

Products Covered:

- Columbia Bond Fund

We expect the most compelling opportunities for relative value to lie in the following areas: In older-vintage CMBS, highest in the capital structure, because spreads on these securities remain above their historical average, and in certain areas of the corporate bond market..

Investment Risks

Risks include the credit quality of individual issuers, prepayments, market or economic developments and yield and share price fluctuations due to changes in interest rates. 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 which 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 Aggregate Bond Index, which returned 0.20% for the fourth quarter.

Contributors and detractors¹

The fund was rewarded for its sector overweight in commercial mortgage-backed securities (CMBS) and corporate debt, which drove returns into positive territory. Curve positioning was additive since the fund benefited from having less exposure to the long end of the curve. In addition, security selection within credit was helpful. An overweight in financials, banking in particular, and an underweight in consumer cyclical debt aided performance results.

However, an underweight in the mortgage-backed securities sector proved costly since this sector produced positive excess return. The slightly longer duration positioning that was in place for most of the quarter weighed negatively on results. Finally, performance was held back somewhat by security selection within CMBS, as more recent production loans in the index outperformed the more seasoned, conservative older-vintage loans in the fund.

Market outlook

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 believe the most compelling opportunities for relative value to lie in the following areas: In older-vintage CMBS, highest in the capital structure, because spreads on these securities remain above their historical average, and in certain areas of the corporate bond market.

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.

The **Barclays Capital Aggregate Bond Index** is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment grade debt issues with at least \$250 million par amount outstanding and with at least one year to final maturity. It is unmanaged and unavailable for investment.

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

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