

Products Covered:

- Columbia Large 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 business and economic developments.

Review of the Quarter

In the fourth quarter, the U.S. equity market continued to move higher, posting a third consecutive quarterly gain. Following a pullback in October, equity markets resumed a climb in November and December. For the quarter, Columbia Large Cap Value Fund performed in line with the Russell 1000 Value Index. The fund had positive selection in the financials, materials and consumer staples sectors but suffered from negative selection in consumer discretionary and health care. The fund's underweight in telecommunications also detracted from relative results.

Contributors¹

On the positive side with financials, the fund benefited from not owning several major diversified financial firms that underperformed during much of the quarter. Consumer financial firm American Express aided returns. Early in the quarter, American Express said in a regulatory filing that its charge-off rate decreased in October versus September. In November, we exited the fund's holding of Marsh & McLennan, as we became concerned that its inability to raise rates for services in a difficult pricing environment may make it difficult to drive organic growth.

In materials, the fund's overweight in the metals and mining industry aided results, as commodities such as gold and copper exhibited strength. Our holdings in United States Steel and Freeport-McMoRan Copper and Gold both exhibited strong stock performance, given the sustained price rally witnessed in each company's underlying commodity. Weyerhaeuser benefited returns after a mid-December announcement that it intended to convert to real estate investment trust status, most likely in 2010.

In consumer staples, not owning a significant food staples and retailing company that underperformed during much of the quarter was a positive to returns. J.M. Smucker aided results during the quarter. In November, Smucker, the maker of jams, jellies and Jif peanut butter, reported fiscal second-quarter earnings growth based on the addition of the Folgers coffee brand, while lower commodities prices boosted margins upward. Wal-Mart Stores and Diageo also both aided returns.

Detractors¹

On the negative side, in consumer discretionary, performance was particularly affected by not owning many of the lower-quality auto and auto-components companies, along with many media firms, that all outperformed during the quarter. Carnival Cruise Lines detracted from returns during the quarter. In December, Carnival reported that ongoing discounts on cruises and slower bookings by travelers combined to drag down its fourth-quarter profit. While we trimmed the fund's position in Carnival, we continued to believe that that the company may benefit, as consumers continue to trade down to more affordable vacation options, which may lead to upside. D.R. Horton detracted from performance on concerns surrounding the expiration of the tax credit that had been in place for 2009 to spur home buying activity.

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

Top Holdings (% of net assets) as of December 31, 2009	
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JPMorgan	4.41
Occidental Petroleum	3.11
Goldman Sachs Group	2.65
EMC	2.17
AT&T	2.15
Wells Fargo	2.15
US Bancorp	2.10
American Express	2.10
American Electric Power	2.09
Apache	2.04

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.

Finally, in health care, the fund's underweight to the pharmaceuticals industry, along with not owning many health-care provider names that outperformed during the month, was a negative.

Other Transactions

In utilities, we initiated a position in Sempra Energy, as we believed that rate-base growth opportunities in California offer a robust outlook for regulated utilities and may lead to upside. In information technology, we initiated a position in Western Union, as we believed that a rebound in remittance activity as the economy expands may lead to upside.

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 it is expected that in the future profitable banks will exist 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 mergers and acquisitions activity and equity recapitalizations. The energy and materials sectors should also remain favorable areas due to growth in 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 may be share gainers in this sector, and the earnings leverage to a cyclical recovery may 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.

The **Russell 1000 Value Index** measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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.

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