

Columbia Dividend Income Inst GSFTX

A cautious and winning approach to dividend investing.

Morningstar's Take GSFTX

Morningstar Rating ★★★★★

Morningstar Analyst Rating Silver

Morningstar Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	○	Neutral
Price	+	Positive

Role In Portfolio

Core

Fund Performance GSFTX

Year	Total Return (%)	+/- Category
YTD	5.18	0.84
2017	20.74	4.80
2016	13.47	-1.34
2015	0.61	4.65
2014	12.68	2.47

Data through 8-31-18

9-04-18 | by Greg Carlson

Columbia Dividend Income's proven leader and prudent process support its Morningstar Analyst Rating of Silver.

Manager Scott Davis has a long history with the fund. He became a comanager in 2001, well before the fund adopted its current strategy at the start of 2004. He then took over as lead manager at the end of 2013, when Dick Dahlberg retired. Davis is now joined by Michael Barclay and Peter Santoro, who have comanaged the fund since 2011 and 2014, respectively, and each has more than 20 years of investment experience. They work closely with Columbia's central research team to adapt that team's models to fit this fund's approach.

Davis and his team seek dividend-paying companies, but don't buy them indiscriminately. They look for companies that also have disciplined capital spending programs, can generate a steady stream of

cash for years to come, and trade at attractive free cash flow yields. The team tends to avoid the very highest-yielding firms, as it finds that their payouts are often unsustainable. Indeed, the fund's pre-fee dividend yield was recently 2.6%—higher than that of its Russell 1000 Index benchmark, though a bit lower than the large-value Morningstar Category average.

The fund typically holds 70-100 stocks, and its sector weightings stay within 7 percentage points of the index. The process has led to portfolios that are consistently cheaper and have more exposure to moats and financial health (and less to volatility) than the Russell 1000, according to Morningstar's risk model. Portfolio turnover has also been relatively low (just over half the category median), resulting in lower trading costs.

This approach and team have generated excellent long-term returns. Since the 2004 strategy change, the fund has surpassed more than 90% of its large-value peers and the index on total and risk-adjusted returns (the latter were measured by Sharpe and Sortino ratios) through July 2018. And the record is nearly as impressive in the 4.5 years since Dahlberg retired. Plus, the fund's fees are below average, giving it an edge over most rivals.

Process Pillar + Positive | Greg Carlson

09/04/2018

A consistently applied and patient approach earns a Positive rating for Process.

This fund's managers look for firms with sustainable cash flows that lead to steady, and sometimes increasing, dividend payments. The team says earnings are easily manipulated, thus it doesn't find payout ratios to be particularly meaningful. The managers also say that companies with the highest yields typically can't support those payments over time, so they focus on a company's ability to continue to generate cash.

The team ranks companies on free cash flow yields, choosing stocks from the highest two quintiles. The team evaluates the firms' capital-allocation decisions, including share repurchases, acquisitions, and debt repayment, and how they are affected by firms' dividend policies. The managers project cash flows for the next 18 to 24 months to help determine valuations, but will often hold their picks for longer—portfolio turnover has averaged just 22% over the past five years, well below the 38% large-value median during that span.

The fund typically holds 70-100 stocks and keeps sector weightings within 7 percentage points of its Russell 1000 benchmark's. Stock weightings vary from the index's by 3 percentage points. These limits haven't proved too constricting; the correlation of the fund's returns to the index's have been in line with the typical large-value or large-blend fund over the long term.

Management has kept the fund's sector weightings within modest limits versus its Russell 1000 Index benchmark, but it has significantly diverged from the index in key areas. For example, the fund's tech stake at the end of July 2018 was 7 percentage points lower than the index's, as the fund has avoided some growth darlings in the sector such as Alphabet GOOGL and NVIDIA NVDA, as well as Facebook FB (which has seen ups and downs in 2018). The fund also had a 6-percentage-point underweighting in consumer discretionary stocks, many of which have been bid up by growth managers—most notably Amazon.com AMZN, a 2.7% position in the index that the fund also didn't own at the end of July.

