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Columbia Disciplined Value SMA Strategy

Performance

The Columbia Threadneedle US Disciplined Value SMA Composite returned 8.52% pure gross of fees and 7.73% net of fees for the quarter ending September 30, 2024. The strategy's benchmark Russell 1000 Value Index returned 9.43% for the same period.

Market overview

U.S. equities performed very well in the third quarter, helping most major broad-based indices finish September at or near all-time highs. The Large Cap Russell 1000 Index gained 6.08%, raising its year-to-date return to 21.18%.

Stocks were well supported by the backdrop of growth and an improving interest rate outlook, which raised hopes that the U.S. economy was on track for a soft landing despite a long stretch of restrictive monetary conditions. The Federal Reserve joined its global peers in loosening policy by enacting a half-point rate cut in September. Since the markets were undecided as to whether the Fed would cut by a quarter or half point, the move represented a positive surprise. Equities were also propelled by China's late-in-the-quarter announcement that it would provide substantial fiscal and monetary stimulus to support its economy and markets. Together, these developments more than offset the impact of market weakness in July and the first week of August.

Average annual total returns (%) for period ending 09/30/2024

	Inception	3-mon.	1-year	3-year	5-year	Since inception
Columbia Threadneedle US Disciplined Value SMA Composite (pure gross)	03/31/2016	8.52	28.54	12.10	13.15	11.90
Columbia Threadneedle US Disciplined Value SMA Composite (net)		7.73	24.81	8.81	9.83	8.61
Russell 1000 Value Index		9.43	27.76	9.03	10.69	10.61

Source: Columbia Threadneedle Investments

Effective June 30, 2024, the composite name for this strategy changed from Columbia Disciplined Value SMA Composite to Columbia Threadneedle US Disciplined Value SMA Composite.

Past performance does not guarantee future results. Returns reflect the reinvestment of income and capital gains, and periods over one year are annualized. Pure gross of fees performance does not include trading costs, management fees, or other expenses that would be incurred by a participant portfolio, but does reflect the expenses of any underlying fund and ETF investments. Net of fees performance reflects deduction of the maximum annual wrap fee of 3%. Investors should contact their financial advisor or program sponsor for fees applicable to their account. Please see the GIPS report for more information.

Notably, leadership broadened considerably compared to the first half of the year. Although mega-cap U.S. technology stocks continued to perform well, the quarter was characterized by outperformance for the value style versus growth style, and for small-to-mid-sized companies relative to large caps. The Russell 1000 Value Index gained 9.43% and exceeded the 3.19% return for the Russell 1000 Growth Index, while the Russell MidCap Index and the Small Cap Russell 2000 Index rose 9.21% and 9.27%, respectively.

Model performance

We divide the metrics for our stock selection model into three broad categories — quality, value and catalyst. We then rank the securities within a sector/industry from “1” (most attractive) to “5” (least attractive) based upon the metrics within these categories. During the third quarter of 2024, the catalyst theme detracted from relative results most. All factors within the catalyst theme scored negatively during the quarter, with relative strength and price momentum being the largest detractors. The quality theme of our stock selection model also dampened relative results, though at the style level, factors within the quality theme generated mixed results. Earnings quality, change in free cash flow margin and gross profit margin were the strongest performing factors. Return on equity, return on invested capital and cash flow return on assets detracted. The value theme of our stock selection model contributed positively to relative performance during the quarter, with seven of the eight value factors scoring positively, led by dividend yield, free-cash-flow-to-enterprise value and earnings before interest, taxes, depreciation and amortization (EBITDA)-to-enterprise value.

Overall, among risk factors, financial leverage and volatility were the largest positive contributors to relative results for the quarter, while liquidity and size were the largest detractors.

Of the portfolio’s 20 industry-specific models, 10 provided positive stock selection guidance during the third quarter. Consumer discretionary-autos & durables, communication services, and industrials-capital goods contributed most positively to relative results. Transportation, consumer discretionary-retail & apparel, and energy detracted most during the quarter.

