

- Columbia Mid Cap Value Fund

*As we emerge from a trough in the global economic cycle, we find that investment opportunities tend to cluster by industry, particularly in cyclical businesses, which occupy a large place in our portfolio.*

#### Investment Risks

Risks include stock market fluctuations due to economic and business developments. Investments in small- and mid-cap companies may be subject to greater volatility and price fluctuations because they may be thinly traded and less liquid. The fund may invest in foreign securities, which may be subject to greater volatility than domestic investments.

#### Review of the Quarter<sup>1</sup>

In the fourth quarter, the U.S. equity markets continued to move higher, posting a third consecutive quarterly gain. Following a pullback in October, the November and December equity markets resumed an upward march that had characterized much of 2009. The Columbia Mid Cap Value Fund outperformed its benchmark, the Russell Midcap Value Index and its return of 5.21% for the quarter. Strong stock selection in energy, consumer staples and financials were more than enough to offset negative stock selection in information technology and consumer discretionary. Allocation on the whole was not a significant factor in the fourth quarter.

On the positive side, in energy, strong stock selection in oil and gas consumable fuels benefited the portfolio. Williams, Peabody Energy and Cabot Oil & Gas were standouts in the quarter. Williams reported strong third-quarter earnings and announced regulatory approval of its Northwest pipeline. Peabody's shares benefited from rising metallurgical coal prices during the quarter.

In financials, the fund's underweight and stock selection in the underperforming insurance industry benefited performance. In addition, during December we initiated a new position in Assured Guaranty. We believed that Assured Guaranty was stabilizing delinquency trends within its portfolio and that an improving capital position may lead to upside. We also trimmed shares of Prudential Financial and redeployed the proceeds into better ideas. In real estate investment trusts, Simon Property, Alexandria Real Estate and Plum Creek Timber all were positive contributors to performance. City National also added to performance. Late in the quarter, City National announced an FDIC-assisted acquisition of Imperial Capital, as well as a partial repayment of the U.S. Treasury's TARP investment.

In consumer staples, shares of Mexican beverage company Fomento Economico Mexicano rose as discussions materialized that the company was considering selling its beer unit. Food manufacturer J.M Smucker and cosmetic manufacturer Estee Lauder also benefited the fund on a relative basis.

In industrials, Stanley Works was a standout for the quarter after the company announced its purchase of rival Black & Decker. As a result, we took profits and trimmed the position. In addition, we added to the portfolio's position in Navistar, as we continued to believe that a rebound in the truck component industry may lead to upside.

On the negative side, in information technology, negative returns by two companies held in the portfolio's computer and peripherals industry were largely responsible for the sector's underperformance. We exited the stock of NCR early in the quarter on concerns over the slow rate of increase in its retail point-of-sale business but the negative effects lingered throughout the fourth quarter. In addition, Diebold, maker of ATMs and other self-service and security devices, suffered during the quarter after reporting record losses compared to record gains in the same period of the prior year. Those losses stemmed from the sale of a division of the company.

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

Columbia Management Group, LLC ("Columbia Management") is the investment management division of Bank of America Corporation. Columbia Management entities furnish investment management services and products for institutional and individual investors. Columbia Funds are distributed by Columbia Management Distributors, Inc., member FINRA and SIPC. Columbia Management Distributors, Inc. is part of Columbia Management and an affiliate of Bank of America Corporation.

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

| Top Holdings (% of net assets)<br>as of December 31, 2009 |      |
|-----------------------------------------------------------|------|
| Ameriprise Financial                                      | 2.11 |
| Reinurance Group of America                               | 1.98 |
| Williams Companies                                        | 1.72 |
| Sempra Energy                                             | 1.64 |
| Royal CaribbeanCruises                                    | 1.56 |
| Peabody Energy                                            | 1.49 |
| Starwood Hotels & Resorts<br>Worldwide                    | 1.48 |
| JC Penney                                                 | 1.47 |
| Cullen Frost Bankers                                      | 1.44 |
| TCF Financial                                             | 1.39 |

|                                        |      |
|----------------------------------------|------|
| Ameriprise Financial                   | 2.11 |
| Reinurance Group of America            | 1.98 |
| Williams Companies                     | 1.72 |
| Sempra Energy                          | 1.64 |
| Royal CaribbeanCruises                 | 1.56 |
| Peabody Energy                         | 1.49 |
| Starwood Hotels & Resorts<br>Worldwide | 1.48 |
| JC Penney                              | 1.47 |
| Cullen Frost Bankers                   | 1.44 |
| TCF Financial                          | 1.39 |

Portfolio holdings are subject to change periodically and may not be representative of current holdings and characteristics. Current and future holdings are subject to risk, including, but not limited to, market and credit risk.

