Spring 2021

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INVESTOR NEWSLETTER

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Cover story:

When will daily life return to normal?

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FEATURED STORIES

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Columbia Threadneedle Investor Newsletter is published quarterly online and features timely articles covering economic trends, investment strategies and solutions, and service changes.

WHEN WILL DAILY LIFE RETURN TO NORMAL?

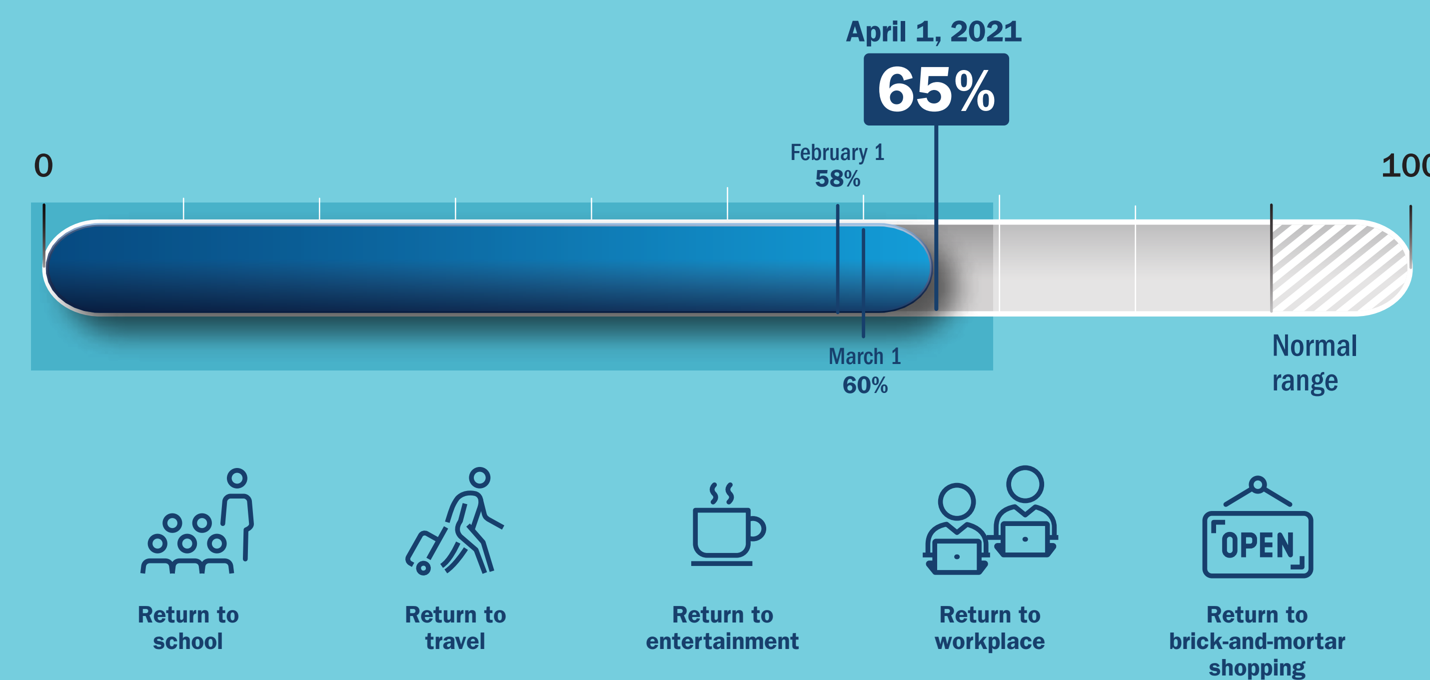
The Columbia Threadneedle Return to Normal Index measures progress toward a post-pandemic world.

As the U.S. continues its COVID-19 vaccination program, the Return to Normal Index measures human activity data relative to pre-pandemic levels. The index is constructed by our data scientists and fundamental analysts and tracks activities in the U.S. including travel, returning to work and school, brick-and-mortar shopping and eating out.

By design, the index is focused on measuring components of daily life rather than economic indicators like GDP growth. The percentage level will move closer to 100 as daily life normalizes, and our analysts will update it on a regular basis.

RETURN TO NORMAL INDEX

The Return to Normal Index tracks activity compared with pre-pandemic levels as we progress to post-COVID normal life.



