Ameriprise Financial

Quarterly Capital Market Digest

An Ameriprise Global Asset Allocation Committee publication

October 28, 2021

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Key Points, Scenarios & Targets

Long-term themes

- **Geopolitics & Populism:** Along with uncertain global economic effects from the coronavirus, populism and nationalism have emerged as potential disruptive long-term threats to growth and stability.
- **Global Debt:** Government debt burdens were already swollen before the massive stimulus efforts were enacted to fight the war on COVID-19. Interest rates, however, are historically low and are expected to stay relatively low for the foreseeable future.
- **Demographics:** Population growth is slowing, and societies are growing older, particularly in developed markets. Changing demographics could have a material influence on economic fundamentals over time.
- **Technology:** Technology can alter societies, shift the social order, and create gaps between people and countries who embrace "the new" versus those who do not. We believe the U.S. is positioned to lead Tech innovation and embrace its benefits.

Q4 2021 tactical highlights

- **The Macro Environment:** Ongoing supply disruptions and inflation pressures demonstrate the pandemic's longer-lasting effects on the global economy. And while consumers and businesses have had to wade through a still messy environment, pent-up demand, strong consumer balance sheets, and above-trend growth have helped support asset prices throughout 2021.
- **The Fundamentals:** Profit and economic growth should remain strong as the year comes to a close. While stock valuations are not cheap, favorable seasonal factors, easy monetary conditions, and a still recovering global economy helps support higher stock multiples, in our view.
- **The Portfolio:** Chose stocks over bonds; Favor cyclical areas in the U.S. and Europe; Focus on quality investments.

Base targets and forecasts

- **Year-end S&P 500 Price Target:** 4,600. We have left our year-end target unchanged from the July update. In our view, stock prices largely reflect the current state of the economy and business trends. Nevertheless, the S&P 500 could drift toward our Favorable scenario if reopening trends accelerate through year-end. Conversely, increased pandemic pressures and unexpected disruptions in Washington leave stocks vulnerable to a pullback. *Please see our updated scenario analysis on page 3 and further details on our outlook on page 6*.
- **Year-end 10-Year Treasury Yield Target**: 1.5%. The latest sell-off in 10-year Treasury prices lifted yields to 1.70% in October, yet we believe yields likely consolidate in a new trading range around our target over the last two months of the year.
- **2021 U.S. Real GDP Forecast:** We expect the U.S. economy to grow by roughly +5.0% this year. Lingering pandemic effects could continue to weigh on the pace of growth. However, fourth quarter and full-year U.S. GDP should finish 2021 well above the long-term average.
- **Fed Funds Target Range:** 0.00% to 0.25%. We expect the Federal Reserve to hold its target rate near zero through the end of 2022.

About this publication

The *Quarterly Capital Market Digest (QCMD)* is designed to provide a broad investment outlook for the major asset classes in the quarters ahead and provide investment rationale to support that outlook. The allocation guidance is intended to dig deeper into our research outlook, while maintaining a quick-reference guide to the most recent quarter and what may lie ahead for investors. The strategic/tactical information in the report is provided for investors intending to better align their portfolio strategies with our current market views on major asset classes, sectors, and regions.

We believe investors seeking to utilize these allocation strategies may employ them in two primary ways. The first is a strategic portfolio with a tactical overlay whereby investors modestly adjust their long-term asset class exposures to match the current strategy view. The second is a core/satellite approach where satellite assets are managed holistically with a tactical approach. Investors should consult with their financial advisor on how best to employ the information found in this publication.

Ameriprise 2021 year-end S&P 500 scenario forecast

Favorable Scenario Macro Conditions

- 2021 U.S. real GDP advances by more than +6.0% on improved supply conditions
- Global activity grows by more than +6.0% in 2021; Growing COVID-19 vaccine availability fuels broader growth
- U.S. employment levels surge as businesses reopen; Unemployment rate drops to 4% or below by the end of 2021
- 2021 U.S. corporate earnings grow by +45% or more; The earnings recovery is broad-based, as easing supply pressures allow pent-up demand to be satisfied
- Corporate stock buybacks accelerate back to pre-pandemic levels
- U.S. 10-Year Treasury yield approaches 2.0% on stronger growth and Fed policy trajectory
- After a Q2 peak, inflation steadily eases through year-end
- The Fed remains very accommodative; The market looks through marginally tighter policies for next year
- Growing dispersion between developed and emerging market monetary policies
- Supply bottlenecks and labor constraints improve more rapidly through the fourth quarter and into 2022; Companies ability to meet surging demand quickens
- <u>Other Market Considerations:</u> Geopolitical risks have little impact on asset prices in Q4; Infrastructure and reconciliation bills are signed into law; The corporate tax rate rises less than expected or not at all; Pandemic effects fade more rapidly

Trailing Earnings Multiple Estimate (P/E) = 23x

4,700

+3.3% from 10/27/21 level

2021 EPS Estimate = $205.00

Base Scenario Macro Conditions

- U.S. real GDP rises by roughly +5.0% as the economic recovery benefits from financially sound consumers and improving virus conditions
- The global economy grows by roughly +6.0% in 2021, as pandemic threats fade
- U.S. employment levels continue to rebound; The unemployment rate falls to about 4.5% at year-end
- 2021 U.S. corporate earnings grow by roughly +40%; The earnings recovery is broad-based and mostly in line with expectations
- Corporate stock buybacks increase through 2021
- U.S. 10-Year Treasury yield may converge toward 1.5% at year-end
- Inflation should remain at elevated levels through much of 2021; While more persistent than initially expected, price pressures should ease with time
- The Fed remains very accommodative; Bond tapering likely begins in late 2021 or early 2022
- G7 central banks remain accommodative; Growing dispersion between developed and emerging market monetary policies
- Supply bottlenecks and labor constraints improve but continue to weigh on the recovery
- <u>Other Market Considerations:</u> Geopolitical risks (e.g., China) simmer in the background; Washington dynamics, including the debt ceiling, create near-term risks for stocks; A potentially higher corporate tax rate could slow earnings growth in 2022; Pandemic effects linger into next year

Trailing Earnings Multiple Estimate (P/E) = 23x

4,600

+1.1% from 10/27/21 level

2021 EPS Estimate = $200.00

Adverse Scenario Macro Conditions

- 2021 U.S. real GDP advances less than +4.0%; Supply constraints hinder the economy's ability to hit its stride
- Supply-chain disruptions and/or a resurgent virus threat slow the global economic recovery
- U.S. employment levels recover slowly; The unemployment rate ends the year above 5.0%
- 2021 U.S. corporate earnings grow by roughly +35% or less; The earnings recovery is weaker than expectations on increased supply pressures
- Corporate stock buybacks gradually normalize
- U.S. 10-Year Treasury yield moves lower to 1.25% on further Fed stimulus (e.g., twist)
- A rising price environment becomes "sticky," producing higher non-core inflation expectations
- The Fed remains very accommodative; Markets more reliant on Fed support
- Other global central banks remain accommodative; Provide additional support if needed
- Companies weighed down by supply bottlenecks and labor shortages heading into next year
- <u>Other Market Considerations:</u> Geopolitical risks play a more significant role in shaping asset prices; Congress temporarily miscalculates debt ceiling dynamics; A potentially higher corporate tax rate slows earnings growth more than expected in 2022; Pandemic effects linger into next year

Trailing Earnings Multiple Estimate (P/E) = 21x

4,000

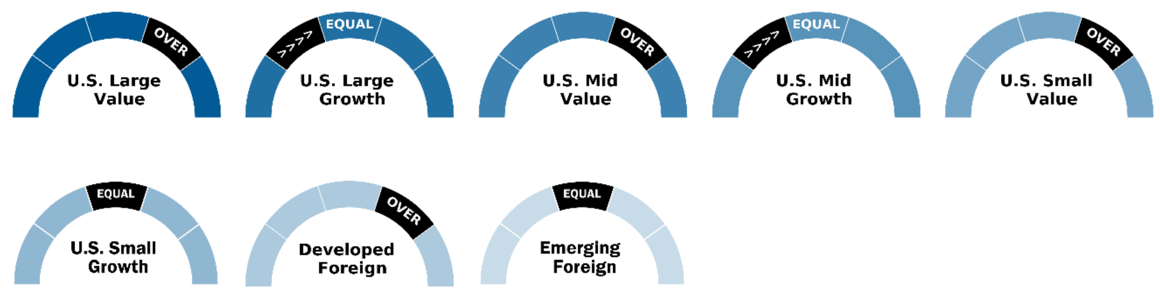
-13.8% from 10/27/21 level

2021 EPS Estimate = $190.00

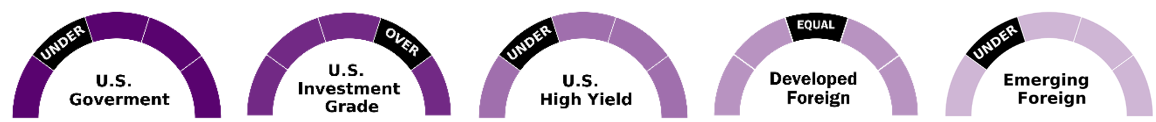
Summaries

Tactical positioning (relative to Strategic Moderate 8-15)

