Before the Bell

Morning Market Brief

April 18, 2019

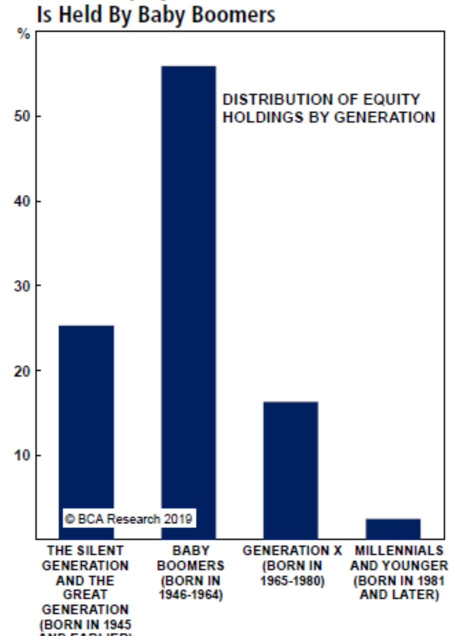
FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT

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

- ***Quick Take***: U.S. futures are pointing to a slightly higher open; Europe is trading mostly higher; Asia ended lower overnight; West Texas Intermediate (WTI) oil trading at $64.11; 10-year U.S. Treasury yield at 2.57%.

- ***Will Baby Boomers Eventually Derail Stock Market Gains?*** With first quarter earnings season still kicking into high gear, U.S. stock markets trading near all-time highs, and a long holiday weekend in the forecast we thought we would take advantage of the short market lull to focus on a longer-term topic today.
- **In our opinion, one of the largest long-term macros facing the U.S. economy and markets is the aging of our population**. As older workers (i.e., Baby Boomers) leave the workforce for retirement, their departure may constrain labor force dynamics and offer some uncertainty to spending patterns. There could also be financial market implications as older investors could shift from "saving to enjoying," and portfolios could become more conservative.
- However, the magnitude of this change and its ultimate effect on the economy/markets is tough to forecast. In our view, the effects are most likely to occur very slowly over time, and in fact, have already been happening.
- **As the *first embedded BCA Research* chart to the right highlights, Baby Boomers (generally those aged 55 to 73) own approximately 55% of U.S. equity market wealth, according to the *Federal Reserve Survey of Consumer Finances***. As Baby Boomers increasingly exit the labor force and begin drawing down their accumulated savings, there are concerns global stock markets could see added selling pressure over time, which could, in turn, lower expected equity returns. We would caution investors in making wholesale changes to their portfolios based on this assertion, however. We note that this dynamic has already been occurring without material influence since the oldest Boomers first reached 65 in 2010.
- Though there is a case to be made for slower GDP growth longer-term due to slower population growth and aging populations, there are considerable potential offsets to be considered as well. We will save the economic implications for another time, but Japan, where the population has been declining in recent years, and the population has the highest average age in the developed world, is often noted as an extreme example of what the dynamics can mean. We stress, however, that the U.S. demographic situation is far from that of Japan.

Half Of Equity Wealth Is Held By Baby Boomers

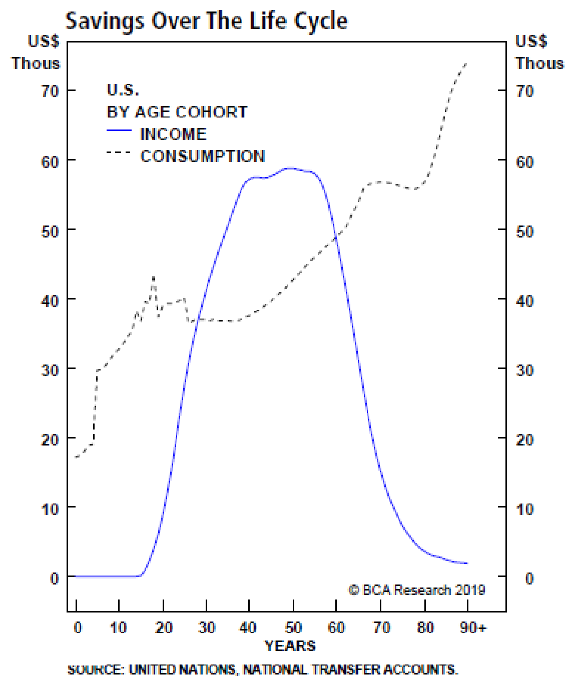


SOURCE: FEDERAL RESERVE SURVEY OF CONSUMER FINANCES (2016). CALCULATIONS BASED ON THE SUMMARY EXTRACT OF THE SURVEY.

