

Columbia Small Cap Value II SMA Strategy

We continue to seek the confluence of low valuation, strong fundamentals and exciting future prospects.

Performance

The Columbia Threadneedle US Small Cap Value II SMA Composite returned 8.91% pure gross of fees and 8.12% net of fees for the quarter ending September 30, 2024. The strategy's benchmark, the Russell 2000 Value Index, returned 10.15% for the same period.

Market overview

We continue to believe that the market has entered the early innings of a shift in investing preferences toward value. During the third quarter, the Russell 2000 Value Index outperformed the Russell 2000 Growth Index, with returns of 10.15% and 8.41% respectively. Small-cap companies outperformed relative to larger-cap companies, as the Russell 2000 Value Index performed similar to the Russell Midcap Value Index (up 10.08%) but outperformed the broader Russell 1000 Value Index, which returned 9.43%. The yield on the U.S. government 10-year bond plummeted in the period, beginning the quarter at 4.40% and falling to 3.78% by quarter end. The University of Michigan Consumer Sentiment Index (MCSI) improved in the quarter, with the September reading at 70.1% compared to the June reading of 68.2%. Market sentiment was volatile during the quarter, as equities, especially small caps, rallied strongly in July following a cooler-than-expected Consumer Price Index (CPI) report. However, higher unemployment and lower-than-expected payroll numbers in early August sparked fears of a recession, leading to a short but sharp sell-off. Markets recovered strongly, as U.S. Federal Reserve

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

	Inception	3-mon.	1-year	3-year	5-year	Since inception
Columbia Threadneedle US Small Cap Value II SMA Composite (pure gross)	06/30/2016	8.91	27.04	6.55	12.72	10.44
Columbia Threadneedle US Small Cap Value II SMA Composite (net)		8.12	23.35	3.41	9.41	7.19
Russell 2000 Value Index		10.15	25.88	3.77	9.29	9.11

Source: Columbia Threadneedle Investments

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

Chair Jerome Powell's speech at Jackson Hole assured investors that rate cuts were coming, culminating in a 50 basis points (bps) cut in September. (A basis point is 1/100 of a percent.) The start of the easing cycle, solid corporate results and better economic data in September helped to bolster soft-landing expectations.

Quarterly portfolio recap

Columbia Small Cap Value II strategy underperformed its benchmark, the Russell 2000 Value Index, during the third quarter of 2024. Underperformance can be attributed to both weaker stock selection and sector allocation. Stock selection detracted in health care, communication services and financials. Financials, particularly smaller banks, performed strongly in July following the first U.S. presidential debate. The strategy's been underweight to banks, which proved to be a headwind during the quarter. Underperformance in communication services was largely due to the strategy not owning one particular stock in the index which, despite having a significant debt burden, was up over 540%. This was partially offset by strong stock selection within energy and industrials. An underweight to financials detracted, while an underweight to energy contributed.

Our philosophy

An upward inflection in stock prices can be a confirmatory signal of fundamental improvement. Our approach to investing is based on our view that fundamentals ultimately drive stock prices. Through thorough fundamental research, we can exploit market anomalies to identify stocks that should outperform the market, and the market signal of upward inflection in price provides the impetus to invest. We believe that investing in companies with a demonstrated ability to compound capital over time, that possess strong fundamental attributes and that trade at discounts to intrinsic value will lead to durable outperformance over a full market cycle. Our work relies on proprietary research and our experience investing over many different market cycles. We believe that it is the integrity and intensity of the research process that leads to success. Our clients benefit from access to Columbia Threadneedle's world-class, internally generated research from our outstanding fundamental analysts, our quantitative research department and our big-data team. Our passion for investing and deep belief in our philosophy is foundational to our unique strategy, which we are proud to offer our clients. This has been a consistent strategy that has been employed for our clients for years, and our north star (our philosophy) will continue to guide us forward for years to come.

Voice of America Survey

Small companies are the explicit engine of American exceptionalism. They invest in America through their spending of capital to expand capacity, hire our neighbors as they grow and promote local community growth through increased tax revenue. In short, American small businesses are the lifeblood of the economy. With that in mind, many of the names we invest in are not household names. We describe them as being the company headquartered on the side of the highway as you drive home each night. Many Wall Street firms lack the resources to research these investments, and we are honored to be able to invest in such a dynamic and inefficient asset class for our clients.

A new value-add component to this commentary will be a segment based on a poll we did of small companies in September 2024 – our Voice of America Survey. Given that this is our first year conducting this survey, data are only from this period. Going forward, we will continue to report quarterly on how small businesses in America are looking at the country around them.