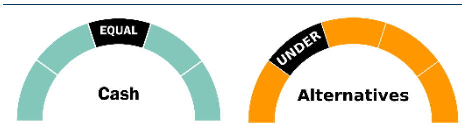
Equity



Fixed Income



Cash & Alternatives



	Overweight	Equalweight	Underweight
Equity	• U.S. Large-Cap Value • U.S. Mid-Cap Value • U.S. Small-Cap Value • Developed Foreign Equity	• U.S. Large-Cap Growth • U.S. Mid-Cap Growth • U.S. Small-Cap Growth • Emerging Foreign Equity	
S&P 500 Sectors	• Industrials • Information Technology • Financials	• Communication Services • Consumer Discretionary • Energy • Health Care • Materials • Real Estate	• Consumer Staples • Utilities
Global Equity Regions	• Europe ex-U.K. • United States	• Canada • Latin America • United Kingdom	• Asia Pacific ex-Japan • Middle East/Africa • Japan
Fixed Income	• U.S. Investment Grade Corp.	• Developed Foreign Bonds • Municipal Bonds	• U.S. Government Bonds • U.S. High Yield Corporate • Emerging Foreign Bonds
Alternatives		• Real Assets	• Alternative Strategies
Cash		• Cash	

Q3 Quarterly Review

Looking Back

Three of the four major U.S. stock indexes ended lower in the third quarter. However, the S&P 500 Index posted a slight gain in Q3 — its sixth straight quarter with a positive return. Unlike in previous quarters, and since the depths of the pandemic last year, the path of least resistance for stock prices was lower during most of the quarter — particularly in September.

Cyclical areas lost momentum as economic and reopening trends slowed. Stocks also faced headwinds from an uptick in COVID-19 cases and related pandemic concerns. In addition, supply chain disruptions, transportation bottlenecks, inflation pressures, increased regulations out of China, and concerns over the Federal Reserve reducing its bond purchases were other factors that weighed on investor sentiment.

Dynamics in Washington also sapped buying enthusiasm in Q3, as the path forward for fiscal stimulus became more complicated as the quarter progressed. Budget and spending debates and deep Congressional divisions on how to raise the debt ceiling contributed to the S&P 500 posting its worst September performance since 2011. An uptick in interest rates at the end of the quarter also pressured Technology.

However, year-to-date gains across major global stock averages, including in the U.S., remained positive. In some cases, those gains are very robust versus historical averages.

Despite the slowdown in economic activity, elevated inflation pressures, and uncertainty regarding fiscal matters, stocks showed incredible resiliency despite the headwinds. Investors could continue to look through the tension as long as corporate profit growth in the third quarter meets or exceeds analyst estimates. *Hint: We believe profits are likely to exceed analyst estimates for Q3 by a healthy margin.*

Looking Ahead

In our view, the trajectory for growth and inflation as well as the fiscal environment are likely to play a leading role in how stock prices finish the year. We expect economic trends to remain largely positive but globally uneven due to pandemic effects, vaccine distribution, supply chain disruptions, and transportation bottlenecks. However, in the U.S., we expect GDP to grow above longer-term trends through the rest of the year. Notably, a strong demand backdrop, healthy consumer balance sheets, and slowly fading pandemic effects should support stock prices through the rest of the year and into 2022.

If inflation pressures appear manageable during the quarter, we believe longer-term interest rates may see less upside from current levels. This could help buoy stock prices. However, price pressures that appear unchecked could contribute to additional investor anxiety, which would likely contribute to pressuring stock prices for a period of time.

Overall, economic and profit growth is likely to slow from elevated levels. Yet, investors should remain confident improving reopening trends, better seasonal patterns in Q4, and easy monetary policies could continue to provide tailwinds for risk assets, including stocks.

Tactical outlook revisions

As of September 30, 2021

Multi-asset Allocations

- Equities: Maintain an Overweight position across risk-profiles. Within Equities, we favor a small tilt to Value over Growth, Cyclical over Defensive and U.S. over International.
- Fixed Income: Maintain an Underweight allocation across risk profiles. Within Fixed Income, we continue to Overweight higher-quality positions and recommend an allocation to inflation-protected Treasuries.
- Alternatives: We carry an Underweight across risk-profiles. Within Alternatives we recommend fixed-income alternatives like non-traditional bond funds. More aggressive investors could also consider managed futures strategies.

Global Equity Regions

- Moved **Asia Pacific ex-Japan** to Underweight from Equalweight.
- Increased the Overweight to the **United States** and **Europe ex U.K**.

U.S. Equity Sector

- Moved **Materials** to Equalweight from Overweight.
- Moved **Information Technology** to Overweight from Equalweight.
- Overweight **Financials** and **Industrials**.
- Underweight **Consumer Staples** and **Utilities**.

Q4 Market and Economic Outlook

Stocks regain their momentum heading into year-end

U.S. equity markets have rebounded sharply to begin the fourth quarter, rising to record levels after falling in the historically weak month of September. Supply chain bottlenecks, rising infections from the Delta variant of the coronavirus, higher inflation, and policy uncertainty in Washington contributed to a prevailing sense of uncertainty in the third quarter, resulting in reduced estimates for economic growth. But as the historically more favorable seasonality of the fourth quarter began, those concerns have receded. Infection rates began to decline, economic activity remained generally solid, and aggregate early third-quarter earnings reports have exceeded expectations, while forward guidance has been less gloomy than feared. A sharp decline in volatility has accompanied the stock rebound this month.

How much of this October momentum can be sustained to finish the year remains to be seen, of course. But there is reason for some optimism. Growth in the fourth quarter is forecast to rebound from the moderate pace of the third quarter. Spending and investment are strong, supported by solid balance sheets and a steadily improving labor market.

Thus far, investors seem to mostly agree, ourselves included, that inflationary pressures could prove temporary. But in the meantime, rising prices can erode consumer confidence, as well as purchasing power. And companies with higher input costs will be looking for ways to maintain their profit margins, including raising prices.

The Federal Reserve has taken notice of the rise in consumer inflation, along with the improvement in the labor market. As a result, the Fed is expected soon to announce the commencement of its bond tapering program. This decision has been well communicated and should come as no surprise. And while the bond program is being wound down over time, presumably by the middle of next year, the Fed will still be adding liquidity throughout.

Interest rates have risen somewhat over the past month in response to these conditions, but the rise has been orderly, as fixed-income markets have been supportive of the recovery. And, over that time, credit spreads have remained near their narrowest in history, offering further evidence of the positive backdrop.

And we should be getting some clarification soon on the size and scope of President Biden's social infrastructure package. Presumably, this would clear the way for a House vote on the traditional infrastructure bill already passed in the Senate. Of particular interest for investors, of course, will be the sources of revenue designed to pay for it.

However, there are challenges to our outlook. The coronavirus continues to be a scourge in many parts of the U.S. and the world. Supply chains will only untangle slowly. And, even if temporary, rising inflation diminishes purchasing power. Overseas, economies are struggling with these same pressures, and the recovery has been uneven.

Despite solid earnings growth, U.S. stocks are anything but inexpensive. But that earnings growth has allowed valuations to improve from earlier in the year, making valuations incrementally more justifiable, in our view. And earnings are expected to be strong once again in the fourth quarter, rising +22%, before moderating to a more normal historical rate of high single-digit growth next year.

Finally, the September sell-off that took the S&P 500 lower by 5% found support at its intermediate trend line, reinforcing the market's upward bias. Our year-end base-case forecast for the S&P 500 remains 4,600, with an upside to 4,700 under even more favorable conditions. Those levels are within reach and could be exceeded by year-end if conditions remain favorable.

Committee tactical views

Equities

Though reopening trends may be slower and more volatile than we had hoped earlier this year, we believe the economy, corporate balance sheets, and eagerness to reclaim normalcy could support markets over the next 6-to-12 months.