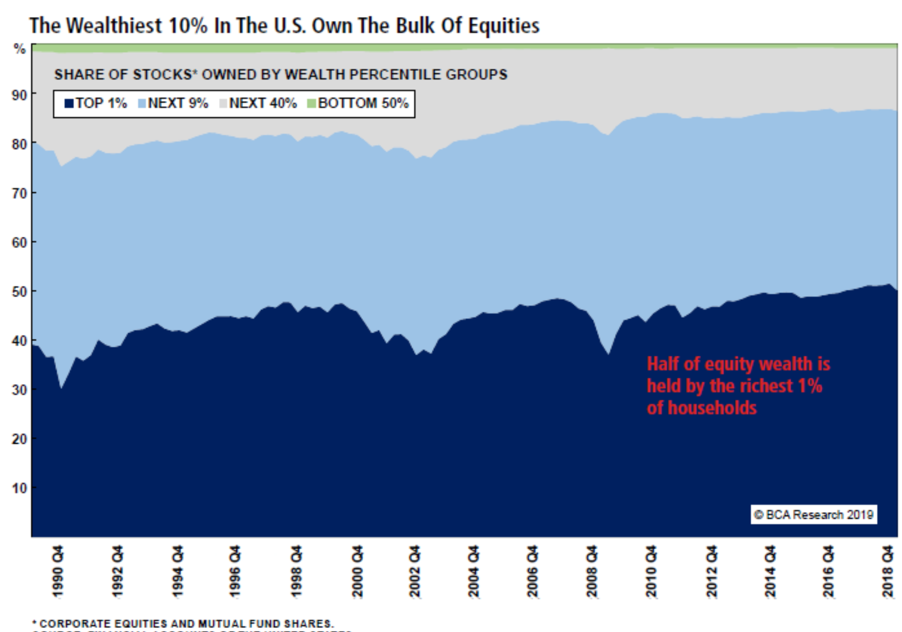
Notations:

- 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.

- Income and spending patterns over the human lifecycle meanwhile are reasonably well understood. **The *embedded FactSet chart at* right (which includes health care costs) shows that although income peaks for individuals in their late 40s through early 60s, consumption (i.e., spending) continues to rise well into their 90s (for those fortunate enough to live that long).** The sharp increase in spending during a person's later years is very likely related to health care expenditures. This long-term shift toward higher aggregate health care spending as baby boomers age is certainly no secret. It has been widely projected for many years. Nevertheless, higher aggregate revenues for a sector do not automatically translate into higher equity returns. New entrants to the market, rising costs, or government legislation are just a few of the factors that could overcome rising demand.



- **From a market perspective, and back to where U.S. wealth is concentrated, it is unlikely that demographics alone would materially constrain stock market performance, in our view. As the *third embedded BCA Research chart* below colors, the top 10% of U.S. households control 84% of all stock market wealth in America. The bottom 50% of U.S. households control less than 1% of stock market wealth**. We believe this is a significant point to remember when thinking about the impact of Baby Boomers and their influence on the stock market. **Our position is, the ultra-wealthy, which control the majority of equity ownership in the U.S., may have very little need to adjust their portfolios (i.e., de-risk) much at all.**
- **Uncertainty about personal longevity, the desire to pass on wealth to future generations, and the need to maintain enough growth in the portfolio to manage expenses (such as rising health care costs) may all induce households to consume their wealth at a modest pace, according to *BCA Research*. Further, there is no significant evidence thus far that retirees are gradually decreasing equity allocation as they age**. Meaning, risk tolerance may be more likely to determine overall equity allocations, outside of just age. If Baby Boomers believe they need to continue to grow their portfolios in retirement, which as a group in aggregate are not as well prepared for retirement as previous generations, then a significant decline in equity exposure would be less likely, in our view.



