

U.S. equities continued to benefit from positive economic data that signaled economic resilience and more expectations of a Fed cut in 2024.

## Columbia Select Mid Cap Value SMA Strategy

### Performance

The Columbia Select Mid Cap Value SMA Composite returned 13.07% pure gross of fees and 12.26% net of fees for the quarter ending December 31, 2023. The strategy's benchmark, the Russell Midcap Value Index, returned 12.11% for the same period.

Outperformance was driven by strong, broad-based stock selection, particularly in the consumer staples, financials, health care, and industrial sectors. Security selection within information technology offset some of these relative results.

### Market overview

U.S. equities rallied in the fourth quarter of 2023, driven in large part by an emerging belief that the long-awaited pivot by the U.S. Federal Reserve was finally at hand.

The rally came after a market decline from July to October that stemmed from a higher-for-longer mantra from the Fed. Other headwinds included continued tension from the war in Ukraine, political dysfunction in Washington, D.C. and the conflict between Israel and Hamas. However, sentiment began to improve and market trajectory reversed when the Fed held rates steady at its November 1, 2023 meeting, triggering expectations that inflation may have cooled enough to forestall more rate hikes and perhaps even spur cutting in 2024. Along with news from the Fed, risk-on sentiment got an extra boost that same day, thanks to smaller-than-expected quarterly Treasury refunding, which dampened some government deficit concerns.

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

	Inception	3-mon.	1-year	3-year	Since inception
Columbia Select Mid Cap Value SMA Composite (pure gross)	12/31/2018	13.07	10.76	10.54	14.05
Columbia Select Mid Cap Value SMA Composite (net)		12.26	7.50	7.29	10.70
Russell Midcap Value Index		12.11	12.71	8.36	11.16

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.

U.S. equities continued to benefit from positive economic data that signaled economic resilience and more expectations of a Fed cut in 2024. The Core Consumer Price Index (CPI), a gauge of inflation, came in lower than anticipated at 3.2%. The U.S. unemployment rate continued to tick upwards at 3.9%, while continuing jobless claims came in at its highest monthly data point since October 2022. Nominal wage growth, a critical driver of inflation, continued its decline, which aided the cooling labor market story. A sharp decrease in the rate of consumer spending announced by the Commerce Department also helped drive the “bad news is good news” narrative, driven by slowing income growth, the resumption of student loan payments and evidence that personal savings accumulated during the pandemic were dwindling.

The quarterly rally in U.S. equities continued through December after the Fed’s last meeting of the year, where they held rates steady and pointed toward potentially cutting rates 75 basis points (A basis point is 1/100 of a percent) in 2024. Fed Chair Powell and other Fed officials continued to caution that inflation still remained too high and further tightening may be needed, but markets rallied as investors were focused instead on how many cuts might be made in 2024. All the losses from Q3 were regained by early December and the market continued to push further with the S&P 500 Index capping off an impressive return of over 26% for the year.

For the quarter, small-cap stocks, as measured by the Russell 2000 Index, outperformed large-cap stocks. Style results were mixed, with large-cap growth names outperforming large-cap value, while small-cap value stocks outperformed small-cap growth stocks. The Russell Midcap Value Index ended the quarter up at 12.11%, with all sectors finishing in positive territory. Financials, real estate, and consumer discretionary led the way. Energy was the main laggard, as it barely managed a positive return in the face of a decline in oil and gas prices during the quarter.

### **Quarterly portfolio recap**

For the quarter ending December 31, 2023, the strategy returned 13.07% pure gross of fees and 12.26% net of fees, outperforming the 12.11% return of the Russell Midcap Value Index. Outperformance was driven by strong, broad-based stock selection, particularly in the consumer staples, financials, health care, industrials, and consumer discretionary sectors. Security selection within information technology offset some of these relative results. Sector allocation had a muted impact on the overall relative performance.

