

Returning to the market with back-to-basics thinking

Strategies designed to help position you for the next market cycle

Many investors have reacted to the latest bear market by getting out altogether, converting their assets into cash. While market volatility can be unsettling, the only way to benefit from an impending recovery is to be invested in the first place.



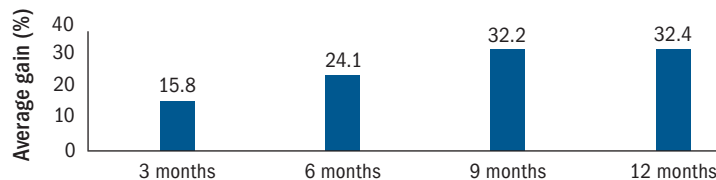
Why sitting idle may cost you

Buying low and selling high will always be the ideal formula for investment success. However, investors who stick to the sidelines for too long waiting for the next market low may miss out on its most significant gains.

As the accompanying illustrations show, stocks historically have posted strong results within the first three months following past recessionary periods. If you're not invested, you could miss out on potential market gains. And missing just a few of the best days in the last 30 years in the stock market can have a big effect on results. While past performance is no guarantee of future results and no one can predict the magnitude of any impending recovery, history shows that being invested before the market turns can yield sizable long-term benefits.

Time can make a difference. Getting back into the market early could help jump-start your long-term financial goals.

Performance after recession lows: Average S&P 500 Index performance following the past 10 recessionary periods (since 1948)



Past performance is no guarantee of future results.

Source: Ned Davis Research, Inc. for periods 1948-2001. This chart is for illustration purposes only and is not intended to represent the performance of any specific investment. Index returns assume the reinvestment of all distributions unless otherwise indicated. Low dates used for the S&P 500 Index during recessions were defined by the National Bureau of Economic Research (NBER). 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 managed and do not incur fees or expenses. It is not possible to invest directly in an index.

Staying invested could help avoid missed opportunities

S&P 500 Index (1978-2008)	Average annual total return
Buy and hold strategy	7.73%
Missing 5 best days	6.20%
Missing 10 best days	5.23%
Missing 20 best days	3.58%
Missing 25 best days	2.87%

Total market days between 01/02/79 and 12/31/08 is 7,572 days.

Source: Ned Davis Research, Inc. as of 12/31/08. **Past performance is no guarantee of future results.** Chart is for illustrative purposes only and is not intended to represent the performance of any specific investment. Index returns assume the reinvestment of all distributions unless otherwise indicated.

NOT FDIC INSURED	May Lose Value
NOT BANK ISSUED	No Bank Guarantee

Strategy 1: Ease back into the market with a long-term focus; consider these three ways to invest

Are you ready to return to the market but aren't sure which approach to take? Here are three ways you can ease back into the market. Keep in mind that no two investors are alike. Always discuss your own goals, time horizon and risk tolerance with your financial advisor before making any investment decisions.

1. Dollar cost averaging

Dollar cost averaging can be a prudent and cost-effective way to take advantage of a market rebound. At the opposite end of the spectrum from lump sum investing (see below), this method involves investing a set amount of money at regular intervals, typically over a long-term period. The benefit of spreading out your payments is you'll end up buying more shares when the market price is low and fewer shares

when the market price is high. In the long run, you could accumulate more shares at a lower cost per share.

Dollar cost averaging does not assure a profit and does not protect against loss in declining markets. Investors should consider their financial ability to continue their purchases through periods of fluctuating price levels.

Dollar cost averaging during a bear market may allow you to:

- Take the guesswork and stress out of deciding when is the right time to invest
- Accumulate more shares at a lower average cost, which gives you more growth potential as the market recovers

Convenience and ease of dollar cost averaging with Columbia Management

Investors can easily dollar cost average using the Systematic Investment Plan from Columbia Management. This plan provides for the automatic transfer of \$50 or more from your bank account to the designated investment account(s) of your choice on a monthly, quarterly or semiannual basis. For more information on this plan, contact your financial advisor.

