

The path of inflation and interest rates continued to dominate the narrative into May.

Columbia Select Mid Cap Value SMA Strategy

Performance

The Columbia Threadneedle US Select Mid Cap Value SMA Composite returned -2.12% pure gross of fees and -2.86% net of fees for the quarter ending June 30, 2024, outperforming its benchmark, the Russell Midcap Value Index, which returned -3.40% for the same period.

Outperformance was driven by strong stock selection, particularly within the industrials, information technology and materials sectors. Selection within financials and energy offset some of these relative results.

Market Overview

U.S. equities were mixed during the second quarter of 2024. The S&P 500 Index gained 4.28%, though returns were dominated by the largest, mega-cap technology and communication stocks. Further highlighting this disparity was the performance of the Russell 1000 Growth Index, which returned 8.33%, relative to the -2.17% return of the Russell 1000 Value Index.

The quarter started off weaker, with markets declining meaningfully in April after closing at record highs at the end of the first quarter. Above-consensus inflation numbers and mixed economic data led to renewed hawkish expectations around potential Federal Reserve rate cuts, with the market shifting to a consensus that that Fed may only ease 25 basis points (bps) later in the year. (A basis point is 1/100 of a percent.)

Average annual total returns (%) for period ending 06/30/2024

	Inception	3-mon.	1-year	3-year	Since inception
Columbia Threadneedle US Select Mid Cap Value SMA Composite (pure gross)	12/31/2018	-2.12	13.46	6.67	14.13
Columbia Threadneedle US Select Mid Cap Value SMA Composite (net)		-2.86	10.14	3.53	10.78
Russell Midcap Value Index		-3.40	11.98	3.65	10.99

Source: Columbia Threadneedle Investments

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

The path of inflation and interest rates continued to dominate the narrative into May. However, strong corporate earnings, buoyed mostly by the “Magnificent 7” stocks, provided a reason for optimism as markets rebounded. Meme stocks also made a surprise resurgence in the middle of the quarter.

Disinflation traction picked up in the back half of the quarter, as core CPI showed the lowest reading since August of 2021. This, combined with some softer economic data, including lower new home sales and weaker retail sales, helped strengthen the soft-landing narrative and led to some dovish repricing of rate cut odds.

The big story however, was still around the exuberance surrounding artificial intelligence (AI). Narrow market breadth remained as the mega-cap technology names meaningfully outperformed on AI expectations. NVIDIA continued its exponential climb, briefly passing Microsoft as the most valuable company in the U.S. before pulling back. Apple, Microsoft, and other AI-related names also saw strong returns.

Not surprisingly for the quarter, growth stocks meaningfully outperformed value. Large-caps also handily beat out mid- and small-caps, with the Russell Mid Cap Index declining 3.35% and the Russell 2000 Index losing 3.28%. The Russell Mid Cap Value Index finished down 3.40%. Within the index, only utilities, information technology and real estate finished in positive territory. Consumer staples, health care, materials and consumer discretionary were the biggest laggards.

Quarterly portfolio recap

For the quarter, the strategy’s outperformance was driven by strong stock selection, particularly within industrials, information technology, materials and consumer discretionary. Selection within financials and energy offset some of these relative results. Sector allocation had a muted impact on overall results.

We continued to see strong results within our industrial holdings. In particular, our holdings in CACI International and Trane Technologies were notable absolute and relative outperformers. CACI, a provider of consulting and technology services primarily for the U.S. government and armed forces, performed well on the back of a strong earnings report. The company has been winning new awards and contracts, which has driven impressive organic growth. HVAC company Trane has continued to see impressive results from their commercial HVAC business, as clients look to their solutions for greener and more energy-efficient heating and cooling systems.

Within information technology, the portfolio saw strong absolute and relative results from our positions in Teradyne and Corning. Semiconductor test company Teradyne saw its shares climb sharply after a very strong earnings report. The proliferation of AI has been a significant tailwind for the company, leading to increasing demand for their test businesses. Encouragingly, our position in specialty glass maker Corning was also a top contributor to absolute and relative results. The company continues to recover from last year’s inventory correction and is well-positioned within their fiber optics business to capitalize on growth in AI datacenters.