Although the fund has an income mandate, it doesn't tend to wade heavily into the sectors where the highest yields are typically found. At the end of July, the fund's weightings in real estate and telecom firms were no larger than the index's, and the fund didn't own Verizon Communications VZ, the largest telecom stock in the index. The fund did have a larger stake in utilities, but only modestly so (4.5% versus

the index's 2.8%). The fund has, however, found consumer-staples firms to be a source of dividends and stability; the sector comprised 9.0% of the fund and 6.5% of the index, and the fund had significantly bigger stakes in Pepsico PEP and Philip Morris International PM.

Performance Pillar + Positive | Greg Carlson
09/04/2018

A strong risk/reward profile earns this fund a Positive Performance rating.

Current lead manager Scott Davis has contributed to the fund's impressive results since its 2004 adoption of a dividend-focused approach. Through July 2018, the fund's 9.5% annualized gain beat the Russell 1000 Index by 0.5 percentage points and surpassed 95% of large-value Morningstar Category peers. As the fund tends to be steadier than most, it also delivered excellent risk-adjusted returns (as measured by Sharpe and Sortino ratios). And since the retirement of lead manager Dick Dahlberg at the end of 2013, the fund's record has been similarly impressive.

The team's cautious process requires that the fund's holdings pay steady dividends from predictable free cash flows. This bias to sturdier fare has helped the fund hold up better than its benchmark, as well as its typical peer, in each of the five significant downturns by the Russell 1000 since management implemented the dividend-oriented strategy.

The same prudent process can cause the fund to fall behind when markets soar; it's gained just 89% as much as the index when stocks rise since January 2004, and the fund has failed to keep pace with its typical peer in rising markets as well. Thus, the fund has beaten the Russell 1000 Index in just half of rolling five-year periods during that span.

People Pillar + Positive | Greg Carlson
09/04/2018

The presence of an accomplished leader and his experienced comanagers outweigh concerns about the team's small size. The fund earns a Positive People rating.

Scott Davis became this fund's lead manager in 2012, in preparation for the retirement of prior lead manager Dick Dahlberg at the end of 2013. The fund hasn't missed a beat since; Davis had comanaged the fund since 2001, two years before Dahlberg joined the fund and implemented its dividend-focused strategy. Davis has a long tenure with the fund's parent organization, having joined FleetBoston, a predecessor firm to Columbia, in 1985 as a portfolio manager.

Michael Barclay has comanaged the fund since March 2011. He had worked as an equity analyst for the firm since 2006, and has 27 years of investment experience. Peter Santoro joined the team in June 2014 and comanages four other funds. He has 22 years of investment experience.

This is a lean team that relies heavily on the experienced staff at Columbia's central research team (the analysts average more than 10 years' tenure at the firm). The managers work with the analysts to fit the models to this team's cash-flow-centric approach.

Davis and Barclay invest between \$100,001 and \$500,000 in the fund, while Santoro invests \$10,001-\$50,000. Each has similar notional amounts in the fund through a deferred compensation plan.

Parent Pillar ● Neutral | Greg Carlson
04/11/2018

Columbia Threadneedle's lineup covers a lot of ground. The equity fund roster includes both fundamental and quantitative funds. Boutique teams still dominate the equity lineup globally, but the firm has also renewed its efforts to capitalize on its central research team. The fixed-income lineup is conservatively positioned with an indistinguishable approach generally. The bond team had some surprise departures at the end of 2017, but key personnel remain with the firm. Fund launches have slowed, but so have fund closures. Redundant offerings remain, and the firm's lineup is among the industry's largest. Broadly, fees and manager ownership levels are disappointing. Overall, standard fundholder practices support a Neutral Parent rating.

