Columbia Short Term Bond Fund

Fund performance

- Columbia Short Term Bond Fund’s Institutional Class shares returned 0.22% for the three months ending June 30, 2023, outperforming the Bloomberg 1–3 Year U.S. Government/Credit Index (the index), which returned -0.37% for the period. For monthly performance information, please check online at columbiathreadneedleus.com.

- Short-duration, fixed-income sectors recorded mostly negative total returns during the second quarter, as interest rates rose across the U.S. Treasury yield curve. However, most credit-related sectors posted positive excess returns relative to U.S. Treasuries, as credit spreads broadly tightened. The fund’s asset-backed security (ABS), commercial mortgage-backed security (CMBS), high-yield corporate and investment-grade corporate holdings had the largest positive effect on relative performance. The government and non-agency collateralized mortgage obligation (CMO) sectors each performed similarly to Treasuries.

- The fund was slightly long duration relative to the benchmark, with a barbell duration exposure relative to the index. The fund was overweight to the very front end of the yield curve, as well as to longer maturities, while underweight in the belly. The net effect from duration and yield-curve positioning was additive to relative performance. The Federal Reserve continued to raise interest rates during the quarter, which resulted in higher yields across the curve. The two-year Treasury yield rose 87 basis points (bps) to 4.90%, while five-year yields increased 58 bps to 4.16%. (A basis point is 1/100 of a percent.)

Market overview

The U.S. fixed-income markets delivered mixed returns in the second quarter, with more credit-sensitive sectors leading performance. The news on inflation was encouraging, with consumer price inflation falling to 4% year over year in May 2023 after having peaked at over 9% in June 2022. This suggested that the Fed may be nearing the end of its interest rate hiking cycle.

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

<table>
<thead>
<tr>
<th>Share class</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>0.22</td>
<td>2.25</td>
<td>0.45</td>
<td>1.51</td>
<td>1.20</td>
</tr>
<tr>
<td>Class A without sales charge</td>
<td>0.26</td>
<td>2.11</td>
<td>0.24</td>
<td>1.26</td>
<td>0.96</td>
</tr>
<tr>
<td>Class A with 1.00% maximum sales charge</td>
<td>-0.78</td>
<td>1.04</td>
<td>-0.10</td>
<td>1.05</td>
<td>0.86</td>
</tr>
<tr>
<td>Bloomberg 1–3 Year U.S. Government/Credit Index</td>
<td>-0.37</td>
<td>0.52</td>
<td>-0.88</td>
<td>1.13</td>
<td>0.99</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.
rate hiking cycle. Indeed, at its June meeting, the Fed elected not to raise the target for its benchmark overnight lending rate for the first time since January 2022. However, given surprisingly resilient growth data and continued strength in employment, the central bank signaled the likelihood of two more increases in the federal funds target rate before the end of 2023 as it continues to seek to drive inflation closer to the Fed’s 2% target. As a result, the U.S. Treasury yield curve moved higher along its length and became more inverted (meaning that yields were higher for shorter maturities than for longer maturities).

As gauged by the Bloomberg U.S. Aggregate Bond Index, the broad U.S. investment-grade taxable bond market returned -0.84% for the quarter. Corporate bonds, as measured by the Bloomberg U.S. Corporate Bond Index led performance with a roughly flat return of -0.29% based on their incremental yield and relatively strong credit sentiment. U.S. Treasuries were the weakest performers within the investment-grade universe. With prices pressured by rising yields over the quarter, U.S. Treasuries returned -1.38%, as gauged by the Bloomberg Treasury Index. Securitized assets, per the Bloomberg U.S. Securitized Index, posted a modest decline, with residential mortgage-backed securities serving as the biggest laggards within the category. Performance for high-yield corporate bonds was positive and notably outstripped that of their investment-grade counterparts, with the Bloomberg U.S. Corporate High Yield Index returning 1.75%. Similarly, the Credit Suisse Leveraged Loan Index reported that credit-sensitive floating rate bank loans finished with solid gains in aggregate despite a modest increase in defaults. The tax-free bond market returned -0.10% for the quarter, as reflected in the performance of the Bloomberg Municipal Bond Index.

Credit Quality (%) as of June 30, 2023

<table>
<thead>
<tr>
<th>Credit Quality</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>1.0</td>
</tr>
<tr>
<td>Agency</td>
<td>1.1</td>
</tr>
<tr>
<td>AAA</td>
<td>24.6</td>
</tr>
<tr>
<td>AA</td>
<td>11.9</td>
</tr>
<tr>
<td>A</td>
<td>18.6</td>
</tr>
<tr>
<td>BBB</td>
<td>21.0</td>
</tr>
<tr>
<td>BB</td>
<td>3.8</td>
</tr>
<tr>
<td>B</td>
<td>3.3</td>
</tr>
<tr>
<td>CCC</td>
<td>0.2</td>
</tr>
<tr>
<td>Cash and Equivalents</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Third-party rating agencies provide bond ratings ranging from AAA (highest) to D (lowest). When three ratings are available from Moody’s, S&P and Fitch, the middle rating is used. When two are available, the lower rating is used. If only one is available, that rating is used. If a security is Not Rated but has a rating by Kroll and/or DBRS, the same methodology is applied to those bonds that would otherwise be Not Rated. Bonds with no third-party rating are designated as Not Rated. Investments are primarily based on internal proprietary research and ratings assigned by our fixed income investment analysts. Therefore, securities designated as Not Rated do not necessarily indicate low credit quality, and for such securities the investment adviser evaluates the credit quality. Holdings of the portfolio other than bonds are categorized under Other. Credit ratings are subjective opinions of the credit rating agency and not statements of fact and may become stale or subject to change.