- With that said, an aging population and increasing percentage of the U.S. demographic moving into retirement could have a modestly negative effect on equity prices over the long-term – an issue we are closely monitoring. Given current stock valuation levels (at the upper-end of long-term averages), equity investors could see a "demographic headwind" for returns over the longer-term versus historical precedent. In examining this situation, however, we believe it is too early to make portfolio adjustments related to this long-term dynamic.
- U.S. equity markets are deep, and the multinational companies that dominate our markets have distinct advantages in diversifying their sales should domestic activity moderate. Ownership of U.S. equities is also globally diverse. Thus, stock prices are far beyond the whims of an aging local investor base. As the fourth BCA Research chart helps identify, foreign investment in the U.S. stock market sits above $7 trillion today, representing 27% of U.S. stock market wealth. **Per BCA, if international demand for U.S. stocks increases in line with global ex-U.S. real GDP, this would add roughly $250 billion in demand for U.S. stocks over the next twenty years.** In our view, this could help mitigate potential effects from older U.S. investors reducing their stock allocations. **Additionally, BCA calculates that this figure is five times greater than the roughly $50 billion in annual net selling that could occur if all investors followed the simple rule of taking their age and subtracting it from 100 to determine their overall equity allocation.**

- In our view, it is difficult to game how Baby Boomers will manage their assets over the next few decades and its effects on the economy and markets. **However, we are comfortable saying the aging of our population, though a factor that could slow stock gains modestly in future years, is not a factor that should 'materially' alter longer-term returns or cause investors to rethink well-diversified investment strategies**.

- ***Asia-Pacific:*** Asian equities finished lower on Thursday. According to *The Wall Street Journal*, the U.S. and China will continue their trade talks in a series of two face-to-face meetings scheduled for the week of April 29th and possibly the week of May 6th. U.S. Trade Representative Robert Lighthizer and other trade officials will travel to Beijing for the first meeting, while Chinese Vice Premier Liu He is scheduled to go to Washington for the second. The *WSJ* report also indicated that negotiations are aiming for a signing ceremony in late May or early June.
- ***Europe:*** Markets across the region are trading higher at midday. Eurozone flash PMIs for April show that Europe is getting off to a slow start in Q2, but stabilizing nonetheless. Manufacturing PMI for the region in April moved higher to 47.8 from 47.5 in March. Services PMI, however, slipped to 52.5 this month from 53.3 previously. Consequently, composite PMI (includes both manufacturing and services) currently sits at a three-month low of 51.3 and down from 51.6 in March. We would note, that the composite level remains in expansion, with a solid pickup from Germany's service sector, which helped offset weaker manufacturing activity. According to *IHS Markit*, if PMIs stay at current levels throughout Q2, GDP growth for the Eurozone could potentially come in below the +0.3% q/q consensus.
- ***U.S.:*** Equity futures are pointing to a flattish open this morning. Today, at 9:30 am EST, Attorney General William Barr is scheduled to discuss special counsel Robert Mueller's report on Russian interference in the 2016 election. A redacted report is also expected to be released to the public today, and according to *The Washington Post*, the Justice Department is expected to apply only light redactions. The report is expected to show that Robert Mueller and team decided they could not reach a conclusion on the question of obstruction of justice. Based on their assessment, investigators could not determine if President Trump's intent was malicious/deceptive or his actions were innocent. As a result, it is unclear how much new information the public will learn from today's report and the investigation into Russia's efforts to interfere in the 2016 election. We do not expect much of a market impact from today's Mueller report or Barr's press conference.