U.S. Equity Sectors

We believe cyclical sectors of the economy (e.g., Industrials, Financials, etc.) should be balanced with growth opportunities over the next 6-to-12 months.

Global Regions

As vaccination trends of individual countries continue to evolve, we believe economic strength, and investment opportunities, may become more widespread across the globe, particularly across Europe.

Fixed Income

Diversification still works, however total return prospects in fixed income appear muted given the low interest-rate environment. Though inflation pressures have increased, the Fed continues to signal monetary policy will remain accommodative for the foreseeable future. However, the Fed is signaling tighter monetary policy on the margin.

Alternatives

Many Alternatives can contribute to a diversified portfolio and help mitigate some of the downside pressure in more traditional assets. Cyclical Alternatives could be used by more aggressive investors to press into the view of an economic recovery.

Equities

Tactical Outlook

Key macro themes for Q4

- **Uneven global growth:** We expect economic trends to remain largely positive but globally uneven due to pandemic effects, vaccine distribution, supply chain disruptions, and transportation bottlenecks. However, in the U.S., we expect GDP to grow above longer-term trends through the rest of the year.
- **Watch inflation trends:** Inflation will likely remain a central focus for investors, businesses, asset prices, interest rates, and monetary policy. If inflation pressures appear manageable during the quarter, we believe longer-term rates may see less upside from current levels. However, price pressures that appear unchecked could contribute to additional investor anxiety, which would likely contribute to pressuring stock prices for a period of time.
- **Reopening trends could improve:** Overall, economic and profit growth is likely to slow from elevated levels. Yet, investors should remain confident improving reopening trends could continue to provide tailwinds for risk assets, including stocks.

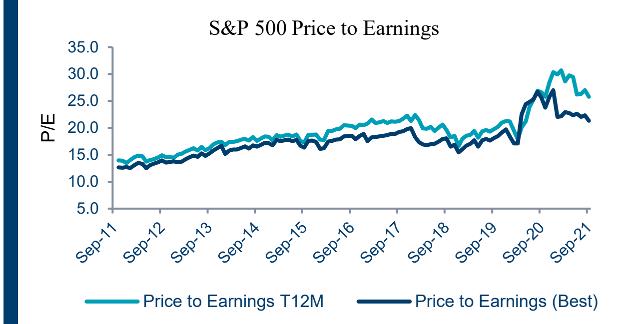
Where to focus your attention

Overweight U.S. Value, Financials, Industrials, and Information Technology. Underweight defensive sectors such as Utilities and Consumer Staples. Maintain healthy allocations to secular growth areas like Communication Services and Consumer Discretionary. Focus on the U.S. and Europe ex-U.K. The U.S. and Europe offer more stable growth opportunities, a collection of high-quality companies, and substantial exposure to Tech and Cyclical Value.

The bull and bear case for stocks

As you consider the overall macro environment for stocks, below are a few key points that outline our current bull and bear case.

Equity valuations



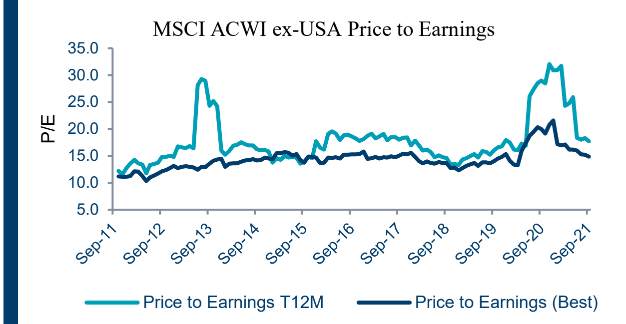


Chart Sources: Bloomberg, and American Enterprise Investment Services Inc. Data through 9/30/2021. “Best” represents Bloomberg estimates.

<u>Bullish considerations</u>:

- COVID-19 trends are improving (e.g., new cases coming down from recent highs).
- Federal Reserve policy remains supportive (i.e., there is a significant distinction between tapering bond purchases and raising rates).
- The demand environment is still robust, given healthy consumer/corporate balance sheets.
- Healthy corporate profit margins and strong stock buyback activity.
- Favorable tailwinds from seasonality factors and a broader investor impulse to "buy-the-dip" when stocks temporarily move lower.

<u>Bearish considerations:</u>

- Longer lasting and persistent inflation across a large swath of the economy/industries.
- Supply chain disruptions, transportation bottlenecks, and ongoing labor constraints.
- The potential for a central bank policy mistake (either leaving policy too accommodative, too long or tightening too soon).
- A policy mistake in Washington (e.g., a debt ceiling miscalculation or underestimating the knock-on effects of higher taxes).
- Slowing profit/economic growth.
- Softer consumer/investor confidence.

Equity highlights

Global regions

Global growth is projected to remain above historical averages next year. However, China's GDP is expected to decelerate to below-average growth in 2022, while GDP in the U.S. and Europe could remain above long-term averages. In our view, the U.S. and Europe offer robust recovery opportunities given above-average vaccination rates and their exposure to high-quality cyclical stocks.

IMF Global Economic Projections

	Actuals				Projections		Difference from July 2021 projections	
	2017	2018	2019	2020	2021	2022	2021	2022
World	3.8	3.6	2.8	-3.1	5.9	4.9	-0.1	0.0
United States	2.2	2.9	2.2	-3.4	6.0	5.2	-1.0	0.3
Euro Region	2.4	1.9	1.3	-6.3	5.0	4.3	0.4	0.0
Japan	1.9	0.3	0.7	-4.6	2.4	3.2	-0.4	0.2
Developing Asia	6.6	6.4	5.5	-0.8	7.2	6.3	-0.3	-0.1
China	6.8	6.6	6.1	2.3	8.0	5.6	-0.1	-0.1
India	7.2	6.8	4.2	-7.3	9.5	8.5	0.0	0.0
Russia	1.6	2.3	1.3	-3.0	4.7	2.9	0.3	-0.2
Brazil	1.1	1.3	1.1	-4.1	5.2	1.5	-0.1	-0.4
Mexico	2.1	2.1	-0.1	-8.3	6.2	4.0	-0.1	-0.2

Source: IMF World Economic Outlook, October 2021

U.S. sectors

Bespoke Investment Group recently noted that the S&P 500's market cap has increased by more than $6 trillion this year. The table below shows that the 11 S&P 500 sectors now account for more than $38 trillion in total S&P 500 market value. The Information Technology sector alone makes up nearly 28% of the S&P 500 by market cap. Further, just four companies, Apple, Microsoft, Alphabet, and Amazon, have a combined market cap value of nearly $8 trillion, and based on *FactSet* data, that's more than two times the four smallest S&P 500 sectors combined.

S&P 500 Market Cap

GICS Sector	Market Value	% Weight
Information Technology	10,728,810	27.98
Health Care	4,894,521	12.76
Consumer Discretionary	4,790,193	12.49
Financials	4,420,430	11.53
Communication Services	4,237,118	11.05
Industrials	3,111,349	8.11
Consumer Staples	2,159,830	5.63
Energy	1,125,695	2.94
Real Estate	985,934	2.57
Other	1,892,524	4.94

Source FactSet. Data as of 10/20/21.

And while the year-to-date performance of Technology and tech-related stocks sit in the middle of the pack this year, Tech's market cap has increased by over $1.5 trillion, according to *Bespoke*. In our view, generally favorable profit trends, strong secular drivers for Big Tech, and some rotation from Value to Growth over the summer have driven market values higher for Tech this year. With that said, all 11 S&P 500 sectors have seen their market values increase in 2021 — adding color to the idea that the rally in the S&P 500 this year has been broad-based. Of course, with cyclical areas leading the charge higher. In our view, cyclical areas (such as Industrials, Financials, and Technology) could continue to perform well over the coming quarters. Investors should Overweight these areas, which could see growth trends accelerate as pandemic pressures subside.

Earnings quick hit

Can strong profit and demand trends withstand lingering pandemic pressures?

In our view, the information companies provide on their business outlooks during Q3 earnings calls could be an essential gauge in helping determine if investors have the correct assumptions for continued "above trend" growth as the year comes to a close.

Economic activity in the U.S. slowed in the third quarter as COVID-19 dynamics and pandemic effects continued to linger and weigh on consumers and businesses. In addition, more companies warned during the third quarter that supply disruptions, higher input costs, and transportation bottlenecks were weighing on their ability to meet demand. As a result, we suspect investors will heavily key in on outlooks around demand and profit margins going forward, particularly if pandemic pressures look long-lasting.

