Before the Bell

Morning Market Brief

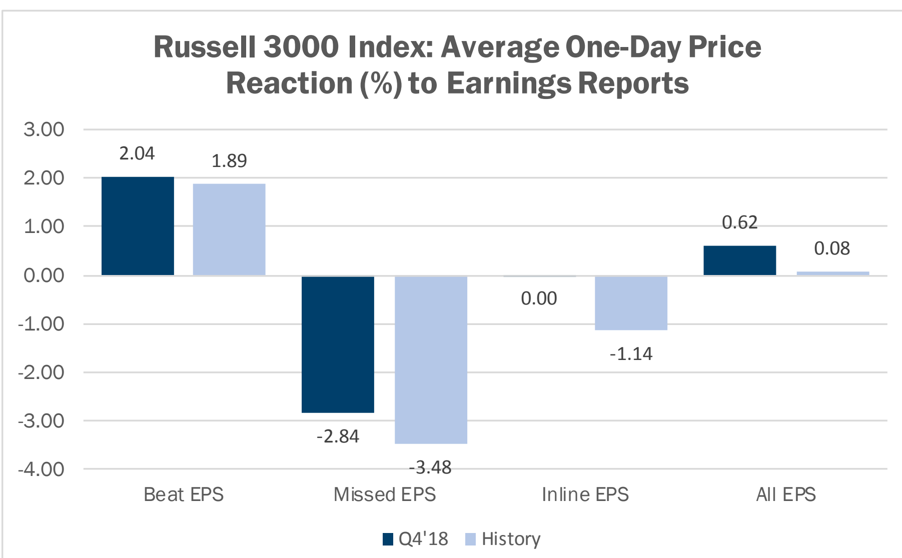
February 12, 2019

FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT

MORNING MARKET COMMENTARY: *Anthony M. Saglimbene, Global Market Strategist*

- ***Quick Take***: U.S. futures are pointing to a higher open after lawmakers overnight struck a deal that could avoid a government shutdown on Friday; Europe is trading in the green; Asia finished mostly higher overnight; West Texas Intermediate (WTI) oil trading at $53.61; 10-year U.S. Treasury yield at 2.68%.

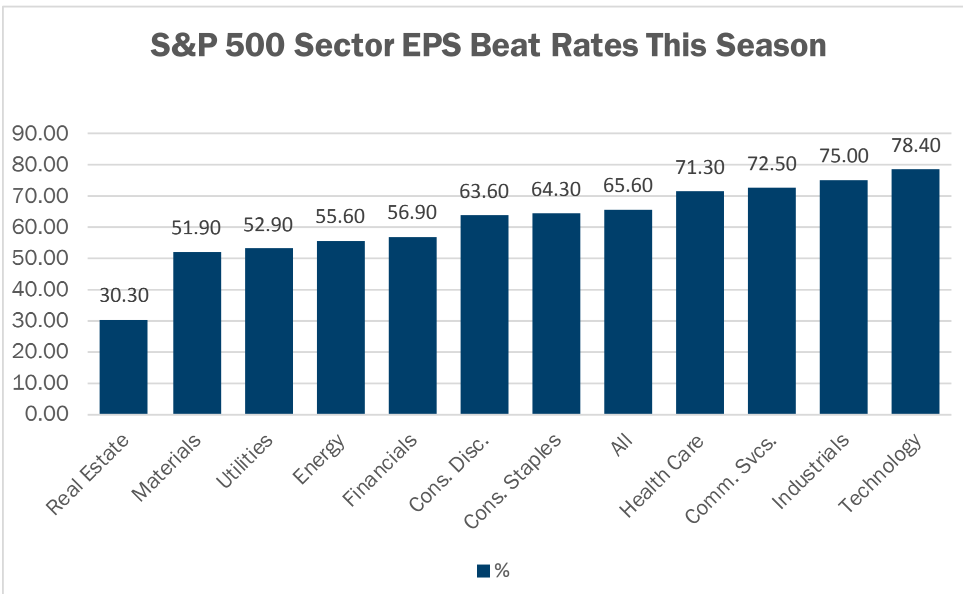
- ***Inside Investors' Reaction To Earnings Season (Update):*** Roughly 69% of companies in the S&P 500 Index have reported their Q4'18 earnings per share (EPS) numbers. So far, the blended EPS growth rate currently stands at +13.2% y/y, and if this number holds or improves, will mark the fifth consecutive quarter S&P 500 companies have delivered double-digit earnings growth.
- Importantly, there has been a sea change in how investors are reacting to earnings reports from a range of large, mid, and small-sized companies this season. The lowered earnings bar for U.S. companies as well as a rather fearful tone from investors heading into the new year has been a tailwind for stock prices since earnings season began. The S&P 500 Index is up +5.1% on total return basis since Citigroup kicked off earnings season on January 14th.
- **According to the chart below (sourced from *Bespoke Investment Group data*) stock prices are reacting well to company report cards this season. Overall, stock prices are seeing a more positive reaction to earnings reports compared to history. EPS beats are being rewarded a little more, and EPS misses are being punished a little less**.



