

Columbia Select Large Cap Equity SMA Strategy

While seeking to construct a portfolio that can be resilient to a range of economic outcomes, we continue to focus on stock selection as the driver of returns.

Performance

The Columbia Threadneedle US Select Large Cap Equity SMA Composite returned 3.14% pure gross of fees and 2.37% net of fees for the quarter ending September 30, 2024. The strategy's benchmark, the S&P 500 Index, returned 5.89% for the same period.

Market overview

U.S. equities posted strong returns in the third quarter, leaving most major broad-based indices at or near all-time highs at the end of September. Stocks were generally well supported in the quarter by the backdrop of continued 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 U.S. 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 announcement, late in the quarter, that it would provide substantial fiscal and monetary stimulus to support its economy and markets.

Sentiment softened in the quarter around many of the growth-oriented, mega-cap technology companies perceived as artificial intelligence (AI) beneficiaries, on concerns that valuations for these stocks had become overextended. As a result, the quarter saw outperformance for the value style versus growth style, and for small- to mid-sized companies relative to large caps.

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

	Inception	3-mon.	1-year	3-year	Since inception
Columbia Threadneedle US Select Large Cap Equity SMA Composite (pure gross)	12/31/2018	3.14	35.12	12.20	17.82
Columbia Threadneedle US Select Large Cap Equity SMA Composite (net)		2.37	31.22	8.90	14.38
S&P 500 Index		5.89	36.35	11.91	17.52

Source: Columbia Threadneedle Investments

Effective June 30, 2024, the composite name for this strategy changed from Columbia Select Large Cap Equity SMA Composite to Columbia Threadneedle US Select Large Cap Equity 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.

Quarterly portfolio recap

In sector terms, positioning within consumer staples, utilities and energy led positive contributions to relative performance, while selection within information technology, consumer discretionary and healthcare weighed most heavily on performance.

Within consumer staples, Walmart reported strong earnings as same-store-sales came in ahead of expectations, along with e-commerce sales, which are closely watched given the growth opportunity this channel offers the company. The low-cost retailer has seen its results benefit from increased demand from more affluent consumers impacted by inflation. In addition, Walmart continues to expand its highly profitable digital advertising offering.

An overweight to utilities was a positive contributor in the quarter, most notably holdings of Midwestern utility DTE Energy. The sector was boosted by a “safe haven” trade as markets pulled back early in the quarter. In addition, with the Fed viewed as having launched a cutting cycle and Treasury yields moving lower, investors were attracted to utilities as a source of income.

Elsewhere, Parker Hannifin within industrials was a notable contributor as third quarter earnings came in ahead of expectations based on continued resilience in the company’s end markets and positive forward guidance from management. Cintas, a provider of uniforms, cleaning supplies and restroom products, also outperformed as both earnings and guidance reflected continued growth in end markets and improving margins. Within real estate, shares of Equinix, a colocation data center provider organized as a Real Estate Investment Trust (REIT), were supported by a strong earnings report, positive forward indicators and increased interest in dividend-oriented sectors given expectations for Fed rate cuts.

On the downside, holdings of semiconductor stocks Qualcomm, Applied Materials and Nvidia drove much of the underperformance within information technology. These stocks had been heavily bought earlier in the year and it appears that investors rotated out of the group as part of broadening their positioning away from recent winners in anticipation of a soft landing for the economy. Design software company Adobe also sold off after providing what we viewed as conservative guidance. The company continues to experience solid customer growth and is seeing strong momentum with its generative AI offering.

Within consumer discretionary, shares of Amazon came under pressure along with many of the other AI-driven stocks that led performance over the first half of the year. The company also posted retail business results that were a little softer than expected, including decelerating, although still positive, growth. AI continues to provide a tailwind to Amazon’s AWS cloud business. Nike reported another disappointing quarter and lowered guidance. The company is going through a product refresh cycle while reducing the availability of some legacy styles to make room for innovation. This has pressured growth, especially in the direct-to-consumer channel. We exited the position in the quarter. An overweight to Tesla also weighed on performance as the stock outperformed in the quarter on the announcement that the company is introducing fully autonomous cars in China and the excitement around the upcoming Robotaxi Day. The level of product detail Tesla is prepared to present at that event will be closely watched by the market.

Within health care, shares of Edwards Lifesciences sold off sharply in the quarter. The company’s core heart-valve business has continued to decelerate, while management has made some capital allocation decisions that have been dilutive of shareholder equity.

We exited the position in the quarter. Shares of pharmaceutical company Merck dropped on news of lower shipments of Gardasil, its blockbuster human papillomavirus vaccine, driven by a decline in orders from its distribution partner in China. We expect this issue to be transitory and view the stock as oversold on the news. Gardasil still has relatively low penetration in China, and Merck reiterated its long-term guidance for sales of the vaccine. Biomarin Pharmaceutical also sold off as Ascendis Pharma reported better-than-expected clinical results with respect to its potential treatment for achondroplasia, a rare skeletal disorder that leads to disproportionate short stature. This raised the prospect of a competitor to Biomarin's VOXZOGO, currently the only available achondroplasia treatment. We believe the market reaction was overdone as Biomarin has a several year first-mover advantage, and any new product will not be on the market for some time.

Outlook

Recent economic data has been encouraging and has increased investor expectations for a soft landing. Still, we anticipate ongoing volatility in the fourth quarter, with the Middle East conflict, the U.S. presidential election, uncertainty around the path of Fed rate cuts, and signs of distress for lower-end consumers among the possible drivers. Mega-cap, technology-related stocks continue to display some of the strongest growth due to the AI tailwind, but we have begun to see a broadening out of equity market performance leadership. Against the backdrop, we believe it is prudent to maintain a balanced exposure in the portfolio with respect to both the risks and potential rewards.

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

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 Select Large Cap Equity 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	28.92	25.18	26.29	16.98	17.29	N.A.	≤ 5	0.1	N.A.
2022	-18.67	-21.12	-18.11	20.28	20.87	N.A.	≤ 5	0.2	N.A.
2021	29.70	25.94	28.71	17.23	17.17	N.A.	≤ 5	0.2	N.A.
2020	21.18	17.64	18.40	N.A.	N.A.	N.A.	≤ 5	0.1	N.A.
2019	28.97	25.23	31.49	N.A.	N.A.	N.A.	≤ 5	0.1	N.A.

Annualized Trailing Performance as of December 31, 2023

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	28.92	25.18	26.29
Inception	16.27	12.87	15.69

Inception Date: 12/31/2018

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GIPS Report

Columbia Threadneedle Investments Global Asset Management

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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 provide long-term capital growth through an actively managed portfolio of primarily large capitalization U.S. growth and value stocks; however, portfolios are likely to include an allocation to non-U.S. securities. Portfolios managed in this composite are Separately Managed (WRAP) accounts. The benchmark is the Standard & Poor's 500 Index. The composite was created January 1, 2019.
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, the Standard & Poor's 500 Index, tracks the performance of 500 widely held, large-capitalization U.S. stocks. It is a market value weighted index (stock price multiplied by the number of shares outstanding), with each stock's weight in the Index proportionate to its market value. Index returns reflect the reinvestment of dividends and other earnings and are not covered by the report of the independent verifiers.

Columbia Threadneedle US Select Large Cap Equity SMA Composite

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Reporting Currency: USD

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 Select Large Cap Equity 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.