

Products Covered:

- Columbia Select Small Cap Fund

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Investment Risks

Risks include stock market fluctuations due to business and economic developments. Investments in small-cap companies may be subject to greater volatility and price fluctuations because they may be thinly traded and less liquid.

Review of the Quarter

Our investors experienced continued progress in the fourth quarter, lifting calendar year results solidly into positive territory. For the fourth quarter, the Columbia Select Small Cap Fund slightly underperformed the benchmark Russell 2000 Index. However, for the 12-month period ending December 31, 2009, the fund outperformed its benchmark. The fund also outperformed the large-cap analog, the S&P 500 Index, for 2009.

The Stock Market

It is the race that doesn't end. From the market's low in March to the slingshot rebound that brought strong positive returns for the entire year, it was a stunning period. While it was encouraging to see strong annual returns, the scars created by the bear market that commenced in late 2007 are still deep. We will add, however, that we remained fully invested through the market's decline, which positioned our investors for the full benefit of 2009's advance. Just as we are not market timers, we are not top-down, big-picture investors; we focus on individual securities and stock selection based on a well-defined approach to security analysis. We are now in the 14th year of this small-cap investment program, applying these time-tested techniques.

Employment Outlook

Jobs have appeared to be the big issue in 2010. It may seem contradictory that the unemployment rate, now 10%, will remain obstinately high while we start to see employment growth. This is based upon the recognition that for almost 20 years, the U.S. economy had not suffered as deep a recession as we have been experiencing. Prior to the recession, an extended period of sustained growth created an environment of overemployment. The recession provided a motivation to realign employment, productivity and output. This could create political considerations, have implications for the federal deficit and be a general drain on consumer confidence — even as the stock market improves as a result of margin expansion. A complete unemployment picture should include discouraged workers and those no longer covered by the statistics, which would yield an unemployment rate closer to 15%. Our economy would need to add 100,000 jobs per month just to account for population growth. So adding more people to the workforce may not be enough to move the unemployment needle dramatically.

Evaluating the fund by broad economic sectors during the quarter, relative to the Russell 2000 benchmark, we were overweighted in the following: consumer discretionary, energy, information technology, industrials and materials.

Underweighted sectors were financials, health care, telecommunications and utilities. The greatest contribution came from the overweights in the technology and industrial sectors. Alternatively, relative costs came from being underweighted in finance.

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

Contributors and Detractors¹

Perhaps more important than the sector weightings are the individual stock contributions or detractions. The quarter's top nine performing issues within economic sectors were consumer discretionary issue Sotheby's, the art auction house; information technology issues F5 Networks, Power Integrated Devices, Manhattan Associates and Interdigital Communications; in materials and industrials, heavy equipment manufacturer Bucyrus International and Kansas City Southern Railway; in energy, oil tanker company Overseas Shipholding Group; and in health care, eye care company Cooper Companies. Issues that detracted from quarterly results included homebuilders Meritage and Ryland; in financials, Greenhill and KBW (the holding company for financial specialist Keefe, Bruyette and Woods), and in regional banks, Zions Bancorp and GFI Group, which were all eliminated. The remaining detractors were harder to define by economic sector, but included Shaw Group, Brush Engineered Materials, Cabot Microelectronics and Whole Foods.

In terms of activity, we were fairly quiet during the quarter, trimming positions that have become extended through good performance — Walter Energy, Bucyrus International, Williams-Sonoma, F5 Networks and Power Integrated Devices. These reductions helped to fund new positions in Monster Worldwide and Fair-Isaac. Monster Worldwide is the largest online employment agency and should benefit as employment conditions bottom. Fair-Isaac, known for its FICO credit scoring algorithms, should benefit from an expansion in consumer demand for credit and FICO's proprietary fraud protection services. We continue to like building and building-related issues: Meritage, Ryland, Simpson Manufacturing, St. Joe and Qualex Building Materials. The inventory of new homes is approximately 217,000 (the lowest since 1971), down from an annual build rate of 1.2 million; interest rates and general-affordability indices are at generational lows; government tax credits for first-time homebuyers have been extended and expanded to other homebuyers; and companies, trading at or below book values as a result of very deep write-offs, are cheap on normalized earnings with significant earnings leverage. With tax loss carryforwards, these companies will not pay taxes for years to come. Industry consolidation seems inevitable. St. Joe is the largest private landowner of Florida. The opening of the new Panama City Airport this spring should bring new vibrancy to the region where St. Joe is dominant. Qualex is the leading fenestration company and should benefit significantly from government programs to promote home energy efficiency (cash for caulkers). Simpson is the leading manufacturer of roof truss and wall fasteners (the Simpson Strong Tie), which meet the most rigorous of building codes; they are specified for most new and remodel builds.

Outlook

Given the volatility of the past year, investors are understandably anxious about the future. For the coming year, several things seem likely, although the timing is uncertain — higher interest rates, higher taxes, higher federal and local deficits, higher energy prices and a stubbornly high rate of unemployment. On the positive side, we believe housing has bottomed and should begin to improve, new hiring should commence, an increase in interest rates by the Fed should reassure investors that its vigilance to inflation is serious, worldwide liquidity and a steepening yield curve should buoy the capital markets, profits may improve smartly over 2009, there could be a political drive to confront deficits, and the environment for mergers and acquisitions may be hot.

Top Holdings (% of net assets) as of December 31, 2009

Power Integrations	3.68
Sotheby's	3.37
F5 Network	3.33
Kansas City Southern	3.14
Varian Semiconductor Equipment Associates	3.13
PF Changs China Bistro	3.04
Manhattan Associates	2.94
Williams-Sonoma	2.90
Interdigital	2.87
St. Mary Land & Exploration	2.87

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 general, through our work, we have been gravitating toward companies that may benefit from improving exports, a weaker U.S. dollar, improving international economies and possibly emergent inflationary trends.

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 **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 **Standard & Poor's (S&P) 500 Index** tracks the performance of 500 widely held, large-capitalization U.S. stocks. 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.

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

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