

The easing cycle finally kicked off in September, with the Fed surprising many with a 50-basis point cut.

Columbia Select Small Cap Value SMA Strategy

Performance

The Columbia Threadneedle US Select Small Cap Value SMA Composite returned 8.95% pure gross of fees and 8.15% net of fees for the quarter ending September 30, 2024. The strategy's benchmark Russell 2000 Value Index returned 10.15% for the same period.

Market overview

U.S. equity markets were broadly higher in the third quarter, with the S&P 500 Index climbing 5.89%. In a reversal from prior trends on the year, returns broadened as the S&P 500 Equal Weight Index returned over 9%, reflecting a rotation out of the top mega-cap technology names and into more value and smaller-cap securities. The Russell 1000 Value Index ended the quarter up 9.43%, topping the 3.19% return of the Russell 1000 Growth. The Russell 2000 Index also generated meaningful performance, gaining 9.27% during the quarter, while the Russell 2000 Value Index gained 10.15%.

A cooler-than-expected Consumer Price Index report in July was the initial spark that drove the rotation out of the larger and more artificial intelligence-centric (AI) growth names. With growing confidence that inflation was trending back toward its 2% target and rate cuts may be on the horizon, investors rotated into smaller, more cyclical rate-sensitive names. Investors also digested news around the U.S. presidential election, with President Biden dropping out of the race in favor of his Vice President Kamala Harris.

Average annual total returns (%) for period ending September 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	8.95	26.04	5.11	0.00	0.00
Columbia Threadneedle US Select Small Cap Value SMA Composite (net)		8.15	22.38	2.01	0.00	0.00
Russell 2000 Value Index		10.15	25.88	3.77	9.29	8.22

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.

However, recessionary fears took hold mid-summer, as July nonfarm payrolls came in well below expectations, and the unemployment rate ticked higher. This sparked a brief but sharp sell-off in the market, with volatility exacerbated by the unwinding of the yen carry trade. Markets rebounded quickly though, as U.S. Federal Reserve Chair Jerome Powell's speech at Jackson Hole confirmed his focus on stabilizing the labor market, all but guaranteeing future rate cuts. The easing cycle finally kicked off in September, with the Fed surprising many with a 50-basis point cut. More promising economic data, continued solid corporate earnings results and a largely resilient consumer also helped to bolster soft-landing expectations.

Within the Russell 2000 Value Index, the more rate-sensitive sectors, namely utilities and real estate, were top performers for the quarter, as was communication services. Consumer staples and financials (particularly regional banks) were also standouts. Energy was the lone sector in the red, as oil prices declined during the period. Information technology was a relative laggard as well, posting only modestly positive gains.

Quarterly portfolio recap

Stronger security selection within industrials and financials was more than offset by selection within energy and consumer discretionary. Underweights to real estate and communication services also detracted from relative results. Sector weights are primarily a function of our bottom-up stock selection process.

Within industrials, our positions in Fluence Energy and Atmus Filtration Technologies were strong contributors to absolute and relative results. Fluence Energy, a global leader in energy storage and solutions, which we purchased at the beginning of the quarter, reported solid quarterly results with an impressive pipeline of projects. Growing power needs and increasing use of renewables have driven demand. The company also commenced domestic production of battery modules, which was well received. Atmus Filtration, which designs and sells filtration products and technologies, reported earnings that beat expectations and raised forward guidance. The company, which spun off from Cummins earlier in the year, has continued to win market share and expand margins. The quarter also saw them initiate a dividend and authorize a share repurchase program for the first time.

Our position in PROG Holdings was a standout within financials. The company, which provides lease-to-own and lending solutions, continues to control costs and expand its relationship with new and existing retail partners. These initiatives have led to strong earnings growth and a raise of forward guidance, despite a challenging retail environment.

Other top performers during the quarter included our position in Kontoor Brands and Tenet Healthcare. Kontoor, which owns the Wrangler and Lee denim brands, continues to drive growth in their offerings via a strong wholesale business, expand margins and grow free cash flow with prudent inventory management. Hospital operator Tenet has benefited from favorable inpatient-admission trends and growth in their ambulatory surgical centers business, while continuing to pay down debt and grow free cash flow.

