

# Multi-Advisor International Equity

## Commentary

### Products Covered:

- Columbia Multi-Advisor International Equity Fund

### Investment Risks

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards, and other monetary and political risks. Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. Investing in emerging markets may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

### Market environment and performance for the portion managed by Marsico Capital Management<sup>1</sup>

After pausing in October, international equities in developed markets resumed their march upward in November and December as global economic growth prospects brightened further, the corporate profit outlook improved and fallout associated with the Dubai World financial crisis subsided rapidly. Developed international equity markets, as represented by the MSCI EAFE Index, rose (US\$) 2.18%. The dollar strengthened mostly during the quarter, which had a mildly negative impact for U.S.-based international-equity investors. In local currency terms, the MSCI EAFE Index produced a gain of 3.33%. For the year as a whole, however, the decline in the dollar's value created a 700 basis point difference between performance of the MSCI EAFE Index in dollar terms compared to the index's return measured in local currency.

Evidence continued to mount throughout the quarter that a global economic recovery was well underway, highlighted by strong gross domestic product (GDP) reports from several important countries (e.g., China, India, Brazil, Taiwan and South Korea), revived manufacturing activity in a variety of regions, housing market improvement and higher commodity prices. The International Monetary Fund continued to upgrade its economic outlook for a variety of countries. Meanwhile, emerging market equities were back atop the performance leader board, buoyed by robust economic growth reports. Many forecasts for 2010 pointed to emerging markets as being the largest contributors to worldwide GDP expansion. The MSCI Emerging Markets Index rose 8.55% and the MSCI BRIC Index (encompassing Brazil, Russia, India and China) soared 10.51% during the fourth quarter. China's government announced that it would maintain its stimulus in 2010. The country also reported that its manufacturing activity rose at the fastest pace in five years and its Index of Leading Economic Indicators suggested that 11% GDP growth in 2010 was feasible.

At a country level, the MSCI EAFE Index had mixed performance and was relatively subdued in nature. The index's largest country-level constituents — which comprised 77% of the index on average during the quarter — did not produce a great deal of excitement, although the United Kingdom and Australia had relatively strong returns. Japan's equity market, however, languished.

From an economic sector standpoint (using the MSCI EAFE Index as a reference), the performance picture was mixed. Seven out of 10 sectors had gains, led decisively by the resurgent materials area (influenced by emerging markets' bright economic outlooks), followed by consumer staples and energy. Meanwhile, however, financials and information technology slipped lower.

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

## Multi-Advisor International Equity

## Top Holdings (% of net assets)

Telephonica SA	2.27
BASF AG	2.13
DaimlerChrysler AG	2.04
HSBC Holdings PLC	1.92
Credit Suisse Group	1.77
Transocean	1.69
Banco Santander SA	1.67
Banco Bilbao Vizcaya Argentina	1.60
Anheuser-Busch	1.55
Cheung Kong Holdings	1.48

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

In terms of international investment style, growth finished the year strongly, in large part owing to relative weakness in financial services companies which tend to be more heavily weighted in value-oriented indices. The MSCI EAFE Growth Index and MSCI EAFE Value Index had total quarterly returns of 4.17% and 0.28%, respectively. For the entire year, however, the value index led growth by approximately 400 basis points.

The portion of Columbia Multi-Advisor International Equity Fund managed by Marsico Capital Management slightly underperformed its primary benchmark, the MSCI EAFE Index, for the fourth quarter. The benchmark index had a total return of 2.18% for the period.

Contributors	GICS Industry Group	Average Portfolio Weight (%)
Vale S.A. (ADS)	Materials	1.90
OGX Petroleo e Gas Participacoes S/A	Energy	1.58
Anheuser-Busch InBev	Food, Beverage & Tobacco	2.47
Nestle S.A.	Food, Beverage & Tobacco	2.24
Julius Baer Group AG	Banks	0.77

Detractors	GICS Industry Group	Average Portfolio Weight (%)
Lonza Group AG	Pharmaceuticals, Biotechnology & Life Sciences	1.76
Vestas Wind Systems A/S	Capital Goods	2.75
Gamesa Corporacion Tecnologica S.A.	Capital Goods	0.91
Credit Suisse Group AG	Diversified Financials	3.49
Taiwan Semiconductor Manufacturing Co. Ltd. (ADS)	Semiconductors & Semiconductor Equipment	0.50

