FIRST QUARTER 2025
**INVESTMENT COMMENTARY**

| Share Class Symbol | A INTAX | C RTCEX | Institutional CATZX | Institutional 2 CADNX | Institutional 3 CATYX |
|---|---|---|---|---|---|

# Columbia Strategic Municipal Income Fund

Overall Morningstar Rating™

★★★ Class A

★★★★ Institutional Class

The Morningstar Rating is for the indicated share classes only as of 03/31/25; other classes may have different performance characteristics. **The Morningstar ratings for the overall, three-, five- and ten-year periods for Class A shares are 3 stars, 3 stars, 3 stars and 3 stars and for Institutional Class shares are 4 stars, 3 stars, 3 stars and 4 stars among 165, 165, 156 and 114 Muni National Long funds respectively, and are based on a Morningstar Risk-Adjusted Return measure.**

Municipals sold off during the first quarter, as market participants tried to navigate growing economic and political uncertainties. The move higher in market yields resulted in broadly negative performance across municipals, with longer maturities and higher quality underperforming their shorter maturity and lower quality counterparts.

### Fund strategy

- Invests opportunistically along the yield curve and credit spectrum, with the goal of optimizing performance and mitigating downside risk
- Aims to deliver a high level of tax-exempt income in all market environments
- Uses rigorous fundamental credit research and bottom-up security selection to identify potential risks and uncover attractive, undervalued investment opportunities across issuers, sectors, credit qualities and geographic locations

### Expense ratio

| Share class | No waiver (gross) | With waiver (net) |
|---|---|---|
| Institutional | 0.57% | 0.50% |
| A | 0.82% | 0.75% |

*From the fund's most recent prospectus. Net expense ratio reflects a contractual fee waiver/expense reimbursement through 11/30/2025, unless sooner terminated at the sole discretion of the fund's board.*

## Fund performance

- Institutional Class shares of Columbia Strategic Municipal Income Fund returned -0.82% for the three months ending March 31, 2025. For monthly performance information, please check online at columbiathreadneedleus.com.
- The fund's benchmark, the Bloomberg Municipal Bond Index, returned –0.22% during the same period.
- The fund underperformed its benchmark during the quarter, as the fund's longer-duration profile detracted from returns. (Duration is a measure of a bond's sensitivity to changes in interest rates)

## Market overview

It was a tumultuous quarter, as the market tried to navigate a hazy outlook for growth and inflation. Expectations were muddied by an overhaul to the federal government, competing potential political policies, escalating trade tensions and spending cuts. Market participants are likely to remain on edge until April 2, 2025 when the Trump Administration vowed to unveil additional details on reciprocal tariff plans. In the meantime, a wedge formed between data based on sentiment surveys and actual economic data. Multiple measures of consumer confidence registered meaningful declines, with the Conference Board's Expectations Index plunging to its lowest level in 12 years. Fourth-quarter gross domestic product (GDP) came in at 2.4%, and while the economy continued to expand, the risk was growing that prolonged uncertainty around global trade wars would feed into consumption and business investment. A growing range of potential economic outcomes also appeared in updated projections from the Federal Open Market Committee (FOMC), in which staff downgraded their 2025 growth forecast while increasing core inflation expectations versus December.

Taxable high-quality fixed income served as an effective hedge against riskier exposures, while the tax-exempt side lagged substantially in March. Municipal bonds traditionally

### Average annual total returns (%) for period ending March 31, 2025

| Columbia Strategic Municipal Income Fund | 3-mon. | 1-year | 3-year | 5-year | 10-year |
|---|---|---|---|---|---|
| Institutional Class | -0.82 | 2.64 | 1.32 | 1.31 | 2.44 |
| Class A without sales charge | -0.87 | 2.38 | 1.07 | 1.05 | 2.18 |
| Class A with 3.00% maximum sales charge | -3.88 | -0.66 | 0.05 | 0.46 | 1.86 |
| Bloomberg Municipal Bond Index | -0.22 | 1.22 | 1.53 | 1.07 | 2.13 |
| Bloomberg Municipal High Yield Index | 0.82 | 5.59 | 2.86 | 4.31 | 4.25 |

