FIRST QUARTER 2023
INVESTMENT COMMENTARY

Columbia Strategic Municipal Income Fund

Fund performance
- Institutional Class shares of Columbia Strategic Municipal Income Fund returned 3.44% for the three months ending March 31, 2023. For monthly performance information, please check online at columbiathreadneedleus.com.
- The fund’s benchmark, the Bloomberg Municipal Bond Index, returned 2.78% for the same period.
- The fund outperformed its benchmark for the quarter, with its longer duration positioning aiding performance. (Duration is a measure of a bond’s sensitivity to changes in interest rates.)

Market overview
The municipal market had an eventful first quarter. January kicked off the year with a strong rally on high hopes for an end to the Federal Reserve’s aggressive interest-rate hiking campaign. Unfortunately, sentiment quickly unwound in February, as the market reconsidered the persistence of inflation and a still-too-strong labor market. A more hawkish Fed led to a sell-off in rates, sending the 10-Year Treasury yield nearly 15 basis points (bps) higher from where it started the year. (A basis point is 1/100 of one percent.)

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The municipal bond market, as measured by the Bloomberg Municipal Bond Index, returned 2.78% for the quarter, underperforming the 3.01% return of the Bloomberg

Average annual total returns (%) for period ending March 31, 2023

<table>
<thead>
<tr>
<th>Columbia Strategic Municipal 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 ¹</td>
<td>3.44</td>
<td>-3.84</td>
<td>-0.44</td>
<td>1.26</td>
<td>2.56</td>
</tr>
<tr>
<td>Class A w/oht sales charge</td>
<td>3.45</td>
<td>-4.07</td>
<td>-0.71</td>
<td>1.00</td>
<td>2.30</td>
</tr>
<tr>
<td>Class A w/ 3.00% maximum sales charge</td>
<td>0.32</td>
<td>-6.94</td>
<td>-1.68</td>
<td>0.40</td>
<td>1.98</td>
</tr>
<tr>
<td>Bloomberg Municipal Bond Index</td>
<td>2.78</td>
<td>0.26</td>
<td>0.35</td>
<td>2.03</td>
<td>2.38</td>
</tr>
<tr>
<td>Bloomberg Municipal High Yield Index</td>
<td>2.73</td>
<td>-4.49</td>
<td>2.72</td>
<td>3.07</td>
<td>3.57</td>
</tr>
</tbody>
</table>

Expense ratio ²

<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>0.53%</td>
<td>0.52%</td>
</tr>
<tr>
<td></td>
<td>0.78%</td>
<td>0.77%</td>
</tr>
</tbody>
</table>

¹ The investment manager and certain of its affiliates have contractually (for at least one year from the prospectus date) agreed to waive certain fees and/or to reimburse certain fund expenses.

² 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.

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Treasury Index. Longer maturity municipal bonds outperformed their shorter counterparts, as the Bloomberg 1-year, 10-year and 22+ year municipal indices returned 1.06%, 2.76% and 4.27%, respectively, in the quarter. In terms of credit quality, performance was mixed, with lower investment-grade bonds posting the strongest performance. Bonds rated AAA, A and BBB returned 2.50%, 3.01% and 3.71%, respectively, while the Bloomberg High Yield Municipal Index returned 2.73%. Additionally, lower coupon structures rallied more significantly than their higher coupon counterparts, due to their greater duration sensitivity.

Credit fundamentals continued to show strength, with municipal rainy day funds at a record high. Through the first two months of the year, S&P upgraded 95 credit ratings and downgraded 35. New issuance was 1% higher quarter-over-quarter, but 27% lower year-over-year and significantly lower than its five-year average. Municipal funds received inflows in the first quarter, a stark contrast to the massive outflows the municipal market experienced in 2022. Intermediate and long maturity funds generally saw inflows while short funds saw outflows.

Quarterly portfolio recap

Fund performance for the quarter was mainly driven by duration positioning. An overweight to longer maturity bonds (15+ years) was a positive contributor to performance, while a Treasury futures hedge detracted. Regarding sector positioning, overweights to airports, housing and charter schools added to performance, as did underweights to state and local general obligation (GO) bonds. An underweight to the leasing sector detracted from performance, as did overweights to continuing care retirement communities (CCRCs) and not-rated bonds. Security selection in state GOs,
local GOs, charter schools, special tax and tobacco bonds contributed to returns, while security selection in CCRCs detracted.

**Portfolio activity**

We continued to add exposure to higher quality and longer duration positions, as we expect those segments of the municipal market will outperform this year. With a potential recessionary environment on the horizon, we sold holdings in lower quality areas that may underperform. We decreased exposure to weaker CCRCs and sold Puerto Rico GOs, as our analysts believe there are better opportunities on the island. Two of the opportunities we capitalized on and added exposure to included Puerto Rico sales tax-backed bonds (COFINAs) and essential service revenue positions.

**Outlook**

Due to the increase in recession risk, we continue to prefer the up-in-quality trade. This exposure is not just in the AAA and AA segments of the municipal market, but also includes higher quality issues within sectors and rating categories. Credit surveillance will remain a key component, as areas of weakness in the economy, such as banking, have begun to emerge. Based on analyst recommendations, we intend to continue reducing exposure in areas that are more vulnerable to recession risk, including CCRCs and special property tax-supported projects, which would be impacted by an economic downturn affecting commercial real estate, retail and office space. We remain convicted in our long-duration positioning with our overweight to longer maturities.

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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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For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ 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 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). The Overall Morningstar Rating 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 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 Bloomberg Treasury Index includes public obligations of the US Treasury, ie US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg 1-Year Municipal Bond Index is a subset of the Bloomberg Municipal Bond Index that includes bonds with maturities between one and two years.

The Bloomberg Municipal Long Bond Index is a subset of the Bloomberg Municipal Bond Index that includes bonds with maturities of between 17 and 22 years.

The Bloomberg Municipal High Yield Index is an unmanaged index that tracks non-investment grade and non-rated municipal bonds.

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