As has been the case in the last few quarters, investors are looking for more visibility into business conditions and some affirmation the positive outlook already built into stock prices is justified. Notably, the S&P 500 is expected to earn roughly $200.75 per share in 2021 — well above the $140.46 the Index earned per share in 2020 and ahead of 2019 pre-pandemic levels of $163.12. From our vantage point, the items/questions that could influence stock prices over the coming weeks/months and related to the earnings season include:

- *The number of companies that beat/meet/miss Q3 earnings. Hint: We believe companies in aggregate could again surpass analyst estimates, but to a lesser degree than seen in Q1 and Q2.*
- *Did profit margins in the aggregate hold or deteriorate in the previous quarter? Hint: We believe they could decline from the Q2 peak but remain at solid levels.*
- *What does demand look like moving forward?*
- *Corporate commentary on inflation and supply/transportation bottlenecks.*

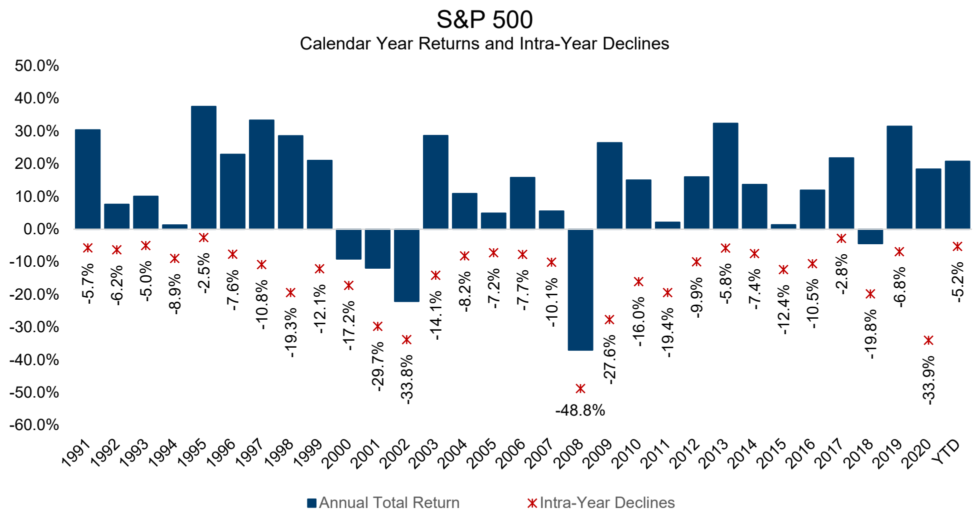
In our view, the effects of COVID-19 should continue to fade heading into next year. A robust economic backdrop should also support asset prices, albeit with expected bumps along the way. From our perspective, the story moving forward is the degree to which companies can respond to pent-up consumer/business demand given labor and supply chain issues while managing potential inflation pressures. In our view, investors have become more concerned about the path forward for growth given slowing activity in Q3.

Company profit updates on the third quarter and some perspective on what lies ahead should add color to the recovery's underlying strength as we move into year-end.

A Deeper Dive into Equities

It's typical for stocks to go through a rough patch each year

Until late September, the S&P 500 Index had not closed below its 50-day moving average since before last November's election. According to *Bespoke Investment Group*, the 220 trading days that the S&P 500 remained above its short-term trading trend marked the longest stretch in more than 25 years. However, since the Index's dip below its 50-day and roughly 5% correction from its previous market top, the U.S. stock barometer has quickly marched higher in October — making new all-time highs. Note: Typical market corrections see broad-based benchmarks move lower by 5% to 15% from a market top, while bear markets usually involve declines of 20% or more.

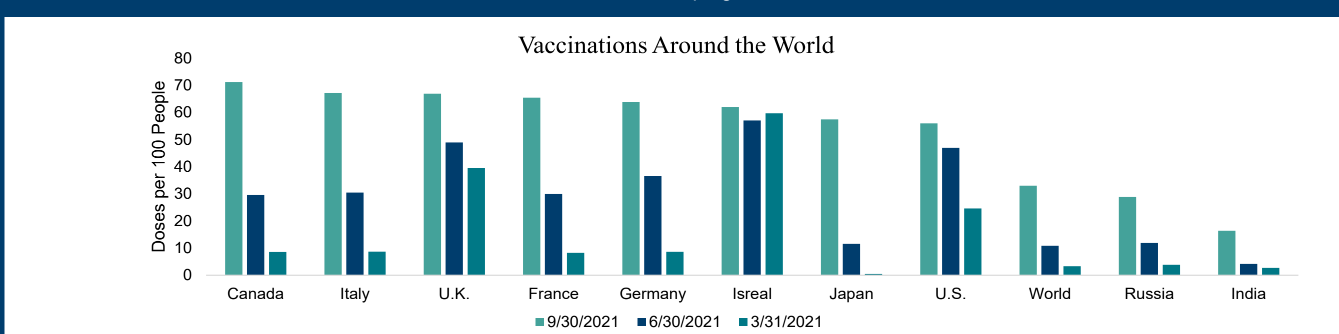


Source: Bloomberg, S&P Dow Jones Indices, American Enterprise Investment Services Inc.
Intra-year declines, represented by the red hash marks and stated returns, are price returns only and do not include dividends. Data as of 10/19/2021.

As the chart above shows, the S&P 500 typically moves lower at some point during the year, sometimes by a significant amount. Yet stocks eventually recover those declines in most cases, and the S&P 500 goes on to post a positive return for the year. Thus, although this year's modest decline looks to be on the shallow side of history, investors should be confident fundamental conditions remain supportive for stocks, in our view.

More of the world is vaccinating against COVID-19

Although developed nations increased their vaccination rates in Q3, given wider vaccine availability and a surge in the Delta variant, the developing world remains far behind in the vaccination effort. We believe more of the developing world could see improved vaccine availability over the coming quarters, reducing the distortion with developed countries. However, investors should continue to tactically Overweight developed countries for now, particularly in the U.S. and Europe. Please refer to the *Quarterly Capital Market Monitor* and *Before the Bell* for more information on the market, economic, and asset allocation trends shaping the investment environment.



Sources: Bloomberg, Johns Hopkins University, and American Enterprise Investment Services, Inc. Data as of 9/30/21.

Fixed Income

Tactical Outlook

Rising Yields Buffered by Liquidity

Long-term fixed-income investors should watch the path ahead for the Federal Reserve. We anticipate a slow, measured withdrawal of Fed stimulus over the next several years. The impact on bond portfolios may be continued extraordinary support well into next year and potential rate hikes through 2023 and 2024.

That means somewhat higher bond yields on intermediate and long maturities over the next year or two for bond investors.

The wild card is inflation, which we believe could be held at bay by technology improvements and demographic changes – averting a severe rise in bond yields and the need for an accelerated exit of Fed policy support.

Many bond investors fixate on the potential tapering of the Fed's ongoing $120 billion of monthly bond purchases later this year. But we believe bond buying is just one tool the Fed has to withdraw, leaving policy quite supportive through 2022. We anticipate the Fed's announcement to reduce monthly purchases of Treasuries and mortgage-backed securities before year-end, with the end of purchases arriving next summer.

A substantial new Fed tool to stimulate the economy comes in the form of forward guidance. For example, since the onset of the COVID-19 shutdown in March of 2020, the Fed insisted that accommodation would remain for several years, or between 2023 and 2025. This guidance ensured borrowing costs would stay low for companies looking to borrow beyond a year or two and ensured investors would not simply wait on the sidelines.

After the latest policy meeting, Fed Chairman Powell sharpened forward guidance in two key ways. First, he pointed to the tapering ending later next year, and second, he highlighted that the bar for the first rate hike was considerably higher than for the taper. We see an evolution to Fed guidance as a key data point for fixed-income investors to follow as it evolves.

Guidance by goal

Capital preservation: As a potential first rate hike draws closer, we anticipate the front of the curve to steepen, ultimately drawing back real inflation-adjusted income returns to high-quality short-term bonds that form the basis for capital preservation strategies. That time could come, potentially as soon as 2023 (see chart at right).

Income: Consider using a laddered, buy-and-hold approach within core fixed income that can benefit from maturities at par and offer regular reinvestment as bonds mature.

Aging; Fed Policy Contains Yields

Who would have thought living longer would equate to lower bonds yields? We believe aging demographics led to greater demand for high-quality fixed-income investments in several ways. First, retiring Baby Boomers increased allocations to high-quality fixed income investments as they transitioned from accumulation to a distribution phase of investing. The wave of retirements following the Great Financial Crisis led to the first significant wave.