2. Lump sum investing

This method allows you to make a single lump sum payment, rather than dividing your total investment over time in smaller, periodic installments as is the case with dollar cost averaging. You can take advantage of lump sum investing upon receipt of a large sum of money — such as a bonus, tax refund, distribution from a company retirement plan, gift or inheritance. This can be a great way to get into the market or add to current holdings.

3. Investment dips

Strategic buying on price dips is a different investing technique often used when a volatile market shows signs of potential improvement — such as a narrowing of credit spreads, more stable housing market or better financial reports. The concept of buying on dips is related directly to market fluctuations. When purchasing shares right after a dip, investors essentially are looking to buy shares at a discounted price. Like all trading strategies, buying on dips is not always a sure thing. However, this is another way to purchase potentially inexpensive shares following a market decline.

Strategy 2: Consider asset classes that historically tend to perform well during a market recovery

Small-cap strategy

Small-cap stocks have the potential to rally first after a down market

Small-cap companies often have been the first to benefit from returning growth and historically tend to be the first to rally after a market downturn. As such, the factors that may spur a market reversal also could have favorable implications for the relative strength of small-cap stocks. Conditions that may favor small caps include:

- More stable housing market
- Better performing financials
- Narrowing of credit spreads
- Low interest rates
- Strengthening dollar
- Steepening of the yield curve

Other factors that would support the case for small caps:

- Historically, the first economy to decline is typically the first to rally. The U.S. economy, which was the first world market to decline, has been one of the first to stimulate its economy. This could bode well for domestic small-cap companies that have access to capital.
- Small-cap companies are generally more straightforward with fewer business models relative to large-cap companies. Therefore, the factors that affect small-cap companies' success or failure may be clearer. And, in today's market, transparency is essential.

Share prices of small-capitalization companies tend to be more volatile because small companies often have narrower markets, limited financial resources and stocks that are not as actively traded as large-company stocks. Investing in growth stocks incurs the possibility of losses because their prices are sensitive to changes in current or expected earnings.

What are small-cap stocks?

- Generally, equities of newer, less established companies
- Often are more volatile than large- or mid-cap stocks
- Often include fast-growing companies focused on capital appreciation
- Typically have a market capitalization of less than \$2 billion

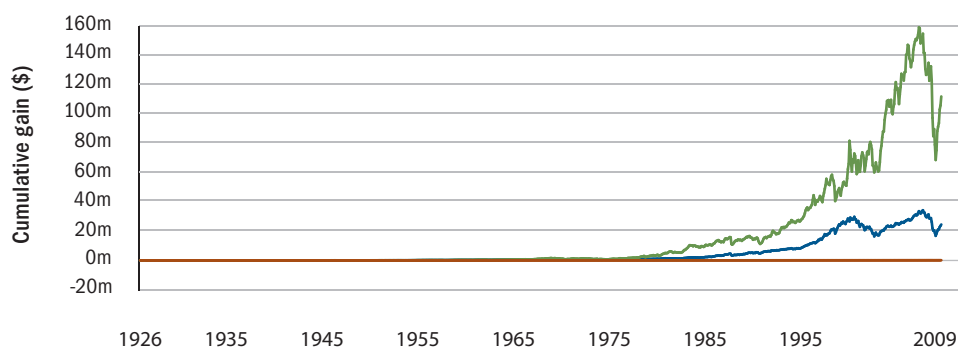
Cyclicality of small-cap outperformance relative to large caps

- Historically, the average small-cap outperformance cycle has lasted about **six years** with an annualized rate of return of **25.9%**.
- During these cycles, the average annualized rate of excess return for small caps relative to large caps has been **14.9%**.

Sources: Ned Davis Research, Inc. and Columbia Management as of 09/30/09. **Past performance is no guarantee of future results.** Based on data provided by Ned Davis Research, the small-cap average annualized rate of excess return was calculated by Columbia Management by taking the difference between the small- and large-cap average annualized rates of return. The Russell 2000 Total Return Index has been used to represent small caps since its inception in 1979. The Ibbotson Small Company Total Return Index was used prior. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

Periods of small-cap outperformance include: 01/31/33-03/31/37, 03/31/39-05/31/46, 12/31/57-12/31/68, 06/30/73-07/31/83, 10/31/90-02/28/94 and 03/31/99-09/30/09.