In December, we initiated a position in Advanced Micro Devices on the belief that semiconductor market share gains by the company may lead to upside. We also initiated a position in Molex. Molex underwent a significant restructuring, which we believed allowed management to rightsize the business and focus on growing end markets. Also, Molex should benefit from a cyclical recovery, as it is highly levered to the consumer, computing and auto end markets. We added to Verigy and initiated a position in Western Union. We believed Western Union's remittance activity may increase as the economy recovers and should lead to upside.

In consumer discretionary, the portfolio's holdings in several apparel and retail companies suffered in the fourth quarter. Jones Apparel was a negative, as the markets worried over the pace of the company's turnaround. We retained the shares in the company, however, as this was a fourth-quarter initiation. Jones has new management and was undergoing store-base rationalization. In addition, we believed that the company was poised to benefit from a competitor exiting the luxury business channel and tighter inventory control. J.C. Penney also disappointed during the quarter over continued weakness in same-store sales data in November. Foot Locker also had negative returns, as same-store sales remained weak in the fourth quarter. We maintained our position, however, as we continued to believe that actions by the new management team may lead to improving merchandise margins and an upside.

Lastly, in utilities, the portfolio's underweight to the benchmark was a negative for the quarter.

### Outlook

A rally in equities ensued in 2009, which was largely driven by managements' ability to strip out costs and working capital, helping to protect margins and cash flow from even greater declines. While these actions buoyed results in the near term, we believe truly sustainable performance can only be driven by permanent cost reductions accompanied by reaccelerating revenue growth. As we emerge from a trough in the global economic cycle, we find that investment opportunities tend to cluster by industry, particularly in cyclical businesses, which occupy a large place in our portfolio. For example, financials bring with them a well-publicized list of concerns, but there will still be profitable banks in the future that will have strengthened earnings power, balance sheets and long-term franchise value. In our portfolio, we currently favor consumer-oriented institutions over commercial real estate and commercial and industrial lenders, as we believe they are more likely to see near-term relief from credit pressures. We also like capital markets players, as renewed business confidence and thawing credit markets should lead to increased merger and acquisition activity and equity recapitalizations. The energy and materials sectors should also remain favorable areas due to growing long-term emerging market demand, combined with rigorous supply discipline. We believe that pricing, volumes and margins will be compressed in the near term. Industrials is an area of the market that has a significant amount of operating leverage to an economic recovery, although valuations, especially in early-cycle companies, have become somewhat stretched. Our focus is on ferreting out attractively valued, early-cycle ideas, as nonresidential construction spending has yet to stabilize and the margins of many late-cycle companies have not yet bottomed. Media and pharmaceuticals deserve caution, as secular challenges and declining long-term earnings power make these industries value traps, in our view. Consumer discretionary stocks may present select opportunities. While we are mindful of high-unemployment levels and debt loads weighing on the U.S. consumer, there will be share gainers in this sector, and the earnings leverage to a cyclical recovery should be substantial. We are finding the

most attractive margin expansion opportunities in selected department stores, home centers and travel/leisure companies.

**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](http://www.columbiamanagement.com).**

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. 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.

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

Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that the forecasts will come to pass. The views and opinions expressed are those of the portfolio managers and analysts of the affiliated advisors of Columbia Management Group, are subject to change without notice at any time, may not come to pass and may differ from views expressed by other Columbia Management associates or other divisions of Bank of America. These materials are provided for informational purposes only and should not be used or construed as a recommendation of any security or sector.

There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. It should not be assumed that any securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the securities discussed herein.