*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.*


**Columbiathreadneedleus.com**
**800.426.3750**

## Credit Quality (%) as of March 31, 2025

**Columbia Strategic Municipal Income Fund**

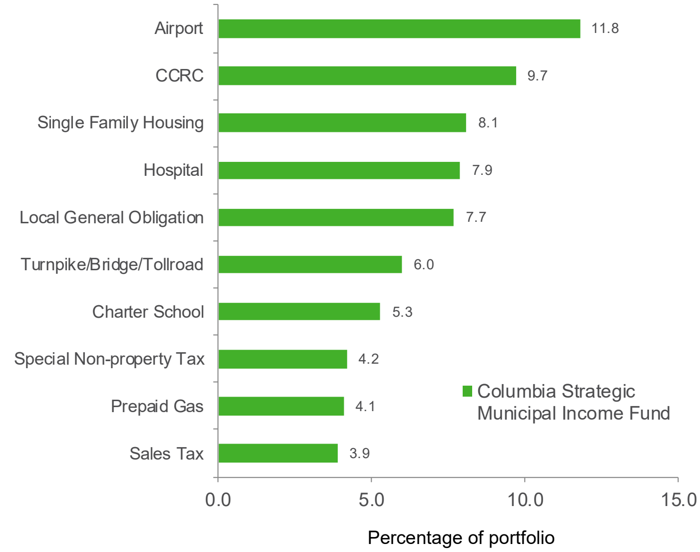
| | |
|---|---|
| AAA | 8.9 |
| AA | 24.2 |
| A | 26.3 |
| BBB | 14.6 |
| BB | 4.8 |
| B | 0.1 |
| Cash and Equivalents | 1.4 |
| Non-rated | 19.7 |

Third-party rating agencies provide bond ratings ranging from AAA (highest) to D (lowest). When three ratings are available from Moody's, S&P and Fitch, the middle rating is used. When two are available, the lower rating is used. If only one is available, that rating is used. If a security is Not Rated but has a rating by Kroll and/or DBRS, the same methodology is applied to those bonds that would otherwise be Not Rated. Bonds with no third-party rating are designated as Not Rated. Investments are primarily based on internal proprietary research and ratings assigned by our fixed income investment analysts. Therefore, securities designated as Not Rated do not necessarily indicate low credit quality, and for such securities the investment adviser evaluates the credit quality. Holdings of the portfolio other than bonds are categorized under Other. Credit ratings are subjective opinions of the credit rating agency and not statements of fact and may become stale or subject to change.

Due to rounding, percentages may not add up to 100.

experience higher volatility in February through May due to seasonal patterns, and the first quarter this year was no different. In addition to seasonal patterns, the threat to the tax-exemption status helped to create elevated new issuance, particularly in sectors that may be most at risk. The Bloomberg Municipal Bond Index finished the quarter down 0.22% with most of the pullback experienced in March (-1.69% on the month). Of this drawdown, the long end of the curve experienced the most pain, finishing the quarter -1.46%, while the front end remained in positive territory, with the one-year portion of the curve up 1.05%. In terms of credit quality, lower quality outperformed higher quality, with the Bloomberg High Yield Municipal Index returning 0.82% for the quarter. With regard to investment grade, the lower-quality Bloomberg BBB Index outperformed the Bloomberg AAA Index, returning 0.13% and -0.34%, respectively. With the Bloomberg Municipal Bond Index underperforming the Bloomberg U.S. Treasury Index, ratios increased across the curve. The quarter ended with muni/Treasury yield ratios at 72%, 77%, and 93% on the 5-, 10- and 30-year. Year-to-date, gross and net issuance reached $111 billion and $39 billion respectively, and the market anticipated issuance would remain high throughout the year. Municipal fund flows totaled $11.2 billion with $7.2 billion in mutual funds and $4.0 billion in exchange traded funds (ETFs).