Voice of America Survey September 2024

	Average	Max	Min	+1 Standard Deviation	-1 Standard Deviation
Do you expect revenue growth for the next year for your business (Scale: 50 no revenue growth - 100 high growth)	71	100	25	88	54
Do you expect to raise prices year over year for your business (Scale: 50 average pricing growth - 100 large increases in prices)	49	80	10	65	33
Has your promotional cadence increased year over year for your business (Scale: 50 average promotional activity, 0 significant need for promotion, 100 no need for promotion)	57	100	10	78	36
Do you expect prices for your inputs to increase year over year for your business ? (Scale: 50 normal inflation - 100 high inflation)	53	90	25	64	41
Will labor costs increase year over year (2% assumed normal) for your business (Scale: 50 normal labor increase - 100 high labor inflation)	54	75	25	64	44
Has your tax rate changed in the past 12 months for your business (Scale: 50 no tax rate change, 100 significant tax rate reduction, tax credits, benefits)	48	65	-	59	36
Has the cost of living in your local community been high (utilities, housing price, food costs)? (Scale: 50 average - 100 very Inflationary)	70	100	50	82	57
Has services (restaurants/local shops/café) in your local community been busy? (Scale: 50 average - 100 very busy)	66	100	30	83	50

The summary from our third-quarter survey is that many of the participants expect above-average growth for the next 12 months. These same companies are not expecting to raise prices faster than historical averages, yet they report the need to increase promotions. From a cost perspective, they are seeing input costs (including labor costs) normalize with no change to taxes. However, these companies are still seeing elevated inflation in their communities with the cost of living rising above historical averages. On a promising note, they reported that their local communities are busy, with restaurants, shopping centers and general activity vibrant. Approximately 55% of the respondents have not seen significant infrastructure upgrades in their local communities.

Outlook

We continue to manage the Columbia Small Cap Value II strategy with an eye toward opportunity. Our philosophy is predicated on improving fundamentals and an upward inflection in the price of a stock. When applied to a dynamic asset class with incredible amounts of inefficiency, we believe that this philosophy identifies attractive investment opportunities for our clients. We continue to seek the confluence of low valuation, strong fundamentals and exciting future prospects. Small-cap value, as an asset class, represents “American Exceptionalism,” as the companies in our universe generate a high proportion of their revenue domestically. We believe our philosophy can uncover high-quality value opportunities in small-cap stocks, and we look forward to sharing our results with our clients for years to come. At quarter end, the portfolio was overweight industrials, information technology, materials and consumer discretionary while being underweight financials, real estate and health care.

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.

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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These managed account programs are only available through investment professionals. Not all strategies may be available on all platforms, and fees and terms may vary. Managed account programs may not be appropriate for all investors.

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.

International investing involves certain risks and volatility due to potential political, economic or currency instabilities and different financial and accounting standards. 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.

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. FTSE Russell® is a trademark of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Growth Index** is an unmanaged index that measures the performance of those Russell 2000 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 **Russell MidCap Index** is an unmanaged index measuring the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell 2000 Index** is an unmanaged index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

Consumer Price Index is an index representing the rate of inflation of U.S. consumer prices as determined by the U.S. Bureau of Labor Statistics. It is determined through a monthly survey of various consumer goods and services including housing, food, fuel, transportation, electricity, etc. Not Seasonally Adjusted.

The **University of Michigan Consumer Sentiment Index**, also known as MCSI, is a monthly survey conducted by the University of Michigan which results are published as a consumer confidence index of people in the United States.

Columbia Threadneedle US Small Cap Value II 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	14.55	11.19	14.65	20.04	21.75	0.21	44	21.7	N.A.
2022	-12.65	-15.27	-14.48	27.59	27.27	0.49	78	69.3	N.A.
2021	35.93	32.01	28.27	25.58	25.00	0.50	52	54.9	N.A.
2020	10.94	7.67	4.63	26.95	26.12	0.70	41	31.8	N.A.
2019	20.36	16.85	22.39	15.85	15.68	0.69	59	76.4	N.A.
2018	-17.47	-19.96	-12.86	N.A.	N.A.	0.40	48	54.1	N.A.
2017	11.21	7.94	7.84	N.A.	N.A.	0.58	26	63.9	N.A.
2016 *	20.68	18.93	24.19	N.A.	N.A.	N.A.	12	34.4	N.A.

Annualized Trailing Performance as of December 31, 2023

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	14.55	11.19	14.65
5 Years	12.68	9.37	10.00
Inception	9.77	6.54	8.78

Inception Date: 06/30/2016

Columbia Threadneedle US Small Cap Value II SMA

Composite

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 appreciation and invests in a diversified list of small cap companies that we believe are undervalued based on quantitative, sector-specific valuation criteria and where our fundamental analysis leads us to conclude that the valuation discount to their peers and the general small cap market is likely to disappear. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. The benchmark is the Russell 2000® Value Index. The composite was created July 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 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 Small Cap Value II 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 Small Cap Value II 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.