As of 04/01/21. Source: Columbia Threadneedle Investments

Where we are now

Activity numbers won't all return to where they were before COVID. The index could hit "normal" at a point lower than the 100 level, due to continued changes in behavior, such as working from home and reduced business travel. The definition of the future normal is evolving, and the index's normal threshold will reflect our data science and fundamental research insights.

What we're watching

We're analyzing the time people spend engaging in a broad set of activities outside their homes. The index components have implications for economic growth, but the primary objective is to monitor how close or far we are to returning to normal life.

Our index suggests that we're still below pre-COVID activity levels. The levels of subcomponent activity vary: The return to brick-and-mortar stores is 24% below its pre-COVID levels, and a normal work routine is 26% below pre-COVID. The subcomponent with the lowest level is travel/ entertainment: 55% below pre-COVID levels.

What has driven change

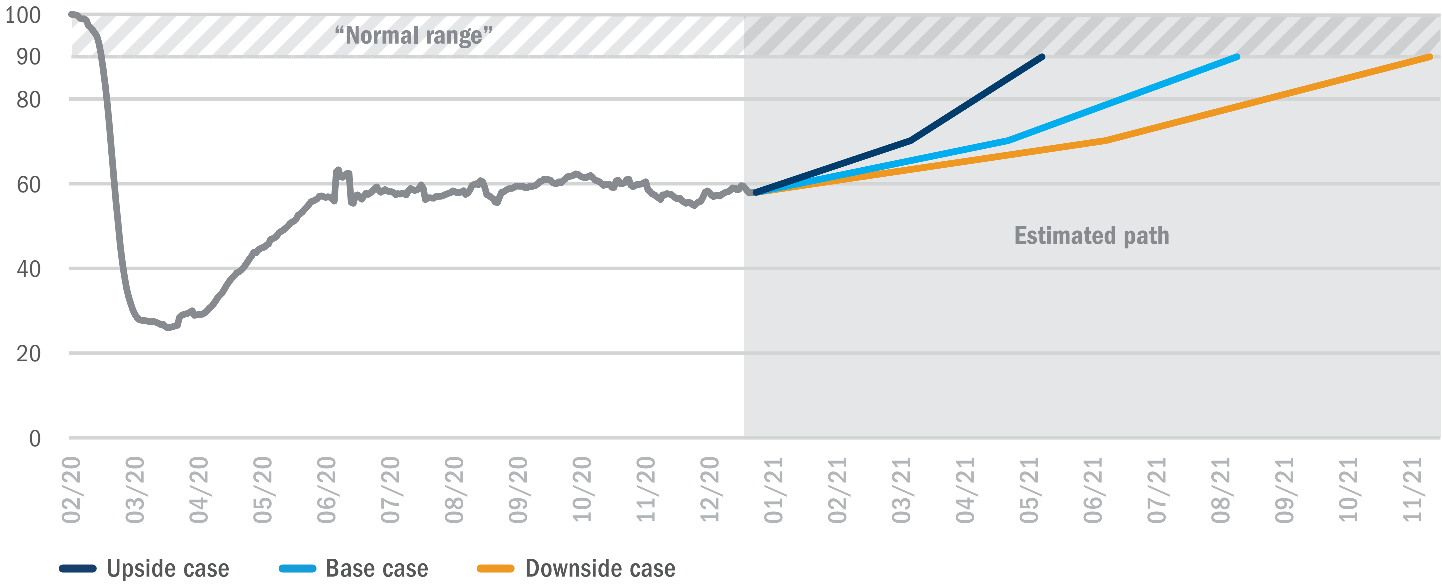
For April, the Return to Normal Index has climbed to 65%, with improvements in all of the index components that we track. Drivers of the increase include a broader pool of those receiving vaccines and loosening restrictions on many activities. The improvement makes it clear that widespread vaccination can fuel behavioral and economic recovery. By May, two more vaccines will likely be approved in the U.S., enabling supply to meet demand by the end of the second quarter. We are at an important crossroad, but we continue to watch data indicating that infection rates have plateaued or started to increase in some locations. We are also watching the data on variants that have significantly spread throughout the U.S. If we see a large spike in cases, the momentum carrying the U.S. to our normal range could slow. Among the index components (explained below), return to in-person schooling saw the greatest monthly gain as more counties moved away from remote learning and back to in-person schooling or hybrid models.

