



EASE THE IMPACT OF VOLATILE MARKETS

Q&A

- How should I manage my investments during times of market volatility?
- Why is diversification essential to my investment success, especially in a volatile market?
- How is market volatility measured?
- What are some of the causes of volatility in financial markets?
- How can market volatility create opportunities?

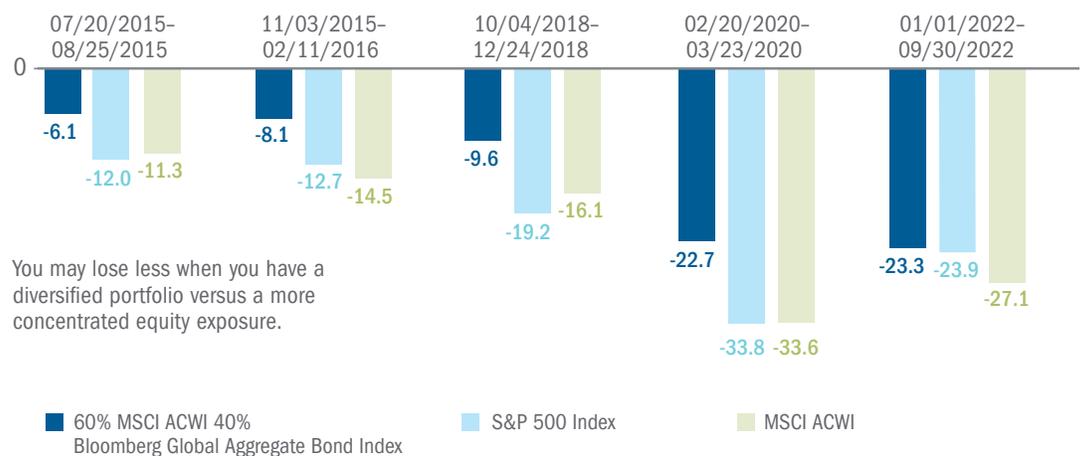
Q: How should I manage my investments during times of market volatility?

Some investors instinctively want to pull out of the market or sell underperforming investments as soon as they see volatility on the horizon. But taking yourself out of the game could mean losing out on potential opportunities, putting your savings at risk.

Be patient. Stay focused on your long-term financial goals, such as maintaining your standard of living and retiring comfortably. Work with your financial advisor to ensure that your portfolio is diversified and your investments are rebalanced regularly based on current market conditions and your short- and long-term financial goals.

Whatever you do, don't try to time the market. Even experts can't predict which asset class is going to lead or lag at any given time. Instead of guessing which investments are going to soar in times of volatility, talk to your financial advisor about your portfolio to find out if there are opportunities to incorporate products whose performance is unrelated to your existing holdings. Diversifying your portfolio can help you weather the ups and downs of the market with confidence and stay the course long term. And a diversified portfolio can help limit drawdown in a volatile equity market. You may lose less when you have a diversified portfolio as opposed to one with a more concentrated equity exposure. The chart below represents five periods of increased volatility and the losses incurred for three distinct portfolio compositions. In each instance, the diversified portfolio fared better than portfolios composed of domestic or global equities alone.

A diversified portfolio can limit drawdown in a volatile equity market



You may lose less when you have a diversified portfolio versus a more concentrated equity exposure.

Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Diversification and/or asset allocation does not ensure a profit or protect against loss.

Source: Columbia Management Investment Advisers, LLC. Periods of drawdown were calculated by using the largest peak-to-trough losses on equities, measured by the S&P 500 Index, since 01/01/14 and comparing the average performance over each of those periods. Past performance does not guarantee future results. U.S. equities are represented by the S&P 500 Index, which tracks the stocks of 500 large-cap U.S. companies. Global equities are represented by the MSCI All Country World Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The 60% equity/40% bond diversified portfolio is represented by the MSCI ACWI and the Bloomberg Global Aggregate Bond Index, which is a measure of global investment-grade debt from 24 local currency markets and includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

The chart below depicts annual performance by asset class over an five-year span. Each asset class is represented by a specific color, with the best performing asset classes on top and the worst on the bottom. If you choose any color/asset class in the first column and follow the same color in the columns to the right, you can see how volatile the performance of the asset class has been over this eight-year period. Repeat the exercise for any of the asset classes and you'll soon understand the difficulty in predicting who the winners and losers will be.

