Before the Bell

An Ameriprise Investment Research Group Publication

May 20, 2025

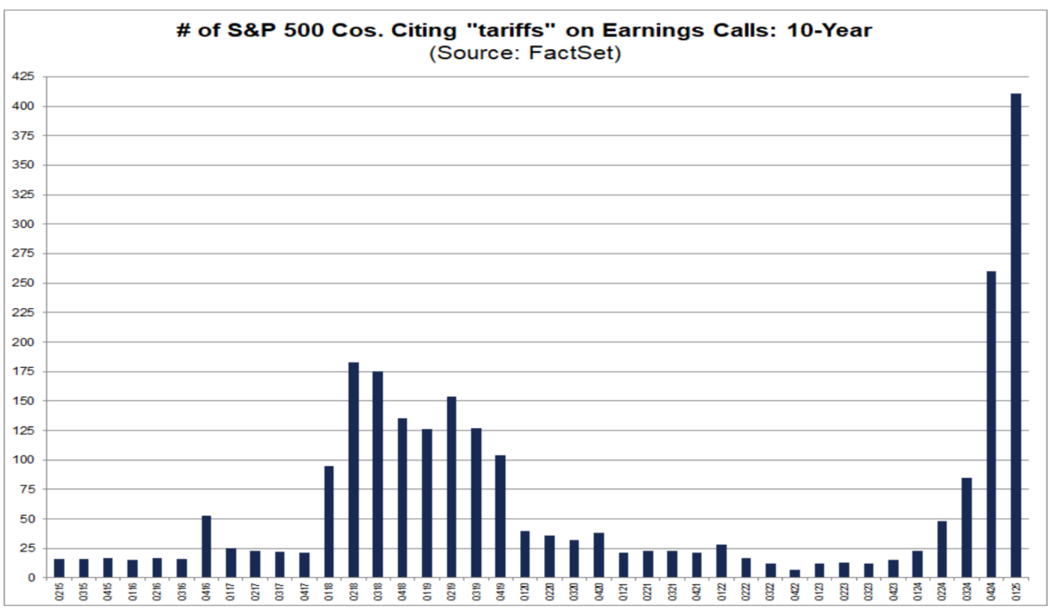
Starting the Day

- U.S. equity markets are pointing to a flat-to-lower open.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- Despite strong Q1 profits, companies are concerned.
- Home Depot says it won't raise prices due to tariffs.
- 10-year Treasury yield at 4.47%.
- West Texas Intermediate (WTI) oil is trading at $61.81.
- Gold is trading at $3,241.50

Market Perspectives

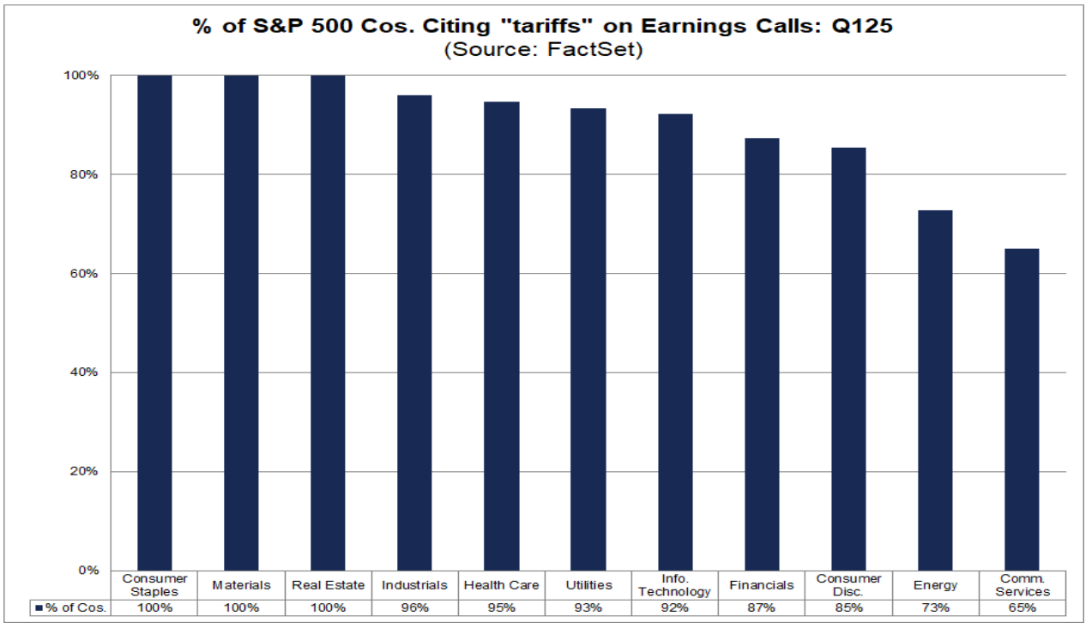
Anthony Saglimbene, Chief Market Strategist