What could drive change

Faster vaccine distribution and uptake could accelerate the path to normal (i.e., the upside case). Developments that could impede a return to normal (i.e., the downside case) include the emergence of variants that are resistant to current vaccines and slower uptake of the vaccine in certain places — either because of people's unwillingness to get vaccinated or shortfalls in supply.

COLUMBIA THREADNEEDLE RETURN TO NORMAL INDEX OVER TIME

April 1, 2021: 65%



As of 04/01/21. Source: Columbia Threadneedle Investments

"This index provides a framework as we analyze companies," says Paul DiGiacomo, Head of Equity Research. "It's a roadmap for what normal activity might look like after COVID and how long it will take to get there. The information allows us to test a company's own assumptions and make adjustments in our views as needed."

For investors, the Columbia Threadneedle Return to Normal Index can act the same way: It's an additional input to consider as they research their individual asset allocation and portfolio decisions.

Bottom line

Understanding where we are on the path to normal life will be a critical question in 2021. This data input can help inform investors' asset allocation decisions and set expectations on market activity.

2021 EQUITY AND FIXED INCOME OUTLOOKS

EQUITIES: Expect cyclical rotation

MELDA MERGEN, CFA, CAIA

Deputy Global Head of Equities

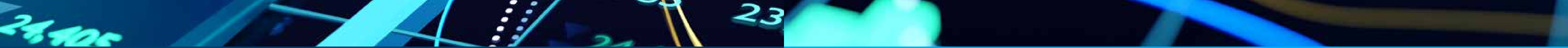
Volatility might remain elevated, but we see opportunities in a cyclical rotation and greater market breadth. Here are our key observations.

There is light at the end of the tunnel.

We watched COVID-19 shut down the economy in March 2020 and saw U.S. equities collapse. It became clear that a medical solution was essential for a recovery, and the effective vaccine news means the worst market damage is behind us. There will be bumps along the way, but we expect a sustainable economic recovery in the second half of 2021.

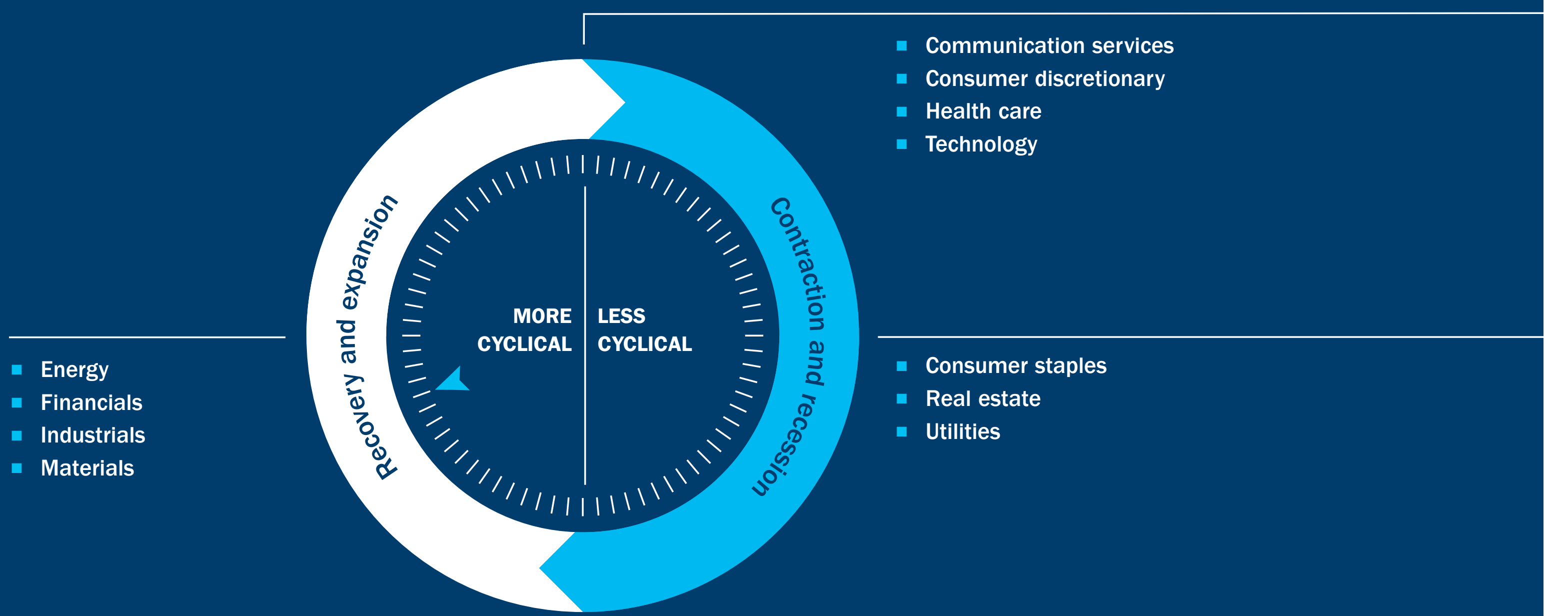
Expect a cyclical rotation.

