Columbia Dividend Income Fund

Fund performance

- Institutional Class shares of Columbia Dividend Income Fund returned 4.20% for the quarter ending June 30, 2023. The benchmark, the Russell 1000 Index, returned 8.58% for the same period.
- Positioning with respect to information technology weighed most heavily on the fund’s performance relative to the benchmark.
- For monthly fund performance, please check online at columbiathreadneedleus.com.

Market overview

Sentiment remained largely positive throughout the quarter, as the U.S. Federal Reserve slowed its pace of rate hikes in response to cooling inflation. Investors were further encouraged by the fact that economic growth and corporate earnings, while slowing, did not decline to the extent that the markets had anticipated in late 2022. These factors combined to fuel an impressive gain for equities, but the majority of the positive return was generated by a small group of mega-cap technology-related stocks. Much of the relative strength in this area came from companies expected to benefit from the evolution of artificial intelligence (AI). The growth style strongly outpaced value as a result, with the Russell 1000 Growth Index returning 12.81% and the Russell 1000 Value Index returning 4.07%. Market leadership began to broaden late in the quarter with stronger relative performance for value stocks in June.

In general, dividend paying stocks were out of favor during the quarter, which was reflected in the performance of the fund relative to the benchmark. Most of the best performing mega-cap stocks pay little or no dividend and thus are not candidates for the strategy. Despite the underperformance in the quarter, the strategy has continued to produce positive absolute performance longer term.

Average annual total returns (%) for period ending June 30, 2023

<table>
<thead>
<tr>
<th>Columbia Dividend Income Fund</th>
<th>3-mon.</th>
<th>1-year</th>
<th>3-year</th>
<th>5-year</th>
<th>10-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Class</td>
<td>4.20</td>
<td>12.08</td>
<td>13.78</td>
<td>10.81</td>
<td>11.08</td>
</tr>
<tr>
<td>Class A without sales charge</td>
<td>4.10</td>
<td>11.77</td>
<td>13.48</td>
<td>10.53</td>
<td>10.80</td>
</tr>
<tr>
<td>Class A with 5.75% maximum sales charge</td>
<td>-1.88</td>
<td>5.32</td>
<td>11.25</td>
<td>9.23</td>
<td>10.15</td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>8.58</td>
<td>19.36</td>
<td>14.09</td>
<td>11.92</td>
<td>12.64</td>
</tr>
</tbody>
</table>

Expense ratio

<table>
<thead>
<tr>
<th>Share class</th>
<th>No waiver (gross)</th>
<th>With waiver (net)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional</td>
<td>0.66%</td>
<td>0.66%</td>
</tr>
<tr>
<td>A</td>
<td>0.91%</td>
<td>0.91%</td>
</tr>
</tbody>
</table>

Performance data shown represents past performance and is not a guarantee of future results. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data shown. Please visit columbiathreadneedleus.com for performance data current to the most recent month end. Institutional Class shares are sold at net asset value and have limited eligibility. Columbia Management Investment Distributors, Inc. offers multiple share classes, not all necessarily available through all firms, and the share class ratings may vary. Contact us for details.
Quarterly portfolio recap

Positioning with respect to information technology weighed most heavily on performance relative to the benchmark, followed by positioning within consumer discretionary. Within information technology, a lack of exposure to chip designer NVIDIA and consumer electronics company Apple were the largest detractors. Both pay a very modest dividend and do not fall within the profile of our strategy. While we have a substantial position in Microsoft, we are underweight the stock, given its heavy representation in the benchmark, and that was also a constraint on performance. Similarly, within consumer discretionary, a lack of exposure to non-dividend-payers online retailer Amazon and electric vehicle manufacturer Tesla detracted.

Within industrials, overweights to package delivery company UPS, aerospace and defense contractors Northrop Grumman and Lockheed Martin, and railroad operator Union Pacific were the biggest detractors. UPS has experienced headwinds from slowing package volumes, as consumers have shifted spending from goods to services. In addition, with UPS engaged in union negotiations, some customers have shifted their business to FedEx as a precaution. Northrop and Lockheed are two names that performed very well in 2022 but were laggards during the quarter. While we remain in an environment of heightened geopolitical tensions and rising defense budgets, investors preferred more secular growth stocks during the quarter.

Within health care, AbbVie was a significant detractor, as investors remain uncertain as to which drugs in the company’s portfolio or pipeline will be able to offset the impact of Humira coming off patent. More broadly, the stock was impacted as investors shifted out of health care and into more growth-oriented technology stocks. We believe AbbVie remains well positioned with other products such as its blockbuster psoriasis and arthritis treatment Skyrizi, along with the businesses it gained through its 2020 acquisition of Allergan.

Within communication services, a lack of exposure to non-dividend-payers Meta Platforms (formerly Facebook) and Alphabet (formerly Google) led detractors. Meta’s stock has risen sharply as management shifted from a capital-intensive phase driven by virtual reality
product development to a cost-cutting mode more appropriate to an environment of significantly reduced advertising spending.

Finally, an overweight to Valero Energy was among the leading detractors, as petroleum refiner margins have suffered from slowing energy demand — in particular from the trucking industry as the volume of goods being shipped has dropped. We view the stock’s pullback as transitory and have maintained the position.

Positive contributions were led by a trio of semiconductor stocks: Broadcom, KLA and Lam Research. Broadcom has a widely diversified chip portfolio and has successfully extended its business into the software space. KLA and Lam are semiconductor equipment companies addressing, respectively, the back-end testing and measurement and front-end chip etching parts of the production process. Both appear well positioned to benefit from developments in technology and growth in the production of semiconductors for years to come.

Within financials, JPMorgan Chase was a noteworthy contributor against the backdrop of considerable turmoil in the banking area. JPMorgan has continued to demonstrate the strength of its diversified business model over the course of the economic cycle. The company’s focus on risk management and investments in technology differentiate it within the banking group.

Outlook

While the extreme concentration of performance leadership witnessed over the last two quarters has not been supportive of our investment approach, we believe the fund’s longer term relative performance story remains intact. The investment backdrop remains one of heightened macroeconomic and geopolitical uncertainty, reinforcing the critical role of portfolio diversification. Our approach to portfolio construction emphasizes a diversified approach, including representation across all eleven economic sectors of the benchmark, which we believe can help mitigate volatility for our investors.

We will continue to implement an investment process that focuses on identifying companies with sustainable free cash flow, defensible profit margins, capital discipline and strong balance sheets. The process is designed to identify companies with the potential to increase dividends throughout the economic cycle and through up and down markets. With the rise in interest rates seen since the first quarter of 2022 and accompanying higher cost of capital, the importance of balance sheet strength has become heightened in our view. We believe the fund’s consistent focus on these quality factors is well-suited for periods of market stress and should benefit relative performance over full market cycles.
Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. For a free prospectus or a summary prospectus, which contains this and other important information about the funds, visit columbiathreadneedleus.com. Read the prospectus carefully before investing.

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Effective November 1, 2021, existing fund shareholders may continue to purchase fund shares within their existing fund accounts, but new accounts will be prohibited, subject to certain exceptions approved by the distributor.

Additional performance information: All results shown assume reinvestment of distributions and do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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The Russell 1000 Index, an unmanaged index, measures performance of 1000 largest companies within the Russell 3000 Index.

The Russell 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

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.

Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.