Notations:

- For further information on any of the topics mentioned, please contact your Financial Advisor.
- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from FactSet unless otherwise noted.

- **Nevertheless, companies in aggregate are lowering forward guidance at some of the steepest levels in the last 15 plus years, according to *Bespoke***. Essentially, companies are throwing in the kitchen sink when it comes to lower expectations and ensuring analysts substantially lower their hurdle rates for profits over the next few quarters. Analysts currently expect Q1'19 S&P 500 EPS to 'decline' 1.9% y/y, which is substantially outside of the +3.3% growth they expected at the end of last year. It appears U.S. companies in aggregate are also using the fourth quarter earnings season to set the bar very low for full-year expectations. **Currently, full-year S&P 500 EPS is expected to grow by just +5.0% y/y, roughly half what was projected at the end of September**. In our view, if companies can outperform these meager expectations, there could be further room for stock prices to run. **Although earnings recession fears are rising, we believe it is premature to ring that bell today. Companies and analysts are notorious for lowering earnings hurdle rates only to surpass them by a wide margin when 'actual' profits are reported**.
- Regarding Q4'18 earnings beats, Technology, Industrials, Communication Services, and Health Care are surpassing EPS expectations by the widest margins, while Real Estate and Materials are missing analyst forecasts. **As the chart below shows (also sourced from *Bespoke data*) not all cyclical sectors are outperforming EPS forecasts. Nevertheless, the stronger earnings performance has translated into better stock performance over the last month for Industrials and Technology. Conversely, weaker earnings performance for Materials and Energy have detracted from performance**.



- Earnings season still has some gas left in the tank, as 65 S&P 500 companies are on the docket to report this week. The earnings data has supported a more forgiving mood among investors, and from our point of view, we think that's the right tone to strike at the moment. **However, the tailwinds from corporate updates will fade in the next week, or two and investors will again be left to rely on macro data for their market cues — which can be more volatile**. **Though we believe stock prices can push higher from here and sentiment is not overly bullish at the moment, macro conditions could become a little less certain as earnings season comes to a close and trade issues take center stage**.

- ***Asia-Pacific:*** Asian equities closed higher on Tuesday. Per *The Wall Street Journal*, S&P 500 companies mentioned 'China' 225 times on their fourth quarter earnings calls through the first full week of February. This is the most focus China has received on earnings calls in at least ten years and highlights the modest but slowing growth trends companies are facing from the world's second-largest economy. As the *WSJ* correctly pointed out, the rapid pace of growth out of China over the last decade and a large expansion in U.S. businesses operating in the country means even a modest slowdown in China can have a meaningful impact on corporate America's profits. Disruptions in global supply chains and skepticism about a potential trade deal between the U.S. and China have also colored multinational earnings calls this season.