Once economic activity accelerates, we expect the breadth of winners will expand to cyclical stocks — those most closely tied to economic recovery. Hardest hit areas, such as travel and entertainment, may begin to outperform relative to the rest of the market. But beyond just identifying sectors, it's important to find those companies with strong enough business models to gain market share.



SOME COMPANIES HAVE THEIR FORTUNES MORE TIED TO OVERALL ECONOMIC GROWTH THAN OTHERS

In 2021, we expect to see a rotation to companies that tend to see profits rise in response to economic rather than secular trends.



COVID-19 has not changed key long-term trends.

The pandemic accelerated certain secular (long-term) trends, including digitalization, automation and e-commerce. Stocks benefiting from those trends outperformed in 2020, and we expect them to continue to outperform in the future. If a portfolio doesn't have exposure to these stocks, cyclical rotation in 2021 could provide the opportunity to buy them at a discount.

Make volatility your friend, not your enemy.

We're expecting market volatility to stay elevated in 2021. When volatility is high, some investors may make emotional decisions to avoid loss (i.e., they don't stay invested). Given significant and very fast dislocations in prices, this can work against long-term goals. A better approach is to stay invested, ride out the volatility and perhaps add strategic positions when it makes sense.

Income will continue to play an important role in total return.

Despite their relative underperformance in 2020, we believe dividend-paying stocks, especially those with high free-cash flows and a strong balance sheet, should be a part of equity portfolios. The income these stocks provide is particularly important for investors who are in or close to retirement, but it's generally a key component of total return. In fact, going back to 1930, dividends contributed more than 40% of the total return on the S&P 500 Index.* This means dividend-paying stocks can be particularly important to a portfolio when price appreciation is scarce.

> A better approach is to stay invested, ride out the volatility and perhaps add strategic positions when it makes sense.

*Source: Ned Davis Research as of 12/31/19. Updated annually. Dividend payments are not guaranteed and the amount, if any, can vary over time. The S&P 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

FIXED INCOME: Security selection will drive outperformance

GENE TANNUZZO, CFA

Global Head of Fixed Income

Look for income in credit products.

Yields on safe-haven debt — like U.S. Treasuries — are low, which means that "low-risk" portfolios are increasingly susceptible to price volatility driven by interest rates. Investors should consider balancing their interest rate exposures by focusing on more credit-centric areas of the bond market. The Fed's accommodative stance will probably persist for a while, preventing short-maturity yields from rising in a substantial way, while longer maturity bond yields may rise alongside the pandemic recovery. A stable monetary policy environment, coupled with the prospect of continued economic growth, supports a mostly positive outlook for credit assets.

Remain flexible and diversified.

In 2020, bond prices in several sectors recovered 20% or more following a significant rally from their March lows, and risk compensation is now below long-term averages across most fixed-income sectors. No single sector stands out as obviously cheap to us, which suggests that a diversified approach to sector allocation may yield better risk-adjusted results than a narrower focus. There's an opportunity to diversify credit risk across corporate, consumer and sovereign balance sheets — all experienced fundamental improvement since the depths of the recent crisis. It's important for investors to remain flexible and prepared to rebalance if and when relative value changes. Staying nimble will likely be a key factor to enhance returns in 2021.

Expect informed security selection to be a key driver of outperformance.