Columbia Threadneedle's culture has some strengths. Global CIO Colin Moore allows portfolio managers significant independence, and particularly strong strategies continue to succeed. Global reach and solutions-based products remain top priorities. Indeed, Jeff Knight's solutions and allocation team benefits from significant resources. U.K. equities and high-yield also impress. But assets managed overseas, and those managed by Knight's team, are a small portion of the firm's total. Further, Ameriprise's subadvised wrap accounts represent a growing portion of Columbia Threadneedle's parent's assets, but it's essential that resources continue to flow to in-house management teams.

Price Pillar + Positive | Greg Carlson
09/04/2018

This fund's below-average costs earn a Positive Price rating.

The Institutional shares hold 42% of the fund's assets and charge a 0.73% expense ratio, which roughly matches the large-cap institutional median fee. The Institutional shares hold 23% of the assets and charge 0.59%, which is significantly below the group median. The A shares hold 16% of the assets and charge 0.98%, while the typical large-cap, front-load fund charges 1.09%. The fund's five other share classes hold 19% of the assets combined and mostly charge fees that are well below the median peer.

The team's patient, low-turnover approach has kept brokerage costs and taxable distributions lower than the large-value median.

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Not FDIC insured • No bank guarantee • May lose value

COLUMBIA DIVIDEND INCOME FUND

Focusing on the cash flow for sustainable income

Identifies free cash flow as a source of dividends

The fund focuses on free cash flow yield to identify attractively valued securities and forecast a company's potential dividend actions. We believe cash flow analysis is a key indicator of a company's true profitability.

Focus on high-quality dividend payers

We seek companies with defensible business models and strong balance sheets — both of which are critical to providing downside protection. Our target companies have a history of long-term, sustainable profitability and cash flow from operations.

Conviction in disciplined companies

Disciplined companies often have a history of above-average dividend growth, which we believe is a sign of strong capital discipline. We believe these companies are more likely to generate consistent, risk-adjusted performance over time.

Share Class Symbol	A LBSAX	Advisor CVIRX
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C LBSCX	Institutional GSFTX	Institutional 2 CDDRX	Institutional 3 CDDYX	R CDIRX
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Overall Morningstar Rating



Class Inst

Class A

The Morningstar rating is for the indicated share classes only as of 09/30/18; other classes may have different performance characteristics. Among 1,109 Large Value funds.

Morningstar Percentile Rankings

Category: Large Value

	Class Inst	Class A
1-year	26	29
3-year	9	13
5-year	6	11
10-year	13	18

Portfolio Management

Scott Davis	38 years of experience
Michael Barclay, CFA	27 years of experience
Peter Santoro, CFA	22 years of experience

Expense Ratio*

	Net	Gross
Class A	0.96	0.96
Class Adv	0.71	0.71
Class C	1.71	1.71
Class Inst	0.71	0.71
Class Inst 2	0.63	0.63
Class Inst 3	0.58	0.58
Class R	1.21	1.21

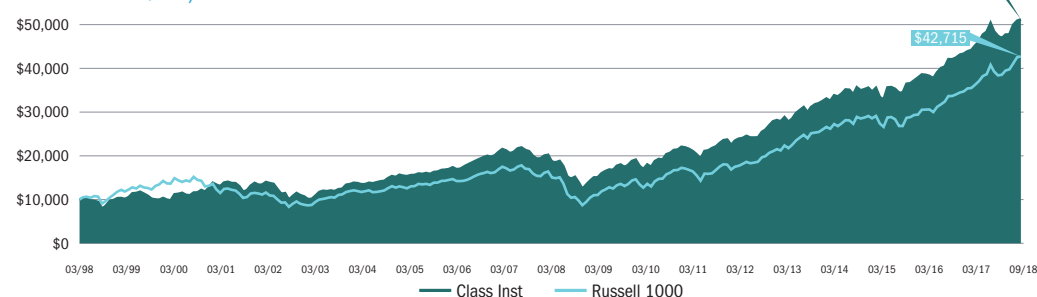
30-day SEC Yield (%)

	Class Inst	Class A
30-day SEC yield (%)	1.95	1.60

Average Annual Total Returns (%)