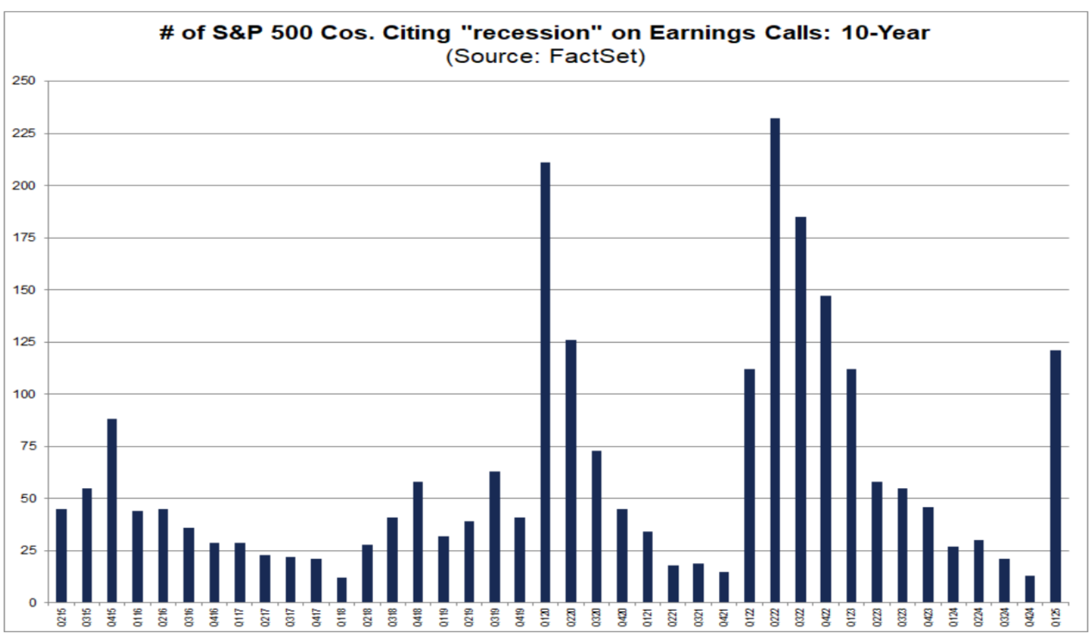
Not surprisingly, "tariffs" and "recession" are top-of-mind for Corporate America. As we have noted previously, and in yesterday's *Did You Know*, the first quarter earnings season went much better than most investors expected. Through last Friday, the blended S&P 500 earnings per share (EPS) growth rate stood at +13.6% y/y, nearly twice what was expected at the end of March. The Magnificent Seven (i.e., Microsoft, Amazon, Apple, Alphabet, Meta Platforms, NVIDIA, and Tesla) were a large driver of the S&P 500's stronger-than-expected earnings growth in Q1, collectively seeing EPS growth of +28% y/y, absent NVIDIA, which will report their results next week. Notably, artificial intelligence commentary and outlooks (a strong driver of overall stock sentiment) were generally positive, with hyperscalers reiterating aggressive capex plans for the quarters ahead. Further, several companies across tech and other industries highlighted the benefits of AI in helping boost productivity and monetize the technology. Demand drivers were mixed across several different sectors, but generally solid throughout the first three months of the year.