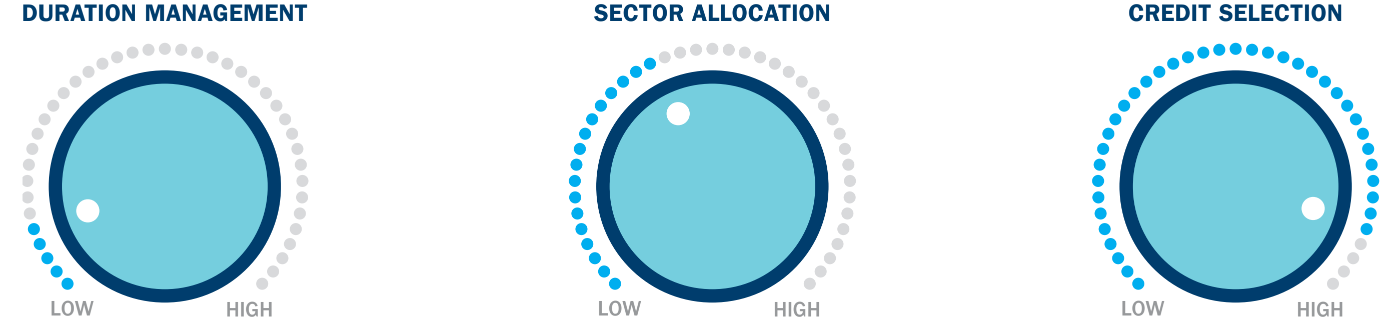
Our base case is that the economy continues to recover through 2021, though with a greater gap between the winners and losers. More than ever, it will be important to focus on security selection to avoid downside scenarios that can impair income and total return opportunities. Good credit research that identifies which trends are most likely here to stay — especially trends that result in permanently reduced demand — is an indispensable tool in today's lower return world.

> It's important for investors to remain flexible and prepared to rebalance if and when relative value changes.

THERE ARE THREE WAYS TO SEEK OUTPERFORMANCE IN FIXED INCOME

In 2021, we think that credit selection will lead the way

DURATION MANAGEMENT | SECTOR ALLOCATION | CREDIT SELECTION



Managing the impact of interest rates | Underweighting or overweighting certain sectors within fixed income | Picking the specific bonds that have the greatest likelihood of outperforming

As of 04/01/21. Source: Columbia Threadneedle Investments

5 TRENDS TO WATCH IN TRAVEL AND LEISURE

Daniel Spelman, Equity Research Analyst

As more people in the U.S. get vaccinated, the country will make its return to normal. But some industry trends are here to stay.

In addition to secular trends already in place, COVID-19 is driving significant changes in travel and leisure. How (and how often) people travel for work and vacation is likely to change as we emerge from the pandemic. Here are five trends that we believe may unfold in 2021 and beyond.

1 VACCINE PASSPORTS

Similar to the yellow fever card required for travel to West Africa, a health passport (proof that a traveler has been inoculated with the coronavirus vaccine) could become a requirement for international travel when it resumes, at least to certain countries. Evidence of vaccination and negative tests won't be a free pass for international travelers, however. Masks, enhanced cleaning and social distancing will most likely be our new normal for the foreseeable future.

2 AIRLINE MERGERS

A strong airline industry is crucial to the nation's safety and economy, which is why federal aid was offered as part of fiscal stimulus programs. Air travel recovery has been steadily picking up steam alongside improving vaccinations — right now it's at about 50% of 2019 levels — and companies must prepare for the next economic cycle.[1] The Great Recession was characterized by a couple commercial airline mergers. And as we emerge from the pandemic, there may once again be conversations about industry structure, partnership and consolidation.

3 A SPLIT IN HOTEL DEMAND

As the economy recovers, "revenue per available room," a performance measure used in the hospitality industry, should improve throughout 2021. Initially, the rebound will be driven by the pent-up demand for leisure travel, but business travel will lag on a relative basis. Travelers should be on the lookout for deals in places like urban downtown locations. But for popular resort properties, rates might be back to 2019 levels (or even above) sooner rather than later.

4 ALTERNATIVE ACCOMMODATIONS ON THE RISE

Renting homes and apartments on apps and websites was a relative bright spot in travel for 2020 and should continue in 2021. Growth on these platforms has been strong, and as more people get vaccinated and local restrictions are lifted, expect them to offer experiences like museums, tourist attractions and cooking classes. Especially popular among younger travelers, alternative accommodations are receiving a lot of attention from consumers and investors alike.