**Top Sector weights (%) as of March 31, 2025**




Source: PERFORM

### Quarterly portfolio recap

The fund's longer-duration profile detracted from returns, as the municipal curve substantially steepened during the quarter. In particular, the fund's overweight to the 20-year+ portion of the curve and underweight to the 0–5-year portion detracted from performance. In terms of quality, the fund's overweight to BBB and BB rated bonds contributed to returns, as did its underweight to AAA and AA bonds, as lower-rated bonds outperformed their higher-rated counterparts. While security selection in state general obligation bonds (GOs) and special tax-backed bonds detracted from returns for the

## Columbia Strategic Municipal Income Fund

**Top holdings (% of net assets): as of March 31, 2025**

| | |
|---|---|
| PR Sales Tax Restructured Cofina 5.000 07/01/2058 | 1.41 |
| MI St Trunk Line 5.250 11/15/2049 | 1.22 |
| OH Buckeye Tob Settlement Fing 5.000 06/01/2055 | 1.20 |
| IL Chicago Ohare Intl Arpt Amt 5.000 01/01/2055 | 1.16 |
| TX NTE Segment 3c Proj Toll Rd Amt 5.000 06/30/2058 | 1.12 |
| CA Los Angeles Dept of Wtr & Pwr 3.850 07/01/2057 | 1.03 |
| PR Sales Tax Restructured Cofina 0.000 07/01/2046 | 0.95 |
| NJ St Econ Dev Auth Rev 5.000 11/01/2052 | 0.94 |
| PR Cmwlth Aqueduct & Swr Auth 5.000 07/01/2047 | 0.91 |
| IL State Go 5.500 03/01/2042 | 0.76 |

Top holdings exclude short-term holdings and cash, if applicable. 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. Current and future bond holdings are subject to risk.

quarter, the fund's overweight to continuing care retirement communities and tobacco, along with an underweight to local GOs and education contributed to performance.

### Portfolio activity

As yields remained desirable on both a historical and tax-equivalent basis, the fund continued to swap lower-book yields with higher-book-yielding positions, while moving up in quality. Due to ample supply in the market and higher income opportunities being offered, the fund was able to capitalize on attractive credits in several sectors, including airports, tolls, prepay gas, health care and education. On the sell side of the ledger, the fund took advantage of strong bids while trimming exposure to credits the analyst team believed were fundamentally weaker. Sales were made in several sectors, including housing, airports and tobacco. The relatively steep slope of the municipal yield curve offers an attractive level of income in a stable rate environment plus the opportunity for price appreciation if interest rates decline.

### Outlook

We remain positive in our outlook for the municipal market and believe credit research will continue to be imperative in distinguishing between winners and losers. Several sectors of the municipal market are in the political crosshairs, with concerns ranging from funding cuts to questioning the future of the tax-exempt status. Congress has considered the municipal exemption several times throughout history and, while we believe a broad elimination of the tax exemption is unlikely, some sectors, such as higher education and health care, are most at risk. Additionally, with one in five Americans enrolled in Medicaid, we are closely monitoring the potential for reduced Medicaid funding and therefore the implication of increased financial pressure on states. While fiscal policy remains uncertain, most states remain on solid footing to withstand possible cuts, with strong balance sheets and high levels of reserves.

Near-term technical and seasonal headwinds provide the ability to lock in higher yields. Given tight spreads in lower-quality bonds and factoring in the risk/return tradeoff, we continue to prefer higher-quality bonds over lower-quality credits. Yields remain attractive on a historical basis, particularly on the long end of the curve. After every tightening cycle, the long end has outperformed, and we expect this trend to continue. We will look to continue to capitalize on periods of market weakness and opportunities to lock in compelling long-term total return opportunities across the curve.

### 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. 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. **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. Federal and state **tax** rules apply to capital gain 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.



**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.



**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 High Yield Municipal Index** measures the non-investment-grade and nonrated U.S. dollar–denominated, fixed-rate, tax-exempt bond market within the 50 United States and four other qualifying regions (Washington, D.C.; Puerto Rico; Guam; and the Virgin Islands).

The **Bloomberg US Treasury Index** measures the performance of US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury, excluding Treasury bills and STRIPS, with a maturity of at least one year.

The **Bloomberg Municipal AAA Index** is a subset of the Bloomberg Municipal Bond Index that includes bonds rated AAA and the the **Bloomberg Municipal BBB Index** is a subset of the Bloomberg Municipal Bond Index that includes bonds rated BBB.



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

Information provided by third parties is deemed to be reliable but may be derived using methodologies or techniques that are proprietary or specific to the third party source.