That said, across S&P 500 companies, the overall tone from corporate America was mostly cautious and guarded. As the *FactSet* chart above shows, 411 S&P 500 companies mentioned the term "tariffs" on their first-quarter earnings calls, based on company transcripts. By far, that's the highest level that the term was mentioned in over ten years and meaningfully above levels seen on Q4'24 earnings calls. Of course, commentary and color provided by management teams around tariffs and impacts varied. Yet, the *FactSet* chart below shows that across sectors, tariffs were at the top of companies' minds, even if their industries and sectors might not be directly impacted. Taken a step further, the term "recession" jumped to 121 mentions on Q1'25 earnings calls — the highest level since Q4'22, when record-high inflation and aggressive interest rate hikes from the Federal Reserve were unnerving companies.

Bottom line: Despite a volatile start to the year for stocks, corporate America delivered on earnings expectations and then some in Q1. In our view, this helped buoy a stock market filled with headline-driven volatility over recent weeks. Nevertheless, during the earnings season, corporate guidance was guarded, and management teams pointed to high levels of uncertainty around tariffs and their impacts. Thus, analysts lowered their profit estimates meaningfully for Q2 and Q3. If companies can continue to outperform profit expectations, stocks could stabilize around current levels and maybe press a little higher. However, with the S&P 500 back to trading at 22.5x this year's earnings expectations, we believe a lot has to go right, in an uncertain environment, to justify current levels in the overall market.





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 flat-to-lower open.** Stocks eked out small gains on Monday, with the S&P 500 Index ending fractionally higher for the sixth-straight session. That's after the Index was up +5.0% last week and higher by +19.5% since the April lows. With no major economic releases on the docket this morning, investors are focusing on Home Depot earnings, fiscal policy headlines, and speeches from Federal Reserve members. House Republicans continue to work through a reconciliation bill, trying to overcome divisions on SALT, Medicaid, and IRA credits before GOP leaders meet with President Trump later today. Fedspeak yesterday continued to focus on a patient approach, given tariff uncertainty. The market continues to price in roughly 50 basis points of Fed rate cuts for 2025
- **Earnings Update:** With roughly 93% of S&P 500 first quarter reports complete, blended earnings per share (EPS) growth is higher by +13.8% year-over-year on revenue growth of +4.8%. Home Depot reported first-quarter results this morning. The home improvement retailer missed EPS estimates but beat on revenue, reaffirmed full-year profit guidance, and said it wouldn't raise prices due to tariffs. Lowe's, Target, and TJX are on deck tomorrow.

Europe:

Investor reactions to the recently announced European Union and United Kingdom agreement to reset economic relations have been muted. The overall view from the market suggests the agreement offers progress but may have limited economic impacts. The elimination of cumbersome border checks on food products, fishing access in UK waters, and easier citizen mobility are good starts. However, greater defense and economic cooperation between the EU and UK is likely needed to boost growth, something that may be challenging over the intermediate term given political constraints, particularly around immigration and sovereignty, per *FactSet.*

Asia-Pacific:

The Reserve Bank of Australia (RBA) cut its cash rate by 25 basis points, as expected. India is in discussions with the U.S. on a three-tranche trade deal that could be implemented by July, while South Korea and Vietnam announced further trade discussions are underway with the U.S.

