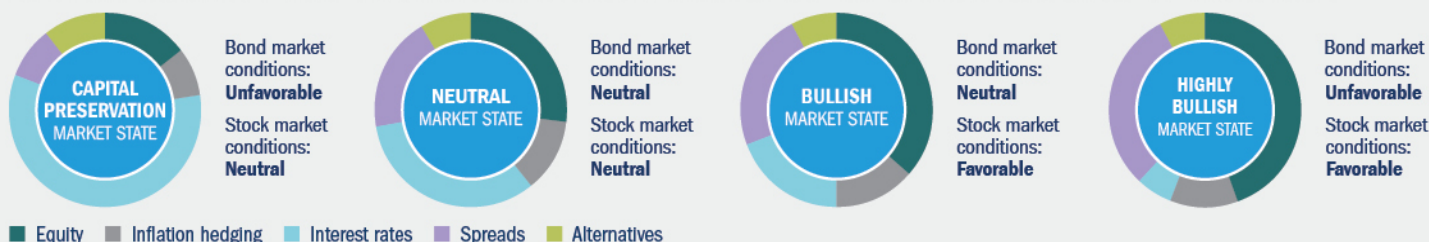


October 2020 market state: Neutral

MONTHLY MARKET STATE UPDATE

We use rules-based, quantitative methods to identify four distinct market environments, described as capital preservation, neutral, bullish and highly bullish. Each market state is generally characterized by a combination of bond and stock market conditions:



We believe adjusting portfolio risk exposure based on this rules-based market-state classification process can lessen market-related losses when markets are down and still capitalize on opportunities when conditions are favorable.

Asset allocations are included for illustrative purposes only, subject to change and are not intended to be representative of any particular investment. Asset allocation varies by product and may not include all of the asset classes shown.

Current factors impacting the market state

EQUITY

Momentum
Looks at a ratio of short-term to medium-term momentum and seeks levels above 1 for a risk on signal.

Even with a pullback in September, short-term momentum has been stronger than the longer term trend, which helped keep this signal green for the third month in a row, with a ratio maintained above 1.

Volatility
Tracks a ratio based on short-term versus medium-term levels of equity volatility.

Recent equity volatility picked up steam in September, and short-term volatility now exceeds its medium-term history. This shift in volatility trends has moved the signal input from green to red.

Valuations
Long-term measure of price-to-earnings (P/E) multiples versus history.

While valuations are expensive, given the slight retracement for global equity prices over the past month, this signal still resides slightly below levels we would consider extreme or worrisome.

FIXED INCOME

Real yield
Compares nominal Treasury bond yields with the headline rate of inflation (CPI). A positive real yield is considered favorable.

Three months ago, this signal moved from green to red. Real yields have remained negative in recent months, as nominal yields in the middle part of the Treasury curve stayed at low levels whereas current year-over-year headline CPI increased to 1.31%.

Yield curve
Measures the slope of the yield curve by comparing medium- and long-term yields. A negative sloping curve typically signals stress in the market.

Our yield curve slope measure has remained positive throughout this most recent period of heightened volatility, with a positive spread level around 40 basis points. (A basis point is 1/100 of a percent.)

Why we're in Neutral mode

- For October, we are moving into the **neutral market state** due to unfavorable bond market conditions combined with neutral stock market conditions.
- In equity markets, equity valuations improved somewhat as markets gave back some of their recent gains. However, equity volatility picked up in September and breached the median level required to keep the overall equity signal in a favorable zone. Therefore, the pick-up in equity volatility has led to the move back into a neutral market state for October.
- Should equity volatility remain at its current elevated levels throughout the month of October then a move into a capital preservation market state may unfold for the month of November. If equity volatility subsides, then a move back into a highly bullish market state is possible.

Market states over trailing 12 months	2019 Nov	2019 Dec	2020 Jan	2020 Feb	2020 Mar	2020 Apr	2020 May	2020 Jun	2020 Jul	2020 Aug	2020 Sep	2020 Oct
HIGHLY BULLISH	○	●	●	○	○	○	○	○	○	●	●	○
BULLISH	○	○	○	○	○	○	○	○	○	○	○	○
NEUTRAL	●	○	○	●	○	○	○	●	●	○	○	●
CAPITAL PRESERVATION	○	○	○	○	●	●	●	○	○	○	○	○

Historic market states November 2019–October 2020. Source: Columbia Management Investment Advisers, LLC based on internal model. Historical occurrences may not reflect future market conditions.

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