Quarterly portfolio recap

As usual, the portfolio maintained a relatively neutral stance on sector allocation, though sector allocation did detract, albeit modestly, from relative performance during the quarter. Stock selection overall detracted most from the portfolio’s performance relative to the Russell Index. Stock selection was weakest in the information technology, industrials and materials sectors. Partially offsetting these detractors was effective stock selection in health care, communication services and consumer discretionary, which contributed positively.

Among the top detractors from relative performance were:

- QUALCOMM, a wireless telecommunications products and services developer, experienced a significant share price decline during the quarter, as its sales guidance came in below consensus estimates. The portfolio’s overweight in QUALCOMM was based on attractive scores across all three themes — quality, value and catalyst, but the models delivered negative guidance.

- Applied Materials, a semiconductor equipment supplier, posted a significant negative return during the quarter. Despite its end demand and utilization metrics improving and despite beating its quarterly earnings and revenue forecasts, the company's shares fell both on investors seemingly looking for a more solid beat and a stronger outlook going forward as well as on its declining Chinese revenue during the quarter. The portfolio's overweight in Applied Materials was driven by its attractive value theme score, but the model provided negative stock selection guidance.

Among the top positive contributors to relative performance:

- PulteGroup, a homebuilding company, posted a robust positive return during the quarter, with its stock advancing on earnings that beat consensus estimates. The company has also been a notable beneficiary of the housing shortage in the U.S. The portfolio's overweight to PulteGroup was based on its attractive scores across all three themes — quality, value and catalyst, and the models provided positive guidance.
- Entergy, an integrated energy utility company, saw its shares move notably higher during the quarter as the company surpassed its earnings expectations and settled two key regulatory concerns that led to an improved valuation. The portfolio's overweight in Entergy was based on its attractive scores across all three themes — value, catalyst and quality, and the models delivered positive stock selection guidance.

There were no changes made to our quantitative stock selection models during the third quarter.

Outlook

When inflation made its appearance in 2021 on the heels of a receding pandemic, the Fed was forced to react with a series of aggressive interest rate hikes. With a potentially fragile economy and a labor market that may not yet have found firm footing, investors were rightfully concerned about whether the Fed would be able to navigate that treacherous situation without forcing a recession. However, standing at the end of the third quarter of 2024, the Fed seemed to have threaded the needle almost perfectly, in our view. Starting with the bold 50-basis point (bps) cut in September 2024, we believe the U.S. is now on a path potentially lined with additional rate cuts in the coming quarters. We believe this should provide a tailwind to the labor markets, consumer health and, as a result, the overall economy and financial markets.

While there were some signs of rising delinquency rates in consumer credit and auto loans, spending remained robust at the end of the third quarter, and lower interest rates should provide additional cushion to shore up the health of the consumer. Similarly, in the housing market, where high mortgage rates significantly affected supply of existing homes, we believe a reduction in rates should catalyze more transactions and continue to support this sector of the economy. However, the labor market, which was running hot only a few months ago, seems to us to be the relatively weakest link at the end of the third quarter and may be a source of risk for the markets ahead.

The upcoming U.S. presidential election may also be a source of market volatility in the coming months. The escalation of geopolitical tensions in the Middle East as well as in Ukraine may be another source of risk going forward. Both wars can have an outsized effect on commodity prices, supply-chain networks and in turn the broader global economy.

The influence of these macro-factors and themes on individual stock performance is undeniable. At the same time, though, we also expect a return of investor focus and increased emphasis on company fundamentals and earnings. Especially with the potential of artificial intelligence adoption to transform businesses, companies in the same market space will likely experience varied fortunes depending on their individual successes, failures and prospects.

