TAX EFFICIENT PORTFOLIOS (TEP)

AN EQUITY STRATEGY DESIGNED TO COMBINE CONSISTENT EQUITY MARKET EXPOSURE AND TAX EFFICIENCY

Benchmark: **S&P 1500 Index** | Model inception: **07/31/07**

Q2 2022 | Columbia Tax Efficient Portfolios U.S. All Cap

Tax friction (the amount of return that you lose to taxes) is unavoidable and an often overlooked impact on wealth accumulation.

Investment strategy

The TEP strategy is a separately managed equity portfolio designed to combine consistent equity exposure with an emphasis on tax efficiency. The strategy seeks pretax returns that closely approximate the benchmark and after-tax results that consistently outperform the benchmark.

Investment process

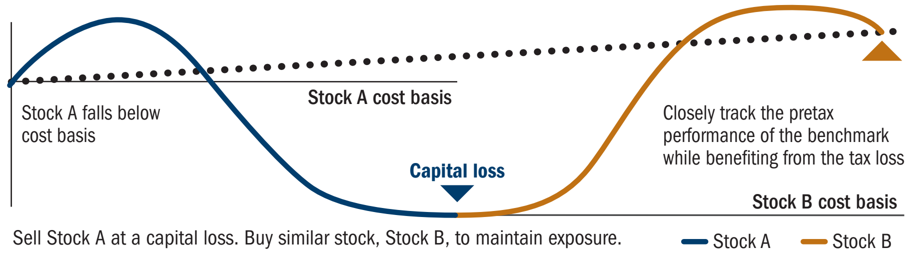
The portfolio is structured to closely track the pretax risk/return characteristics of the benchmark. The strategy aims to maximize after-tax returns through active tax-loss harvesting while rigorously managing risk and managing cash flows in a low cost fashion.

Distinguishing features

- Utilizes tax lot accounting to harvest losses, which can be used to offset taxable gains and generate tax savings.
- Individual portfolio holding losses can be realized directly by investors, unlike with other traditional investment vehicles.
- Flexible yet rigorous process.

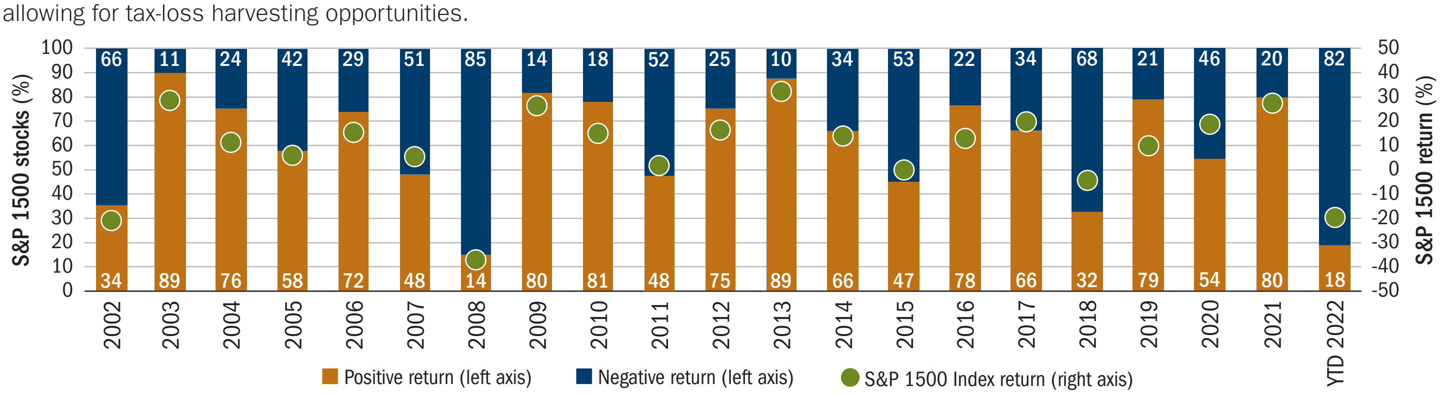
Tax-loss harvesting: The art of substitution

Loss harvesting is more than a single, one-for-one stock substitution. Using sophisticated risk models, the TEP team may substitute baskets of stocks at a time, ensuring portfolios maintain consistent market exposure.



Why loss harvesting can work

Whether or not the S&P 1500 Index has produced an overall positive return, some portion of the index had a negative annual return, allowing for tax-loss harvesting opportunities.

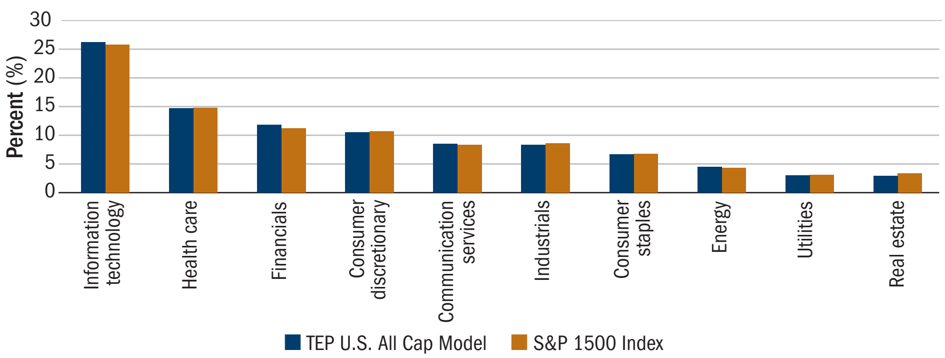


Sources: Standard & Poor's, FactSet.

