

Our style of portfolio construction will have a sharp eye on risk exposures, cross correlation and cash management.

## Columbia Small Cap Value II Strategy

### Performance

The Columbia Small Cap Value II SMA Composite returned 12.62% pure gross of fees and 11.81% net of fees for the quarter ending December 31, 2023. The strategy's benchmark, the Russell 2000 Value Index returned 15.26% for the same period.

Strong absolute returns benefited our clients, yet our focus on higher quality companies and the lower beta of the portfolio during a period of strong upward movement in the market proved to be a headwind to relative performance..

### Market overview

U.S. equities rallied in the fourth quarter of 2023, driven in large part by an emerging belief that the long-awaited U.S. Federal Reserve pivot 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 meeting, triggering expectations that inflation may have cooled enough to forestall more rate hikes and perhaps even spur cutting next year. 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	5-year	Since inception
Columbia Small Cap Value II SMA composite (pure gross)	06/30/2016	12.62	14.55	10.80	12.68	9.77
Columbia Small Cap Value II SMA composite (net)		11.81	11.19	7.54	9.37	6.54
Russell 2000 Value Index		15.26	14.65	7.94	10.00	8.78

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 do well from positive economic data that signaled resilience of the economic conditions and the conviction of a more likely Fed cut. 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 contributed to 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 are 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 (bps) in 2024. (A basis point is 1/100 of a percent). Fed Chair Powell and other Fed officials continued to caution that inflation remains too high and further tightening may be needed, but markets rallied as investors focused instead on how many cuts might be made in 2024. All the losses from third quarter 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 caps. Style results were mixed, with large-cap growth names outperforming large-cap value while small-cap value stocks outperformed small-cap growth. The Russell 2000 Value Index ended the quarter up 15.26%, with all sectors positive except for energy. Financials, consumer discretionary and health care led the index, while utilities, communication services and energy were the laggards. Financials, a sector that has struggled since the banking crisis in March, led the rally in the fourth quarter, which was largely attributable to investor sentiment and the Fed leaving rates steady and pointing to cuts in 2024. Financials helped propel small caps to outperform other indices due to the sector being the largest weighting in the index. Energy was negative due to sharp declines in energy prices during the quarter.

### **Quarterly portfolio recap**

Strong absolute returns benefited our clients, yet our focus on higher quality companies and the lower beta of the portfolio during a period of strong upward movement in the market proved to be a headwind to relative performance. In the quarter, clients benefited from security selection in the industrials and consumer discretionary sectors. Unfortunately, these results were offset by security selection in financials, information technology and energy sectors. Sector allocation was a detractor in the quarter, with our underweight to financials and health care more than offsetting the benefit from our modest underweight in communication services and energy. The portfolio ended the quarter with 110 securities, and was notably overweight in industrials and materials, while financials, health care and real estate were the largest underweights.

The top five individual contributors to performance included the SPDR S&P Biotech ETF. The industry saw a relief rally after the significant underperformance earlier in 2023 paired with the decline in rates (the industry has a historical inverse correlation to 10-year yields). Our position in building products distributor Core & Main benefited performance in industrials. Shares rallied throughout the quarter as investors praised the long-term financial targets and details around the company's competitive positioning at an investor day,

followed by a better-than-expected quarterly preannouncement. Industrial services holding API Group outperformed as the company increased its cost savings target while reiterating its ability to reduce deal-related leverage. Sporting equipment retailer Hibbett rallied on better-than-expected sales due to demand for new product launches. We exited the position after the move higher. Signet Jewelers posted solid quarterly results, and a recovery in engagements pushed the stock higher in the face of macro concerns.

The top five individual detractors in the quarter included New York Community Bancorp. Rapidly increasing rates early in the quarter pressured shares, particularly after the move higher earlier in the year following the acquisition of Signature Bank's assets. Semiconductor manufacturer SMART Global Holdings lost META as a customer in their artificial intelligence (AI) business, which drove a pullback in shares. We sold our position with the uncertainty around the secularly-growing portion of their business. Gaming equipment manufacturer International Game Technology drifted lower through the quarter as investors had less confidence in a favorable outcome from the company's ongoing strategic review process. Extreme Networks, which provides networking solutions, declined on slowing bookings primarily driven by macro headwinds in Europe. Finally, offshore driller Transocean fell in lockstep with lower crude oil prices as the quarter progressed.

### **Outlook**

While economic headlines seem to shift with each news cycle, we remain focused on our fundamental process of uncovering undervalued quality small-cap companies for today, while having the work done when others become actionable in the future. We believe — and see — the rise of passive investing along with the market's pervasive short-term focus only improving the target rich environment in small-cap investing. As fellow investors in the strategy, we look forward to sharing our results for years to come.

**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.**

Holdings and characteristics are based on a representative account and are subject to change at any time. Individual account performance, holdings, and characteristics may differ from information shown. References to specific securities are included as an illustration of the investment management strategy and are not recommendations. Holdings may represent only a small percentage of the portfolio. It should not be assumed that any particular security was or will prove to be profitable or that decisions in the future will be profitable or provide similar results to the securities discussed.

The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

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**Market** risk may affect a single issuer, sector of the economy, industry or the market as a whole. Investments in small-cap 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.

**International** investing involves certain risks and volatility due to potential political, economic or currency instabilities and different financial and accounting standards. The strategy may invest significantly in issuers within a particular **sector**, which may be negatively affected by market, economic or other conditions, making the strategy more vulnerable to unfavorable developments in the sector.

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

The **Russell 2000 Value Index** tracks the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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

The **Russell 2000 Index** is an unmanaged index that tracks the performance of the 2,000 smallest of the 3,000 largest U.S. companies, based on market capitalization.

The **Consumer Price Index (CPI)** is an inflation indicator that measures the change in the total cost of a fixed basket of products and services, including housing, electricity, food, and transportation. The CPI is published monthly by the Commerce Department and is also commonly referred to as the cost-of-living index. Unless otherwise noted, CPI data in this report is one month trailing.

# Columbia Small Cap Value II 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	-12.65	-15.27	-14.48	27.59	N.A.	0.49	78	69.3	2,101.82
2021	35.93	32.01	28.27	25.58	N.A.	0.50	52	54.9	2,677.50
2020	10.94	7.67	4.63	26.95	N.A.	0.70	41	31.8	1,639.88
2019	20.36	16.85	22.39	15.85	N.A.	0.69	59	76.4	1,390.52
2018	-17.47	-19.96	-12.86	N.A.	N.A.	0.40	48	54.1	1,206.32
2017	11.21	7.94	7.84	N.A.	N.A.	0.58	26	63.9	1,320.06
2016 *	20.68	18.93	24.19	N.A.	N.A.	N.A.	12	34.4	1,005.08

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

Period	Gross-of-fees Return (%)	Net-of-fees Return (%)	Index Return (%)
1 Year	-12.65	-15.27	-14.48
5 Years	5.53	2.41	4.13
Inception	9.05	5.84	7.90

Inception Date: 06/30/2016

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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.
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 provide long-term capital appreciation and invests in a diversified list of small cap companies that we believe are undervalued based on quantitative, sector-specific valuation criteria and where our fundamental analysis leads us to conclude that the valuation discount to their peers and the general small cap market is likely to disappear. Since inception, Separately Managed (WRAP) accounts represent 100% of the composite assets. The benchmark is the Russell 2000® Value Index. The composite was created July 1, 2016.
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 2000 Value Index that tracks the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Index returns reflect the reinvestment of dividends and other earnings.

# Columbia Small Cap Value II 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.