All of this leads us to believe that at the company level, those that can execute on their strategies, posting solid earnings and cash flows are likely to be rewarded — across sectors and across industries. Even with interest rate cuts, we expect interest rates to still be at levels for quite some time where cost of capital matters. Therefore, we believe characteristics of profitability, margins, and cash flow generation will continue to be important for companies to fund their own growth. In such an environment, our multifactor approach, focusing collectively on quality, valuation and catalyst themes, should put us in good stead in selecting stocks. It remains important to note that our strategy is based on individual quantitative stock selection. Consequently, we do not rely on macroeconomic scenarios or market outlooks to make security selections. We do not try to predict when equities, as an asset class, may perform well or when they may perform poorly. Instead, we keep the portfolio substantially invested at all times. Our portfolio managers maintain confidence in the long-term efficacy of our investment approach.

Investment products are not insured by the FDIC, NCUA or any federal agency, 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.

Holdings and characteristics are based on a representative account and are subject to change at any time. Individual account performance, holdings, and characteristics may differ from information shown. References to specific securities are included as an illustration of the investment management strategy and are not recommendations. Holdings may represent only a small percentage of the portfolio. It should not be assumed that any particular security was or will prove to be profitable or that decisions in the future will be profitable or provide similar results to the securities discussed.

The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

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Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

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Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. **Value** securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth. The strategy may invest significantly in issuers within a particular **sector**, which may be negatively affected by market, economic or other conditions, making the strategy more vulnerable to unfavorable developments in the sector.

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Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

The **Russell 1000 Index** tracks the performance of 1000 of the largest U.S. companies, based on market capitalization.

The **Russell 1000 Value Index** measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index.

The **Russell 2000 Index** is an unmanaged index that tracks the performance of the 2,000 smallest of the 3,000 largest U.S. companies, based on market capitalization.

The **Standard & Poor's 500 Index** (S&P 500 Index) is an unmanaged list of common stocks which includes 500 large companies.

Columbia Threadneedle US Disciplined Value SMA Composite

GIPS Report

Columbia Threadneedle Investments Global Asset Management

Reporting Currency: USD

Statement of Performance Results

Calendar Year	Pure Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)	Composite 3-Yr St Dev (%)	Index 3-Yr St Dev (%)	Internal Dispersion (%)	Number of Portfolios	Total Composite Assets (mil.)	Total Firm Assets (mil.)
2023	16.49	13.09	11.46	16.01	16.51	N.A.	≤ 5	0.1	N.A.
2022	-6.10	-8.90	-7.54	20.10	21.25	N.A.	≤ 5	0.5	N.A.
2021	30.19	26.42	25.16	18.39	19.06	N.A.	≤ 5	0.5	N.A.
2020	3.42	0.36	2.80	18.96	19.62	0.48	38	20.2	N.A.
2019	20.73	17.21	26.54	12.48	11.85	0.24	48	21.8	N.A.
2018	-8.04	-10.78	-8.27	N.A.	N.A.	0.16	42	17.9	N.A.
2017	18.60	15.14	13.66	N.A.	N.A.	0.12	33	15.4	N.A.
2016 *	13.64	11.14	15.45	N.A.	N.A.	N.A.	15	6.2	N.A.

Annualized Trailing Performance as of December 31, 2023

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	16.49	13.09	11.46
5 Years	12.20	8.91	10.91
Inception	10.74	7.48	9.50

Inception Date: 03/31/2016

Columbia Threadneedle US Disciplined Value SMA

Composite

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1. Columbia Threadneedle Investments Global Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Columbia Threadneedle Investments Global Asset Management has been independently verified for the periods of January 1, 1993 to December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