WORLD CAPITAL MARKETS

5/20/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.1%	1.9%	5,963.6
Dow Jones	0.3%	1.2%	42,792.1
NASDAQ Composite	0.0%	-0.2%	19,215.5
Russell 2000	-0.4%	-5.2%	2,104.4
Brazil Bovespa	0.3%	16.1%	139,636
S&P/TSX Comp. (Canada)	0.3%	6.1%	25,971.9
Russell 3000	0.0%	1.6%	3,392.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.4%	14.0%	5,448.8
FTSE 100 (U.K.)	0.5%	8.9%	8,743.1
DAX Index (Germany)	0.4%	20.7%	24,030.7
CAC 40 (France)	0.5%	9.7%	7,919.7
FTSE MIB (Italy)	0.5%	18.1%	40,377.8
IBEX 35 (Spain)	1.4%	25.7%	14,296.9

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.1%	-5.0%	37,529.5
Hang Seng (Hong Kong)	1.5%	19.6%	23,681.5
Korea Kospi 100	-0.1%	9.7%	2,601.8
Singapore STI	0.2%	5.0%	3,882.5
Shanghai Comp. (China)	0.4%	0.9%	3,380.5
Bombay Sensex (India)	-1.1%	4.2%	81,186.4
S&P/ASX 200 (Australia)	0.6%	4.3%	8,343.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.1%	5.9%	883.3

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.5%	16.4%	2,583.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.1%	9.7%	1,167.6

Note: International market returns shown on a local currency basis. **The equity index data shown above is on a <u>total return</u> basis, inclusive of dividends.**

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	0.2%	2.2%	348.0
Consumer Discretionary	-0.3%	-4.9%	1,737.9
Consumer Staples	0.4%	7.4%	908.4
Energy	-1.5%	-0.6%	640.7
Financials	0.0%	7.2%	857.5
Health Care	1.0%	-1.9%	1,563.9
Industrials	0.4%	9.9%	1,219.8
Materials	0.3%	4.3%	549.0
Real Estate	0.2%	4.2%	263.9
Technology	-0.1%	-0.5%	4,576.0
Utilities	0.3%	9.9%	417.9

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.5%	3.2%	303.8
FTSE NAREIT Comp. TR	0.2%	2.8%	25,794.8
DJ US Select Dividend	0.1%	3.0%	3,605.4
DJ Global Select Dividend	0.3%	18.1%	257.0
S&P Div. Aristocrats	-0.1%	3.1%	4,714.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.0%	2.0%	2,232.8
Barclays HY Bond	0.0%	2.4%	2,747.3

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.3%	3.7%	561.4
NYMEX WTI Crude (p/bbl.)	-0.2%	-12.8%	62.6
ICE Brent Crude (p/bbl.)	-0.5%	-12.6%	65.2
NYMEX Nat Gas (mmBtu)	1.9%	-12.7%	3.2
Spot Gold (troy oz.)	0.2%	23.4%	3,237.4
Spot Silver (troy oz.)	0.5%	12.6%	32.5
LME Copper (per ton)	0.6%	10.2%	9,539.0
LME Aluminum (per ton)	-1.4%	-3.0%	2,451.4
CBOT Corn (cents p/bushel)	1.1%	-3.5%	452.3
CBOT Wheat (cents p/bushel)	1.7%	-5.5%	538.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	8.6%	1.12
British Pound (£/$)	0.0%	6.8%	1.34
Japanese Yen ($/¥)	0.2%	8.7%	144.63
Australian Dollar (A$/$)	-0.7%	3.7%	0.64
Canadian Dollar ($/C$)	0.0%	3.1%	1.39
Swiss Franc ($/CHF)	0.1%	8.9%	0.83

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	14.4%	Overweight	2.0%	16.4%
Information Technology	30.4%	Equalweight	-	30.4%
Consumer Discretionary	10.2%	Equalweight	-	10.2%
Communication Services	9.4%	Equalweight	-	9.4%
Industrials	8.4%	Equalweight	-	8.4%
Consumer Staples	5.8%	Equalweight	-	5.8%
Energy	3.6%	Equalweight	-	3.6%
Utilities	2.5%	Equalweight	-	2.5%
Real Estate	2.2%	Equalweight	-	2.2%
Materials	2.0%	Equalweight	-	2.0%
Health Care	11.1%	Underweight	-2.0%	9.1%