- On a price basis, the S&P 500 Health Care Index is lower by 5.5% over the last week, down 6.7% over the previous month and has dropped almost 1.0% year-to-date. While Health Care has been a laggard all year, through last Friday, the Index was actually 'up' +3.8% YTD. The sudden turn lower in the sector has come from concerns about a Democratic push for a new federally funded health care program that would expand Medicare for all. Importantly, such a move could replace existing private health care insurance with a single payer system administered through the government. This could be highly disruptive for the sector and potentially change long-term growth and revenue trajectories for many health care companies. Per the WSJ, insurance providers have also come under pressure due to the Trump administration exploring whether healthcare providers should disclose unpublished prices they charge insurance companies for services. Drug providers and biotech firms have also seen increased selling pressure as of late based on proposals that would ban certain pharma rebates in Medicare.
- Combined with a cyclical rotation from defensive to growth, Health Care has been left in the dust this year. There is now a nearly 17% gap between the S&P 500 Index and Health Care Index based on year-to-date performance. According to FactSet, if this gap holds through the end of April, it would be only the second time since 2000 the sector has lagged by a margin this large in the first four months of the year. In our view, political headwinds could continue to ebb and flow for the sector, particularly as the 2020 election cycle kicks into high gear this summer. Nevertheless, rhetoric, proposals, and bills are not the same as laws, and over recent election cycles, Health Care has always been a hot-button issue for the electorate. Fundamentals in the sector are solid, and its defensive/growth properties make for an appealing overweight call in a market environment where uncertainty remains high. We will continue to monitor the sector closely but remain comfortable with an overweight call at this time.

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

Americas	% chg.	% YTD	Value
S&P 500	-0.23%	16.41%	2,900.5
Dow Jones	-0.01%	14.17%	26,449.5
NASDAQ	-0.05%	20.87%	7,996.1
Russell 2000	-0.96%	16.69%	1,567.6
Brazil Bovespa	-1.11%	6.14%	93,284.8
S&P/TSX Comp. (Canada)	0.25%	16.51%	16,544.2
Mexico IPC	1.15%	9.70%	45,525.3

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.57%	17.33%	3,497.5
FTSE 100 (U.K.)	-0.08%	12.65%	7,465.3
DAX Index (Germany)	0.41%	15.57%	12,202.9
CAC 40 (France)	0.40%	18.50%	5,585.1
FTSE MIB (Italy)	-0.10%	19.95%	21,979.0
IBEX 35 (Spain)	-0.12%	13.00%	9,538.6
Russia TI	-0.52%	9.12%	4,568.7

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.84%	11.32%	22,090.1
HK Hang Seng (H. Kong)	-0.54%	16.40%	29,963.3
Korea Kospi 100	-1.43%	8.47%	2,213.8
Singapore STI	-0.03%	9.51%	3,347.6
Shanghai Comp. (China)	-0.40%	30.36%	3,250.2
Bombay Sensex (India)	-0.34%	8.73%	39,140.3
S&P/ASX 200 (Australia)	0.05%	12.81%	6,259.8

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.06%	15.47%	522.0

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.12%	13.52%	1,928.1

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.26%	13.98%	1,096.4

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	0.19%	21.30%	944.5
Consumer Staples	0.36%	13.25%	585.6
Energy	-0.09%	18.83%	499.5
Financials	0.18%	15.70%	454.8
Real Estate	-0.99%	14.43%	218.2
Health Care	-2.89%	-0.36%	992.3
Industrials	0.15%	20.95%	652.4
Materials	-0.61%	14.86%	361.6
Technology	0.58%	25.70%	1,361.5
Communication Services	0.15%	20.15%	165.7
Utilities	-0.21%	9.13%	290.6

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.90%	13.66%	25.3
FTSE NAREIT Comp.	-0.97%	14.25%	18,960.1
DJ US Select Dividend	-0.09%	13.60%	2,113.4
DJ Global Select Dividend	-0.36%	9.87%	227.2
S&P Div. Aristocrats	-0.43%	13.73%	2,726.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.02%	2.42%	2,096.1
Barclays HY Bond	-0.05%	8.47%	2,071.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.17%	2.28%	491.4
NYMEX WTI Crude (p/bbl.)	0.41%	40.98%	64.0
ICE Brent Crude (p/bbl.)	0.40%	33.66%	71.9
NYMEX Nat Gas (mmBtu)	-0.36%	-14.69%	2.5
Spot Gold (troy oz.)	0.21%	-0.46%	1,276.6
Spot Silver (troy oz.)	0.15%	-3.11%	15.0
LME Copper (per ton)	1.05%	9.88%	6,537.0
LME Aluminum (per ton)	-0.19%	-1.53%	1,834.3
CBOT Corn (cents p/bushel)	0.07%	-6.01%	367.3
CBOT Wheat (cents p/bushel)	-0.89%	-13.93%	446.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.4%	-1.9%	1.12
British Pound (£/$)	-0.2%	2.0%	1.30