- ***Europe:*** Markets across the region are trading positively at midday. UK Prime Minister Theresa May delivered a statement to parliament today asking for more time to negotiate a Brexit deal. In her remarks to the House of Commons, Mrs. May said the referendum was not just about leaving the European Union (EU) and that she will bring forward a revised deal for a vote when the needed changes are made. The Prime Minister also said she would make a statement on February 26th if a new deal is not reached. Importantly, the UK is seeking alternative approaches to the Irish border backstop and legally binding language that shows the backstop will be temporary. The clock is ticking down to March 29th, and the risk of crashing out of the EU is high if a new deal is not struck with the EU or Article 50 is not extended.
- ***U.S.:*** **Equity futures are pointing to a stronger open this morning, as investors breathe a sigh of relief that lawmakers have a deal that may avoid another government shutdown**. As we highlighted yesterday, we believe investors need positive catalysts to push markets higher from here. This morning, investors are eager to check the box on removing the government shutdown hurdle and appear willing to push stock prices higher. A tentative border security deal looks to have set the ball in motion for an agreement overnight, which includes $1.37 billion for 55 miles of fences along the southern border. Although the border deal falls short of the $5.7 billion President Trump was seeking for 200 miles of wall, Democrats desire for strict caps on detention center beds, and related items were scrapped. The bipartisan agreement still needs to overcome a few hurdles before the Friday deadline to avoid a government shutdown, including passing both chambers of Congress and receiving the President's signature.
- *Bloomberg* noted that the U.S. and China have just begun to put pen to paper on striking a draft trade document this week, which could increase the chances that the March 1st trade ceasefire is extended. Also, negotiations on how a trade agreement would be enforced are still in the beginning stages, and it is looking less likely that the U.S. would increase tariff rates from 10% to 25% on $200 billion of Chinese imports while discussions are taking place. Despite the potential rollback of higher tariff rates after March 1st, U.S. trade officials are looking into how they can maintain pressure on Beijing. According to *Bloomberg*, the U.S. may want to keep any extension time-specific to sustain the urgency on China and avoid an open-ended approach. In our view, such a strategy may be temporarily greeted by the market favorably but could then weigh on sentiment as investors, corporations, and the economy hangs in limbo until the next trade deadline.
- Small business optimism fell to 101.2 in January and below the 103.0 consensuses. As a result, the Index sits at its lowest level since before the 2016 presidential election. Sentiment among small business owners was dinged by the longest-ever U.S. government shutdown and increasing market volatility. The NFIB Uncertainty component hit its fifth highest level in the survey's 45- year history last month. According to *The Wall Street Journal*, small business owners are becoming more cautious about investment and hiring plans.

This space intentionally left blank.

WORLD CAPITAL MARKETS *(all data as of approximately 8:00 AM ET)*

Americas	% chg.	% YTD	Value
S&P 500	0.07%	8.33%	2,709.8
Dow Jones	-0.21%	7.68%	25,053.1
NASDAQ	0.13%	10.25%	7,307.9
Russell 2000	0.84%	12.73%	1,519.0
Brazil Bovespa	1.30%	8.83%	95,644.1
S&P/TSX Comp. (Canada)	-0.41%	8.94%	15,568.9
Mexico IPC	0.24%	3.96%	43,285.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.82%	6.65%	3,191.6
FTSE 100 (U.K.)	-0.02%	6.01%	7,127.9
DAX Index (Germany)	1.08%	5.44%	11,133.3
CAC 40 (France)	0.92%	7.02%	5,060.4
FTSE MIB (Italy)	1.15%	8.12%	19,812.0
IBEX 35 (Spain)	0.71%	5.97%	8,999.6
Russia TI	0.93%	8.54%	4,544.5

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	2.61%	4.25%	20,864.2
HK Hang Seng (H. Kong)	0.10%	9.03%	28,171.3
Korea Kospi 100	0.45%	7.32%	2,190.5
Singapore STI	-0.16%	4.43%	3,201.2
Shanghai Comp. (China)	0.68%	7.14%	2,671.9
Bombay Sensex (India)	-0.66%	0.30%	36,153.6
S&P/ASX 200 (Australia)	0.30%	7.70%	6,079.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.04%	7.48%	488.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.08%	5.17%	1,806.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.06%	7.28%	1,035.4