Asset class total return performance chart (%)

	2019	2020	2021	2022	2023	Average annualized returns ¹
Best	Large growth 36.39	Large growth 38.49	Large growth 27.60	Large value -7.54	Large growth 42.68	Large growth 14.86
	Mid cap 30.54	Small cap 19.96	Large value 25.16	Municipals -9.04	Foreign developed 18.24	Mid cap 9.42
	Large value 26.54	Emerging markets 18.31	Mid cap 22.58	High yield -11.22	Mid cap 17.23	Large value 8.40
	Small cap 25.52	Long-term treasuries 17.37	Small cap 14.82	Foreign developed -14.45	Small cap 16.93	Small cap 7.16
	Foreign developed 22.01	Mid cap 17.10	Foreign developed 11.26	Corporates -15.44	Diversified portfolio 14.27	Diversified portfolio 5.59
	Diversified portfolio 20.14	Diversified portfolio 13.95	Diversified portfolio 8.87	Foreign corporates -16.69	High yield 13.46	High yield 4.51
	Emerging markets 18.42	Foreign corporates 10.33	High yield 5.36	Diversified portfolio -17.23	Large value 11.46	Foreign developed 4.28
	High yield 14.41	Corporates 9.81	Municipals 1.83	Large value -8.27	Emerging markets 9.83	Municipals 3.12
	Long-term treasuries 14.31	Foreign developed 7.82	Corporates -0.95	Mid cap -17.32	Foreign corporates 9.48	Corporates 2.98
	Corporates 14.23	High yield 6.17	Emerging markets -2.54	Small cap -20.44	Corporates 8.40	Emerging markets 2.66
	Foreign corporates 11.44	Municipals 5.26	Foreign corporates -2.95	Long-term treasuries -28.15	Municipals 6.50	Long-term treasuries 2.30
Worst	Municipals 7.74	Large value 2.80	Long-term treasuries -4.59	Large growth -29.14	Long-term treasuries 2.80	Foreign corporates 9.48

Source: FactSet as of 12/31/23

¹ Trailing 10 years

Past performance does not guarantee future results.

Q: Why is diversification essential to my investment success, especially in a volatile market?

Volatility comes with the territory for long-term investors. Cumulative return is not just about achieving high returns when markets are going up; it's also about minimizing losses during weak markets. Developing a deeper understanding of the various risks your portfolio is subject to can help you balance these risks.

Diversification is critical to achieving that balance. We believe that most portfolios could be more effectively diversified either by introducing holdings with performance profiles unrelated to existing holdings or by rebalancing existing holdings with an eye toward risk allocation. Distributing risk more evenly can produce a more pronounced diversification benefit and improve portfolio efficiency.

Diversification does not ensure a profit or protect against a loss.

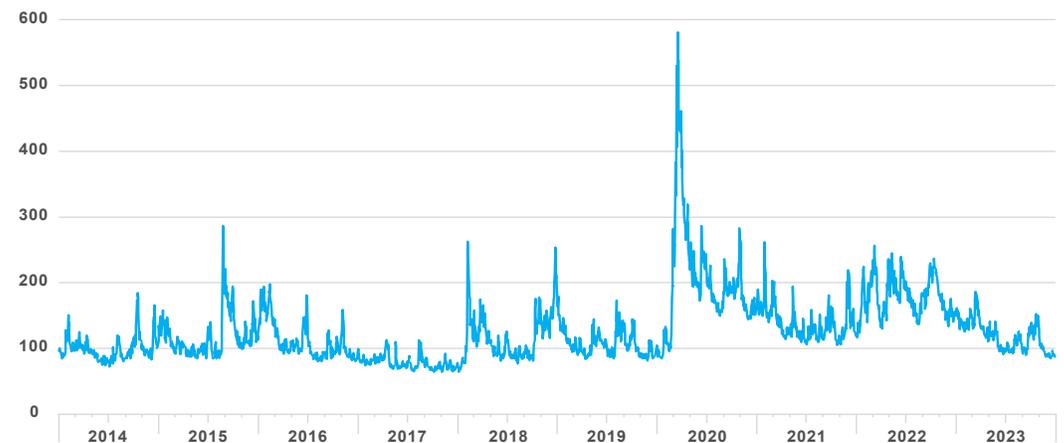
Q: How is market volatility measured?