	Inception Date	YTD (cum.)	1-year	3-year	5-year	10-year	Since Inception
Without sales charges							
Class Inst	03/04/98	5.84	13.18	15.93	12.44	11.28	8.26
Class A ¹	11/25/02	5.65	12.91	15.64	12.16	11.00	7.98
Class C ¹	11/25/02	5.08	12.05	14.78	11.31	10.18	7.18
Class Inst 3 ¹	11/08/12	5.93	13.30	16.12	12.62	11.39	8.32
Russell 1000 Index		10.49	17.76	17.07	13.67	12.09	—
Morningstar category: Large Value		4.50	10.84	13.45	10.19	9.69	—
With sales charge							
Class A ¹		-0.41	6.41	13.38	10.84	10.34	7.67
Class C ¹		4.08	11.05	14.78	11.31	10.18	7.18

Growth of a \$10,000 Investment



Past performance does not guarantee future results. Illustration is based on a hypothetical \$10,000 investment in Institutional Class shares. All results shown assume reinvestment of dividends and capital gains.

The fund returns shown include the performance of Galaxy Strategic Equity Fund, a series of The Galaxy Fund and the predecessor to the fund, for periods prior to November 25, 2002.

The **Russell 1000 Index** tracks the performance of 1,000 of the largest U.S. companies, based on market capitalization. It is not possible to invest directly in an index.



The fund is available through an investment portfolio in the Future Scholar 529 Plan.

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. With sales charge performance is calculated with max sales charge of 5.75% for the A share and 1.00% CDSC for the C share. Please visit www.columbiathreadneedle.com for performance data current to the most recent month end. Class Adv, Inst, Inst 2, Inst 3 and R shares are sold at net asset value and have limited eligibility. Columbia Management Investment Distributors, Inc. offers multiple share classes, not all available through all firms, and the share class ratings may vary. Contact us for details.

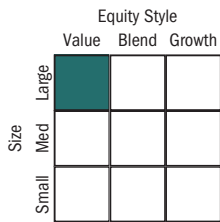
¹ The returns shown for periods prior to the share class inception date (including returns since inception, which are since fund inception) include the returns of the fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. For more information please visit: www.columbiathreadneedleus.com/investor/investment-products/mutual-funds/appended-performance.

Not all products and share classes are available through all firms.

* The fund's expense ratio is from the most recent prospectus.

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 www.columbiathreadneedle.com. Read the prospectus carefully before investing.

Morningstar Style Box™



The Morningstar Style Box™ is based on the fund's portfolio holdings as of period end. For equity funds, the vertical axis shows the market capitalization of the stocks owned, and the horizontal axis shows investment style (value, blend, or growth). Information shown is based on the most recent data provided by Morningstar.

Fund Information▲

Fund inception	03/04/98
Fiscal year end	05/31/19
Total net assets (all classes, \$m)	12,295
Number of holdings	79
Turnover rate (1-year, %)	15
Market cap (weighted median, \$b)	127
Wtd avg P/E ratio, trailing	17.1
Price/book ratio (weighted average)	3.02

Risk: 3 Years▲

Sharpe ratio	1.94
Beta	0.85
R-squared	0.88
Standard deviation	8.23
Standard deviation, Russell 1000 Index	9.08
Active Share	64.58

Investment Objective

The fund seeks total return, consisting of current income and capital appreciation.

Investment risks — **Market** risk may affect a single issuer, sector of the economy, industry or the market as a whole. **Value** securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth. **Foreign** investments subject the fund to risks, including political, economic, market, social and others within a particular country, as well as to currency instabilities and less stringent financial and accounting standards generally applicable to U.S. issuers. **Dividend** payments are not guaranteed and the amount, if any, can vary over time. A rise in **interest rates** may result in a price decline of fixed-income instruments held by the fund, negatively affecting its performance and NAV. Falling rates may result in the fund investing in lower yielding debt instruments, lowering the fund's income and yield. These risks may be heightened for longer maturity and duration securities. The fund may invest significantly in issuers within a particular **sector**, which may be negatively affected by market, economic or other conditions, making the fund more vulnerable to unfavorable developments in the sector.