Note: International market returns shown on a local currency basis. Equity index data is total return, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value
Consumer Discretionary	0.18%	8.22%	845.0
Consumer Staples	0.21%	6.34%	553.8
Energy	0.46%	10.33%	466.0
Financials	0.25%	8.12%	426.6
Real Estate	0.22%	11.83%	215.0
Health Care	-0.13%	3.96%	1,039.0
Industrials	0.55%	14.05%	617.6
Materials	0.19%	4.53%	330.9
Technology	0.00%	9.66%	1,190.9
Communication Services	-0.63%	8.94%	150.8
Utilities	-0.08%	5.19%	282.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.00%	10.06%	24.5
FTSE NAREIT Comp.	0.27%	12.89%	18,735.5
DJ US Select Dividend	0.02%	7.20%	1,994.3
DJ Global Select Dividend	0.46%	6.41%	220.0
S&P Div. Aristocrats	0.37%	6.83%	2,560.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.12%	1.08%	2,068.7
Barclays HY Bond	0.07%	4.90%	2,002.9

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.41%	-0.38%	478.6
NYMEX WTI Crude (p/bbl.)	2.37%	18.15%	53.7
ICE Brent Crude (p/bbl.)	2.32%	16.99%	62.9
NYMEX Nat Gas (mmBtu)	1.29%	-8.98%	2.7
Spot Gold (troy oz.)	0.34%	2.34%	1,312.6
Spot Silver (troy oz.)	0.34%	1.72%	15.8
LME Copper (per ton)	-0.89%	3.14%	6,135.8
LME Aluminum (per ton)	-0.09%	-0.38%	1,855.8
CBOT Corn (cents p/bushel)	0.80%	0.20%	375.8
CBOT Wheat (cents p/bushel)	-0.24%	2.73%	517.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.2%	-1.5%	1.13
British Pound (£/$)	0.2%	1.0%	1.29
Japanese Yen ($/¥)	-0.03%	-0.65%	110.41
Australian Dollar (A$/$)	0.44%	0.62%	0.71
Canadian Dollar ($/C$)	0.3%	2.8%	1.33
Swiss Franc ($/CHF)	-0.5%	-2.6%	1.01

Data/Price Source: Bloomberg; Equity Index data is total return, inclusive of dividends where applicable.

Ameriprise Global Asset Allocation Committee

Global Equity Region - Tactical View

	Region	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1)	United States	54.1%	Overweight	+3.1%	57.2%
2)	Canada	3.0%	Equalweight	-	3.0%
3)	United Kingdom	5.4%	Underweight	- 1.0%	4.4%
4)	Europe ex U.K.	14.9%	Underweight	- 1.0%	13.9%
5)	Latin America	1.4%	Equalweight	-	1.4%
6)	Asia-Pacific ex Japan	12.5%	Equalweight	-	12.5%
7)	Japan	7.6%	Equalweight	-	7.6%
8)	Middle East / Africa	1.1%	Underweight	- 1.1%	-

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. 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. Index weights as of 12/20/18. Numbers may not add due to rounding.

Ameriprise Global Asset Allocation Committee

U.S. Equity Sector - Tactical View

	Sector	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1)	Communication Services	10.2%	Underweight	- 2.0%	8.2%
2)	Consumer Discretionary	9.8%	Equalweight	-	9.8%
3)	Consumer Staples	7.5%	Underweight	- 2.0%	5.5%
4)	Energy	5.3%	Overweight	+2.0%	7.3%
5)	Financials	13.3%	Equalweight	-	13.3%
6)	Health Care	15.5%	Overweight	+2.0%	17.5%
7)	Industrials	9.2%	Equalweight	-	9.2%
8)	Information Technology	20.2%	Equalweight	-	20.2%
9)	Materials	2.6%	Equalweight	-	2.6%
10)	Real Estate	3.0%	Overweight	+1.0%	4.0%
11)	Utilities	3.4%	Underweight	- 1.0%	2.4%

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. 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. Index weights as of 12/20/18. Numbers may not add due to rounding.

