

## COLUMBIA SELECT MID CAP VALUE

The current market continues to be unpredictable, with high levels of uncertainty and heightened risk.

### Quarterly performance

- The Columbia Select Mid Cap Value strategy returned -3.33% pure gross of fees and -4.06% net of fees, outperforming its benchmark, the Russell Midcap Value Index, which returned -4.93% for the third quarter.
- Outperformance was driven by strong stock selection, particularly within the energy, information technology and consumer discretionary sectors. Selection within consumer staples and health care offset some of these relative results.

### Market overview

U.S. equities declined during the third quarter, falling after a brief rally stalled midway through the period when investors abandoned hopes for a slowdown in rate hikes. Slowing global growth compounded rate worries, as did an increasing realization that earnings estimates may have been too high.

Until that point, markets had seemed to be reversing the steady sell-off from last year's record highs. Better-than-feared results and guidance helped sentiment, particularly from bellwethers like Alphabet and Microsoft as well as retailers like Walmart and Target. Hopes that the pace of rate hikes might slow also helped push stocks higher. That hope evaporated though, when Jerome Powell spoke at Jackson Hole and prioritized fighting inflation no matter how much pain the economy might suffer. His inflation-fighting resolve was confirmed by an additional 75 basis point hike in September. (A basis point is 1/100 of a percent.)

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

	Inception	3-mon.	1-year	3-year	Since inception
Columbia Select Mid Cap Value SMA composite (pure gross)	12/31/2018	-3.33	-7.37	7.74	12.52
Columbia Select Mid Cap Value SMA composite (net)		-4.06	-10.14	4.57	9.21
Russell Midcap Value Index		-4.93	-13.56	4.50	—

**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 Select Mid Cap Value 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.

Other central banks negatively influenced sentiment in U.S. capital markets as well during the quarter through interventions that sharply increased volatility across bond and currency markets and stoked investor concern about the fragility of global growth. Perhaps most significant, near quarter end the Bank of England started temporary purchases of long-dated U.K. government bonds in an effort to restore order to markets roiled by the British government's attempt to fight inflation with widespread tax cuts. Geopolitical tensions remained elevated as the war in Ukraine continued, with Russia annexing Ukrainian regions and issuing nuclear warnings.

Downward revisions in earnings estimates accelerated during the quarter, adding to pessimism about growth prospects throughout the U.S. economy. For the quarter, the S&P 500 Index fell 4.88%. Growth outperformed value, with the Russell 1000 Growth Index returning -3.60% versus the -5.62% of the Russell 1000 Value Index. The Russell Mid Cap Value Index declined by 4.93% during the period, with all sectors finishing in the red. Industrials and energy were the relative outperforming sectors, while real estate and communication services declined the most.

### Quarterly portfolio recap

Outperformance was driven by strong stock selection, particularly within the energy, information technology and consumer discretionary sectors. Selection within consumer staples and health care offset some of these relative results.

- Two of the portfolio's top performers were within the energy sector, with both Marathon Petroleum and Devon Energy delivering robust gains. Shares in refining company Marathon climbed, as the company is in the midst of buying back effectively 60% of outstanding shares. This is due, in part, to the sale of Speedway gas stations, but also due to widening refining spreads, refinery efficiencies and production issues in other countries. Exploration and production company Devon Energy again reported excellent quarterly results and continues to be a best-in-class capital return story for shareholders, increasing their fixed and variable dividend and continuing to buy back stock.
- Within information technology, our position in semiconductor company ON Semiconductor was a notable contributor to outperformance. The company reported great quarterly results with earnings above consensus expectations and a raise of their forward guidance. The beat and raise was driven by continued strong execution and higher margins, even in the face of a challenging macro environment. The company is also in line to benefit from continued electric vehicle adoption driving more demand for their products.
- Our holding in HVAC (heating, ventilation and air conditioning) company Trane Technologies delivered strong results during the quarter. Shares rose on the back of a strong quarterly earnings report that saw both top- and bottom-line numbers above consensus expectations. The company saw impressive growth in its residential HVAC business and momentum in its commercial business. These results came in despite headwinds from the lockdowns in China and weather disruptions.