### Market environment and performance for the portion managed by Columbia Management Advisors<sup>1</sup>

In the fourth quarter, markets took a respite from the volatile price moves of the preceding four quarters. International markets, as measured by the MSCI EAFE Index, were up 2.18% during the quarter. This return is comprised of a 3.00% return in local currencies, partially offset by a 1% loss due to a strengthening U.S. dollar. This brought the return for the year to almost 32% in U.S. dollar terms, making 2009 one of the best performing years on record. The fourth quarter was a period of stabilization after the dramatic fall of late 2008 and early 2009, followed by the equally dramatic recovery in the subsequent two quarters. The markets recognized that the financial system was no longer in danger of a collapse and that the global economy was showing clear signs of recovery. Prices adjusted rapidly upward to reflect this fact and the relatively modest returns during the fourth quarter reflect this equilibrium. Norway, Poland, Turkey and Brazil stood out as outperforming countries, each up over 10%. Greece was the notable underperformer, down more than 20% in the quarter, due to concerns over the ability of the country to service its sizable debt burden and onerous fiscal deficit. Materials was the best performing sector, up 14% in local terms, with the global recovery increasing demand for raw

materials, particularly in China where GDP growth has been particularly robust. Financials were the worst performing sector, down almost 4.00%, after what had been a breathtaking run off the March bottom, as it became clear that the doomsday scenario priced into these stocks earlier in the year was not going to occur.

The portion of Columbia Multi-Advisor International Equity Fund managed by Columbia Management Advisors underperformed the MSCI EAFE Index during the fourth quarter. The benchmark index posted a return of 2.18% for the quarter, with seven of the 10 sectors in positive territory for the period.

The fund performed well in the energy, industrials and information technology sectors during the quarter. In energy, positions in integrated oil names Royal Dutch Shell and France's Total S.A., along with China's coal producer Yanzhou Coal Mining, all helped relative performance for the period. In industrials, positions in the electrical equipment and airlines industries — France's Schneider Electric and Turkish airline Turk Hava — and an underweight exposure to the road and rail industry benefited relative results. The portfolio's underweight exposure to the struggling industries of communications equipment, software and computer and peripherals in the information technology sector enhanced relative results.

The portfolio outperformed on a relative basis versus the benchmark in the countries of Sweden, Spain and France for the quarter. In addition to these countries, holdings in the countries of China, Canada and Turkey also proved favorable as they outperformed the broader index.

The fund's overweight to the financials sector, which was the weakest area for the benchmark, and underweight to the consumer staples and materials sectors, which were relative areas of strength, were detrimental this quarter. The portfolio struggled in the real estate management and development and diversified financial services industries, as positions in Japanese condominium builder Leopalace21 and Netherlands-based financial conglomerate ING Groep both posted negative returns. In consumer staples, the strategy experienced negative effects from stock selection in the food products and food and staples retailing industries, as the fund's holdings in these areas did not keep pace with the benchmark. Even with a standout performance from Canada's Eastern Platinum, the fund detracted due to being underweight in many of the metals and mining names that rallied during the quarter.

On a country level, the most notable areas of weakness occurred in the countries of Japan and the United Kingdom, both with negative stock selection, which accounted for the bulk of the fund's underperformance for the quarter. In Japan and the United Kingdom, stock selection in the financials sector was a contributing factor in the relative underperformance. A position in Barclays was the fund's largest individual detractor on an absolute basis, after selling off over 24% for the quarter.

We continue to expect positive returns from the international markets, reflecting undemanding valuations, stimulative monetary and interest rate policies globally and continuing signs that the economy is on its way to a recovery. However, we expect returns to be more modest than those achieved during 2009.

**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 **Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Index** is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australasia and the Far East.

The **Morgan Stanley Capital International Emerging Markets Index (MSCI EMI)** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

The **Morgan Stanley Capital BRIC Index** is designed to measure the combined equity market performance in Brazil, Russia, India and China (BRIC).

The **Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Growth Index** is a subset of the MSCI EAFE Index, and constituents of the index include securities from Europe, Australasia and the Far East. The index generally represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE Index, and consists of those securities classified by Morgan Stanley Capital International, Inc. (MSCI) as most representing the growth style, such as higher forecasted growth rates, lower book-value-to-price ratios, lower forward earnings-to-price ratios and lower dividend yields than securities representing the value style.

The **Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Value Index** is a subset of the MSCI EAFE Index, and constituents of the index include securities from Europe, Australasia and the Far East. The index generally represents approximately 50% of the free float-adjusted market capitalization of the underlying MSCI EAFE Index, and consists of those securities classified by Morgan Stanley Capital International, Inc. (MSCI) as most representing the value style, such as higher book-value-to-price ratios, higher forward earnings-to-price ratios, higher dividend yields and lower forecasted growth rates than securities representing the growth style.

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.

Effective July 8, 2009, Causeway Capital Management LLC (Causeway) no longer serves as a sub-advisor to Columbia Multi-Advisor International Equity Fund. On the effective date, Columbia Management Advisors, LLC (the Advisor) assumes day-to-day management responsibility for the portion of the fund's assets previously sub-advised by Causeway.

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.

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