	% chg.	% YTD	Value
Japanese Yen ($/¥)	0.17%	-1.95%	111.87
Australian Dollar (A$/$)	-0.26%	1.57%	0.72

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	-0.4%	1.8%	1.34
Swiss Franc ($/CHF)	-0.1%	-2.9%	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	Region	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1) United States	54.7%	Overweight	+3.1%	57.8%	5) Latin America	1.4%	Equalweight	-	1.4%
2) Canada	3.0%	Equalweight	-	3.0%	6) Asia-Pacific ex Japan	12.6%	Overweight	+1.0%	13.6%
3) United Kingdom	5.2%	Underweight	- 1.0%	4.2%	7) Japan	7.4%	Underweight	- 1.0%	6.4%
4) Europe ex U.K.	14.6%	Underweight	- 1.0%	13.6%	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 2/28/19. 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	Sector	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1) Communication Services	10.3%	Equalweight	-	10.3%	6) Health Care	14.6%	Overweight	+2.0%	16.6%
2) Consumer Discretionary	10.1%	Equalweight	-	10.1%	7) Industrials	9.3%	Equalweight	-	9.3%
3) Consumer Staples	7.3%	Underweight	- 2.0%	5.3%	8) Information Technology	21.2%	Equalweight	-	21.2%
4) Energy	5.4%	Overweight	+2.0%	7.4%	9) Materials	2.6%	Equalweight	-	2.6%
5) Financials	12.7%	Underweight	- 2.0%	10.7%	10) Real Estate	3.1%	Overweight	+1.0%	4.1%
					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 3/22/19. Numbers may not add due to rounding.

ECONOMIC NEWS OUT TODAY:

Economic Releases for Thursday, April 18, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	Apr 13	Initial Jobless Claims	210k	**192k**	196k	197k
8:30 AM	Apr 6	Continuing Claims	1735k	**1653k**	1713k	1716k
8:30 AM	MAR	Retail Sales (MoM)	+1.0%	**+1.6%**	-0.1%	
8:30 AM	MAR	Retail Sales – ex. autos (MoM)	+0.7%	**+1.2%**	+0.1%	
8:30 AM	MAR	Retail Sales - ex. autos and gas (MoM)	+0.4%	**+0.9%**	+1.9%	
8:30 AM	APR	Philly Fed. Manufacturing Index	11.0	**8.5**	13.7	
10:00 AM	MAR	Leading Economic Indicators	+0.4%		+0.2%	

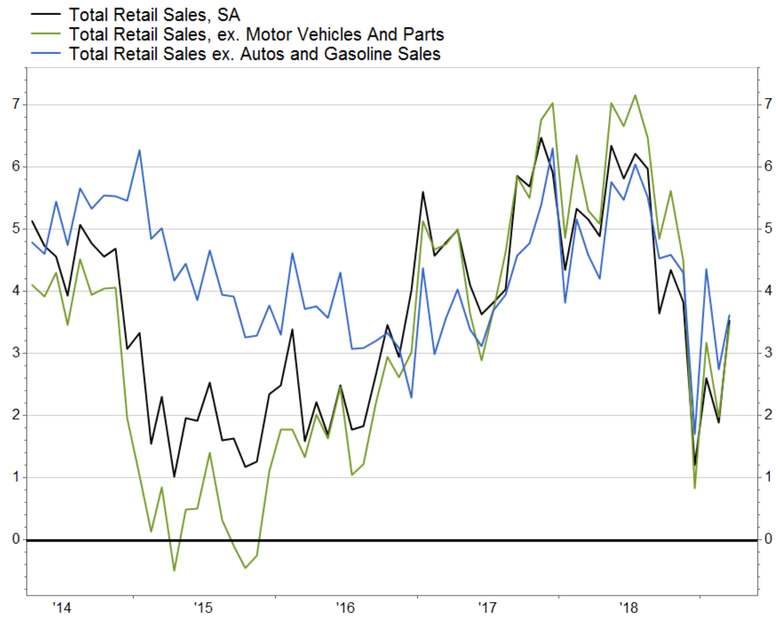
Economic Perspective: ***Russell T. Price, CFA – Chief Economist***