Second, we believe the demographic shift also supported a lower inflation paradigm that led the Fed to fall short of its 2% inflation target for much of the last decade. For more on inflation, see the *Economic Views Brief – Stagflation* dated October 19, 2021, authored by Chief Economist Russell Price.

Third, the natural rotation out of risk assets into high-quality fixed-income assets posed challenges for business investment. The Fed repeatedly bought bonds as a tool to compress yields across the Treasury curve, thus compelling investors to divert funding to companies and consumers. Monetary policy needed to step in to curtail money flows into bonds and incentivize investment across the economy.

Even with a potential end to Fed purchases next year, we believe the Fed's holdings of Treasuries and MBS compress long-term fixed-income yields. Indeed, we forecast somewhat higher yields, but yields remain boxed-in by continued aging demographics and the likely need for Fed engagement in our view. For more of our views on future Fed policy, see the "Pot-committed" section on page 11.

Source: Bloomberg, American Enterprise Investment Services, Inc. Data as of 09/30/2021.

Total Return: As the Fed withdraws purchases, shortens forward guidance, and ultimately raises interest rates, fixed income total returns may be challenged. We Underweight Government Bonds and shortened our fixed-income duration target to 5.5 years, a full year below the Bloomberg US Universal Index. However, there is no replacing Treasuries as ballast in a diversified portfolio. We recommend maintaining a mix of both Treasuries and short TIPS to counter unforeseen events and inflation pressures.

Core Fixed Income

Fed Remains Accommodative Well Into 2022

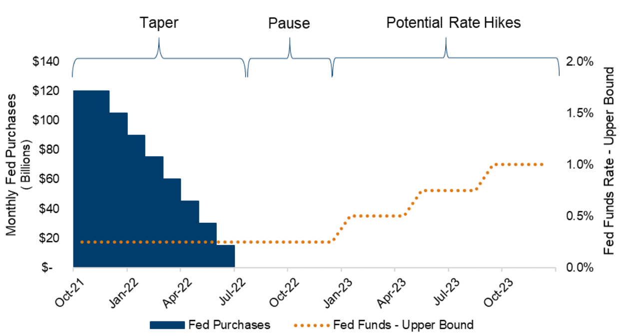
For core fixed-income investments, the Federal Reserve's influence over short-term policy rates, long-term Treasury yields, and even credit spreads remain a crucial driver of fixed-income performance in our view. Eighteen months after the initial pandemic shut down, the Fed now looks to step back from emergency bond purchases. At the start of the fourth quarter, bond investors focus on a potential reduction in the Fed's monthly asset purchases. We believe the Fed likely announces a taper of its $120 billion in purchases at the November 3 Fed policy meeting. We anticipate the Fed's announcement to include a $15 billion per month reduction of monthly Treasuries and mortgage-backed securities purchases, which would entirely phase out purchases by July 2022.

In our view, bond-buying is just one tool the Fed has to withdraw, leaving policy quite supportive well into 2022. Compared to the decade following the financial crisis, the Fed added forward guidance as a primary policy tool for asserting policy and influencing bond markets since rolling out a range of tools in March 2020.

For example, since the onset of the Covid-19 shut down in March 2020, the Fed insisted that accommodation would persist for three to five years. This guidance resulted in low borrowing costs for companies looking to borrow beyond a year or two and ensured investors would not simply wait on the sidelines.

After the latest policy meeting, Fed Chairman Powell sharpened forward guidance in two key ways. First, he pointed to the tapering ending next summer. Second, he highlighted that the bar for the first rate hike was considerably higher than for tapering, thus separating the policy moves. We see the Fed as likely to pause between a taper and hikes to ensure bond investors have time to anticipate each move. Surprising markets would be disruptive and counter-productive for the Fed, in our view.

Evolution of Fed Policy Intervention



Fed Policy – Pot Committed

The level of developed market central bank commitment is difficult to overstate. Collectively, the BOE, ECB, BOJ and Fed hold more than $20 trillion of mostly bond assets, equivalent to over one-half of the S&P 500 market cap (as of September 30, 2021). In fixed income terms, Fed holdings alone represent 27% of public outstanding Treasury debt, including T-bills.

We see Fed balance sheet holdings as considerably increasing the scarcity of high-quality bonds. Following the path set by the Bank of Japan and the European Central Bank in depressing fixed-income yields and expanding the array of emergency policy measures, we believe the Fed has little inclination for a policy exit.

Returning Fed holdings to investors' hands could prove very challenging, leaving the Fed with little alternative than to purchase additional debt should stimulus prove necessary in the years to come. We believe that, like Japan, the Fed is compelled to double down on stimulus when necessary to buy time for aging demographics to play out.

As a result, activist-oriented, developed market central banks are here to stay, in our view. Permanent central bank debt holdings artificially reshape the fixed-income investment landscape. Credit spreads may never fully reflect the true risk of default as markets think back to the Fed's purchase of high yield ETFs last year. An ever-present Fed means mechanisms that already exist can quickly infuse liquidity or reassert stimulus, increasing the risk of moral hazard.

Chart sources: American Enterprise Investment Serves, Inc. Data as of 10/25/2021.

Though we anticipate the Fed likely holds policy rates steady until 2023, we expect the curve to steepen in the front end as markets price in rate hikes next year. Out the curve, we forecast 10-year Treasury yields to end 2021 around 1.50% given limited Treasury supply while navigating the debt limit. Ten-year Treasury yields likely move somewhat higher next year as Fed purchases end, and markets look ahead to future hikes, in our view. Headwinds from potentially rising bond yields support our Underweight to U.S. Government Bonds and our shorter duration target at 5.5 years relative to our Bloomberg U.S. Universal benchmark at 6.5 years for total return investors.

Core Tactical Positioning

We recommend investors Underweight Treasuries and U.S. Government Bonds and Overweight U.S. Investment Grade Bonds within fixed-income allocations over our 6 to 12-month tactical horizon. The potential for a higher individual income tax regime leaves tax-exempt municipals attractive for clients in high-income brackets seeking tax-efficient solutions.

Non-Core Fixed Income

DM and EM Growth Converge in 2022

After more than two decades of emerging market (EM) growth leadership, the International Monetary Fund forecasts the difference in growth between emerging and developed markets (DM) may converge to within a half a percent next year. Emerging markets should maintain a slight edge on growth, but the dominant draw of emerging markets, their growth potential, may also be found in developed economies. The convergence reflects an extended reopening of developed economies and headwinds for emerging economies faced with tight monetary policy, stubbornly high inflation, and ongoing COVID-19 frictions often due to low vaccination levels.

A key driver of slower emerging market growth rests on the deceleration of China's economy. The Communist Party of China seeks to curtail growth and reduce leverage within the property development sector under its 'common prosperity' initiative. Though China's property sector represents roughly a quarter of its economy, we believe tools available due to its centralized approach should be sufficient to stave off the most harmful effects. However, should government efforts prove ineffective, the fallout could reach across China's consumer and corporate sectors and could weigh on foreign asset prices as China investors seek liquidity. It's a risk we watch closely.

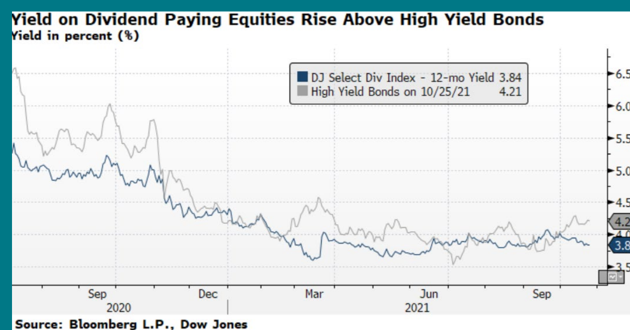
Non-traditional Bonds as an Alternative

Non-traditional bond strategies such as absolute return funds and multi-sector strategies may complement Government Bonds as a portion of higher-risk fixed-income allocations. As we noted on page 10, there is no replacing Treasuries and Treasury Inflation-Protected Securities (TIPS) as diversifiers in blended portfolios. However, non-traditional bond strategies may serve as a complement to Treasuries rather than a replacement.