▲ **Beta** measures a fund's risk relative to its benchmark. A beta of 1.00 indicates that the fund is as volatile as its benchmark. **R-squared** ranges from 0.00 to 1.00 and tells what percentage of an investment's movements is explained by movements in its benchmark index. **Sharpe ratio** divides a fund's gross return (excluding fees and expenses) in excess of the 90-day Treasury bill by the investment's standard deviation to measure risk-adjusted performance. **Standard deviation** is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. **Price-to-book ratio** is a stock's price divided by its book value, and may help determine if it is valued fairly. **Price-to-earnings ratio** is a stock's price divided by after-tax earnings over a trailing 12-month period, which serves as an indicator of value based on earnings. **Active Share** is a measure of the percentage of equity holdings in a portfolio that differ from the benchmark index as of month end. Active Share can be calculated as 100% minus the sum of the overlapping holdings of the portfolio and the index. A portfolio that is identical to the benchmark index will have an active share of 0%, while 100% indicates no overlap in holdings.

The **30-day SEC Yield**: is an estimate of the fund's rate of investment income reflecting an estimated yield to maturity (assuming all current portfolio holdings are held to maturity), and it may not equal the fund's actual income distribution rate or the income paid to a shareholder's account. The yield shown reflects fee waivers in effect, if any. In the absence of such waivers, yields would be reduced. The yield will reflect an inflation adjustment that is attributable to any inflation-protected securities owned by the fund. This adjustment and the resulting yield can be positive (in the case of inflation) or negative (in the case of deflation).

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Morningstar Percentile Rankings are based on the average annual total returns of the funds in the category for the periods stated. They do not include sales charges or redemption fees but do include operating expenses and the reinvestment of dividends and capital gains distributions. The highest (most favorable) percentile rank is 1 and the lowest (least favorable) percentile rank is 100. Share class rankings vary due to different expenses. If sales charges or redemption fees were included, total returns would be lower. For the one-, three-, five- and ten-year periods there are 1,274, 1,109, 948 and 696 Large Value funds, respectively. 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 Morningstar ratings for the overall-, three-, five- and ten-year periods for the A-share are 5 stars, 5 stars, 5 stars, and 5 stars and for the Inst-share are 5 stars, 5 stars, 5 stars, and 5 stars among 1,109, 1,109, 948 and 696 Large Value funds, respectively, and are based on a Morningstar Risk-Adjusted Return measure. 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.

Columbia Management Investment Distributors, Inc., is the distributor for the Future Scholar 529 College Savings Plan. Account Owners do not have any direct beneficial interests in the underlying mutual funds held by an Investment Portfolio of the Plan and, accordingly, have no rights as an owner or shareholder of such underlying fund. Separate fact sheets are available for the Future Scholar Investment Portfolios. Investors should consider the investment objectives, risks, charges and expenses associated with a municipal fund security before investing. Contact your financial advisor or visit www.columbiathreadneedle.com for a mutual fund prospectus or 529 plan's program brochure, which provides this and other important information. Read it carefully before investing. Before investing, also consider whether the investor's or beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program.

Returns 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.

Columbia Funds are distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

Top Sectors (% net investments)

■ Portfolio Weight ◆ Russell 1000 Index

Information Technology	19.6
Financials	17.8
Industrials	15.4
Health Care	12.7
Consumer Staples	9.0
Energy	7.2
Consumer Discretionary	6.8
Utilities	5.5
Materials	2.6
Real Estate	1.9

Top Holdings (% net assets)

■ Portfolio Weight ◆ Russell 1000 Index

Johnson & Johnson	3.9
Apple	3.8
JP Morgan Chase	3.7
Microsoft	3.7
Cisco Systems	3.0
Merck	2.4
Pfizer	2.4
Union Pacific	2.4
Lockheed Martin	2.3
Honeywell International	2.2

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security. Top holdings include cash but exclude short-term holdings, if applicable.