

Products Covered:

- Columbia Income Fund

We remain positive in our outlook for certain areas of the corporate bond market.

Investment Risks

Risks include the credit quality of individual issuers, prepayments and changes in interest rates. Lower-quality debt securities involve greater risk of default or price volatility from changes in credit quality of individual issuers. When interest rates go up, bond prices typically drop and vice versa.

Market environment

Throughout 2009, investors continued to demonstrate a propensity for risk, a trend that gained momentum as the year wore on. Many government programs worked as intended, restoring stability to the capital markets and helping the overall market tone. Yield spreads tightened as investor risk tolerance and confidence improved, and lower-quality tiers outperformed higher-quality tiers across sectors. The Fed kept rates low on the short end to spur the economy, and we believe that it may continue to do so for an extended period of time, given concerns about increasing supply and expectations about inflation. However, at the long end, rates rose as investors sold off government bonds. The yield gap between the two-year and 10-year Treasury reached an all-time high in the fourth quarter at 288 basis points. This steep yield curve is good news for banks and possibly may signal a bout of optimism about the economy.

In this environment, the fund outperformed the Barclays Capital Credit Bond Index, which returned 1.03% for the quarter.

Contributors and detractors¹

The fund was rewarded for its overweight in credit and a modest overweight in high yield, which helped the fund outperform its benchmark. Within credit, security selection was also helpful to returns. An underweight in consumer cyclical debt and an overweight in financial holdings also contributed positively to performance. The fund's overweight in high-quality companies, lower in the capital structure, aided relative return as these holdings outperformed. By contrast, the fund's modestly longer duration positioning, which was in place for most of the quarter, slightly detracted from the fund's results.

Looking ahead

Investors embraced risk in 2009 after a year of flight-to-quality and risk aversion in 2008. As the economy picks up strength and the federal government's role in response to last year's financial crisis diminishes, we remain positive in our outlook for the corporate sector.

Performance data quoted represents past performance, and current performance may be lower or higher. Past performance is no guarantee of future results.

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NOT FDIC INSURED	May Lose Value
NOT BANK ISSUED	No Bank Guarantee

Please read and consider the investment objectives, risks, charges and expenses for any fund carefully before investing. For a prospectus, which contains this and other important information about the fund, contact your Columbia Management representative or financial advisor or go to www.columbiamanagement.com.

Barclays Capital Credit Bond Index measures performance of investment-grade corporate debt and sovereign, supranational, local authority and non-U.S. Agency bonds that are U.S. dollar denominated and have a remaining maturity of greater than or equal to 1 year.

The **JPMorgan Global High Yield Index** is designed to mirror the investable universe of the U.S. dollar global high-yield corporate debt market, including domestic and international issues.

¹Determinations of contributors and detractors are based on performance relative to the fund's benchmark.

Unlike mutual funds, indices are not investments, do not incur fees or expenses and are not professionally managed. It is not possible to invest directly in an index.

Effective June 19, 2009, the fund changed its primary benchmark to the Barclays Capital U.S. Credit Bond Index. The fund's secondary benchmark was changed to a blended benchmark, a weighted custom composite consisting of 85% Barclays Capital U.S. Credit Bond Index and 15% JPMorgan Global High Yield Index. Prior to June 19, 2009, the Barclays Capital U.S. Intermediate Government/Credit Bond Index and the Barclays Capital U.S. Intermediate Credit Bond Index were the fund's primary and secondary benchmarks, respectively.

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