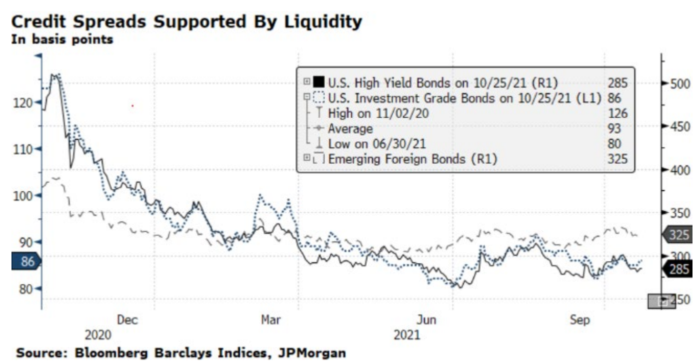
Specifically, we classify these approaches as alternatives to encompass the latitude and flexibility their mandates often entail. Today, we believe the strategies may substitute for a portion of the risk we allocate to U.S. Investment Grade Corporate Bonds, High Yield Bonds, and DM & EM Foreign Bonds. When selecting an investment, consider the risk a specific strategy takes on and ensure the level of risk matches asset classes being replaced.

Letting it ride

For investors looking for yield, High Yield Bonds historically offered an interesting asset to add to the mix. At the end of September, the nearly identical 4% yield from US High Yield Bonds and the Dow Jones Select Dividend Index supported our Underweight of US High Yield and our Overweight of US Equities in the form of dividend-paying stocks. Since quarter-end, rising Treasury yields and widening spread premiums led High Yield Bonds temporarily into more attractive territory.



Our tactical allocation guidance is focused on quality in fixed income and taking more risk in equities. While our approach lost modest ground in the third quarter, year-to-date the strategy paid off handsomely. The DJ Select Dividend Index provided a 22.7% total return through the first three quarters, compared to just 4.5% for the Bloomberg US High Yield Index. As we look ahead to the mid-cycle, we view the potential for earnings growth among dividend payers to top the fixed coupon on high yield. We recommend staying the course.



Spread Premiums Narrow & Yields Modest

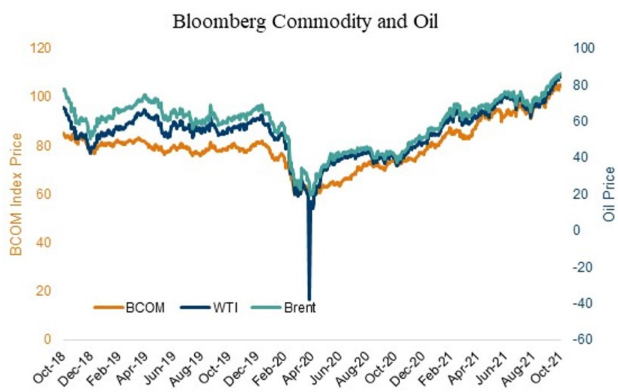
Spread premiums stand near cycle tights (see chart above right). As we noted near the bottom of the previous page, we anticipate Treasury yields to move higher next year as the Fed withdraws stimulus, which could suggest credit spreads may have marked their narrowest levels of the cycle. While some headwinds may appear, we anticipate $4.5 trillion of money market assets and more than $4 trillion of above-trend M2 money supply keep risk assets well supported even as the Fed steps back from emergency stimulus measures next year and begins hiking rates in 2023. As a result, we anticipate total returns could be coupon yields minus price returns should Treasury yields rise and spreads widen over our 6 to12-month tactical horizon, supporting our tactical Underweight toward non-core fixed income segments.

Alternatives

Tactical Outlook

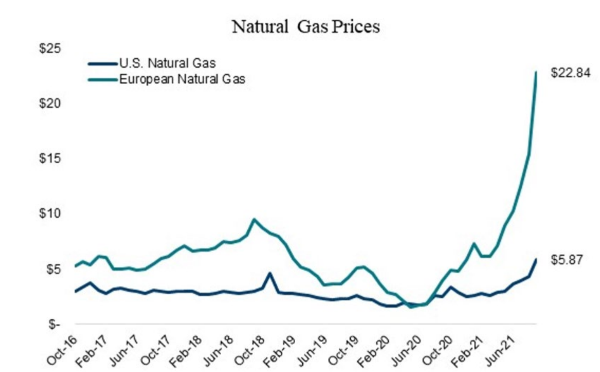
Energy prices climb higher

Supply chain pressures, accelerating manufacturing activity, and strengthening demand have provided tailwinds to a host of commodities all year and propelled higher prices for raw materials, including oil. Within the Bloomberg Commodity Index, higher prices for natural gas and West Texas Intermediate (WTI) oil contributed to the Index, gaining +6.6% in the third quarter. Combined, natural gas and WTI oil represent nearly 25% of the Bloomberg Commodity Index. Notably, natural gas prices rose over +60% in Q3, amid strong demand and a global energy price surge. And while WTI crude gained just +2.1% in the previous quarter, it rose nearly +10% in September.



Source: Bloomberg, American Enterprise Investment Services, Inc. Data as of 10/25/2021.

In Europe, the energy crunch has been more severe. Natural gas prices have skyrocketed as of late given supply issues with Russia and a general nervousness tight supplies are ill-equipped to handle a cold winter. However, we believe commodity prices, in general, could normalize over time and as supply chain pressures subside.

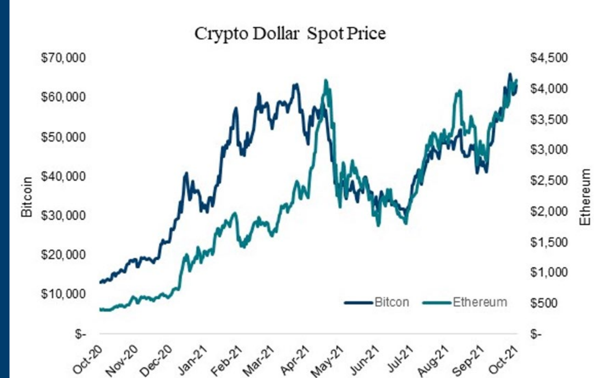


Source: Bloomberg, World Bank Group, New York Mercantile, American Enterprise Investment Services, Inc. Data as of 09/30/2021.

Perspectives on Alternative Strategies

Crypto volatility continues

Bitcoin and Ethereum have taken a rollercoaster ride this year. These new and untested digital assets face potential regulatory pressures, mining issues with energy consumption, and more extreme bouts of volatility relative to traditional assets. More recently, newly created futures-based investment vehicles have lifted interest in cryptos, helping propel prices higher. In our view, the crypto space is still in its infancy, and it remains unclear how such digital assets fit within a well-diversified portfolio. For now, only aggressive investors, willing to lose most, if not all, their investment in cryptos, should allocate toward the space.



Source: Bloomberg, American Enterprise Investment Services, Inc. Data as of 10/25/2021.

Alternative Strategies

Given the generally mixed performance across equities and fixed income in Q3, alternative strategies helped mitigate some of the downside pressures seen during the quarter. Nontraditional bond funds and equity market neutral funds posted generally flat performance in Q3. Multistrategy approaches were down less as a category relative to equity benchmarks that posted declines during the quarter.

In our view, investors should remain underweight Alternative Strategies and continue to focus their portfolio on more cyclical opportunities within stocks.

Appendix

Tactical View

U.S. Sectors[1] Sector	S&P Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Communication Services	11.2%	Equalweight	-	11.2%
Consumer Discretionary	12.3%	Equalweight	-	12.3%
Consumer Staples	5.8%	Underweight	-4.0%	1.8%
Energy	3.0%	Equalweight	-	3.0%
Financials	11.6%	Overweight	2.0%	13.6%
Real Estate	2.6%	Equalweight	-	2.6%
Health Care	12.9%	Equalweight	-	12.9%
Industrials	8.1%	Overweight	2.0%	10.1%
Information Technology	27.6%	Overweight	2.0%	29.6%
Materials	2.5%	Equalweight	-	2.5%
Utilities	2.4%	Underweight	-2.0%	0.4%
Total	**100.0%**			**100.0%**

[1]Index weighting represents the approximate sector market-cap weight in the S&P 500 Index. 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 sector. Tactical allocations are designed to augment Index returns over a 6-to-12-month time horizon. Index weights as of 10/11/21. Index and recommended weights may not add due to rounding.

