

Products Covered:

- Columbia Strategic Income Fund

We believe the fund is positioned to benefit from economic stabilization and recovery.

Investment Risks

Risks include prepayments, foreign, political and economic developments, and bond market fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop and vice versa. Lower-quality debt securities involve greater risk of default or price volatility from changes in credit quality of individual issuers. 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

The fourth quarter showed continued signs of global economic stabilization and risk assets remained attractive with cash rates close to zero. As a result, the credit-sensitive sectors of the fixed-income market, such as high-yield and emerging-market debt, performed well, as investor appetite for risk continued to rise. Credit spreads tightened in the quarter, as yields on U.S. Treasury securities moved higher. Yields on developed-market foreign government bonds generally moved higher and the U.S. dollar was mixed in the fourth quarter. Oil prices pushed higher, as investors started to believe that the worst of the decline in global demand may have passed.

Contributors

The high-yield bond sector was the best-performing sector of the fund in the fourth quarter. Spreads on high-yield debt narrowed by 122 basis points (bp), ending the quarter at 657 bp. Positive flows into the high-yield market, combined with steady risk appetite, allowed new issuance to be easily absorbed by the market. Holdings in investment-grade corporate bonds, an allocation newly added to the fund in the first quarter of 2009, also contributed positively to total return in the fourth quarter.

The fund's emerging market holdings in the foreign government bond sector was the next best-performing sector of the fund, contributing positively to total return. Spreads on emerging-market debt narrowed by 50 bp, ending the quarter at 288 bp, as commodity prices continued to rise and investors' risk appetite remained strong.

Detractors

The fund's developed-market nondollar holdings in the foreign government bond sector detracted from total return, as yields on foreign government bonds, such as European bonds, rose and key major currencies, such as the euro and the Japanese yen, declined.

The U.S. government bond sector of the fund also detracted from total return, as yields on U.S. Treasury securities rose. The rise in yields was in response to the discussion of exit strategies, the implication of higher rates and continued improvements in the underlying economic environment.

The fund's relative underperformance in the fourth quarter stems primarily from a combination of four factors. First, within the high-yield and emerging-market sectors of the fund, the underweight to the lowest quality (CCC) assets was a drag on total return, as the lowest quality assets continued to strongly outperform. Second, the fund is underweight, relative to peers, in asset-backed and commercial mortgage-backed securities and overweight in U.S. Treasury securities. Third, the fund has more developed-market currency exposure and less emerging-market currency exposure than many peers. Finally, and most importantly, Columbia Strategic Income Fund remains diversified across the three main sectors of fixed income — U.S. government, foreign governments and high-yield corporate bonds.

Outlook

The fund outperformed many of its multi-sector bond fund peers in 2008 by adhering to the strategy of maintaining diversification across the three sectors of the bond market (U.S. government, foreign governments and high-yield corporate bonds) and by positioning the fund's sector allocation in a way that tilted the interest rate and credit risk balance more toward interest rate risk (U.S. government and developed-

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

market government securities). The fund's allocation to U.S. Treasury securities was greater than most peers during a time when credit spreads, even high-quality credit, widened to historical highs amid the worst financial crisis since the Great Depression. We began to shift the allocation of assets toward the credit-sensitive sectors (high-yield corporate and emerging-market government securities) of the market in the first quarter of 2009 and continued to add to these sectors throughout the second half of the year.

At the end of 2008, the balance of risk in the fund was clearly biased toward the interest-rate-sensitive sectors (U.S. government and developed market foreign governments), while the credit-sensitive sectors (high-yield and emerging-market debt) represented just 38.6% of the fund. Through the next twelve months, the fund's allocation to the credit-sensitive sectors (including investment-grade corporate bonds) increased by nearly 19 percentage points, ending 2009 at 57.4% of the fund. The balance of risk in the fund is now tilted toward the credit-sensitive sectors.

We continue to be cautiously optimistic and plan to continue to take advantage of opportunities to add exposure to high-yield bonds and risk assets, in general. Our optimism stems from the following:

- The severity of the economic downturn is now widely recognized
- Risk-asset (high-yield and emerging-market securities) valuations remain attractive, despite aggressive spread tightening in the second half of 2009
- We believe that the unprecedented aggressiveness of both fiscal and monetary policy, in response to the crises in the United States and abroad, will spark sustainable economic growth at some point

Our caution stems from the pace and magnitude of spread tightening year-to-date, the continued lack of willingness of banks to lend, the increased role of government and the rise in protectionism. Recent economic data suggests that stabilization is near. The negative momentum in growth has decelerated, but the impact and severity of the economic downturn is likely to be evident for some months to come. The technical forces behind the significant rally in risk assets pushed valuations beyond levels justified by economic fundamentals and have increased the risk of a pullback. We look to take advantage of any setback in high-yield and emerging markets by adding exposure. Emerging markets remain hostage to developments in the larger, more developed countries. It is not wise to assume that any one emerging economy or region can pull the entire world out of recession.

We believe that a trend change for a stronger U.S. dollar will take hold only when investors perceive a bottoming in U.S. growth and when an end to overly accommodative monetary policy is at hand. The U.S. economy will likely lead the global economy to recovery. However, until then, we do not expect U.S. yields or the U.S. dollar to rise too much from current levels.

We believe the fund is positioned to benefit from economic stabilization and recovery.

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.

Determination of contributors and detractors are based on performance relative to the fund's benchmarks.

Effective June 19, 2009, the fund added a secondary benchmark, which is a custom composite consisting of 35% Barclays Capital U.S. Aggregate Bond Index, 35% JPMorgan Global High Yield Index, 15% Citigroup Non-U.S. World Government Bond Index-Unhedged and 15% JPMorgan Emerging Markets Bond Index Global Diversified. The fund's primary benchmark remains the Barclays Capital U.S. Government/Credit Bond Index.

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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