- Solid economic data across the board this morning as retail sales show their strongest month-over-month increase since September 2017 (+2.0%) and initial claims remain at generational lows (lowest levels since the late 1960's). The Philly Fed Index, however, came-in modestly below expectations but still evidenced a solid pace of month-over-month expansion with improvements in the pace of New Orders, Employment and Average Workweek.
- **Retail sales exhibit a very solid bounce in March.** Retail sales exhibited a very strong rebound in the month of March and there was a further upside revision to the data for January (February results were unchanged). The modest upward revision for January (to +0.8% from a prior +0.7%) is important as the month was originally reported as showing a gain of just 0.2% after a sharp 1.6% decline in December. Although the number was previously revised notably higher, we believe the initial report continued to influence market perceptions of a weakening in U.S. economic activity. A narrative that we have long believed to be false, or at least not a new trend.
- March retail sales strong nearly across the board. Although retail activity was broadly solid in March, the very strong gain in headline number was heavily fueled by higher gasoline prices and a rebound in auto sales. Remember that retail sales are reported on a nominal basis, so simple price swings in the cost of gasoline can play a notable role at times. This was the case in March as rising crude oil prices pushed national average gasoline prices about 9% higher

versus February levels, against a normal seasonal rise for the month of about 4% (both numbers based on data from the Energy Information Administration). As such, gasoline sales jumped 3.5% in the month but were still just 2.5% higher versus year-ago levels (gasoline sales are the only segment of retail sales where it is usually good to see soft year-over-year gains).

- New auto sales also rebounded to a seasonally adjusted annualized sales rate (SAAR) of 17.5 million units versus the 16.65 average pace seen in January and February. As such, the total dollar value of auto sales (including used vehicle sales and parts) jumped 3.1% in March. Even after excluding autos and gasoline, retail sales were still a strong 0.9% higher in the month.
- On a year-over-year basis, total retail sales, sales excluding autos, and sales excluding autos and gas, were all 3.6% higher. As seen in the chart at right, sales have experienced a dip recently, but such results should also be considered against the very strong results seen previously. Previous growth rates were unsustainable in our view, while recent trends are also likely weaker that the long-term trend in consumer activity can achieve, in our view.
- Overall, we believe the recent lull in retail will very likely prove temporary in the longer-term trend. There were a number of factors that influenced consumer behavior over the period (government shutdown, delayed tax refunds, late Easter and the fourth quarter stock market swoon), none of which were fundamental, such as declining incomes, a deteriorating job market or elevated debt burdens.
- We continue to see consumer fundamentals as very strong and supportive of the economic outlook. The job market remains very strong, incomes are growing at a healthy pace, the savings rate is relatively high, inflation is reasonable, and debt levels remain very manageable relative to income.

Retail Sales (yr/yr % change)



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

Please note: Bond markets (as well as equity markets) are closed tomorrow for the Good Friday holiday. FINRA also recommends a 2:00 PM ET early close for bond trading today as well.

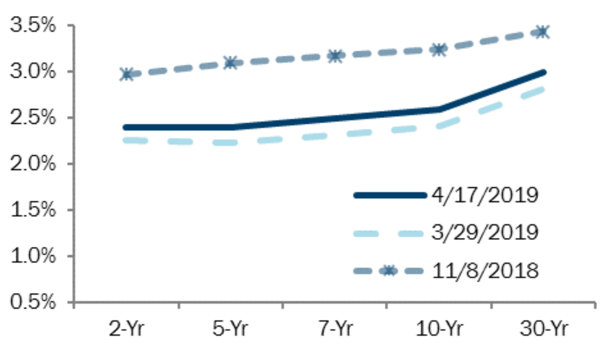
Corporate Bond Spreads Tighten Through 2018 Average Levels; Buyers Much More Selective