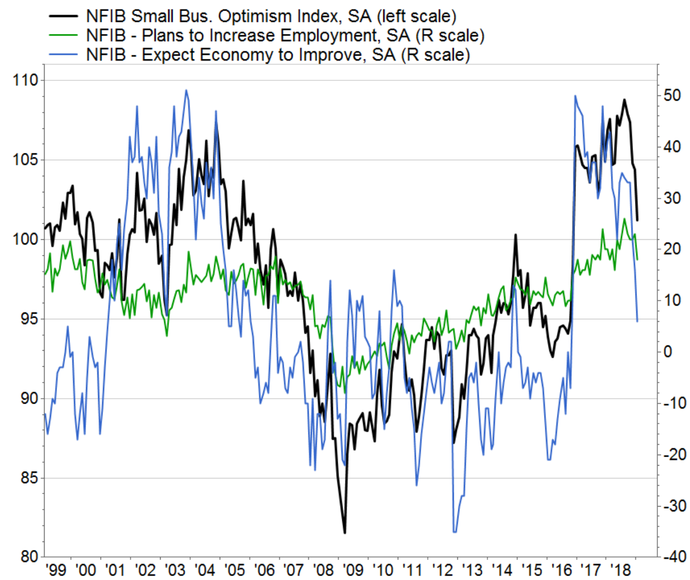
ECONOMIC NEWS OUT TODAY:

Economic Releases for Tuesday, February 11, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
6:00 AM	JAN	NFIB Small Business Index	103.0	**101.2**	104.4	
10:00 AM	DEC	Job Openings (JOLTs Report)	6846k		6888k	

Economic Perspective: ***Russell T. Price, CFA – Chief Economist***

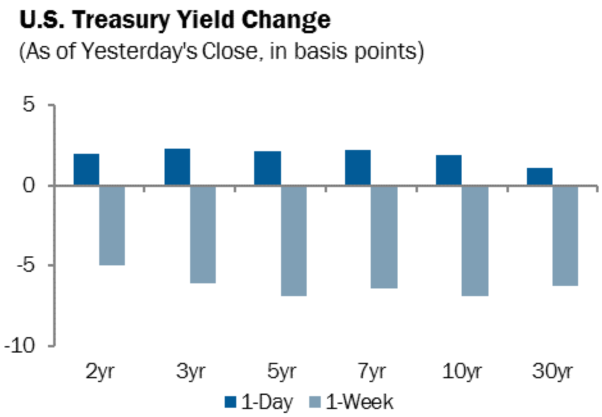
- Small business sentiment came in weaker than expected this morning, but today's report is for the month of January, thus the government shutdown is likely reflective of at least some of the decline. Overall, the Index has fallen sharply since its recent high of 108.8 as attained last August. *The chart at right is sourced from FactSet.*
- The notable downdraft in financial markets over the course of last year's second half has also played a role in falling confidence levels over the last few months while the ongoing trade tensions with China are also very likely playing a role.
- Today's January reading of 101.2 is the Index's lowest level of the Trump presidency, but it would still represent a post-recession high excluding this period.
- A sharp decline in the net percentage of respondents that "expect the economy to improve" was a considerable factor in the overall decline. Here too it is difficult to determine how much of the decline is due to the government shutdown, but more notably, hiring intentions, capital expenditure plans and even earnings trends, all remained strong. Though down modestly, the net 18% of respondents that said they plan on increasing their employment levels over the next three months was still quite strong relative to historical levels. The component reached a 3 DECADE-plus high of 26 in August. *See chart at right, as sourced from FactSet.*

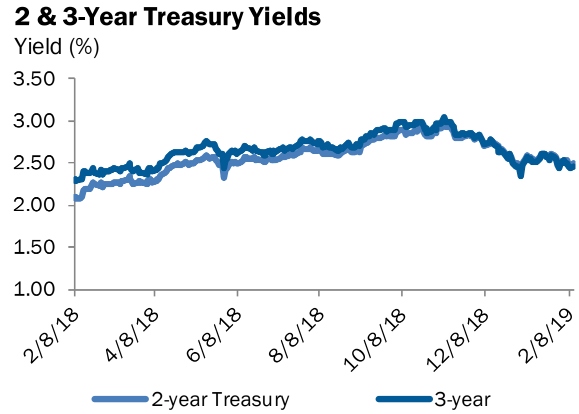


FIXED INCOME NEWS & VIEWS: *Brian M. Erickson, CFA, Fixed Income Research & Strategy*