Due to rounding, percentages may not add up to 100.

Top ten sector weights (%) as of June 30, 2023

- MBS Non-Agency: 28.2%
- Investment Grade Credit: 25.9%
- ABS: 22.0%
- CMBS: 13.7%
- High Yield Credit: 7.0%
- MBS Agency: 1.1%
- US Treasury: 1.0%
- Cash and Equivalents: 0.9%
- Emerging Markets: 0.2%

Source: BlackRock
Quarterly portfolio update

- Non-agency CMOs, ABS and non-agency CMBS continued to represent the fund’s largest out-of-benchmark allocations. During the quarter, the fund added marginally to its positioning in auto and equipment ABS, while actively reducing its collateralized loan obligation exposure. The broader economic environment has seen inflationary pressures continue to ease, while unemployment remains quite low. Against this backdrop, underlying collateral performance for the fund’s high-quality structured securities remains solid, with the U.S. consumer in relatively good financial health. Therefore, we maintain a constructive outlook for non-agency CMOs, ABS and CMBS and believe their yield advantage over Treasuries offers relative value.

- The fund’s investment-grade corporate holdings also added to relative performance during the quarter, primarily due to security selection within the industrial subsector. Investment-grade corporates account for a material portion of the fund’s allocation, and we maintain a favorable outlook for the sector. Investment-grade corporate fundamentals remain strong, and our outlook for 2023 is mostly unchanged from last quarter. Within the short-duration corporates market, the finance, brokerage, real estate investment trust and insurance subsectors generated the largest positive excess returns. These sectors rebounded from their underperformance during the first quarter in the wake of Silicon Valley Bank’s failure and related financial stresses, which have since subsided. While all credit subsectors had positive excess returns during the quarter, non-corporates trailed them all, but the fund had no exposure. The other lowest performing subsectors were health care and wirelines. Regarding investment-grade corporate credit quality, lower quality credits outperformed higher quality issues.

- The fund’s high-yield corporate allocation remained relatively unchanged. High-yield corporate spreads ended the quarter tighter and produced positive excess returns. High-yield corporates outperformed investment-grade corporates in addition to the broader benchmark during the quarter.

Outlook

At the June Federal Open Market Committee meeting, the Fed decided to maintain the target range for the federal funds rate at 5.00%–5.25%. We are closely monitoring whether monetary policy is sufficiently restrictive enough to return inflation to 2% over a 24-month horizon. Given the outlook for interest rates and the economic backdrop, we are positioning the fund’s duration to be slightly longer than its benchmark. We are keeping a close eye on the evolving economic landscape, with a focus on inflation and inflation expectations, the labor market and consumer data. Upcoming earnings announcements will also be very important.

Going forward, the fund will likely maintain its U.S. Treasury underweight in favor of allocations to spread sectors. In general, we believe credit-related valuations are attractive, but we continue to work closely with our credit research analysts to proactively identify deteriorating and improving issuers. Regarding sectors, we believe structured products, in particular non-agency CMOs, ABS and non-agency CMBS, offer relative value and are attractive at current spreads. Investment-grade corporate allocations are expected to remain underweight the benchmark as we seek opportunities in securitized bonds. Investment-grade supply for the second quarter was $388.6 billion, down from the first quarter of this year but higher than the second quarter of 2022. Year-to-date supply is up about 6%. The strategy is overweight insurance, utilities and energy, while underweight non-corporates, consumer cyclicals and technology.
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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For each fund with at least a three-year history, Morningstar calculates a Morningstar RatingTM used to rank the fund against other funds in the same category. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund’s monthly excess performance, without any adjustments for loads (front-end, deferred, or redemption fees), placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The Overall Morningstar RatingTM for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages).

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Current and future fund holdings are subject to risk.

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.

1 The fund’s expense ratio is from the most recent prospectus.

The Bloomberg 1–3 Year U.S. Government/Credit Index is an index consisting of Treasury or government agency securities and investment grade corporate debt securities with maturities of one to three years. It is unmanaged and unavailable for investment.

The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Bloomberg U.S. Corporate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market.

The Bloomberg Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

The Bloomberg U.S. Securitized Index is a composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible) and fixed-rate mortgage-backed securities.

The Bloomberg U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

The Bloomberg Municipal Bond Index is an unmanaged index considered representative of the broad market for investment-grade municipal bonds. Bonds in the index have remaining maturities of at least one year.

The Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market.

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