5 CRUISE LINES COME BACK

Conversations with travel agents suggest that U.S. customers are eager to return to the seas — and it may be possible in limited quantities by this summer. While travelers should expect heightened safety and hygiene protocols, cruises in Europe and Asia, some of which restarted late last year on a limited basis, have received high satisfaction scores. Older ships are being retired at an accelerated pace, so cruise lines can focus on newer models, more efficient tonnage and core brands.

Bottom line

Travel and tourism have historically been about 8% of U.S. GDP,[2] so the return to a healthier travel industry is critical to overall economic recovery. But don't expect a recovered industry to simply look like a version of 2019 — new safety protocols and consumer behaviors could lead to lasting changes.

[1] Columbia Threadneedle Investments, March 2021.
[2] World Data Atlas, 12/31/20.

Each year, millions in assets are escheated to unclaimed property divisions in states across the country due to inactivity. Many states have added inactivity, or the absence of customer-initiated contact, as a factor for determining abandoned property. These regulations require account owners, including mutual fund shareholders, to contact their fund companies on a regular basis to prevent their account from being considered dormant. Generally, a mutual fund is considered abandoned after a period of three to five years of inactivity or no contact.

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7 Columbia funds earn Lipper Fund Awards

Columbia Threadneedle Investments is pleased to announce that seven Columbia funds have received prestigious 2021 U.S. Lipper Fund Awards as high-performing mutual funds in their respective Lipper classifications. The Lipper Fund Awards recognize funds and fund management firms for their consistently strong risk-adjusted three-, five- and ten-year performance for periods ended 12/31/2020. Columbia funds recognized as part of this year's Lipper Fund Awards are listed below.

"This recognition is a testament to our team's ability to deliver strong investment performance powered by our firm's research intensity and fundamental investment approach. It's an honor to have seven funds recognized by Lipper as we strive to achieve consistent, risk-adjusted returns across asset classes on behalf of our clients."

— Colin Moore, Global Chief Investment Officer

REFINITIV LIPPER FUND AWARDS
2021 WINNER UNITED STATES

U.S. Lipper Fund Awards (for the period ending 12/31/20)

Columbia Acorn European Fund | Institutional 2 Class shares
Best in 5-year performance
European Region Funds category (17 funds)

Columbia Global Opportunities Fund | Institutional Class shares
Best in 10-year performance
Alternative Global Macro Funds category (31 funds)

Columbia Global Technology Growth Fund | Institutional Class shares
Best in 10-year performance
Science and Technology Funds category (36 funds)

Columbia Minnesota Tax-Exempt Fund | Institutional 3 Class shares
Best in 3-year performance
Minnesota Municipal Debt Funds category (12 funds)

Columbia Mortgage Opportunities Fund |
3-year, Institutional 3 Class shares
5-year, Institutional 2 Class shares
Best in 3- and 5-year performance
Absolute Return Funds category
(21 funds in 3-year category; 20 funds in 5-year category)

Columbia Select Mid Cap Value Fund | Institutional 3 Class shares
Best in 3-year performance
Mid-Cap Value Funds category (34 funds)

Columbia Thermostat Fund | Institutional 3 Class shares
Best in 3-year performance
Flexible Portfolio Funds category (148 funds)

Past performance is not a guarantee of future results.

A Lipper Fund Award is awarded to one fund in each Lipper classification for achieving the strongest trend of consistent risk-adjusted performance against its classification peers over the period.

The Lipper Fund Awards are sponsored by Refinitiv, formerly the Financial and Risk business of Thomson Reuters, and celebrate exceptional performance throughout the professional investment community. The Lipper Fund Awards recognize the world's top funds, fund management firms, sell-side firms, research analysts and investor relations teams. For more information, please contact enquiries.awards@refinitiv.com or visit https://www.lipperfundawards.com/. Institutional, Institutional 2 and Institutional 3 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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Our reach is expansive. We have built a global team of 2,050 people, including more than 450 investment professionals sharing global perspectives across all major asset classes and markets. Our analysts are dedicated to finding original, actionable insights that are shared and debated with portfolio managers. Our independent oversight team works with portfolio teams to ensure a consistent approach and avoidance of unintended risks.

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* In U.S. dollars as of December 31, 2020. Source: Ameriprise Q4 Earnings Release. Contact us for more current data.

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CT-MK/**247542 AR (04/21)** RYLC/3463406