In materials, our positions in specialty materials company ATI and copper miner Freeport-McMoRan were standouts. ATI, which provides materials primarily for the aerospace industry, posted impressive quarterly results and a raise of forward guidance, bolstered by continued strong demand and a robust backlog of commercial aircraft orders. Freeport-McMoRan was a relative contributor as well.

We continue to be constructive on the case for copper for the long term. The energy transition initiatives across the world, the need to rebuild U.S. grid infrastructure and power demands, as well as any reacceleration in economic activity, should all serve to fuel copper demand at a time when there is little new supply.

Detractors from performance included our positions in Global Payments and Carlyle Group within financials. Shares in Global Payments, a payment technology and services provider, fell despite posting solid quarterly results, as concerns over competition and a challenging macroeconomic environment weighed on the name. Alternative investment manager Carlyle Group fell after reporting earnings that showed lower-than-expected management fees and fundraising.

Within energy, our position in refiner Marathon Petroleum was a detractor. Shares in Marathon, which has been one of the top-performing stocks in the portfolio over the past year, gave back some gains in the second quarter, as concerns around the macro environment and falling refining spreads impacted the name.

Outlook

This continues to be a challenging and uncertain market environment where it is hard to have high conviction in the direction of the economy. Growth has been resilient, and inflation has come down, though a weakening consumer, persistently higher rates and geopolitical issues continue to be overhangs to overall sentiment. The market has kept all eyes on the Fed, trying to glean if and when we may see rate cuts, but this has proved difficult to predict. Small- and mid-cap stocks, in particular, have meaningfully underperformed and trade cheaply relative to large-cap stocks. We are not sure exactly when this trend will reverse but believe there is a lot of potential whenever the pendulum does eventually swing our way.

In the face of this uncertain environment, we will continue to do what we have always done: analyze our portfolio companies on a stock-by-stock basis and research opportunities from the bottom up, case by case. This uncertain environment can create meaningful opportunities for long-term investors. To that end, we have been working closely with our central research analysts, as well as directly with management of our portfolio companies. We look past the current environment and seek to identify companies that will improve their individual trajectory over the next three to five years or more.

We continue to adhere to our process of looking for value companies with identifiable catalysts to change investor perception and accelerate earnings growth. We are currently overweight consumer staples, financials and consumer discretionary, while being underweight industrials and real estate.

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Advisory services provided by Columbia Management Investment Advisers, LLC ("CMIA"). For purposes of GIPS compliance, the Firm is defined as Columbia Threadneedle Investments Global Asset Management ("Columbia Threadneedle Investments GAM"), which includes accounts managed by the investment manager and certain of its affiliates.

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. Investments in midcap companies involve risks and volatility greater than investments in larger, more established companies. **Value** securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth. Investments in a **limited** number of companies subject the portfolio to greater risk of loss. The portfolio may invest significantly in issuers within a particular **sector**, which may be negatively affected by market, economic or other conditions, making the portfolio 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 Midcap Value Index** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

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

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 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 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** measures the overall performance of the small-cap to mid-cap company shares.

Columbia Threadneedle US Select Mid Cap 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	10.76	7.50	12.71	19.81	N.A.	N.A.	≤ 5	0.1	N.A.
2022	-8.57	-11.30	-12.03	25.29	N.A.	N.A.	≤ 5	0.2	N.A.
2021	33.38	29.52	28.34	23.05	N.A.	N.A.	≤ 5	0.2	N.A.
2020	7.51	4.33	4.96	N.A.	N.A.	N.A.	≤ 5	0.1	N.A.
2019	32.89	29.04	27.06	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	10.76	7.50	12.71
Inception	14.05	10.70	11.16

Inception Date: 12/31/2018

Columbia Threadneedle US Select Mid Cap Value SMA

Composite

GIPS Report

Columbia Threadneedle Investments Global Asset Management

Reporting Currency: USD

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, 2022. 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 seeks to deliver capital appreciation and income by investing in mid cap equity securities that we believe are undervalued. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. The benchmark is the Russell Midcap® Value 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 is the Russell MidCap Value Index that measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. 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 Mid Cap Value SMA Composite

GIPS Report

Columbia Threadneedle Investments Global Asset Management

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 Mid Cap 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.