Treasuries Sell-off this Morning After Deal to Keep Federal Government Open

- Treasury yields lifted higher this morning as U.S. equity markets point to a higher open. Markets buoyed by a bipartisan deal in congress to avert a second partial shutdown of the federal government. Should President Trump sign the deal, we believe one of the hurdles facing markets could fade and giving markets the ability to accept economic growth for what it is and remove one of the overhangs on business and consumer sentiment measures. For example, NFIB Small Business Optimism Index fell to 101.2 in January, down from 104.4 in December. Yes, slowing growth into 2019 plays a role, but we also see a significant overhang of uncertainty.
- Following the flows: Investors added $18 billion to fixed income funds this year and pulled $18 billion from equity funds according to Bloomberg data. The move to higher quality assets follows rocky markets over year-end and generally tracks with our 2019 Top Investment Theme of moving up in quality. While we tactically increased our weight to U.S. Investment Grade Bonds to rebuild our core fixed income allocations as yield returns to the segment.





Source: Bloomberg, Bloomberg Barclays Indices

Fed Policy Update

- Fed speakers dot the schedule today with Fed Chairman Powell speaking in Mississippi on rural economic development this afternoon and Federal Reserve Bank Presidents Mester and George this evening. We believe markets may be reading a bit too much into the Fed's responsiveness to market conditions, but with the patient fed approach in place there is likely time for the Fed Chairmen to reorient markets around the economic data that drives Fed decisioning at policy meetings wrapping up on March 20, May 1 and June 19 finishing out the calendar for the first half of the year. Looking for a counter balance to global uncertainties, markets looked for a source of hope, ascribing the role of white knight to a patient Fed. We take the Fed for its word that headwinds have increased, and inflation remains contained, so they can be patient. Should uncertainties pass, or inflation press higher, the Fed we would anticipate the Fed to contemplate whether further rate hikes were prudent. In other words, risk markets hoping that the Fed has their back are likely to be disappointed in our view.
- We also consider a potentially larger Fed balance sheet at the end of the balance sheet reduction program as a reason the Fed may consider additional rate increases. Fed Chairman Powell indicated that studies done by the Fed suggest the optimal balance sheet to effectively manage the Fed's target range, currently 2.25% to 2.50%, relies on interest the Fed pays on excess bank reserves on the lower bound, and Fed engagement in the repo market lending Treasuries held on the balance Fed's balance sheet to manage the upper bound. The range is a post financial crisis mechanic for implementing Fed rate policy and is used to frame up a context for the effective fed funds rate, which has limited use within the context of current bank regulations. Should the balance sheet need to be higher, it's possible that the Fed would look to offset the monetary impact of a larger balance sheet with somewhat tighter rate policy. We could see this discussed or explored over the next few meetings as the Fed frames up its balance sheet approach. This could impact the shape of the Treasury curve and play a role in how we look to evolve our tactical positioning around duration and how we frame up Treasury valuations.

This space intentionally left blank.

Ameriprise Investment Research Group

Ameriprise Financial
1441 West Long Lake Road, Suite 250, Troy, MI 48098
investment.research.group@ampf.com
For additional information or to locate your nearest branch office, visit ameriprise.com

RESEARCH & DUE DILIGENCE LEADER

Lyle B. Schonberger - Vice President

Business Unit Compliance Liaison (BUCL)

Kirk D. Dedenbach – Senior Manager

Jeff Carlson, CLU, ChFC – Manager

Investment Research Coordinator
Kimberly K. Shores

Sr. Administrative Assistant
Jillian Willis

EQUITY RESEARCH

Equity Research Director
Justin H. Burgin – Vice President

Consumer Goods and Services
Patrick S. Diedrickson, CFA – Director

Energy/Utilities
Justin H. Burgin – Vice President

Financial Services/REITs
Lori Wilking-Przekop – Sr Director

Health Care
Daniel Garofalo – Director

Industrials/Materials
Frederick M. Schultz – Director

Technology/Telecommunication
Curtis R. Trimble – Director

Quantitative Strategies/International
Andrew R. Heaney, CFA – Director

STRATEGISTS

CHIEF MARKET STRATEGIST
David M. Joy – Vice President

GLOBAL MARKET STRATEGIST
Anthony M. Saglimbene – Vice President

Thomas Crandall, CFA, CAIA – Director, Asset Allocation

Daniel Balter, CFA – Analyst – Quantitative, Asset Allocation

Gaurav Sawhney – Research Analyst

Amit Tiwari – Sr. Research Associate

CHIEF ECONOMIST
Russell T. Price, CFA – Vice President

MANAGER RESEARCH

Michael V. Jastrow, CFA – Vice President

Jeffrey R. Lindell, CFA – Director – ETFs & CEFs

Mark Phelps, CFA – Director – Multi-Asset Solutions

Equities
Christine A. Pederson, CAIA, CIMA – Senior Director – Growth Equity, Infrastructure & REIT