Average Annual Total Returns (%)

Model inception: 07/31/07	1-year	3-year	5-year	10-year
Columbia TEP U.S. All Cap SMA Model - Pre-Tax Gross	-10.19	10.88	11.41	12.90
Columbia TEP U.S. All Cap SMA Model - Pre-Tax Net	-12.88	7.62	8.14	9.59
S&P 1500 Index	-11.02	10.29	10.92	12.79
Columbia TEP U.S. All Cap SMA Model - After-Tax Gross[1]	-9.00	11.96	12.08	13.17
S&P 1500 Index After Tax[1]	-11.69	9.32	9.90	11.56

Sector breakdown for TEP U.S. All Cap Model and the S&P 1500 Index



Risk: 5 years (pre-tax gross)

	TEP US All Cap Model	S&P 1500
Beta	0.99	-
Tax alpha[2] (%)	1.60	-
Sharpe ratio (after tax gross)	0.66	0.52
Std. dev (%)	16.85	17.00
R-squared (%)	1.00	-
Tracking error (%)	0.38	-

Characteristics

	TEP US All Cap Model	S&P 1500
Number of holdings	1373	1505
Weighted avg. mkt. cap ($b)	457.64	443.25

Market Cap Allocation

	TEP US All Cap Model	S&P 1500
Mega cap - over $100 billion	56.05	56.21
Large cap - $10-$100 billion	35.78	35.11
Mid cap - $1.5-$10 billion	7.26	7.87
Small cap - under $1.5 billion	0.90	0.82

Portfolio management	Role	Year joined firm
Aaron (Ron) Shemesh, CFA	Head of Tax Efficient Portfolio Solutions	2003*
Christopher Lo, CFA, DPS	Head of Managed and Indexed Portfolio Solutions	1998*
Paul Unchalipongse, CFA	Portfolio Manager	2005*
Dhruv Toolsidas, CFA	Portfolio Manager	2003*
Vadim Shteyn	Portfolio Manager	2006*

* For staff that joined the firm as part of an acquisition, tenure includes time at legacy firms.

All data is as of 06/30/22 unless otherwise noted.

Past performance does not guarantee future results, and investing involves risk including the risk of loss of principal.

The adviser did not manage any wrap SMA accounts using the TEP strategy during the period. The model track record consists of the returns of a composite of institutional accounts (the "Institutional Accounts") managed using a similar strategy to the proposed SMA strategy. Portfolio characteristics are based on a representative Institutional Account. The adviser believes that the performance and statistical data of the Institutional Accounts is reasonably representative of the management style for the proposed wrap SMA strategy and sufficiently relevant for consideration by potential wrap account clients.

Returns reflect the reinvestment of dividends, income, and capital gains and are calculated and stated in US dollars. Periods over one year are annualized. Gross of fees returns reflect the deduction of actual transaction costs for the Institutional Accounts but do not reflect management fees or any other expenses. Net of fees returns are model returns calculated by deducting the maximum (3%) wrap fee from the actual gross returns of the Institutional Accounts. Investors should contact their financial advisor or program sponsor for fees applicable to their account.

TEP U.S. All Cap Model After Tax track record consists of the returns of the TEP U.S. All Cap Model (Gross of fee) adjusted for tax assumptions and reflects the application of certain tax assumptions to actual Institutional Account transactions. Note that investors will pay both fees and taxes although the information above shows the impact of each separately. Performance of individual participant accounts may be materially different from the Model due to decisions made by the program sponsor, the size and timing of cash flows, and client-specific investment guidelines and objectives.

[1] Monthly account performance is adjusted for tax implications based on assumed federal tax rates applicable for that period; Net long-term capital gains: 23.8% for 2013 to present; 15% before 2013; Net short-term capital gains and dividends: 40.8% for 2018 to present; 43.4% from 2013-2017; 35% from May 2003 to 2013. Other tax adjustments are not included.

[2] Tax alpha = return after tax portfolio – return after tax benchmark – (return pretax portfolio – return pretax benchmark). Tax alpha is calculated monthly and annualized.

The TEP account strategy may underperform its benchmark. There can be no assurance that an account in the TEP program will outperform the relevant benchmark index, and an account's net performance (after the payment of program fees) may underperform the index even when the account's gross performance (before fees) outperforms the index. Furthermore, tax-loss harvesting, client-specific tax rates and other tax circumstances, and investment restrictions by a client can cause that client's account to diverge materially from the model portfolio for this strategy and may cause the account's performance to be lower than that of the model portfolio or the benchmark index. Tax loss harvesting may increase portfolio turnover and transaction costs. Further, an individual investor's ability to take advantage of tax losses will depend on whether the investor has taxable gains to offset. The ability to fully realize the benefits of tax-loss harvesting through a Wrap Fee Program may also be diminished by an investor's failure to select the optimal cost basis methodology and/or failure by an investor or his or her financial advisor to communicate such selection to us in a timely manner.

The primary benchmark is the **Standard & Poor's (S&P) 1500 Index,** which tracks the performance of 1500 widely held, large, mid and small-capitalization U.S. stocks.

These managed accounts are only available through investment professionals. Not all strategies may be available on all platforms, and fees and terms may vary. Managed account programs may require a minimum asset level and may not be suitable for all investors.

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