Market volatility is defined as share price fluctuation. It is an inevitable component of the stock market, since prices always go up and down. Higher volatility is associated with securities that change price dramatically over the short term vs. those whose price changes occur at a steadier rate over time.

Beta is a measure of a stock or mutual fund's volatility relative to the market. The market has an assigned beta of 1.0. Individual stocks and mutual funds are assigned beta scores based on how much they deviate from the market. A stock or fund that swings more than the market has a beta above 1.0, while one that moves less than the market would score less than 1.0. Stocks with high beta scores are perceived to be riskier but also offer potentially higher returns; low beta scores carry less risk and generally lower returns.

The CBOE Volatility Index measures overall market expectations of near-term volatility. As the chart below indicates, market volatility varies over time.

Volatility indexed (Rebalanced to 100 on 01/01/2014)



Sources: Bloomberg, Columbia Management Investment Advisers, LLC, 12/29/23

Past performance does not guarantee future results. It is not possible to invest directly in an index.

Q: What are some of the causes of volatility in financial markets?

Volatility in the financial markets can come from a number of sources. Events or financial circumstances around the globe that have even the potential to cause swings in investor sentiment — in either direction — can cause volatility in the financial markets.

Causes of market volatility include:

- Geopolitical events, such as terrorism, major elections, natural disasters and global health crises: Uncertainty may lead to market volatility as countries deal with the effect of these events on national budgets, migrant housing, security, jobs, international relations and more.
- Unexpected changes in central bank policy around the globe: Financial markets are highly susceptible to changes in central bank policy. When central banks reduce monetary policy, it is referred to as tapering monetary policy, and when markets react with volatility, it is referred to as a taper tantrum.

- Be patient
- Remain invested
- Maintain a diversified portfolio
- Understand risk
- Talk with your advisor

It is important to remember that volatility is often a direct result of emotional reactions. Responding emotionally often comes at a high price, and financial decisions made in the heat of the moment may take years to recover from. The best and most prudent course of action is to contact your financial advisor, someone who is trained to take the emotion out of investing.

Q: How can market volatility create opportunities?

We believe market volatility can create significant opportunities and, in fact, these periods may be some of the very best times to invest. Although higher volatility means higher risk, it also provides active managers with opportunities to produce higher returns.

However, consistency is very important when choosing active strategies. A consistently applied investment philosophy to identify and exploit the mispriced stocks that often result from periods of market volatility can produce repeatable investment outcomes over time. Investing with active managers with dependable styles can help you build portfolios with reliable investment performance regardless of market turbulence.

While a volatile market can be unsettling and seemingly detrimental to portfolio valuations, there are always things you can do to mitigate the effects of market volatility and potentially even turn it to your advantage. The short list of dos and don'ts includes:

DO

- Be patient
- Remain invested
- Maintain a diversified portfolio
- Understand your risk tolerance
- Consult your financial advisor periodically to make sure you are on track

DON'T

- Panic
- Attempt to time the market
- Be distracted or lose focus of your long-term financial goals

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In general, **equity** securities tend to have greater price volatility than **debt** securities. The market value of securities may fall, fail to rise or fluctuate, sometimes rapidly and unpredictably. **Market** risk may affect a single issuer, sector of the economy, industry or the market as a whole.

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

The **Chicago Board Options Exchange (CBOE) Volatility Index**, which shows the market's expectation of 30-day volatility, is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking, is calculated from both calls and puts, and is a widely used measure of market risk, often referred to as the "investor fear gauge."

It is not possible to invest directly in an index.

* Source: Columbia Threadneedle Investments as of December 31, 2023.

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