Columbia Tax-Exempt Fund

Fund performance
- Class A shares of Columbia Tax-Exempt Fund increased 1.42% (excluding sales charge) for the three months ending September 30, 2017. Institutional Class shares rose 1.40%. For monthly performance information, check online at investor.columbiathreadneedleus.com.
- The fund’s benchmark, the Bloomberg Barclays Municipal Bond Index, increased 1.06% for the same period.
- The fund’s outperformance in the quarter was driven by a longer duration profile, curve positioning 15 years and longer, and exposure to the local general obligation (GO), hospital and transportation sectors. (Duration is a measure of a bond’s sensitivity to changes in interest rates.)

Market overview
In continuing the rebound from the post-election sell-off, the municipal market produced another positive quarter of performance, increasing 1.06% for the quarter and 4.66% year to date (as measured by the Bloomberg Barclays Municipal Bond Index). Market performance in July and August was positive, but turned negative in September as the entire yield curve shifted higher in the month.

The market continues to be supported by lower-than-expected supply and consistently strong demand. Concerns over the potential for accelerating growth, increased infrastructure spending and higher inflation have been tempered for now. In addition, repeal of the Affordable Care Act has been indefinitely delayed, and market concerns over broad tax reform have lessened due to current proposals under consideration. While supply may increase in coming months, demand will likely absorb it, as investors continue to be attracted by the relatively high taxable-equivalent yields munis provide.

Average annual total returns (%) for period ending September 30, 2017

<table>
<thead>
<tr>
<th>Columbia Tax-Exempt 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</td>
<td>1.40</td>
<td>0.20</td>
<td>3.34</td>
<td>3.35</td>
<td>4.63</td>
</tr>
<tr>
<td>Class A without sales charge</td>
<td>1.42</td>
<td>0.00</td>
<td>3.14</td>
<td>3.14</td>
<td>4.42</td>
</tr>
<tr>
<td>Class A with 3.00% maximum sales charge</td>
<td>-1.63</td>
<td>-3.02</td>
<td>2.10</td>
<td>2.52</td>
<td>4.11</td>
</tr>
<tr>
<td>Bloomberg Barclays Municipal Bond Index</td>
<td>1.06</td>
<td>0.87</td>
<td>3.19</td>
<td>3.01</td>
<td>4.52</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 investor.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. Effective February 19, 2015 the maximum sales charge changed from 4.75% to 3.00%. Contact us for details.

Expense ratio

<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>0.52%</td>
<td>0.52%</td>
</tr>
<tr>
<td>A</td>
<td>0.72%</td>
<td>0.72%</td>
</tr>
</tbody>
</table>

Columbia Tax-Exempt Fund may be a solution for investors seeking an investment-grade municipal fund offering income exempt from federal taxes in a lower -for-longer inflation environment.

Fund strategy
- Invests primarily in higher yielding, investment-grade municipal securities whose income is exempt from U.S. federal income tax
- Focuses on providing attractive returns from a variety of issuers, sectors and geographic locations based on relative-value analysis while concentrating on 15-year and longer maturities
- Blended approach of top-down macro-economic analysis and bottom-up credit research

INVESTMENT COMMENTARY

THIRD QUARTER 2017

Columbia Management Investment Distributors, Inc.
225 Franklin Street, Boston, MA 02110-2804
investor.columbiathreadneedleus.com
800.426.3750

Not FDIC insured • No bank guarantee • May lose value
Positive market returns were broad-based in the quarter, as all maturity buckets and credit qualities delivered positive returns. The ongoing theme of longer (maturity) and lower (quality) continued, as investors remained in search of income. Longer bonds with 15–20 year maturities increased 1.5%, and lower rated, investment-grade BBB bonds returned 2.8% for the quarter.

We believe intermediate and longer maturity municipals continue to represent the best value relative to Treasuries, with muni/Treasury yield ratios in the 85–100% range for 10- and 30-year bonds. While muni yields increased on the short end, they have not increased as much as Treasury yields, leaving short munis less attractive than longer munis, relative to Treasuries. On a tax-adjusted basis, muni yields look attractive relative to options available in the Treasury and corporate markets. In addition, we continue to believe lower rated, investment-grade A and BBB bonds offer greater value than their higher quality and below-investment-grade counterparts, both of which appear to be close to fully valued.