Benjamin L. Becker, CFA – Director – International/Global Equity

Alex Zachman – Analyst – Core Equity

Cynthia Tupy, CFA – Analyst – Value and Equity Income Equity

Fixed Income & Alternatives
Jay C. Untiedt, CFA, CAIA – Senior Director – Alternatives

Steven T. Pope, CFA, CFP® – Director – Non-Core Fixed Income

Douglas D. Noah – Analyst – Core Taxable & Tax-Exempt Fixed Income

Blake Hockert – Associate – Reporting & Analytics

FIXED INCOME RESEARCH & STRATEGY

Fixed Income Research
Brian M. Erickson, CFA – Vice President

High Yield and Investment Grade Credit
Jon Kyle Cartwright – Sr Director

Stephen Tufo – Director, Credit Analyst

INVESTMENT DUE DILIGENCE

Justin E. Bell, CFA – Vice President

Kurt J. Merkle, CFA, CAIA – Sr Director

Kay S. Nachampassak – Director

Peter W. LaFontaine – Sr Analyst

James P. Johnson, CFA, CFP® – Analyst

David Hauge, CFA – Analyst

Bishnu Dhar – Sr. Research Analyst

Parveen Vedi – Sr. Research Associate

Darakshan Ali – Research Process Trainee

The content in this report is authored by American Enterprise Investment Services Inc. ("AEIS") and distributed by Ameriprise Financial Services, Inc. ("AFSI") to financial advisors and clients of AFSI. AEIS and AFSI are affiliates and subsidiaries of Ameriprise Financial, Inc. Both AEIS and AFSI are member firms registered with FINRA and are subject to the objectivity safeguards and disclosure requirements relating to research analysts and the publication and distribution of research reports. The "Important Disclosures" below relate to the AEIS research analyst(s) that prepared this publication. The "Disclosures of Possible Conflicts of Interest" section, where applicable, relates to the conflicts of interest of each of AEIS and AFSI, their affiliates and their research analysts, as applicable, with respect to the subject companies mentioned in the report.

Each of AEIS and AFSI have implemented policies and procedures reasonably designed to ensure that its employees involved in the preparation, content and distribution of research reports, including dually registered employees, do not influence the objectivity or timing of the publication of research report content. All research policies, coverage decisions, compensation, hiring and other personnel decisions with respect to research analysts are made by AEIS, which is operationally independent of AFSI.

IMPORTANT DISCLOSURES

As of December 31, 2018

The views expressed regarding the company(ies) and sector(s) featured in this publication reflect the personal views of the research analyst(s) authoring the publication. Further, no part of research analyst compensation is directly or indirectly related to the specific recommendations or views contained in this publication.

A part of a research analyst's compensation may be based upon overall firm revenue and profitability, of which investment banking, sales and trading, and principal trading are components. No part of a research analyst's compensation is based on a specific investment banking transaction, nor is it based on sales, trading, or principal trading. A research analyst may have visited the material operations of one or more of the subject companies mentioned in this research report. No payment was received for the related travel costs.

Additional information and current research disclosures on individual companies mentioned in this research report are available on our website at ameriprise.com/legal/disclosures in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor. You may also submit a written request to Ameriprise Financial, Inc., 1441 West Long Lake Road, Troy MI, 48098. Independent third-party research on individual companies is available to clients at ameriprise.com/research-market-insights. SEC filings may be viewed at sec.gov.

Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee's general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, Inc. Please consult with your financial advisor.

Diversification and **Asset Allocation** do not assure a profit or protect against loss.

RISK FACTORS

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.

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 increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in emerging markets.

Market Risk: Equity 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.

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.

PRODUCT RISK DISCLOSURES

Exchange Traded Funds (ETF) trade like stocks, are subject to investment risk and will fluctuate in market value.

