

We believe the strategy's consistent focus on quality factors should benefit relative performance over full market cycles.

## Columbia Dividend Income SMA Strategy

### Performance

The Columbia Dividend Income SMA Composite returned 8.60% pure gross of fees and 7.81% net of fees for the quarter ending December 31, 2023. The strategy's benchmark, Russell 1000 Index returned 11.96% for the same period.

Positive contributions to performance were led by positioning in the financials sector, while an overweight to energy was the biggest detractor.

### Market overview

U.S. equities, as measured by the Russell 1000 Index, posted a gain of 11.96% in the fourth quarter, bringing the return for the full year to a robust 26.53%. The market initially slid in October, with stocks remaining mired in a sell-off caused by concerns that the U.S. Federal Reserve was set to maintain a higher-for-longer interest rate policy. However, a drop in oil prices and a series of better-than-expected inflation reports led to a pronounced improvement in investor sentiment in November. The resulting rally gained additional steam in December, when comments from Fed Chair Jerome Powell appeared to indicate that the central bank was not only finished raising rates, but that it may in fact begin to cut rates as soon as the first half of 2024. Additionally, gross domestic product (GDP) growth remained in positive territory despite the aggressive interest rate increases already implemented, fueling optimism about the potential for an economic soft landing. Stocks surged on these favorable developments, propelling many major U.S. indexes near or

### Average annual total returns (%) for period ending December 31, 2023

	Inception	3-mon.	1-year	3-year	5-year	10-year
Columbia Dividend Income SMA Composite (pure gross) 12/31/2011		8.60	10.79	10.40	13.51	11.00
Columbia Dividend Income SMA Composite (net)		7.81	7.54	7.16	10.18	7.74
Russell 1000 Index		11.96	26.53	8.97	15.52	11.80
Russell 1000 Value Index		9.50	11.46	8.86	10.91	8.40

Source: Columbia Management Capital Advisers.

**Past performance is not a guarantee of future results.** Composite 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.

above all-time highs by year end. At the style level, growth continued to outperform value for the quarter behind persistent strength in mega-cap technology stocks, as reflected in the returns of 14.16% and 9.50%, respectively, for the Russell 1000 Growth Index and Russell 1000 Value Index. Within the value universe, lower quality, higher volatility stocks that had lagged on concerns over the potential for an extended period of elevated interest rates were among the leading performers.

### **Quarterly portfolio recap**

Positioning in financials led positive contributions to the strategy's relative performance, based on both an overweight to and selection within the sector. In particular, performance benefited from exposure to high-quality banks J.P.Morgan and PNC Financial Services. J.P.Morgan reported a very strong third quarter and remains one of the strategy's largest holdings as it has continued to demonstrate the strength of its franchise.

While positioning in industrials had an essentially neutral impact, railroad operator Union Pacific saw its stock propelled higher as freight volumes bottomed out and turned higher. In addition, the company's new CEO outlined a plan to optimize service metrics and drive margin expansion that was well received by investors.

An overweight allocation to the energy sector detracted from performance, as oil prices softened in response to continued weak industrial trends in China. Selection within the sector also detracted from relative performance but to a lesser extent. Key detractors included an overweight to Exxon, whose shares underperformed in response to higher capital expenditure guidance around early-stage carbon capture and lithium extraction projects. The strategy's position in Chevron also detracted due to delays and cost overruns with respect to some of the company's major exploration and production projects. We believe these setbacks are temporary and have maintained the positions. Free cash flow yields for both companies remain greater than twice that of the broader market and we remain constructive at current valuations.

Within health care, shares of medical device company Becton Dickinson declined on lower guidance related to unexpected headwinds from inventory write-downs and the negative impact of shifting currency exchange rates. We view these issues as transitory and continue to find the stock attractive. An overweight to the defensive consumer staples sector also weighed on performance, given the risk-on tone of the market for much of the quarter. Conversely, the strategy's underweight to the information technology sector also detracted. That said, semiconductor holdings were among the strategy's leading individual contributors, including networking chip company Broadcom, which has seen its results benefit from demand from data centers and artificial intelligence (AI) growth. Broadcom also closed an acquisition of digital cloud solutions company VMware that is expected to be accretive and further shifts its business mix toward software. Exposure to semiconductor equipment companies KLA and Lam Research also aided performance on the back of improving fundamentals in that segment.

