

Products Covered:

- Columbia Disciplined Value Fund

The market sentiment overall has improved tremendously, although it will need to be reinforced with better fundamentals and clear signs of recovery moving forward.

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.

Quarter Overview

For the third quarter, Columbia Disciplined Value Fund outperformed its benchmark, the Russell 1000 Value Index. The third quarter saw the major market indices post impressive returns, as the rally that began in Q2 continued through Q3. The Russell 1000 Value Index gained 18.24% for the quarter, making it the second consecutive quarter of returns in excess of 16%. Many cautious investors feared that a pullback would be inevitable heading into September, which historically has been a weak month for the equity markets. Fortunately, the market continued to climb the “wall of worry,” pushing its string of positive months to seven in a row as the reflationary theme continued to play out, benefiting economically sensitive sectors and financial stocks. The debate continued on how long the rally will last and to what degree. However, considering the sentiment shift from the worst-case scenarios of bankruptcies and nationalizations to the optimism of “green shoots” and the possible end of the Great Recession, the market headed into the fourth quarter considerably higher from its lows with an economy eagerly awaiting confirmation that better times could be ahead. Moving into the fourth quarter, the market will likely continue to contend with elevated unemployment levels and the possibility of new government reforms combined with a sluggish economy. Discussions are already turning to how governments around the world will contain what many feel could be excess liquidity in the system. Even with these challenges, the overall market sentiment has improved tremendously, although it will need to be reinforced with better fundamentals and clear signs of recovery.

Model Performance

The team uses computer-based models to analyze stocks, focusing on factors within three themes: Quality, Valuation and Catalyst. Quality factors include profitability, and strength and sustainability measures such as ROA, ROE, receivables, reserve management and cash flow accruals. Valuation factors measure profitability-at-a-reasonable-price (PARP) and growth-at-a-reasonable-price (GARP) and include cash flow, operating income, sales, earnings, book value and risk-adjusted return. Examples of Catalyst factors include long- and short-term momentum measures and estimate revisions.

A common thread for the top performers, and a characteristic of the market movement in general, during the quarter was what we would consider low quality. This phenomenon was especially prevalent in the consumer discretionary sector, which saw volatile (high-beta) names lead the rally. This typically results in a challenging environment for our stock selection methodology, which emphasizes quality names at good valuation levels.

Return spreads for our Valuation factors were essentially flat over the quarter. Quality factor returns were negatively affected over the quarter as the market rewarded the lowest-priced, highest-beta names in the market with some of the best returns. These types of “junk” rallies tend to occur at bottoms in the market and typically work themselves out over time as Quality and Valuation reassert themselves as drivers of

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

Disciplined Value

**Top Holdings (% of net assets)
as of September 30, 2009**

JPMorgan	4.80
Exxon Mobil	4.65
Chevron	4.14
Pfizer	3.62
Wells Fargo	3.59
General Electric	3.20
Goldman Sachs	2.64
AT&T	2.53
Apache	2.42
Home Depot	2.11

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.

performance. Returns to Catalyst factors were negative again this quarter as the nature of the rally was that past poor performers subsequently posted the strongest gains. This is counterintuitive to the process our Catalyst factors attempt to capture.

Performance Drivers¹

For the benchmark, the best-performing sectors were materials (28.4%), followed by industrials (27.8%), financials (26.5%) and consumer discretionary (25.3%). All 10 GICS sectors of the Russell 1000 Value Index posted positive returns for the quarter, with only telecommunications (6.3%) and utilities (6.6%) delivering somewhat moderate returns compared to the other benchmark sectors.

For the strategy on a sector level, strong stock selection in the financials and materials sectors, as well as a sector underweighting and good stock selection in the industrials sector, aided the portfolio. Within the financials sector, the portfolio was slightly overweight compared to the benchmark overall, but the largest contribution came from strong overweights to names such as REIT HRPT Properties Trust and diversified financial services providers JPMorgan Chase, Genworth Financial and Hartford Financial. The materials sector was more significantly overweight compared to the benchmark, a position that contributed positively, led by overweights to chemical manufacturer Eastman Chemical and paper and packaging company International Paper. In the industrials sector, it was a general underweight against the benchmark that led to positive returns for the sector, although an overweight to print company R.R. Donnelly & Sons also aided returns.

Performance was hurt by poor sector returns across the telecommunications, information technology and consumer discretionary sectors. Within telecommunication and information technology, the portfolio was overweight compared to the benchmark, which had positive effects, but poor stock selection within the sectors resulted in a negative contributions overall. For the telecommunications sector, an overweight to wireless provider Sprint Nextel was the portfolio's worst overall contributor, while information technology was a slight overweight to specialty glass and ceramics producer Corning that was detrimental to the portfolio's performance. Lastly, an underweight and poor stock selection both contributed to the poor returns produced by the consumer discretionary sector. While names such as apparel company Gap and personal navigation device manufacturer Garmin were positive contributors, the other selections combined to produce negative results for the sector.

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.

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.