2. The Firm is defined as Columbia Threadneedle Investments Global Asset Management (formerly known as Columbia Threadneedle Investments North America prior to June 30, 2024). The Firm provides a broad range of investment management and related services to individual, institutional, and corporate clients around the world. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. The Firm was redefined on June 30, 2024, to include the GIPS firms of Columbia Management Capital Advisers, Columbia Threadneedle Investments EMEA APAC, and Columbia Threadneedle (EM) Investments Limited. The Columbia Management Capital Advisers firm offered investment management and related services to clients participating in various types of wrap programs. The Columbia Threadneedle Investments EMEA APAC firm consisted of all portfolios managed by various Threadneedle group companies. The Columbia Threadneedle (EM) Investments Limited firm was a subsidiary of Columbia Threadneedle Investments International Limited, which defined a portion of its business specializing in Global Emerging Markets equities. As of November 1, 2020, the Firm was redefined to include Columbia Cent CLO Advisers, LLC. As of January 1, 2017, the Firm was redefined to include Columbia Wanger Asset Management, LLC, a wholly-owned subsidiary of Columbia Management Investment Advisers, LLC. Beginning March 30, 2015, the Columbia and Threadneedle group of companies, which includes multiple separate and distinct GIPS-compliant firms, began using the global offering brand Columbia Threadneedle Investments. The Firm includes accounts managed by various Columbia Threadneedle Investments entities, including Columbia Management Investment Advisers, LLC, Threadneedle Asset Management Limited, Threadneedle Investments Singapore (Pte.) Limited, Threadneedle Management Luxembourg S.A., and other affiliated entities.

3. The strategy aims to exceed the return of the specified large cap value benchmark through active security selection of large capitalization value stocks, while minimizing risks from sector, beta, and investment style exposures. Stock selection is driven by our proprietary industry-specific models which utilize both quantitative and fundamental research to identify key performance drivers within each industry. The strategy will generally maintain a tracking error target of 2-4%. In addition, the portfolios will generally have fewer holdings than the benchmark. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. The benchmark is the Russell 1000 Value® Index. The composite was created April 1, 2016.

4. Pure gross returns presented in the table above are gross of the wrap fee and do not reflect the deduction of any trading costs, fees, or expenses and are supplemental to the net returns. The wrap fee will normally include all charges for trading costs, portfolio management fee, custody, and other administrative fees. Composite net returns are calculated by subtracting 1/12th of the highest applicable wrap fee (3.00%) from the monthly pure gross return. Actual fees may vary depending on the individual sponsor's wrap fee. Composite returns reflect the reinvestment of dividends and other earnings.

5. Internal dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the Composite for the entire year. If the composite contains five or fewer accounts for the full year, a measure of dispersion is not statistically representative and is therefore not shown.

6. The three-year annualized standard deviation measures the variability of the gross-of-fees composite and benchmark returns over the preceding 36-month period. It is not required to be presented when a full three years of performance is not yet available.

7. Returns are calculated net of non-reclaimable withholding taxes on dividends, interest, and capital gains. Policies for valuing investments, calculating performance, and preparing GIPS Reports, as well as the list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and the list of broad distribution pooled funds are available upon request.

8. The following fee schedule represents the maximum wrap fee that a sponsor may charge clients seeking investment management services in the designated strategy: 3.00%. The following statement demonstrates, with a hypothetical example, the compound effect fees have on investment return: a 3% annual wrap fee deducted monthly from an account with a 5-year annualized growth rate of 6% will produce a cumulative pure gross return of 33.8% and the cumulative net of fee result of 15.2%.

9. The benchmark is the Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. Index returns reflect the reinvestment of dividends and other earnings and are not covered by the report of the independent verifiers.

Columbia Threadneedle US Disciplined Value SMA Composite

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10. Past performance is no guarantee of future results and there is the possibility of loss of value. There can be no assurance that an investment objective will be met or that return expectations will be achieved. Care should be used when comparing these results to those published by other investment advisers, other investment vehicles and unmanaged indices due to possible differences in calculation methods.

11. Prior to 6/30/2024, the composite was referred to as the Columbia Disciplined Value SMA Composite.

12. This composite was included in the Columbia Management Capital Advisers GIPS firm prior to joining the Columbia Threadneedle Investments Global Asset Management GIPS firm on 6/30/2024. As the composite was not part of Columbia Threadneedle Investments Global Asset Management prior to 6/30/2024, firm assets are shown as "N/A" in the performance table.