Detractors from performance included our holdings in PBF Energy and Patterson-UTI Energy within the energy sector. Refiner PBF Energy saw weaker-than-expected quarterly results, as maintenance-related downtime impacted margins. Drilling and pressure

pumping services company Patterson-UTI reported mostly in-line earnings but has been impacted by lower land drilling activity in the short term. However, the company continues to generate impressive free cash flow and return meaningful cash to shareholders. The energy sector was the worst-performing sector within the Russell 2000 Value Index, as oil prices materially declined during the quarter.

Within consumer discretionary, our holding in Six Flags Entertainment detracted on an absolute and relative basis. Six Flags, which as of the beginning of the quarter began trading as the combined entity of the legacy Cedar Fair and Six Flags companies following a merger of equals, was impacted by a challenging macroeconomic environment and weather challenges.

Also detracting from relative results was our lack of exposure to the communication services sector. While this sector was the top performer within the benchmark, gaining over 30%, almost all of the returns were due to one particular stock within the sector, Lumen Technologies. Lumen was up over 500% during the quarter, as AI data center growth has driven a sharp increase in demand for fiber optics. We did not own the name, which detracted from relative results.

Outlook

This continues to be a challenging market environment, where it has been hard to have high conviction in the direction of the economy. That being said, given the start of the Fed easing cycle, a largely resilient U.S. consumer and solid corporate earnings, we are cautiously optimistic that there will not be a hard landing for the U.S. economy. However, geopolitical risks, the pending U.S. presidential election and inflation all continue to be things we need to closely monitor. Encouragingly, small-cap stocks rebounded during the quarter and outperformed their large-cap counterparts. Valuations in the small-cap space continue to be compelling, giving us hope that this trend will continue.

No matter the 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 noise 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. During the quarter, we made a handful of portfolio transactions following the rebalance of the Russell indices. We exited some of our long-term winners in energy and industrials, including Devon Energy, Waste Connections and CACI International, that had grown to be too big for a small-cap value portfolio. In turn, we found opportunities in smaller and more value-oriented stocks such as SM Energy, Murphy Oil and Fluence Energy as described above. Our overall portfolio positioning remains similar however, with overweights continuing in materials, information technology and industrials while being underweight real estate, communication services and utilities.

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

The **S&P 500 Equal Weight Index (EWI)** is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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 **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 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 (%) (Supplemental)	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	21.75	N.A.	≤ 5	1.87	N.A.
2022	-15.37	-17.91	-14.48	27.71	27.27	N.A.	≤ 5	1.93	N.A.
2021	31.38	27.58	28.27	N.A.	N.A.	N.A.	≤ 5	2.10	N.A.
2020	9.06	5.83	4.63	N.A.	N.A.	N.A.	≤ 5	2.80	N.A.
10/31/2019 - 12/31/2019	5.23	4.72	5.92	N.A.	N.A.	N.A.	8	4.22	N.A.
12/31/2018 - 06/30/2019	13.85	12.19	13.47	15.31	17.08	N.A.	N.A.	N.A.	N.A.
2018	-11.21	-13.87	-12.86	14.47	15.76	0.32	14	3.64	N.A.
2017	13.11	9.80	7.84	14.14	13.97	0.50	12	4.83	N.A.
2016	14.42	11.06	31.74	15.53	15.50	0.55	30	7.62	N.A.
2015	-3.18	-6.05	-7.47	14.37	13.46	0.39	22	6.16	N.A.
2014	4.42	1.34	4.22	13.16	12.79	0.42	9	3.11	N.A.

Annualized Trailing Performance as of December 31, 2023

Period	Pure Gross-of-fees Return (%) (Supplemental)	Net-of-fees Return (%)	Index Return (%)
1 Year	12.95	9.63	14.65

Inception Date: December 31, 2011

Columbia Threadneedle US Select Small Cap Value SMA Composite

GIPS Report

Columbia Threadneedle Investments Global Asset Management

Columbia Threadneedle US Select Small Cap Value SMA Composite

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. 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

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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 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.