Most observers believe the Federal Reserve will continue on its path of gradually raising short rates, with the next hike likely in December. The U.S. economy remains in a steady but slow growth phase with low inflation likely to continue for the near to mid term. Generally stable to positive gains in the employment picture (excluding the impact of recent hurricanes) and steady income, sales and property taxes have put the muni market on relatively sound financial footing. However, we continue to closely monitor unfunded liabilities and budgetary stress in notable credits such as post-hurricane Puerto Rico, the states of Illinois, New Jersey and Pennsylvania, and the cities of Chicago, Dallas and Hartford.
Contributors and detractors

The theme of longer maturity and lower quality continued to outperform, as investors remained in search of income in this low-rate and supply environment. While yields on the longer end of the AAA muni yield curve increased slightly, the fund’s longer duration profile, with an overweight to 15 to 30-year maturities, added to performance due to their higher yields. From a quality perspective, the fund’s sizeable positions in lower rated, investment-grade A and BBB bonds and below-investment-grade securities contributed significantly to performance. Much of this positive performance came from Chicago- and Illinois-related securities, as prices continued to rally after the state budget was passed and a bipartisan agreement on K-12 funding was reached. As such, security selection in local (Chicago) and state GO sectors was a significant contributor to performance, as spreads continued to tighten. Security selection and exposure in the hospitals and transportation sectors also added to performance.

Detractors from performance included security selection in AAA bonds, a small number of longer maturity bonds and in the resource recovery sector. In addition, an overweight to higher quality pre-refunded bonds detracted, as lower quality bonds outperformed higher quality bonds.

Portfolio activity

The fund was active throughout the quarter, adding single-A rated exposure in the airport, hospitals, toll roads and housing sectors due to attractive yields and valuations. In addition, we purchased a small allocation to tobacco bonds at attractive yields once prices declined due to the FDA’s announcement that it would further regulate nicotine. We added to the fund’s alternative minimum tax (AMT) exposure, largely through airport and toll roads, due to their favorable yields and potential for price appreciation we believe will be realized if the AMT is eliminated in the pending tax reform. The fund’s option-adjusted duration extended from 7.4 years to 7.7 years during the quarter, as the positive technical backdrop drove muni prices higher.

Outlook

As the U.S. economy continues to grow at a modest pace, we expect the Fed will increase rates at least once more this year and several times in 2018, barring a major economic slowdown. The Fed will increase rates while attempting to balance the impact higher rates will have on the economy vs. the effect lower rates will have on heating up the economy. We continue to expect sustained but gradual economic growth, an improving employment picture and a stable labor market with gradual wage increases. However, the pace of future rate hikes may be dictated by the market impact of the pending balance sheet unwind. We expect that inflation will increase gradually, but will be contained.

In our gradually increasing rate environment, we are comfortable with the fund’s longer duration profile, with an emphasis on maturities greater than 15 years and an underweight to the shorter end. We expect to maintain an underweight to the front end of the curve, as we anticipate that higher Fed-induced short rates will lead to a flatter yield curve, resulting in underperformance on the short end and outperformance of longer maturity bonds. In addition, we remain bullish on credit due to solid market fundamentals, steady employment, strong tax revenues and the expectation that a recession still years away. That said, credit spreads in the lower rated, investment-grade (A and BBB) and below-investment-grade space remain tight relative to historical levels. In addition to tight spreads in the high yield space, we are starting to see weaker high-yield covenants come to market, which are reducing the risk-adjusted returns we project on these deals. We continue to favor the A and BBB space for driving income and total return through the remainder of the year.
Investment Risks

Fixed-income securities present issuer default risk. The fund invests substantially in municipal securities and will be affected by tax, legislative, regulatory, demographic or political changes, as well as changes impacting a state’s financial, economic or other conditions. A relatively small number of tax-exempt issuers may necessitate the fund investing more heavily in a single issuer and, therefore, be more exposed to the risk of loss than a fund that invests more broadly. Prepayment and extension risk exists because the timing of payments on a loan, bond or other investment may accelerate when interest rates fall or decelerate when interest rates rise which may reduce investment opportunities and potential returns. Non-investment-grade (high-yield or junk) securities present greater price volatility and more risk to principal and income than higher rated securities. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. A rise in interest rates may result in a price decline of fixed-income instruments held by the fund, negatively impacting 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. Federal and state tax rules apply to capital gains distributions and any gains or losses on sales. Income may be subject to state, local or alternative minimum taxes. Liquidity risk is associated with the difficulty of selling underlying investments at a desirable time or price. Investing in derivatives is a specialized activity that involves special risks, which may result in significant losses.

Commentaries now available via email

Stay informed about your investments by subscribing to receive commentaries and other fund updates by email. Simply register with our subscription center and choose the publications you’d like to receive. We’ll take care of the rest.

Subscribe

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 investor.columbiathreadneedleus.com. Read the prospectus carefully before investing.

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

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

The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor’s specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

On November 1, 2017, Class Z, R4, R5 and Y shares were renamed to Institutional, Advisor, Institutional 2 and Institutional 3, respectively.

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.

© 2017 Morningstar, Inc. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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 Barclays Municipal Bond Index is an unmanaged index considered representative of the broad market for investment-grade, tax-exempt bonds with maturities of at least one year.

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