The historical long-term strength of equities — Growth of \$10,000 (1926–2009)



Past performance is no guarantee of future results.

Source: Morningstar Direct as of September 30, 2009. This chart is for illustration purposes only and represents a hypothetical investment in Morningstar/Ibbotson's representative portfolios for the respective indices. It is not intended to represent the performance of any specific investment. These representative portfolios are not managed and do not incur fees or expenses. It is not possible to invest directly in them. Returns assume the reinvestment of all distributions unless otherwise indicated.

For small- and large-cap stocks, and inflation, the representative portfolios are IA SBBI US Small Stock; IA SBBI S&P 500; and IA SBBI US Inflation, respectively. For small- and large-cap stocks, and inflation, the respective indices are the fifth capitalization quintile of stocks on the NYSE for 1926–1981 and the performance of the Dimensional Fund Advisors, Inc. (DFA) Small Company 9/10 Fund thereafter; the Standard & Poor's (S&P) 500 Index; and the Consumer Price Index as of 09/30/09, respectively.

Large-cap strategy

The case for large-cap dividend payers

It's important to keep in mind that small-cap stocks historically have experienced a higher level of volatility than large-capitalization stocks, especially over shorter time periods. If an investment in large-cap stocks is a better fit for your risk tolerance, time horizon and investment goals, you might consider focusing on large companies with strong balance sheets and a track record of paying dividends. As illustrated in the accompanying chart, companies that initiate or grow their dividends historically have outperformed non-dividend-payers over time.

Why dividend payers?

Dividend income historically has represented a significant portion of large caps' total returns, providing investors with upside potential.

- A company's dividend policy is often a sign of its overall fiscal health.
- While past performance is no guarantee of future results, dividend-paying stocks historically have outperformed non-dividend-payers.

What are large-cap stocks?

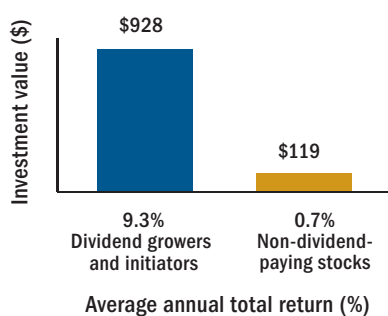
- Generally, well-established businesses that provide steady revenues, consistent earnings and oftentimes regular dividend payments
- Typically considered major drivers of the economy and often serve as core components of an investment portfolio
- Generally offer risk-averse investors a conservative way to participate in the equity market relative to small- and mid-cap stocks.

Investing involves risks, including the loss of principal invested. Dividend payments are not guaranteed. The amount of a dividend payment, if any, can vary over time.

Adding dividend growers to your portfolio may help buffer market volatility

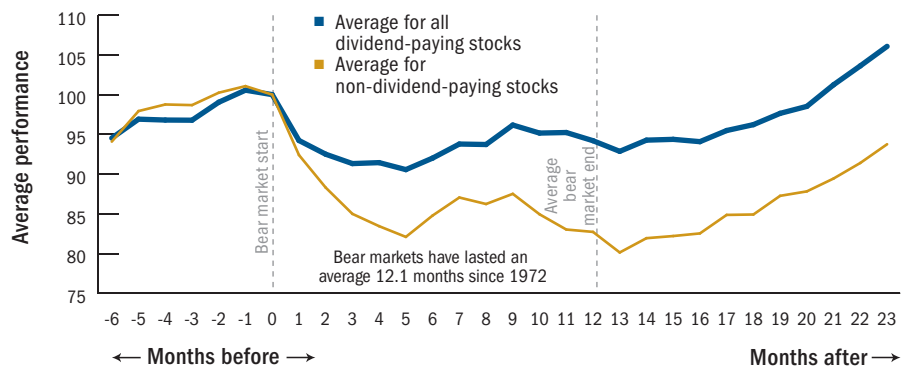
Returns of S&P 500 stocks by dividend policy (06/30/84 to 09/30/09)

\$100 investment in S&P 500 Index



Source: Ned Davis Research, Inc. as of 09/30/09. Hypothetical investment in the S&P 500 Index; returns are based on monthly total returns of S&P 500 component stocks with components reconstituted monthly.

