FIRST QUARTER 2019
INVESTMENT COMMENTARY

Columbia Short Term Bond Fund

Fund performance

- Columbia Short Term Bond Fund Institutional Class shares returned 1.86% for the three months ending March 31, 2019, outperforming the Bloomberg Barclays 1–3 Year Government/Credit Index by 65 basis points (bps), which returned 1.21%. (A basis point is 1/100 of a percent.) For monthly performance information, please check online at columbiathreadneedle.com.

- The fund’s exposures to spread products, including corporate bonds, asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS) contributed to performance, as these sectors outperformed during the quarter, with positive excess returns relative to Treasuries.

- Within the corporate market, exposures to the finance, wireless and basic industries performed the best. Meanwhile, though all corporate sectors experienced positive excess returns, the non-corporate and electric sectors lagged the rest.

Market overview

Risk sentiment rebounded in the quarter after the decline in credit markets seen in late 2018. With Chairman Powell indicating that the Federal Reserve’s policy was not on a fixed course and signaling patience concerning future increases in its benchmark overnight lending rate, markets took the view that the Fed is likely to remain on hold in 2019. This outlook was subsequently confirmed by the Fed’s March dot plot, which displays voting members’ expectations for rate hikes.

The final weeks of the quarter saw market volatility pick up on renewed uncertainty about the outlook for global growth. As the quarter drew to a close, a downward revision in fourth-quarter 2018 growth from 2.6% led markets to anticipate a rate cut from the Fed before year end. For the three months, yields declined along the length of the U.S. Treasury curve, with the two-year yield falling from 2.49% to 2.26% and the 30-year yield falling from 3.02% to 2.81%.

Average annual total returns (%) for period ending March 31, 2019

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Expense ratio

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<th>No waiver (gross)</th>
<th>With waiver (net)</th>
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<tr>
<td>Institutional</td>
<td>0.59%</td>
<td>0.55%</td>
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<tr>
<td>Class A</td>
<td>0.84%</td>
<td>0.80%</td>
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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.

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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 columbiathreadneedle.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.

Not FDIC insured • No bank guarantee • May lose value

2483434 (04/19)
As gauged by the Bloomberg Barclays U.S. Aggregate Bond Index, the broad U.S. investment-grade taxable bond market returned 2.94% for the quarter. U.S. Treasuries delivered positive returns against a backdrop of declining interest rates. Securitized assets (including mortgage-backed securities, ABS and CMBS) posted modestly higher returns relative to Treasuries. Investment-grade corporates led performance within the investment-grade market, as the asset class benefited from declining Treasury yields and the revived demand for yield. With respect to the below-investment-grade universe, high-yield bonds rebounded from the prior quarter’s steep losses to return 7.26% as measured by the Bloomberg Barclays U.S. Corporate High Yield Index. Returns for floating-rate bank loans were also firmly in positive territory. The tax-free bond market returned 2.90% for the quarter as gauged by the Bloomberg Barclays Municipal Bond Index.

**Contributors and detractors**

- Corporate bond spreads were tighter during the quarter, as all major subsectors generated positive excess returns vs. similar-duration Treasuries. Within the corporate market, exposures to the finance, wireless and basic industry subsectors were particularly positive to performance, as they outperformed the rest of the corporate market. While all corporate sectors generated positive excess returns, the non-corporate and electric sectors trailed the rest. With respect to credit quality, the fund was overweight BBB rated corporate bonds, which also had a positive effect on performance, as they outperformed A and AA quality notes of similar duration. The
The fund’s exposures to securitized products also had a positive effect on performance, as they too had positive excess returns relative to 1- to 3-year Treasuries. The Bloomberg Barclays ABS Aaa-only and Bloomberg Barclays 1–3.5 Year CMBS indices outperformed Treasuries by 0.39% and 0.49%, respectively. The fund’s exposure to high-quality, non-agency collateralized mortgage obligations (CMO) also had a positive impact on performance, as they outperformed Treasuries. Within securitized products, we continue to find both ABS and non-agency CMBS relatively attractive. Our largest sector overweights were in ABS and non-agency CMOs, where we continued to find value across various collateral types.

We continue to manage the fund’s duration to be slightly long compared to that of the benchmark. (Duration is a measure of a bond’s sensitivity to changes in interest rates.) This duration positioning had little impact on the fund’s relative performance, as interest rates declined during the first quarter. Two-year Treasuries declined 23 bps from 2.49% to 2.26%, while five-year Treasuries declined 28 bps from 2.51% to 2.23%. Our reduced barbell structure, however, marginally enhanced performance, as the longer maturities benefited in the declining interest rate environment.

Outlook

The Fed’s last rate hike in December 2018 now appears to potentially be their last for this current cycle. Inflationary indicators remain benign, with domestic growth remaining positive, but certainly not at risk of overheating. Quarterly gross domestic product is currently expected to soften for the third consecutive time with 2019’s first-quarter release, though remaining positive. Global economic weakness, continued trade war concerns between the U.S. and China and Brexit difficulties all continue to provide headwinds to a more sustainable pickup in growth.

We continue to target a duration slightly longer than that of the benchmark, as we expect rates to be range-bound with the Fed presumably now on hold. Interest rate policy remains data-dependent, and we continue to watch employment, global economic concerns and global fiscal and monetary policies. We also expect spread volatility but consider current risk premiums to be reasonably attractive in most sectors.

We continue to like short, high-quality non-agency CMOs, ABS and CMBS, as they continue to offer relatively attractive spreads. We also believe the corporate sector will offer positive excess returns vs. Treasuries, with lower quality (including our small high-yield allocation) expected to outperform higher quality corporate notes. Demand for corporate bonds remains strong with supply slightly less than the prior year. We remain overweight the communications, energy, insurance and electric utility sectors.

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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 columbiathreadneedle.com. Read the prospectus carefully before investing.

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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.

Expense ratios are generally based on the fund’s most recently completed fiscal year and are not adjusted for current asset levels or other changes. In general, expense ratios increase as net assets decrease. See the fund’s prospectus for additional details.

The Bloomberg Barclays 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 Barclays 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 passthroughs), ABS, and CMBS.

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

The Bloomberg Barclays Municipal Bond Index is an unmanaged index made up of a representative list of general obligation, revenue, insured and pre-refunded bonds. The index, which reflects reinvestment of all distributions and changes in market prices, is frequently used as a general measure of tax-exempt bond market performance.

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