- Detractors from performance included our position in Syneos Health within health care. Shares in the company, which provides outsourced clinical and commercial services for biopharmaceutical companies, declined after a somewhat disappointing quarterly report that saw the company lower their forward revenue and earnings guidance. The company also announced lower-than-expected bookings. The challenging macro environment and higher interest rates have weighed on Syneos and their clients; however, we continue to own the name.
- Our position in Welltower, a real estate investment trust that primarily focuses on senior housing and other health care infrastructure, detracted within real estate. While the company reported solid quarterly results, concerns around higher interest rates and a tight labor market have weighed on the name. We continue to own the name, as demand trends and pricing power within their senior housing operations continue to be strong.
- Within consumer staples, our position in chicken, beef and pork producer Tyson Foods was a notable detractor. Shares in Tyson dropped after the company announced their quarterly results. Top-line results were higher than expected; however, mixed results in their chicken and prepared food lines impacted the bottom line. Higher prices and uncertainty regarding beef and pork margins have weighed on the name.

#### **Outlook**

The current market continues to be unpredictable, with high levels of uncertainty and heightened risk. Inflation, supply chain issues, a hawkish Fed and the continuing war in Ukraine have all contributed to volatility and unease, exacerbated by concerns about the health of the U.S. consumer. Of course, the COVID-19 pandemic has not gone away and continues to be something to monitor.

In light of this environment, we are taking a balanced and cautious approach. Portfolio activity was minimal. What we will continue to do, as we have always done, is analyze our portfolio companies on a stock-by-stock basis and continue to research opportunities from the bottom up, case by case. To that end, we have been working closely with our central research analysts, as well as directly with management of our portfolio companies.

We continue to adhere to our process of looking for value companies with identifiable catalysts to change investor perception and accelerate earnings growth. Currently, we are overweight communication services and health care while being underweight real estate, industrials and financials.

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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 Midcap Value Index** measures the performance of those Russell Midcap companies with lower price-to book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** tracks the performance of 500 widely held, large-capitalization U.S. stocks.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the US equity universe. The Russell 1000 Growth is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate large-cap growth manager's opportunity set.

The **Russell 1000 Value Index** measures the performance of the large cap value segment of the US equity universe. The Russell 1000 Value is constructed to provide a comprehensive and unbiased barometer of the large cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate large cap value manager's opportunity set.

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 Select Mid Cap Value 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	33.38	29.52	28.34	23.05	21.95	N.A.	≤ 5	0.18	2,677.50
2020	7.51	4.33	4.96	N.A.	N.A.	N.A.	≤ 5	0.13	1,639.88
2019	32.89	29.04	27.06	N.A.	N.A.	N.A.	≤ 5	0.12	1,390.52

#### Annualized Trailing Performance as of December 31, 2021

Period	Pure Gross-of-fees Return (%) (Supplemental)	Net-of-fees Return (%)	Index Return (%)
1 Year	33.38	29.52	28.34
Inception	23.98	20.36	19.62

Inception Date: December 31, 2018

# Columbia Select Mid Cap Value SMA Composite

## GIPS Report

### Columbia Management Capital Advisers

#### Columbia Select Mid Cap Value 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 deliver capital appreciation and income by investing in mid cap equity securities that we believe are undervalued. Portfolios managed in this composite are Separately Managed (WRAP) accounts. The benchmark is the Russell Midcap® Value Index. The composite was created January 1, 2019.
  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 MidCap Value Index that measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. 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.
  11. On November 26, 2019, Portfolio Manager, David Hoffman, left the firm. The rest of the team remains intact, and the investment strategy remains unchanged.
  12. Prior to 3/1/2022, the composite was referred to as the Columbia Mid Cap Value SMA Composite.
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