Average performance of S&P 500 stocks by dividend policy during bear markets



Source: Ned Davis Research, Inc. (NDR) as of 09/30/09. This illustration charts the price line built from average monthly returns for bear markets between 1972 and 09/30/09. Average performance is based on average monthly returns over each case. These are calculated by aligning the All-Pay and Non-Pay index data around a common start date, which is an arbitrary date that represents the average bear market start date. Essentially, the index data for each bear market start date is shifted to this common start date and the monthly returns are averaged across all of this shifted data. Price lines are calculated from the average monthly returns and are indexed to 100 at the common start date for comparison. NDR defines a bear market as requiring a 30% drop in the Dow Jones Industrial Average after 50 calendar days or a 13% decline after 145 calendar days.

Past performance is no guarantee of future results.

These charts are for illustration purposes only. They are not intended to represent the performance of any specific investment. Index returns assume the reinvestment of distributions unless otherwise noted. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

Putting investment strategies into action with help from your financial advisor

In volatile times such as these, it's important to communicate regularly with your financial advisor. As a trusted partner, your advisor can provide critical expertise, strategies for risk mitigation and personal service while helping to position your portfolio for the next market cycle.

Potential benefits of working with a financial advisor:

- Objective due diligence and research regarding your investments
- A personalized and well-diversified investment plan
- Guidance regarding the rebalancing of your portfolio
- Access to high-quality investments and leading asset management firms like Columbia Management

A sampling of Columbia Management small- and large-cap fund options

	Class A	Class C	Class Z
Columbia Small Cap Growth I	CGOAX	CGOCX	CMSCX
Columbia Acorn Fund	LACAX	LIACX	ACRNX
Columbia Small Cap Value I	CSMIX	CSSCX	CSCZX
Columbia Dividend Income	LBSAX	LBSCX	GSFTX
Columbia Large Cap Core	NSGAX	NSGCX	NSEPX
Columbia Select Large Cap Growth	ELGAX	ELGCX	UMLGX

Not all products are approved in all firms.

Class Z shares, sold only at NAV, have limited eligibility and the investment minimum requirement may vary. Only eligible investors may purchase Class Z shares of the fund, directly or by exchange.



For more information about the investment solutions available at Columbia Management, visit www.columbiamanagement.com. Or your financial advisor can contact a Columbia Management representative at **800.426.3750**.

Investment Risks:

Investing involves risks, including the loss of principal invested. You should consider your own goals, time horizon and tolerance for risk before making an investment decision. Risks include stock market fluctuations due to business and economic developments. Investments in small- and mid-cap companies may be subject to greater volatility and price fluctuations because they may be thinly traded and less liquid. International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards, and other risks associated with future political and economic developments. Value stocks may also be subject to specific business risks that have caused stocks to be out of favor. Lower-rated and medium-quality debt securities are more speculative and incur more risk. Columbia Select Large Cap Growth Fund and Columbia Acorn Select have relatively concentrated portfolios and may be subject to greater risk than funds that are more fully diversified. Columbia Select Large Cap Growth may invest in foreign securities.

Reduced

\$2,500 investment minimum

The following funds are available with a lower minimum investment.

- Acorn Fund
- Acorn Select
- Acorn USA

To learn more about all the investment solutions available to you, financial advisors can contact a Columbia Management representative at **800.426.3750** or you can visit us at www.columbiamanagement.com.

The initial minimum investment for any new accounts in Columbia Acorn Fund, Columbia Acorn Select and Columbia Acorn USA has been reduced to \$2,500.

Index definitions:

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

The **Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

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.

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