Top contributors to performance included portfolio positions in Carlyle Group and Popular within the financials sector. Shares in Carlyle, the private equity and alternative asset management firm, rose as financial markets advanced meaningfully during the quarter and investors looked at potential rate cuts in 2024. In addition, it was announced during the quarter that the stock would be added to the S&P MidCap 400 Index, resulting in a further increase in the share price. Popular, a major bank in Puerto Rico, announced strong quarterly results and a meaningful raise of their dividend. The banking industry was broadly higher during the quarter following improving sentiment after the space had seen a notable sell-off earlier in the year due to the regional banking crisis.

Within the consumer discretionary sector, both Burlington Stores and D.R. Horton were top performers. Burlington, an off-price apparel retailer, rose significantly after reporting quarterly earnings. Results were better than feared, given macroeconomic uncertainty, as the company’s turnaround initiatives began to take hold. We believe off-price retailers like Burlington should also hold up better, given

uncertainty around U.S. consumer spending. Homebuilder D.R. Horton rose as home sales gross margins held up better than expected despite the challenging macro environment. The company continued to execute well and should also benefit if mortgage rates trend lower.

In consumer staples, the strategy's holding in Dollar Tree performed strongly. Shares in the discount variety store chain rebounded strongly after being under pressure earlier in the year as the recently revamped management team began to implement their strategic turnaround and dollar stores remain a more recession-resistant retailer.

Detractors from relative results included the portfolio's energy holdings, including exploration and production company Devon Energy and refiner Marathon Petroleum. Both names declined modestly due to the meaningful drop in energy and gas prices during the quarter.

Also detracting from relative results was a portfolio position in toys and games provider Hasbro. Sales were lower than consensus expectations and the firm reduced its forward outlook owing to weaker holiday season expectations.

Within information technology, a position in semiconductor company ON Semiconductor detracted from results. The company reduced its near-term guidance due to softness in the automotive and electric vehicle markets.

## **Outlook**

We continue to take a cautious and balanced approach within the portfolio. There continues to be uncertainty in the markets, as investors debate a soft/hard/no landing scenario for the U.S. economy. Inflation has come down, though the Fed has reiterated that further tightening may still be needed if it remains too high. Meanwhile, geopolitical risks still remain as the conflict in Gaza and war in Ukraine continue.

That said, we will continue to do what we have always done, analyze our portfolio companies on a stock-by-stock basis and 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 the 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. At the end of the year, the portfolio was modestly overweight in consumer staples and discretionary as well as financials, while being underweight to industrials and real estate.

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**Market** risk may affect a single issuer, sector of the economy, industry or the market as a whole. Investments in midcap companies involve risks and volatility greater than investments in larger, more established companies. **Value** securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth. Investments in a **limited** number of companies subject the portfolio to greater risk of loss. The portfolio may invest significantly in issuers within a particular **sector**, which may be negatively affected by market, economic or other conditions, making the portfolio more vulnerable to unfavorable developments in the sector.

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

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 **Russell 2000 Index** measures the overall performance of the small-cap to mid-cap company shares.

The **Standard & Poor's MidCap 400 Index** (S&P MidCap 400 Index), is an unmanaged index which includes 400 mid cap companies.

# 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 (%)	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	-8.57	-11.30	-12.03	25.29	N.A.	N.A.	≤ 5	0.2	2,101.82
2021	33.38	29.52	28.34	23.05	N.A.	N.A.	≤ 5	0.2	2,677.50
2020	7.51	4.33	4.96	N.A.	N.A.	N.A.	≤ 5	0.1	1,639.88
2019	32.89	29.04	27.06	N.A.	N.A.	N.A.	≤ 5	0.1	1,390.52

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

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	-8.57	-11.30	-12.03
Inception	14.89	11.52	10.77

Inception Date: 12/31/2018

# Columbia Select Mid Cap Value SMA Composite

## GIPS Report

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#### 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 deliver capital appreciation and income by investing in mid cap equity securities that we believe are undervalued. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. 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 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.

# Columbia Select Mid Cap Value 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. Prior to 3/1/2022, the composite was referred to as the Columbia Mid Cap Value SMA Composite.