For additional information on individual ETFs, see available third-party research which provides additional investment highlights. SEC filings may be viewed at sec.gov

All fixed income securities are subject to a series of **risks** which may include, but are not limited to: interest rate risk, call risk, refunding risk, default risk, inflations risk, liquidity risk and event risk. Please review these risks with your financial advisor to better understand how these risks may affect your investment choices. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. This means you may lose money if you sell a bond prior to maturity as a result of interest rate or other market movement.

Any information relating to the income or capital gains tax treatment of financial instruments or strategies discussed herein is not intended to provide specific tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

A real estate investment trust or **REIT** is a company that owns and operates income-producing real estate. In addition, some **REITs** participate in the financing of real estate. To qualify as a **REIT**, a company must: I) invest at least 75% of its total assets in real estate assets, II) generate at least 75% of its gross income from real property or interest, and III) pay at least 90% of its taxable income to shareholders in the form of distributions. A company that qualifies as a **REIT** is permitted to deduct the distributions paid to shareholders from its corporate taxes. Consequently, many **REITs** target to payout at least 100% of taxable income, resulting in virtually no corporate taxes.

An investment in a REIT is subject to many of the same risks as a direct investment in real estate including, but not limited to: Illiquidity and valuation complexities, redemption restrictions, distribution and diversification limits, tax consequences, fees, defaults by borrowers or tenants, market saturation, balloon payments, refinancing, bankruptcy, decreases in market rates for rents and other economic, political, or regulatory occurrences affecting the real estate industry.

Ratings are provided by Moody's Investors Services and Standard & Poor's.

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.

Securities offered through AFSI may not be suitable for all investors. Consult with your financial advisor for more information regarding the suitability of a particular investment.

For further information on fixed income securities please refer to FINRA's Smart Bond Investing at FINRA.org, MSRB's Electronic Municipal Market Access at emma.msrb.org, or Investing in Bonds at investinginbonds.com.

DEFINITIONS OF TERMS

Agency – Agency bonds are issued by Government Sponsored Enterprises (GSE), but are NOT direct obligations of the U.S. government. Common GSE's are the Federal Home Loan Mortgage Corp. (Freddie Mac) Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank (FHLB).

Beta: A measure of the risk arising from exposure to general market movements as opposed to company-specific factors. Betas in this report, unless otherwise noted, use the S&P 500 as the market benchmark and result from calculations over historic periods. A beta below 1.0, for example, can suggest the equity has tended to move with lower volatility than the broader market or, due to company-specific factors, has had higher volatility but generally low correlations with the overall market.

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.

Mortgage Backed Securities – Bonds are subject to prepayment risk. Yield and average lives shown consider prepayment assumptions that may not be met. Changes in payments may significantly affect yield and average life. Please contact your financial advisor for information on CMOs and how they react to different market conditions.

Municipal Bonds – Interest income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal securities subject to AMT assume a "nontaxable" status for yield calculations. Certain municipal bond income may be subject to federal income tax and are identified as "taxable". Gains on sales/redemptions of municipal bonds may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the claims-paying ability of the listed insurance company.

Treasury Securities – There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.

Price/Book: A financial ratio used to compare a company's market share price, as of a certain date, to its book value per share. Book value relates to the accounting value of assets and liabilities in a company's balance sheet. It is generally not a direct reflection of future earnings prospects or hard to value intangibles, such as brand, that could help generate those earnings.

Price/Earnings: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by earnings per share. Trailing P/E uses the share price divided by the past four-quarters' earnings per share. Forward P/E uses the share price as of a certain date divided by the consensus estimate of the future four-quarters' EPS.

Price/Sales: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by the company's sales per share over the most recent year.

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.

This summary is based upon financial information and statistical data obtained from sources deemed reliable, but in no way is warranted by Ameriprise Financial, Inc. as to accuracy or completeness. This is not a solicitation by Ameriprise Financial Services, Inc. of any order to buy or sell securities. This summary is based exclusively on an analysis of general current market conditions, rather than the suitability of a specific proposed securities transaction. We will not advise you as to any change in figures or our views.

Past performance is not a guarantee of future results.

Investment products are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

AFSI and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Ameriprise Financial Services, Inc. Member FINRA and SIPC.