

March 9, 2022

## An update regarding Russia and Ukraine

We are seeing increased volatility across markets as they react to the news of the escalating conflict in Ukraine. The Russian invasion is causing a significant human toll that is likely to continue, and our thoughts are with the Ukrainian people and all who are impacted. We've been closely following the Russia/Ukraine situation, as the geopolitical risks have been building for the past several months. While the situation is fluid, we wanted to provide an update on Columbia Threadneedle Investment's response to this situation.

- Our direct exposure to Russia and Ukraine is limited and is largely found in our Emerging Market Equity and Emerging Market Debt strategies. Exposure was not material in these strategies prior to the invasion of Ukraine and is more limited currently. Any remaining Russian stocks in our equity portfolios have been priced at zero. All of our strategies continue to operate on a business-as-usual basis.
- At present, the Russian exchanges are closed and European and US exchanges are no longer trading Russian linked holdings such as American Depositary Receipts and Global Depositary Receipts, meaning there is no liquidity for direct or indirect equity investments. However, the non-material Russian exposure has not led to liquidity issues for any of our equity portfolios with exposure to Russian securities where there is good liquidity in assets outside of Russian securities.
- We continue to evaluate our remaining Russian exposures, including their valuation, in this very fluid situation and to manage the portfolios prudently.

Essentially finding Russian markets currently uninvestable, Morgan Stanley Capital International (MSCI), FTSE Russell and S&P Dow Jones Indices (S&P DJI) announced that their Russia indices will be reclassified from emerging markets (EM) to "stand-alone," with Solactive AG determining to remove Russian equity securities from its indices as well. Further, by March 10, 2022, all will remove Russian securities from their indices at a price of zero.

**Macro view:** We remain focused on understanding the economic and financial market impacts, both within the affected region and more broadly on a global basis and across regions, sectors and companies. Specifically, we are monitoring the expected impacts on energy, global growth, inflation and central bank actions.

- **Energy: clarity needed on further sanctions**

Simmering tensions between Russia and Ukraine had pushed oil prices higher since the beginning of the year. Given a fragile high demand/tight supply dynamic, we expect volatility in energy prices to continue. Both the US and Europe are trying to penalize Russia without further straining energy markets or intensifying inflationary pressure. Russia supplies an enormous amount of natural gas to Europe, and this cannot be swiftly replaced.

- **Greater vulnerability for growth and inflation**

The US and Europe were already under pressure from high inflation due to a combination of supply issues and strong demand. The US economy is more diversified and services-heavy than Europe, making it less sensitive to energy price shocks. However, inflation and growth in Europe are more vulnerable to an energy price shock, as economies across the region are manufacturing and trade-heavy relative to the US.

- **The Federal Reserve is unlikely to change course on tightening monetary policy**

For central banks, the geopolitical tensions introduce complexity to the timing and magnitude of rate hikes. The Fed is unlikely to change course on tightening monetary policy and intends to propose a 25-basis point hike in the federal funds rate in March. The Fed will be looking for a slowdown in inflation and wage growth in the second half of 2022 as a guide on whether to accelerate or decelerate monetary tightening. Oil prices are unlikely to play a major role in this decision unless any change were to impact the outlook for economic growth. In Europe, the

European Central Bank's strategy may be impacted more directly should the crisis escalate (and we may see it delay plans to withdraw monetary accommodation later this year).

**International sanctions related to the Russia/Ukraine crisis:** Starting in late February 2022, the United States, European Union and the United Kingdom implemented a range of sanctions, including financial sanctions targeting several Russian entities, individuals and companies. We have reviewed the sanctions and will be in compliance with all applicable sanctions by the effective dates. The situation remains extremely fluid and further updates on sanctions will be provided if and when further impacts to Columbia Threadneedle Investments become evident.

While recent events have created a challenging period for the markets, it's important to remember that volatility can offer opportunities to identify valuation discrepancies, unearth hidden potential or add to existing holdings at opportune moments. We continue to encourage staying invested and focused on long-term goals. We will monitor the situation closely and provide any material updates as appropriate. As always, please contact your relationship manager or dedicated service team if you have any questions regarding this information.

**Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. For a free prospectus or a summary prospectus, which contains this and other important information about the funds, visit [www.columbiathreadneedleus.com/investor/](http://www.columbiathreadneedleus.com/investor/). Read the prospectus carefully before investing.**

**Investment products are not federally or FDIC-insured, 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.**

Columbia funds are distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.