Selection within communication services also detracted, largely due to an overweight to Comcast, as the broadband provider reported weaker-than-expected subscriptions. In addition, investors are concerned about growth in the broader broadband segment going forward and increasing competition from fixed wireless providers. We continue to hold Comcast, as we view these concerns as overstated and the stock as attractively valued.

## Outlook

It is worth noting that for all of the headlines in recent years around the relative performance of growth versus value stocks, the cumulative returns for the Russell 1000 Growth and Russell 1000 Value indices over the past three years are identical. This, in our view, highlights the importance of consistently implementing an investment process that focuses on identifying companies that can be winners over the long term, rather than chasing the current market preference.

We continue to look for companies with sustainable free cash flow, defensible profit margins, capital discipline and strong balance sheets, in the belief that such companies carry the potential to increase dividends throughout the economic cycle and through up and down markets. The shift in expectations around interest rates seen in the most recent quarter was not favorable for our approach, as it boosted sentiment with respect to certain companies viewed by investors as having been vulnerable to a higher cost of capital. However, we believe the strategy's consistent focus on quality factors should benefit relative performance over full market cycles.

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**Market** risk may affect a single issuer, sector of the economy, industry or the market as a whole. **Dividend** payments are not guaranteed and the amount, if any, can vary over time. Generally, **large-cap** companies are more mature and have limited growth potential compared to smaller companies. In addition, large companies may not be able to adapt as easily to changing market conditions, potentially resulting in lower overall performance compared to the broader securities markets during different market cycle. **Growth** securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors. **Value** securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

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The **Russell 1000 Index** 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 those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted

# 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 (%)	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.)
2022	-4.48	-7.32	-19.13	18.35	N.A.	0.23	87	74.2	2,101.82
2021	27.14	23.45	26.45	15.74	N.A.	0.26	89	98.7	2,677.50
2020	8.79	5.59	20.96	16.36	N.A.	0.26	52	52.9	1,639.88
2019	28.74	25.00	31.43	10.64	N.A.	0.99	31	30.4	1,390.52
2018	-4.24	-7.09	-4.78	9.53	N.A.	0.15	24	9.8	1,206.32
2017	21.07	17.55	21.69	9.16	N.A.	0.07	21	10.4	1,320.06
2016	13.31	9.99	12.05	9.68	N.A.	N.A.	7	2.9	1,005.08
2015	0.93	-2.05	0.92	10.14	N.A.	N.A.	13	16.4	3,227.52
2014	13.66	10.34	13.24	8.28	N.A.	N.A.	≤ 5	4.8	3,521.72
2013	29.39	25.64	33.11	N.A.	N.A.	N.A.	≤ 5	3.9	3,608.46

### Annualized Trailing Performance as of December 31, 2022

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	-4.48	-7.32	-19.13
5 Years	10.25	7.01	9.13
10 Years	12.74	9.43	12.37
Inception	12.69	9.38	12.74

Inception Date: 12/31/2011

# Columbia Dividend Income SMA Composite

## GIPS Report

### Columbia Management Capital Advisers

#### Reporting Currency: USD

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, 2022. 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.
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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 primary benchmark is the Russell 1000® Index and the secondary benchmark is the Russell 1000 Value® 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 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 primary benchmark is the Russell 1000 Index that tracks the performance of 1000 of the largest U.S. companies, based on market capitalization. The secondary benchmark is the Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. Index returns reflect the reinvestment of dividends and other earnings.

# Columbia Dividend Income SMA Composite

## GIPS Report

### Columbia Management Capital Advisers

#### **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. Registration with the SEC as an investment advisor does not imply a certain level of skill or training.

11. As of 9/21/2023, the Russell 1000 Value Index was added as the secondary benchmark.