Columbia Large Cap Growth SMA Composite Strategy

Investor sentiment shifted, as expectations for a prolonged period of higher interest rates overshadowed optimism about a soft economic landing.

Performance

The Columbia Large Cap Growth SMA returned 15.55% pure gross of fees and 14.73% net of fees for the quarter ending December 31, 2023. The strategy's benchmark Russell 1000 Growth Index returned 14.16% for the same period.

Market overview

U.S. growth equities, as measured by the Russell 1000 Growth Index, posted a gain of 14.16% in the fourth quarter, bringing the return for the full year to a robust 42.68%. 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 also that it may in fact begin to cut rates as soon as the first half of 2024. Gross domestic product 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. indices near or above all-time highs by year end.

Average annual total returns (%) for period ending 12/31/2023

	Inception	3-mon.	1-year	Since inception
Columbia Large Cap Growth SMA (pure gross)	03/31/2020	15.55	46.44	20.71
Columbia Large Cap Growth SMA (net)		14.73	42.24	17.18
Russell 1000 Growth Index		14.16	42.68	21.57

Source: Columbia Management Capital Advisers.

Past performance does not guarantee 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.

Quarterly portfolio recap

In sector terms, selection within consumer discretionary, information technology and health care led positive contributions to relative performance, while selection within communication services and real estate weighed most heavily on the fund’s return relative to the benchmark.

In terms of individual holdings, within consumer discretionary, shares of Amazon performed well, as the company’s e-commerce margins came in well ahead of expectations, driven by previous investments in regionalization and an easing of cost headwinds. In addition, management struck a positive tone on trends in the cloud business, in part due to opportunities related to generative artificial intelligence (AI). Hotel chain operator Hilton also had a strong quarter on a continued post-pandemic recovery with strength in international markets and group bookings. In addition, management raised guidance with respect to the pipeline of new rooms.

Within information technology, contributions were led by AI beneficiaries within both the semiconductor and software industries. Semiconductor company AMD posted strong results driven by improved pricing and market share gains in its data center business. In addition, the company’s launch in December of an AI processor was well received. Within software, shares of digital workflow platform provider ServiceNow continued to march higher, as demand for the company’s products remained robust, supported by strong execution and generative AI solutions. Customer relationship management software firm Salesforce was another contributor, reporting balanced growth and operating margin expansion despite near term macro headwinds. Sentiment with respect to the stock was supported in the quarter by large deals and bullish management commentary around Einstein, the company’s new AI product.

Within health care, notable contributors included Dexcom, manufacturer of a continuous glucose monitoring system used in the treatment of diabetes. Dexcom and other diabetes-related companies had come under selling pressure as positive data around glucagon-like peptide-1 (GLP-1) treatments such as Ozempic suggested that fewer people with obesity will eventually need treatment for diabetes. However, a strong third-quarter earnings report for Dexcom helped allay the near-term fears over GLP-1 while new reimbursement rules have expanded the addressable market for the company’s products. Additionally, the company announced a share buyback plan in the quarter. Shares of pharmaceutical distribution company Cardinal also outperformed, as strong earnings and favorable guidance propelled the stock higher in the quarter.

On the downside, within communication services, detractors included TKO Group Holdings, a media company centered around sports rights and entertainment services. The shares have underperformed since the company went public in September of 2023, driven by concern that valuations for sports rights content are compressing and fear of increased competition for TKO's UFC franchise, both of which we see as overblown. We believe TKO remains well positioned to deliver on both cost and revenue synergies and view the stock as attractively valued at current levels, which reflect a significant discount relative to peers.

Within real estate, co-location data center real estate investment trust (REIT) Equinix meaningfully underperformed the broader sector in the fourth quarter, following roughly a year of outperformance, as the Fed's dovish tone favored other more yield-sensitive REITs. Long term, we continue to like the company as a secular winner that's well positioned to benefit from growth in data centers based on the AI opportunity.

Within consumer staples, shares of Procter and Gamble lagged despite robust fundamental trends across most regions, as the company communicated deteriorating results in China, where the anticipated post-pandemic rebound has disappointed. Additionally, the Fed's policy pivot to a more relaxed stance led to dramatic outperformance by lower quality companies within the consumer staples sector.

Within health care, managed care company Humana underperformed in the quarter, as management signaled that 2024 earnings growth would be at the low end of its long-term target given higher utilization trends in Medicare Advantage and pressure on margins. Long term, we view managed care trends as favorable for the company and expect the shares to outperform over time. Exact Sciences was another detractor, as investors were concerned about upcoming data releases from competitors for the company's Cologuard product and the company faced challenging comparisons after posting strong results over the last several quarters. We sold the stock in the quarter.

Outlook

The market rallied into the end of the year on optimism that the Fed had managed to thread the needle and achieve a soft landing, and that rate cuts would be pulled forward to early 2024. However, we do not expect the upcoming year to be without its challenges. Depending on monthly inflation readouts and Fed commentary, market expectations for the number of rate cuts could shift and lead to volatility in both bond yields and stock prices. More broadly, Fed policy pivots are often associated with increased financial market volatility. In addition, there is uncertainty around the health of the consumer, which will likely have implications for consumer spending and the labor market. Finally, 2024 is an election year, which raises uncertainty related to the election outcome and around future policies. We are monitoring all of these themes very closely while seeking to position the portfolio to weather a range of outcomes even as we continue to focus on stock selection as the main driver of portfolio returns.

While seeking to construct a portfolio that can be resilient to a range of economic outcomes, we continue to focus on stock selection as the driver of returns. In so doing, we seek a combination of certain characteristics that we believe has the potential to outperform throughout a market cycle. Specifically, we emphasize high-quality established and emerging growth companies that share four characteristics: large and expanding market opportunities, sustainable and durable competitive advantages, improving free-cash-flow generation and accelerating returns on invested capital.

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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.

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

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 growth values.

Columbia Large Cap Growth 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	-30.42	-32.55	-29.14	N.A.	N.A.	N.A.	≤ 5	0.1	2,101.82
2021	29.12	25.37	27.60	N.A.	N.A.	N.A.	≤ 5	0.2	2,677.50
2020 *	53.94	50.67	61.22	N.A.	N.A.	N.A.	≤ 5	0.2	1,639.88

Annualized Trailing Performance as of December 31, 2022

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	-30.42	-32.55	-29.14
Inception	12.51	9.21	14.69

Inception Date: 03/31/2020

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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.

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 aims to achieve long-term capital appreciation by investing primarily in stocks of companies with a market capitalization, at the time of purchase, similar to those in the Russell 1000 Growth Index. Portfolios managed in this composite are Separately Managed (WRAP) accounts. The benchmark is the Russell 1000® Growth Index. The composite was created April 1, 2020.

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 3.00% 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 Growth Index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. Index returns reflect the reinvestment of dividends and other earnings.

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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 3/1/2021, Portfolio Manager, Tchintcia S Barros, left the firm.