

Value and Restructuring

Commentary

- Columbia Value and Restructuring Fund

The fund continued its outperformance through the fourth quarter, as positive earnings momentum and improving macroeconomic data pushed stocks higher.

Investment Risks

Risks include stock market fluctuations and changes in the values of specific fund holdings due to economic and business developments. Value stocks may also be subject to specific business risks that have caused the stocks to be out of favor.

Overview

While 2009 was one of the most volatile years for stock prices in memory, it ended on a happy note with the S&P 500 Index gaining 26.46%, which was outperformed by the Value and Restructuring Fund. The fund's returns resulted from being overweight in the more economically sensitive sectors throughout the year and from an economic environment of low interest rates amid slow growth, which favors the restructuring companies that we invest in.

Low interest rates in particular helped the fund, as restructuring firms were able to refinance debt and fund growth projects as liquidity returned. It is a testament to how strongly liquidity rebounded (from essentially zero in the early part of the year) that financials such as JPMorgan, Wells Fargo, Citigroup and Bank of America were able to pay off substantial amounts of their debts to the government within days by raising equity.

The fourth quarter also benefited from mergers and acquisitions being announced as a natural response to a slow growth environment. The fund's long-time holding in Black & Decker was purchased in November by Stanley Works. Oil and gas names were helped by the large acquisition of XTO Energy by Exxon and continued announcements of smaller deals in the sector.

Performance¹

The fund continued its outperformance through the fourth quarter, as positive earnings momentum and improving macroeconomic data pushed stocks higher.

Mergers led the results, as Black & Decker gained after being bought by Stanley Works at a nice premium. Commodities were more mixed, with acetyl chemical maker Celanese gaining and iron ore producer Vale also up, but firms such as scrap metal producer Schnitzer Steel were off. Harris benefited from defense orders and rose. Panamanian airline Copa also rose on stronger international traffic.

Stocks that outperformed did so greatly, while stocks that underperformed generally trailed by only a little. Underperformers included most of the banking names, such as Morgan Stanley, JPMorgan and Goldman Sachs. This is hardly surprising, given the significant gains in share price these companies made earlier in the year. Our expectation is that declines in loan write-offs and gains in net interest margin could benefit these stocks as earnings grow over the next few quarters.

Fund Activity

Despite last year's volatility, we managed the fund much as we have for the past 17 years, with modest turnover based on longer-term earnings expectations. Within this context, we believe the initial public offering and new-issue markets presented unusual opportunities for large investors, such as our Value and Restructuring Fund, to partake in a number of financial and strategic restructurings throughout the year. For example, we bought the new Ford, Wells Fargo and Citicorp convertibles, all with attractive yields, as these companies severed their dependency on TARP and other

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

Value and Restructuring

Top Holdings (% of net assets) as of December 31, 2009	
Petrobras Petroleo Brasileiro	4.97
Lorillard	4.29
Alpha Natural Resources	3.63
America Movil	3.57
Harris	3.55
Union Pacific	3.33
Consol Energy	3.19
International Business Machines	2.95
Ace Limited	2.63
Devon Energy	2.48

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.

government assistance. We also purchased positions in Dole Foods and Dollar General when these companies went public after a period of private ownership. Powder Ridge Basin coal producer Cloud Peak Energy and plasma marketer Talecris Biotherapeutics were purchased after being spun off from previous owners Rio Tinto and Cerberus, respectively. Both companies are rapidly expanding sales in industries, which we find very attractive.

Outlook and Positioning

Our best guess is that stocks will continue their bumpy upward ascent in 2010 until monetary tightening and/or higher interest rates become problematic to earnings. Along with the consensus in the investment community now, we believe this will happen later in the year, rather than sooner, and that this outcome will cap expected returns to much lower, probably single-digit, levels. It is simply hard to envision much Wall Street enthusiasm for the government trying to borrow and spend its way out of the financial hole that was caused by too much borrowing and spending in the first place.

Earnings are the likely driver of performance for the next several months, as momentum and positive earnings revisions push prices higher. Optimists will also focus on a falling unemployment rate and resurgent growth in U.S. gross domestic product, combined with low mortgage rates due to Federal Reserve intervention. This sets stocks up for gains as money flows into higher-yielding assets.

Longer term, any enthusiasm is quickly tempered by U.S. government policies that are anathema to the private sector and investment. A combination of potentially higher tax policy, stricter regulatory policy, less free trade policy and tightening Fed policy should squash overly optimistic projections about market returns as we enter the second half of 2010. In such an environment, we continue to be fearful about inflation as a significant risk. When cash currently stored in Treasuries starts to seek higher-yielding assets, it will drive up prices. Some evidence of this already exists in the form of higher raw commodity, oil and energy prices. Furthermore, the Federal Reserve has little desire to raise interest rates. This is due to a lack of political will, high unemployment and the fact that we are entering an election year.

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 **Standard & Poor's (S&P) 500 Index** is an unmanaged index that 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.

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.