

Products Covered:

- Columbia Small Cap Growth Fund II

We remain positive on the market, given the persistency of small-cap returns, and believe the positive momentum and return environment experienced in 2009 could continue in 2010.

Investment Risks

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.

Quarterly Market Recap

Both the year and the decade closed out on a high note, as domestic equity markets ended the year with a third consecutive positive quarter. While the markets paused during October, prices resumed their climb in November and December. U.S. equity markets posted their biggest annual gain since 2003 and commodities rallied worldwide. This occurred while the Federal Reserve and other central banks kept interest rates at extremely low levels and governments around the world enacted massive stimulus programs in an attempt to jump-start the global economy out of a deep recession. At quarter end, the S&P 500 Index had risen 65% off its March 9 low, and numerous data points from housing, manufacturing and credit market spreads suggested that the global economy was stabilizing and was poised to resume growth.

From a market capitalization perspective, large-cap equities outperformed small-cap equities during both the quarter and the calendar year, using the Russell 1000 Index and Russell 2000 Index as respective proxies. In terms of investment style, using the representative Russell 3000 growth and value indices, growth equities outperformed value equities in the quarter by 348 basis points and an astounding 1,725 basis points for the year, driven by technology companies, which are more heavily represented in the growth index. Within the benchmark Russell 2000 Growth Index, all 10 Global Industry Classification Standard (GICS) economic sectors posted positive absolute returns, led by the consumer staples, energy and materials sectors, while the health care, financials and utilities sectors lagged the benchmark on a relative basis.

Columbia Small Cap Growth Fund II Strategy¹

Columbia Small Cap Growth Fund II underperformed the benchmark Russell 2000 Growth Index during the fourth quarter of 2009. Relative performance was helped by stock selection within the industrials, technology and financials sectors, while stock selection within the health care, energy and consumer discretionary sectors detracted from quarterly performance.

Within the industrials sector, a holding in II-VI, a manufacturer of precision infrared lens and specialty optics for industrial, military and medical clients, helped performance. The company announced a strategic acquisition of a Chinese competitor during the quarter, which is expected to give the company a foothold to better penetrate the Chinese market. The company is also a beneficiary of increased industrial activity, which is taking hold as evidenced by the monthly economic releases on industrial production and manufacturing. A holding in executive recruiter Korn/Ferry also contributed to performance, as the company reported a good quarter and raised expectations. Korn/Ferry will likely benefit from the consolidation that has taken place in the executive recruiting industry, coupled with a more stringent regulatory environment leading companies to reassess the requirements of their corporate board members. Within the technology sector, the portfolio benefited from two holdings acquired during the quarter. Switch & Data, a provider of data center solutions, and networking company 3Com were both acquired at a premium and contributed to relative performance. Within financials, a holding in asset manager

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	
Knology	1.67
Polycom	1.66
TeleTech Holdings	1.45
Human Genome Sciences	1.40
American Medical Systems	1.26
Dionex	1.17
II-VI	1.16
Brightpoint	1.16
Portfolio Recovery Associates	1.16
Iconix Brand Group	1.15

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.

Waddell & Reed Financial contributed to performance, as the company benefited from stabilizing equity markets and experienced above-average growth in fund flows during the fourth quarter. Also within financials, a holding in apartment REIT Home Properties performed well, given the company's defensive characteristics and exposure to better-performing real estate and employment markets, such as Washington, D.C., and New York City.

Detracting from performance were portfolio holdings in the health care sector, such as Psychiatric Solutions, a manager of behavioral health care facilities, which reported disappointing earnings and has been subjected to negative headline risk regarding alleged patient mistreatment. Biotech company Seattle Genetics announced during the quarter that a strategic partner had terminated its global collaboration agreement for the company's drug to treat non-Hodgkin's lymphoma, which is currently in phase one trials. Portfolio holdings in energy acted as a drag on performance, as the portfolio was positioned more in names tied to natural gas, where prices had downward pressure, rather than oil, which was experiencing an uptick in demand. One holding, Encore Acquisition, was acquired during the quarter, which helped performance within the sector but not enough to overcome the portfolio's positioning bias toward natural gas. A holding in upscale jean designer True Religion hurt performance within the consumer discretionary sector, as the company missed earnings expectations and saw inventories rise because competition from other fashion trends began to gain traction. A holding in Lodgenet Interactive, a provider of interactive television systems and broadband solutions to hotels, resorts and casinos, reported modest earnings despite a rebound in travel activity and detracted from relative performance.

Outlook

We remain positive on the market, given the persistency of small-cap returns, and believe the positive momentum and return environment experienced in 2009 could continue in 2010. There are encouraging signs due to the easing of credit markets, which has allowed greater access to capital for large- and small-cap companies and has seen an uptick in merger and acquisition activity, as larger companies seek strategic alliances with high-quality small-cap companies. The market may continue to differentiate between companies with strong balance sheets and improving margins, and we feel the low-quality, liquidity-driven rally experienced early in 2009 has largely played itself out. We believe that this type of a market environment could benefit our investment process, which is biased toward higher-quality 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 **Standard & Poor's (S&P) 500 Index** is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks.

The **Russell 1000 Index** is an unmanaged index that tracks the performance of 1,000 of the largest U.S. companies based on market capitalization.

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

The **Russell 3000 Growth Index** is an unmanaged index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices.

The **Russell 3000 Value Index** measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value or the Russell 2000 Value indices.

The **Russell 2000 Growth Index** is an unmanaged index that measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values.

¹Determinations of contributors and detractors are based on performance relative to the fund's benchmark.

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.

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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