Global Regions[2] Region	MSCI ACWI Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	58.6%	Overweight	3.0%	61.6%
Canada	2.9%	Equalweight	-	2.9%
United Kingdom	3.6%	Equalweight	-	3.6%
Europe ex U.K.	12.9%	Overweight	3.0%	15.9%
Latin America	0.8%	Equalweight	-	0.8%
Asia-Pacific ex Japan	14.3%	Underweight	-2.0%	12.3%
Japan	5.8%	Underweight	-2.9%	2.9%
Middle East / Africa	1.1%	Underweight	-1.1%	0.0%
Total	**100.0%**		**-**	**100.0%**

[2]Index weighting represents approximate regional market-cap weight in the MSCI All Country World Index. 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-to-12-month time horizon. Index weights as of 10/11/21. Index and recommended weights may not add up due to rounding.

Performance Summary

Sources for the following performance tables: American Enterprise Investment Services Inc. (AEIS) and Morningstar Direct. Data through 9/30/2021. Returns are total returns (including dividends) unless otherwise indicated. Returns greater than one year are annualized. An index is a statistical composite that is not managed. It is not possible to invest in an index. Standard deviations measure how widely the returns of an index have varied over time.

Multi-Asset Returns	Q3 Total Return %	YTD Total Return %	1 Year Total Return %	3 Year Total Return %	5 Year Total Return %	2020 Annual Return %	2019 Annual Return %	2018 Annual Return %	1 Year Standard Deviation	3 Year Standard Deviation
FTSE Treasury Bill 3 Month	0.01	0.03	0.06	1.14	1.13	0.58	2.25	1.86	0.01	0.30
S&P 500 Value	-0.85	15.31	32.02	10.69	11.70	1.36	31.93	-8.95	15.61	19.81
S&P 500 Growth	1.87	16.44	28.86	20.23	21.15	33.47	31.13	-0.01	15.28	19.23
Russell Mid Cap Value	-1.01	18.24	42.40	10.28	10.59	4.96	27.06	-12.29	16.16	23.44
Russell Mid Cap Growth	-0.76	9.60	30.45	19.14	19.27	35.59	35.47	-4.75	16.82	22.05
Russell 2000 Value	-2.98	22.92	63.92	8.58	11.03	4.63	22.39	-12.86	20.93	26.99
Russell 2000 Growth	-5.65	2.82	33.27	11.70	15.34	34.63	28.48	-9.31	21.62	25.66
MSCI World ex USA	-0.66	9.19	26.50	7.87	8.88	7.59	22.49	-14.09	17.10	18.07
MSCI Emerging Markets	-8.09	-1.25	18.20	8.58	9.23	18.31	18.44	-14.58	15.10	19.41
Bloomberg US Universal	0.07	-1.07	0.20	5.57	3.30	7.58	9.29	-0.25	3.04	3.59
Bloomberg US Government	0.08	-2.42	-3.20	4.88	2.26	7.94	6.83	0.88	3.37	4.42
Bloomberg US Securitized	0.09	-0.65	-0.35	3.98	2.25	4.18	6.44	0.99	1.41	2.00
Bloomberg US Corp IG	0.00	-1.27	1.74	7.45	4.61	9.89	14.54	-2.51	4.99	7.14
Bloomberg US Corp HY	0.89	4.53	11.28	6.91	6.52	7.11	14.32	-2.08	3.83	9.33
Bloomberg Municipal	-0.27	0.79	2.63	5.06	3.26	5.21	7.54	1.28	2.90	4.06
Bloomberg Global Treasury xU.S.	-1.56	-6.81	-2.47	3.01	0.61	9.54	5.04	-0.89	6.47	5.90
JPM EMBI Global	-0.53	-1.53	3.88	5.64	3.57	5.88	14.42	-4.61	6.24	10.08
Bloomberg Commodity	6.59	29.13	42.29	6.86	4.54	-3.12	7.69	-11.25	9.96	15.38

U.S. Sector Returns	Q3 Total Return %	YTD Total Return %	1 Year Total Return %	3 Year Total Return %	5 Year Total Return %	2020 Annual Return %	2019 Annual Return %	2018 Annual Return %	1 Year Standard Deviation	3 Year Standard Deviation
S&P 500 Communication Services	1.60	21.59	38.39	20.08	12.54	23.61	32.69	-12.53	14.96	19.61
S&P 500 Consumer Discretionary	0.01	10.28	19.15	16.27	19.00	33.30	27.94	0.83	13.42	22.66
S&P 500 Consumer Staples	-0.31	4.69	11.34	11.93	8.55	10.75	27.61	-8.38	14.23	14.17
S&P 500 Energy	-1.66	43.22	82.99	-6.80	-1.57	-33.68	11.81	-18.10	36.16	41.46
S&P 500 Financials	2.74	29.14	59.13	13.38	16.64	-1.69	32.13	-13.03	20.81	24.73
S&P 500 Health Care	1.43	13.45	22.56	12.39	14.18	13.45	20.82	6.47	13.25	16.12
S&P 500 Industrials	-4.23	11.48	28.96	9.83	12.50	11.06	29.37	-13.29	21.09	24.06
S&P 500 Information Technology	1.34	15.29	28.90	27.26	28.42	43.89	50.29	-0.29	17.22	21.38
S&P 500 Materials	-3.51	10.49	26.48	13.37	12.95	20.73	24.58	-14.70	19.02	22.26
S&P 500 Real Estate	0.88	24.38	30.53	14.72	10.22	-2.17	29.01	-2.22	14.55	17.08
S&P 500 Utilities	1.78	4.20	11.01	10.27	9.11	0.48	26.35	4.11	17.01	16.06

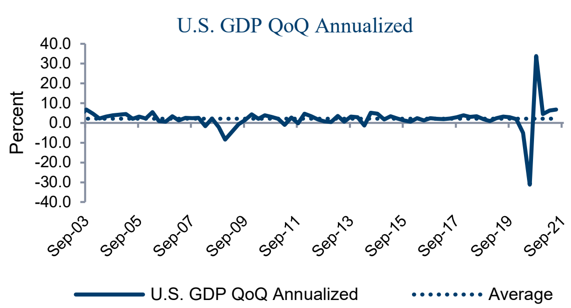
Global Region Returns	Q3 Total Return %	YTD Total Return %	1 Year Total Return %	3 Year Total Return %	5 Year Total Return %	2020 Annual Return %	2019 Annual Return %	2018 Annual Return %	1 Year Standard Deviation	3 Year Standard Deviation
S&P 500	0.58	15.92	30.00	15.99	16.90	18.40	31.49	-4.38	13.93	18.81
MSCI Canada	-2.53	17.54	33.90	10.16	9.39	5.32	27.50	-17.20	16.43	22.37
MSCI United Kingdom	-0.30	12.19	31.20	2.37	4.82	-10.47	21.05	-14.15	19.09	19.87
MSCI Europe Ex UK	-1.91	9.45	26.14	9.61	10.23	10.91	24.81	-15.14	20.59	19.40
S&P Latin America 40	-15.67	-7.95	29.83	-2.43	2.10	-11.32	13.92	-5.99	33.37	33.34
MSCI AC Asia Pacific ex Japan	-10.79	-7.51	7.99	7.70	9.21	22.99	19.18	-15.09	15.59	18.91
MSCI Japan	4.56	5.90	22.07	7.54	9.36	14.48	19.61	-12.88	13.50	15.26
FTSE AW Middle East & Africa	3.11	20.78	37.41	7.90	5.16	-2.92	11.67	-16.19	11.18	20.62

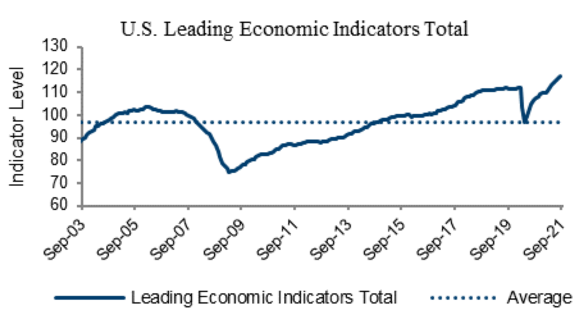
8-15 year strategic and tactical allocation recommendations