- Corporate credit markets have certainly evolved since mid-2018. After the year-end sell-off and no new issue high yield debt deals in the month of December, we see investors buying much more selectively. Corporate trading volumes picked up according to FINRA TRACE data in January and February as buyers bought corporate debt at sale prices compared to most of 2018. In March and into April volumes settled lower with spreads on both U.S. Investment Grade Corporates and U.S. High Yield Corporates tightened through 2018 average levels last week. Larger deal sizes where secondary liquidity may be easier to sell if needed is the latest trend we picked up on. Though investors are once again actively buying, they are planning ahead and cautious. Liquidity and what sectors or credits are likely to out-perform should we see a repeat of last year's year-end credit pinch.
- On a total return basis high yield segments provided a mid-8% year to date return; roughly level from the Ba-rated segment down through Caa-rated bonds within the Bloomberg Barclays U.S. High Yield Index. This suggests that higher rated junk debt outperformed on a risk adjusted basis and indicates a level of selectivity so far this year. We take note of this trend and contrast it with trends we may have seen in the wake of past sell-offs where the lowest rated segments snap back more quickly. We believe fixed income investor are more selective at this point in the credit cycle, both around what they are buying and what they avoid.
- At its core, this indicates that investor sentiment around the global economy's ability to sustain growth may have re-set lower, potentially providing less enthusiasm if conditions improve, and even greater caution should credit spreads

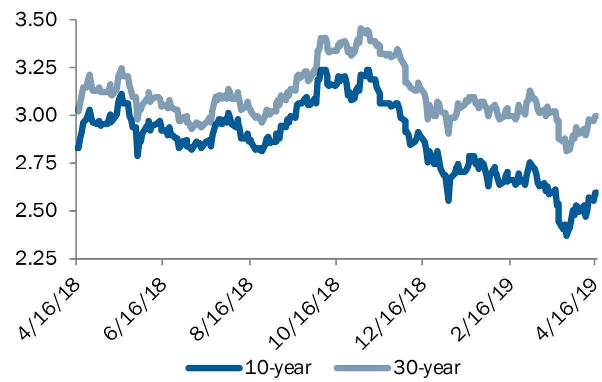
gap out once again. We highlight the change to guide investors to evolve the strategies around how to select fixed income investments at this point the cycle. For more perspective on how to approach corporate credit, see our recent report *Corporate Debt Markets Evolve* dated April 5.

- We anticipate the pace of economic activity in China and the U.S. likely steadies after a soft Q1 and that enthusiasm ultimately washes through the lower quality as well. **We see today and the months ahead as a great opportunity to exit fixed income positions that investors would not want to own through the cycle. This particularly applies to clients with a long-term approach to investing that only fine-tune portfolios once or twice a year. Now is the time to rotate out of risk and into higher quality core fixed income if you have not already done so. We recommend aligning with our asset allocation guidance toward shoring up core fixed income positions and considering active management for high yield, which provides a more selective approach.**

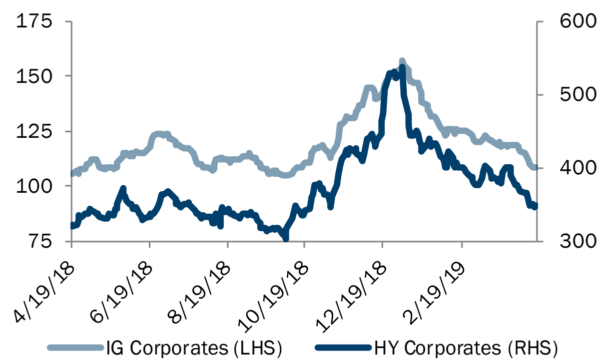
Recent U.S. Treasury Yields
Compared to 2018 Highs on November 8



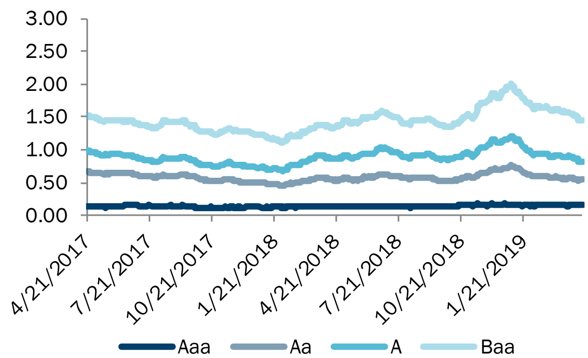
10-Year and 30-Year Treasury Yields
Yield (%)



Bloomberg Barclay's Index Credit Spreads
Option adjusted spread (OAS), in basis points



Bloomberg Barclay's Index Credit Spreads
Option adjusted spread (OAS), in percent



Source: Bloomberg L.P., Bloomberg Barclays Indices

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 March 31, 2019

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.