

The current backdrop of heightened macroeconomic and geopolitical uncertainty continues to highlight the critical role of portfolio diversification.

COLUMBIA DIVIDEND INCOME STRATEGY

Performance

- The Columbia Dividend Income strategy returned -5.02% pure gross of fees and -5.74% net of fees for the third quarter.
- The benchmark Russell 1000 Index returned -4.61%, while the Russell 1000 Value Index returned -5.62% for the same period.
- Positive contributions to relative performance were led by stock selection within industrials, while an underweight to and selection within consumer discretionary weighed most heavily on return.

Market overview

The U.S. equity market lost ground in the third quarter, continuing the downtrend from the first six months of the year. The quarter began on a positive note, with a rally that lasted through the first half of August. During this time, investors appeared to grow increasingly optimistic that the U.S. Federal Reserve would pivot toward a more accommodative policy. However, subsequent comments from Chairman Jerome Powell — together with a stronger-than-expected inflation report in early September — made it clear that the Central Bank would continue to raise interest rates aggressively. The Fed indeed raised rates by three-quarters of a point twice during the quarter to bring its benchmark fed funds rate to a range of 3.00%-3.25%, up from 0.00%-0.25% at the beginning of 2022. A broad assortment of external factors further contributed to the weakness in sentiment, including the emergence of an energy crisis in Europe, continued COVID-19 lockdowns in China and the ongoing conflict in Ukraine.

Average annual total returns (%) for period ending September 30, 2022

	Inception	3-mon.	1-year	3-year	5-year	10-year
Columbia Dividend Income SMA composite (pure gross)	12/31/2011	-5.02	-7.03	7.43	8.92	11.11
Columbia Dividend Income SMA composite (net)		-5.74	-9.80	4.26	5.72	7.85
Russell 1000 Index		-4.61	-17.22	7.95	9.00	11.60
S&P 500 Index		-4.88	-15.47	8.16	9.24	11.70
Russell 1000 Value Index		-5.62	-11.36	4.36	5.29	9.17

Past performance does not guarantee future results. Periods over one year are annualized. Returns reflect the reinvestment of dividends, income, and capital gains and are calculated and stated in US dollars. Performance is based on the **Columbia Dividend Income SMA composite**. 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 pooled vehicle 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 performance and fees applicable to their account.

Unusual volatility in the global currency and fixed-income markets was an additional source of disruption in the latter half of September. Together, these developments raised concerns about the potential for a slowdown in global growth and a concurrent decline in corporate earnings.

Large-cap stocks returned -4.61% for the quarter as gauged by the Russell 1000 Index. Energy was the lone sector within the index to finish in positive territory, while communication services and real estate were the biggest laggards, posting double-digit losses.

Quarterly portfolio recap

Positive contributions to relative performance during the quarter were led by stock selection within industrials, an overweight to energy and positioning in real estate. An underweight to and selection within consumer discretionary weighed most heavily on performance, followed by selection within financials, health care and consumer staples.

- Within industrials, overweights to more cyclical companies including power management company Eaton and HVAC company Trane Technologies proved beneficial. Both stocks provide investors with exposure to efforts to make buildings more energy efficient — efforts which have been advantageous most notably in Europe due to the Russia-Ukraine war and accompanying disruption to energy supplies. Eaton is also positioned to benefit from the increased deployment of electronics in automobiles. Waste Management was another standout contributor given the stable nature of its business and strong pricing power as part of what is essentially a garbage collection industry oligopoly. Finally, shares of farm equipment manufacturer Deere have been supported by a strong agricultural pricing environment, made more so by the war in Ukraine, traditionally the breadbasket of Europe.
- As noted, the portfolios's overweight to energy contributed to performance, in particular exposure to oil and gas companies ConocoPhillips and EOG Resources. With respect to real estate investment trusts, a tilt toward storage and away from office and retail space proved additive, along with an underweight to the sector.
- On the downside, within consumer discretionary, a lack of exposure to non-dividend-payers online retailer Amazon and electric car company Tesla hurt performance, as growth-oriented stocks experienced a bounce early in the quarter.
- Within financials, an overweight to derivatives marketplace CME Group weighed most heavily on return, as clarity around the Fed's policy trajectory increased, and speculative or hedging activities related to the direction and shape of the yield curve waned. An overweight to Northern Trust also detracted although there was no real change in the bank's fundamentals.
- Within health care, some of the names that have worked well for the strategy, such as AbbVie and Johnson & Johnson, gave back some of their gains as the market rotated toward less defensive, non-dividend-paying stocks early in the quarter.

