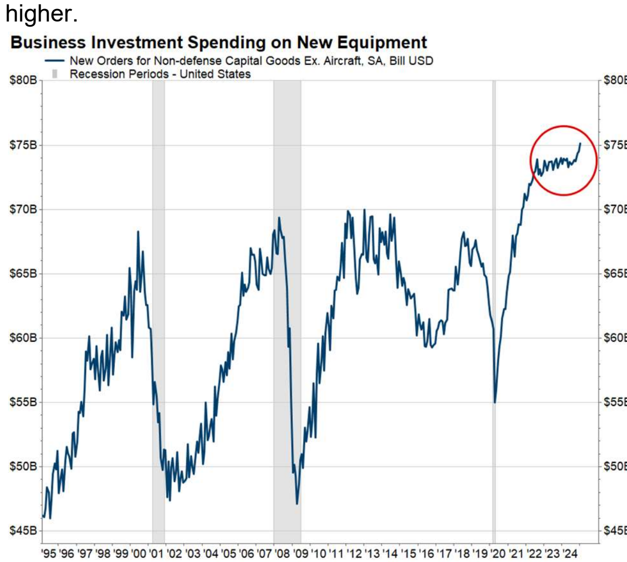
Russell T. Price, CFA – Chief Economist

Releases for Thursday, February 27, 2025 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Feb. 22	Initial Jobless Claims	221k	**242k**	219k	220k
8:30 AM	Feb. 15	Continuing Claims	1871k	**1862k**	1869k	1867k
8:30 AM	Q4-S	Q4 real GDP (annualized)	+2.3%	**+2.3%**	+2.3%	
8:30 AM	Q4-S	Q4 Personal Consumption	+4.1%	**+4.2%**	+4.2%	
8:30 AM	JAN	New Orders for Durable Goods	+2.0%	**+3.2%**	-2.2%	-1.8%
8:30 AM	JAN	Durable Orders – ex. transports	+0.3%	**+0.0%**	+0.3%	+0.1%
10:00 AM	JAN	Pending Home Sales (MoM)	-0.9%		-5.5%	
10:00 AM	JAN	Pending Home Sales (YoY)	-1.0%		-2.2%	

Commentary:

- **Commerce Department maintains its 2.3% growth figure for Q4.** In its first revision to its Q4-2024 real GDP numbers, the Commerce Department maintained its initial estimate for the U.S. economy at +2.3%. There was little movement in the underlying details of the report. Strong consumer spending provided most of the upside to the figures. Consumer spending grew by a strong 4.2% at an annualized pace, and the segment accounted for 2.8% of upside in the total GDP figure. As was the case in the initial release, a large drop in inventory accumulation accounted for the bulk of the downside pressure as it subtracted 0.8 percentage points.
- On a year-over-year basis, real GDP growth was a solid 2.5% higher.
- **New orders for durable goods, meanwhile, see a nice bounce as civilian aircraft orders at Boeing recover.** After posting two consecutive month-over-month declines of nearly 2%, total new orders for durable goods grew by a strong 3.2% in January. On a year-over-year basis, total new orders were a solid 4.3% higher.
- The volatility of the last few months has largely been reflective of fluctuating new order patterns at Boeing. Excluding the entire transportation sector, January new orders were flat and they were higher m/m and +1.7% relative to year-ago levels.
- The report's closely watched indicator of business investment spending: new orders for nondefense capital goods excluding aircraft, was +0.8% higher m/m and the segment was a strong 5.1% higher on a 3-month annualized basis.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*



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Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2023	Actual 2024	Est. 2025	Est. 2026	Actual Q1-2024	Actual Q2-2024	Actual Q3-2024	Actual Q4-2024	Est. Q1-2025	Est. Q2-2025	Est. Q3-2025
Real GDP (annualized)	2.9%	2.8%	2.4%	2.1%	1.6%	3.0%	2.8%	2.3%	2.8%	2.3%	2.5%
Unemployment Rate	3.7%	4.1%	4.2%	4.2%	3.8%	4.1%	4.1%	4.1%	4.2%	4.2%	4.2%
CPI (YoY)	3.4%	2.9%	2.5%	2.2%	3.5%	3.0%	2.4%	2.9%	2.4%	2.4%	2.4%
Core PCE (YoY)	2.9%	2.8%	2.3%	2.1%	2.8%	2.6%	2.7%	2.8%	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: February 18, 2025

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 • 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. Government • 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 December 31, 2024	Rolling Returns			
Major Market Indices	**QTD**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	2.63%	23.81%	8.01%	13.86%
MSCI ACWI Ex USA Index – net (Foreign Equity)	-7.60%	5.53%	0.82%	4.10%
Bloomberg U.S. Universal Bond Index (Fixed Income)	-2.73%	2.04%	-1.95%	0.06%
Wilshire Liquid Alternative Index (Alternatives)	-1.87%	4.33%	1.50%	2.48%
FTSE Three-Month Treasury Bill Index (Cash)	1.23%	5.45%	4.05%	2.54%

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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As of December 31, 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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