As of: March 31, 2025

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/31/2025. 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
Europe ex U.K.	13.2%	Overweight	2.0%	15.2%
United States	62.8%	Overweight	1.2%	64.0%
Japan	5.1%	Equalweight	-	5.1%
United Kingdom	3.4%	Equalweight	-	3.4%
Latin America	0.9%	Equalweight	-	0.9%
Middle East / Africa	1.2%	Underweight	-1.2%	0.0%
Asia-Pacific ex Japan	10.6%	Underweight	-1.0%	9.6%
Canada	2.8%	Underweight	-1.0%	1.8%

as of: March 31, 2025

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 3/31/2025. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Tuesday, May 20, 2025

All times Eastern. Consensus estimates via Bloomberg

None Scheduled

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2023	Actual 2024	Est. 2025	Est. 2026	Actual Q2-2024	Actual Q3-2024	Actual Q4-2024	Actual Q1-2025	Est. Q2-2025	Est. Q3-2025	Est. Q4-2025
Real GDP (annualized)	2.9%	2.8%	1.2%	1.8%	3.0%	2.8%	2.3%	-0.3%	1.5%	0.2%	1.5%
Unemployment Rate	3.7%	4.1%	4.5%	4.5%	4.1%	4.1%	4.1%	4.2%	4.4%	4.5%	4.5%
CPI (YoY)	3.4%	2.9%	3.7%	2.4%	3.0%	2.4%	2.9%	2.4%	3.6%	4.0%	3.7%
Core PCE (YoY)	2.9%	2.8%	3.4%	2.6%	2.6%	2.7%	2.8%	2.6%	3.5%	3.7%	3.8%

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.

Our projections currently assume an average import tariff rate of 20% over the projection period.

All estimates other than GDP are period ending.

Last Updated: May 20, 2025

Please note: The economic outlook remains highly dynamic and heavily reliant on developments related to the Trump administration's tariff policies.

Ameriprise Global Asset Allocation Committee Targets and Views

Targets

2025 Year-end Targets:	Favorable Scenario	Base-Case Scenario	Adverse Scenario
S&P 500 Index:	6,000	5,600	4,800
10-Year U.S. Treasury Yield:	5.00%	4.00%	3.00%
Fed Funds Target Range:	3.75% to 4.00%	3.25% to 3.75%	2.75% to 3.00%

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

Please see latest *Quarterly Capital Market Digest* for more information. **Last Updated: April 30, 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: 5,600
2025 Year-End 10-year Treasury Target: 4.00%

as of 04/30/2025

	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	• Emerging Foreign
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. Investment Grade • Municipals	• U.S. Government • U.S. High Yield • Developed Foreign	• Emerging Foreign
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 March 31, 2025	Rolling Returns			
Major Market Indices	**Q1'25**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	-4.72%	7.22%	8.22%	18.18%
MSCI ACWI Ex USA Index – net (Foreign Equity)	5.23%	6.09%	4.48%	10.92%
Bloomberg U.S. Universal Bond Index (Fixed Income)	2.66%	5.24%	1.01%	0.32%
Wilshire Liquid Alternative Index (Alternatives)	0.76%	2.00%	2.43%	4.49%
FTSE Three-Month Treasury Bill Index (Cash)	1.10%	5.17%	4.42%	2.69%

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.

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
Sr. Manager

Amit Tiwari, CFA
Sr. Associate I

Chief Economist
Russell T. Price, CFA
Vice President

Equity Research

Justin H. Burgin
Vice President

Patrick S. Diedrickson, CFA
Director – Consumer goods and services

William Foley, ASIP
Director – Energy and utilities

Lori Wilking-Przekop
Sr. Director – Financial services and REITs

Chris Macino
Director – Health care

Frederick M. Schultz
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
Sr Analyst

Matthew Burandt
Analyst II

Parveen Vedi
Sr. Associate I

Harish Chauhan
Sr. Associate I

Ankit Srivastav
Lead Business Analyst

Pulkit Kumar
Associate I

Sameer Asif
Associate II

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

Cynthia Tupy, CFA
Director – Value and equity income equity

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

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

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As of March 31, 2025

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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

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