- Elsewhere, a lack of exposure to low-dividend stock Apple within information technology negatively impacted performance, as the consumer electronics giant posted a modest positive return despite the broader market decline.

Outlook

The current backdrop of heightened macroeconomic and geopolitical uncertainty continues to highlight the critical role of portfolio diversification. Our approach to portfolio construction emphasizes maintaining representation across all eleven economic sectors, which we believe can help mitigate volatility for our investors.

We will continue to implement an investment process that focuses on identifying companies with sustainable free cash flow from operations, defensible profit margins, capital discipline and strong balance sheets through up and down markets. The focus on these quality factors has benefited the relative performance of the portfolio in times of stress and over full market cycles.

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.

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This commentary was prepared by the investment team for the strategy. The team's views are based on market conditions as of the quarter end identified in this commentary and are subject to change without notice at any time based upon market and other factors. This information may contain certain statements that may be deemed forward-looking. Please note that any such statements are not guarantees of any future performance, and actual results or developments may differ materially from those discussed. There is no guarantee that investment objectives will be achieved or that any particular investment will be profitable.

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The **Russell 1000 Index** is an unmanaged index that tracks the performance of 1,000 of the largest U.S. companies based on market capitalization.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

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

Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

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Columbia Dividend Income SMA Composite

GIPS Report

Columbia Management Capital Advisers

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.)
2021	27.14	23.45	26.45	15.74	17.71	0.26	89	98.65	2,677.50
2020	8.79	5.59	20.96	16.36	19.10	0.26	52	52.95	1,639.88
2019	28.74	25.00	31.43	10.64	12.05	0.99	31	30.35	1,390.52
2018	-4.24	-7.09	-4.78	9.53	10.95	0.15	24	9.83	1,206.32
2017	21.07	17.55	21.69	9.16	9.97	0.07	21	10.45	1,320.06
2016	13.31	9.99	12.05	9.68	10.69	N.A.	7	2.91	1,005.08
2015	0.93	-2.05	0.92	10.14	10.48	N.A.	13	16.37	3,227.52
2014	13.66	10.34	13.24	8.28	9.12	N.A.	≤ 5	4.79	3,521.72
2013	29.39	25.64	33.11	N.A.	N.A.	N.A.	≤ 5	3.87	3,608.46
2012	12.18	8.90	16.42	N.A.	N.A.	N.A.	≤ 5	2.58	2,718.41

Annualized Trailing Performance as of December 31, 2021

Period	Pure Gross-of-fees Return (%) (Supplemental)	Net-of-fees Return (%)	Index Return (%)
1 Year	27.14	23.45	26.45
5 Years	15.60	12.22	18.43
Inception	14.57	11.21	16.54

Inception Date: December 31, 2011

Columbia Dividend Income SMA Composite

GIPS Report

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Columbia Dividend Income SMA Composite

1. Columbia Management Capital Advisers claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Columbia Management Capital Advisers has been independently verified for the periods January 1, 2012 through December 31, 2020. 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. Columbia Management Investment Advisers, LLC, an SEC-registered investment adviser, offers investment products and services to institutional and retail markets. For the purposes of claiming compliance with GIPS, Columbia Management Investment Advisers, LLC has defined the Firm as Columbia Management Capital Advisers, an operating division of Columbia Management Investment Advisers, LLC that offers investment management and related services to clients participating in various types of wrap programs. Beginning March 30, 2015, the Columbia and Threadneedle group of companies, which includes multiple separate and distinct firms, began using the global offering brand Columbia Threadneedle Investments.
 3. The strategy seeks to achieve long-term capital appreciation and current income by investing in a concentrated portfolio of dividend-paying large capitalization equity securities. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. The benchmark is the Russell 1000® 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 pure 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 pure 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. Portfolios are valued and composite returns are calculated and stated in U.S. dollars. Returns are calculated gross 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 1000 Index that tracks the performance of 1000 of the largest U.S. companies, based on market capitalization. Index returns reflect the reinvestment of dividends and other earnings.
 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. Registration with the SEC as an investment advisor does not imply a certain level of skill or training.
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