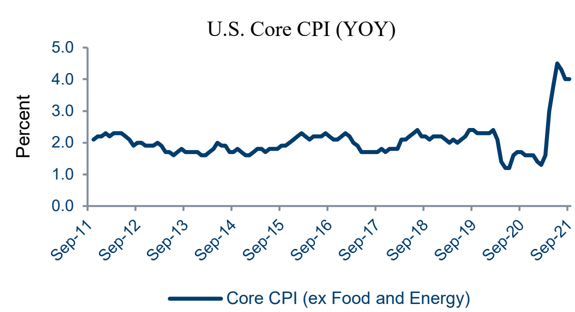
ASSET CLASS	Conservative			Moderate Conservative			Moderate			Moderate Aggressive			Aggressive		
	Strategic	Tactical	+/-	Strategic	Tactical	+/-	Strategic	Tactical	+/-	Strategic	Tactical	+/-	Strategic	Tactical	+/-
CASH*	**2.0%**	**2.0%**	-	**2.0%**	**2.0%**	-	**2.0%**	**2.0%**	-	**2.0%**	**2.0%**	-	**2.0%**	**2.0%**	-
EQUITY	**23.0%**	**26.0%**	**3.0%**	**38.0%**	**43.0%**	**5.0%**	**58.0%**	**63.0%**	**5.0%**	**73.0%**	**78.0%**	**5.0%**	**89.0%**	**95.0%**	**6.0%**
US EQUITY	**18.0%**	**20.0%**	**2.0%**	**30.0%**	**34.0%**	**4.0%**	**44.0%**	**48.0%**	**4.0%**	**54.0%**	**58.0%**	**4.0%**	**62.0%**	**66.0%**	**4.0%**
U.S. Large Cap Value	7.0%	8.0%	1.0%	13.0%	14.0%	1.0%	16.0%	17.0%	1.0%	17.0%	18.0%	1.0%	20.0%	21.0%	1.0%
U.S. Large Cap Growth	7.0%	7.0%	-	13.0%	13.0%	-	16.0%	16.0%	-	17.0%	17.0%	-	20.0%	20.0%	-
U.S. Mid Cap Value	2.0%	3.0%	1.0%	2.0%	3.0%	1.0%	4.0%	5.0%	1.0%	8.0%	9.0%	1.0%	9.0%	10.0%	1.0%
U.S. Mid Cap Growth	2.0%	2.0%	-	2.0%	2.0%	-	4.0%	4.0%	-	8.0%	8.0%	-	9.0%	9.0%	-
U.S. Small Cap Value	-	-	-	-	2.0%	2.0%	2.0%	4.0%	2.0%	2.0%	4.0%	2.0%	2.0%	4.0%	2.0%
U.S. Small Cap Growth	-	-	-	-	-	-	2.0%	2.0%	-	2.0%	2.0%	-	2.0%	2.0%	-
FOREIGN EQUITY	**5.0%**	**6.0%**	**1.0%**	**8.0%**	**9.0%**	**1.0%**	**14.0%**	**15.0%**	**1.0%**	**19.0%**	**20.0%**	**1.0%**	**27.0%**	**29.0%**	**2.0%**
Developed Foreign Equity	3.0%	4.0%	1.0%	4.0%	5.0%	1.0%	8.0%	9.0%	1.0%	12.0%	13.0%	1.0%	17.0%	19.0%	2.0%
Emerging Foreign Equity	2.0%	2.0%	-	4.0%	4.0%	-	6.0%	6.0%	-	7.0%	7.0%	-	10.0%	10.0%	-
FIXED INCOME	**70.0%**	**68.0%**	**-2.0%**	**55.0%**	**52.0%**	**-3.0%**	**35.0%**	**32.0%**	**-3.0%**	**20.0%**	**17.0%**	**-3.0%**	**4.0%**	-	**-4.0%**
CORE FIXED INCOME	**60.0%**	**63.0%**	**3.0%**	**53.0%**	**52.0%**	**-1.0%**	**31.0%**	**32.0%**	**1.0%**	**14.0%**	**15.0%**	**1.0%**	**4.0%**	-	**-4.0%**
U.S. Government	51.0%	51.0%	-	46.0%	43.0%	-3.0%	24.0%	23.0%	-1.0%	7.0%	6.0%	-1.0%	2.0%	-	-2.0%
U.S. Inv. Grd Corporate	9.0%	12.0%	3.0%	7.0%	9.0%	2.0%	7.0%	9.0%	2.0%	7.0%	9.0%	2.0%	2.0%	-	-2.0%
NON-CORE FIXED INCOME	**10.0%**	**5.0%**	**-5.0%**	**2.0%**	-	**-2.0%**	**4.0%**	-	**-4.0%**	**6.0%**	**2.0%**	**-4.0%**	-	-	-
High Yield Bond	10.0%	5.0%	-5.0%	2.0%	-	-2.0%	2.0%	-	-2.0%	2.0%	-	-2.0%	-	-	-
Developed Foreign Bond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emerging Foreign Bond	-	-	-	-	-	-	2.0%	-	-2.0%	4.0%	2.0%	-2.0%	-	-	-
ALTERNATIVES	**5.0%**	**4.0%**	**-1%**	**5.0%**	**3.0%**	**-2%**	**5.0%**	**3.0%**	**-2%**	**5.0%**	**3.0%**	**-2%**	**5.0%**	**3.0%**	**- 2.0%**
REAL ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ALTERNATIVE STRATEGIES	**5.0%**	**4.0%**	**-1%**	**5.0%**	**3.0%**	**-2%**	**5.0%**	**3.0%**	**-2%**	**5.0%**	**3.0%**	**-2%**	**5.0%**	**3.0%**	**- 2.0%**

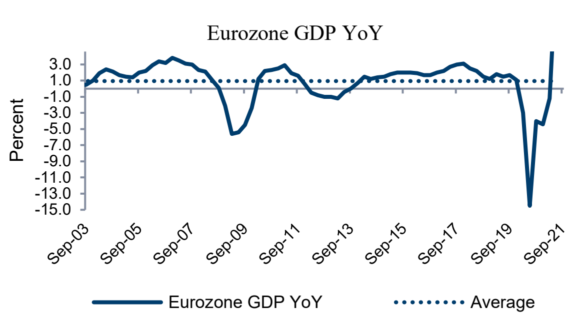
Select economic statistics

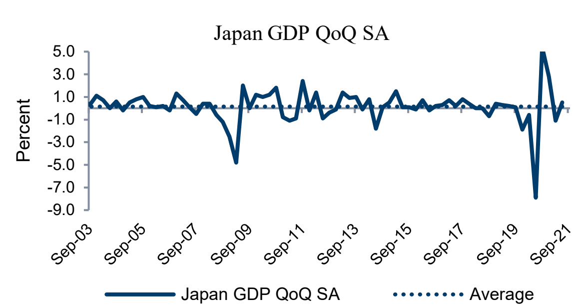
Chart Sources: Bloomberg, American Enterprise Investment Services Inc. (AEIS). Data through 9/30/2021 unless otherwise stated.











Additional Resources

Asset allocation and capital market guidance are the first steps toward formulating a well-balanced and thoughtful approach to portfolio construction. In addition to the *Quarterly Capital Market Digest* report, the Investment Research Group (IRG) also provides resources to help investors put our asset allocation strategies into action and provide deeper analysis into economic/market trends. Below are a few key IRG publications the Committee believes help to further our allocation strategies. These resources offer investable solutions to our Committee allocations as well as draw a closer link between strategy and real-world portfolio construction. Please refer to the IRG resources or contact your financial advisor for more information.

- *Committee & Economic Perspectives*
- *Quarterly Capital Market Monitor (QCMM)*
- *Select Separate Account Strategy & Starting Point Recommended List*
- *Equity Recommended List, Recommended List Investment Strategies, and Sector Insights*
- *2021 Long-term Strategic Themes*
- *2021 Investment Outlook & Themes, Equity Market Outlook, and Fixed Income Outlook*
- *Corporate Bond Recommended List and Credit Snapshots*

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Led by top Ameriprise strategists, the Ameriprise Global Asset Allocation Committee is a team of experienced investment professionals focused on delivering strategic and tactical asset allocation guidance and actionable investment strategies. Each quarter the Committee publishes a comprehensive outlook on the markets along with its recommendations in the Quarterly Capital Market Digest.

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Bond ratings are provided by Nationally Recognized Statistically Ratings Organizations (NRSRO) as designated by the U.S. Securities & Exchange Commission's (SEC) as credit agencies. The list of NRSRO's currently includes Standard & Poor's (SPC), Moody's Investors Service (MDY), Fitch Ratings (FTC), and the Dominion Bond Rating Service (DBRS). The SEC's list of NRSROs is subject to change by the SEC. Ratings are evaluations of a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are divided into categories ranging from AAA (highest) to D (lowest). Investment grade ratings include: Moody's ratings of Aaa, Aa, A, Baa and Standard & Poor's ratings of AAA, A.A., A BBB. Non-investment grade securities, commonly called "high-yield" or "junk" bonds, have more volatile prices and carry more risk to principal and income than investment grade securities. Ratings are subjective opinions, are not statements of fact, and are subject to change.

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