

Columbia Select Small Cap Value SMA Strategy

We continue to adhere to our process of looking for value companies with identifiable catalysts to change investor perception and accelerate earnings growth.

Performance

The Columbia Threadneedle US Select Small Cap Value SMA Composite returned -1.29% pure gross of fees and -2.04% net of fees for the quarter ending June 30, 2024. The strategy's benchmark Russell 2000 Value Index returned -3.64% for the same period.

Market overview

U.S. equities were mixed during the second quarter of 2024. The S&P 500 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 U.S. Federal Reserve rate cuts, with the market shifting to a consensus that the Fed may only ease 25 basis points (bps) later in the year (a basis point is 1/100 of a percent).

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 (a stock that gains popularity among retail investors through social media) also made a surprise resurgence in the middle of the quarter.

Average annual total returns (%) for period ending June 30, 2024

	Inception	3-mon.	1-year	3-year	5-year	10-year
Columbia Threadneedle US Select Small Cap Value SMA Composite (pure gross)	12/31/2011	-1.29	9.98	1.75	0.00	0.00
Columbia Threadneedle US Select Small Cap Value SMA Composite (net)		-2.04	6.74	-1.26	0.00	0.00
Russell 2000 Value Index		-3.64	10.90	-0.53	7.07	6.23

Source: Columbia Threadneedle Investments

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

Past performance is not a guarantee of 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.

Disinflation traction picked up in the back half of the quarter, as core Consumer Price Index (CPI) showed the lowest reading since August 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 stocks. Large caps also handily beat out small caps, with the Russell 2000 Index losing 3.28% during the quarter. The Russell 2000 Value Index finished down 3.64%. Within the index, all sectors finished in the red, though utilities, financials and information technology were the relative outperformers. Health care, consumer discretionary and industrials performed worst.

Quarterly portfolio recap

For the quarter ending June 30, 2024, the Columbia Threadneedle US Select Small Cap Value SMA strategy returned -1.70%, outperforming the -3.64% return of the benchmark Russell 2000 Value Index. Outperformance was driven by strong security selection, primarily within consumer discretionary, health care and industrials. Selection within energy and materials offset some of these relative results. Sector allocation had a modestly positive impact on performance, mostly due to our underweight to the lagging health care sector.

While the consumer discretionary sector was one of the worst performers within the benchmark, the strategy's holdings contributed strongly on both an absolute and relative basis. The strategy's position in theme park operator Six Flags Entertainment rose meaningfully as the company received approvals and prepared to merge with Cedar Fair. The strategy's holding in steakhouse restaurant chain Texas Roadhouse continued to outperform, with another strong earnings report. The company continues to execute well, and its quality food offerings at reasonable prices have proved attractive in the face of a weakening consumer environment. Kontoor Brands, which includes the Lee and Wrangler denim businesses, gained on the back of strong earnings and free cash flow growth with an increase in its forward guidance.

In health care, the strategy's position in hospital operator Tenet Healthcare was a standout. The company has benefitted from higher inpatient volumes as people return to hospitals to get procedures that were pushed back due to the pandemic. Growth in the company's ambulatory surgery center line has been strong and the company is using its growing free cash flow to pay down debt and fortify its balance sheet.

Within industrials, the strategy's positions in Primoris Services and CACI International were strong absolute and relative contributors. Primoris, which provides engineering and maintenance for utilities and energy infrastructure, has been a beneficiary of the energy transition trend. The company has also benefitted from the expected need for its services due to increasing power demands, in part due to the proliferation of AI. 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 that have driven impressive organic growth.

Detractors from performance included O-I Glass within materials. The company, which produces glass bottles and packaging for the beverage and food industry, has been impacted by continued inventory destocking among its clients, resulting in lower volumes and a reduction in their forward guidance.

Within energy, the strategy's position in refining company PBF Energy was a notable detractor. After being one of the top performers last quarter, shares declined despite a solid earnings report. Concerns about the macroeconomic environment and falling refining spreads weighed on the name.

Other detractors included Regal Rexnord, a maker of electric motor and power transmission products. The company lowered its forward guidance and has been impacted by the slowing macro environment and cyclical concerns.

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, although a weakening consumer, persistently higher interest rates and geopolitical issues continue to be overhangs to overall sentiment. The market has kept all eyes on the Fed, trying to glean when we may see rate cuts, but this has proved difficult to predict. Small-cap stocks have meaningfully underperformed and trade cheaply on both an absolute and relative basis to large-cap stocks. We are not sure exactly when this trend will reverse but believe there is a lot of potential in the small-cap space when 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 and small-cap underperformance 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 or more years.

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 materials, information technology, consumer discretionary and industrials while remaining underweight energy, real estate, communication services and health care.

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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 **small-cap** 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 strategy to greater risk of loss. 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 2000 Value Index tracks the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 1000 Index tracks the performance of 1,000 of the largest U.S. companies, based on market capitalization.

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 is an unmanaged index that consists of those stocks in the Russell 1000® Index with less-than-average growth orientation. The Russell 1000 Index is an unmanaged price-only index of the 1,000 largest capitalized companies that are domiciled in the U.S. and whose common stocks are traded.

The S&P 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks.

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 Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas.

Columbia Threadneedle US Select Small 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	12.95	9.63	14.65	20.93	N.A.	N.A.	≤ 5	1.9	N.A.
2022	-15.37	-17.91	-14.48	27.71	N.A.	N.A.	≤ 5	1.9	N.A.
2021	31.38	27.58	28.27	N.A.	N.A.	N.A.	≤ 5	2.1	N.A.
2020	9.06	5.83	4.63	N.A.	N.A.	N.A.	≤ 5	2.8	N.A.
2018	-11.21	-13.87	-12.86	14.47	N.A.	0.32	14	3.6	N.A.
2017	13.11	9.80	7.84	14.14	N.A.	0.50	12	4.8	N.A.
2016	14.42	11.06	31.74	15.53	N.A.	0.55	30	7.6	N.A.
2015	-3.18	-6.05	-7.47	14.37	N.A.	0.39	22	6.2	N.A.
2014	4.42	1.34	4.22	13.16	N.A.	0.42	9	3.1	N.A.
12/31/2018									
-	13.85	12.19	13.47	N.A.	N.A.	N.A.	≤ 5	0.3	N.A.
06/30/2019									

Annualized Trailing Performance as of December 31, 2023

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	12.95	9.63	14.65
5 Years	0.00	0.00	10.00
10 Years	0.00	0.00	6.76
Inception	0.00	0.00	9.75

Inception Date: 12/31/2011

Columbia Threadneedle US Select Small 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. This strategy consists of securities with average market capitalization generally within the range of constituents of the Russell 2000® Index. Accounts in the strategy tend to have a concentration of around 45 holdings. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. The benchmark is the Russell 2000 Value Index. The composite was created January 1, 2012.
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 2000 Value Index that tracks the performance of those Russell 2000 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 Select Small 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 Small 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.