UPDATE: 5-YEAR CAPITAL MARKET ASSUMPTIONS

AUGUST 2017

Twice a year, we conduct an extensive update of our five-year return forecasts. The purpose of this exercise is two-fold. First, taking a longer term perspective helps set strategic asset allocations and design portfolios for diverse investment goals. Second, and equally important, maintaining long-term forecasts provides helpful context for responding thoughtfully to daily swings in market prices.

SUMMARY

- **Legislative reforms may lead to increased growth.** Last year's election was a positive inflection point to nominal growth, and we continue to believe that deregulation and tax reform will lead to increased growth.
- **Confidence in Washington has subsided.** Given the stubbornness and divisiveness evident in Washington, we are not as confident as we previously were that these reforms will occur to the degree that we expected — and momentum is waning. As a result, our forecasted five-year returns have fallen, particularly for equities.
- **Returns are positive, but below average.** Our current forecasted five-year returns remain positive, but they are below historical averages for most asset classes.

STRATEGIC OUTLOOK: THREE SCENARIOS

To calculate the five-year forecast, we consider three scenarios and calculate a weighted average based on the likelihood of each.

Most likely: This scenario represents a departure from the stagnant economic conditions that have dominated financial headlines for years. It would be a positive change for global growth — a good thing for equity markets, but a challenge for bond markets. The probability and intensity of this scenario has declined since our last forecast.

Less likely: In this case, we assume that the policy changes are ineffective or fail to transpire, resulting in low growth, low inflation and prolonged monetary policy support. If this happens, it's possible that a recession could happen within the five-year forecast horizon.

Least likely: In this scenario, we assume that policy changes result in negative consequences, including isolationism and protectionism, resulting in reduced global trade, increased geopolitical tensions, a likely recession and poor performance from financial markets. We believe that this is unlikely, but will keep watch for any changes that may increase its probability.

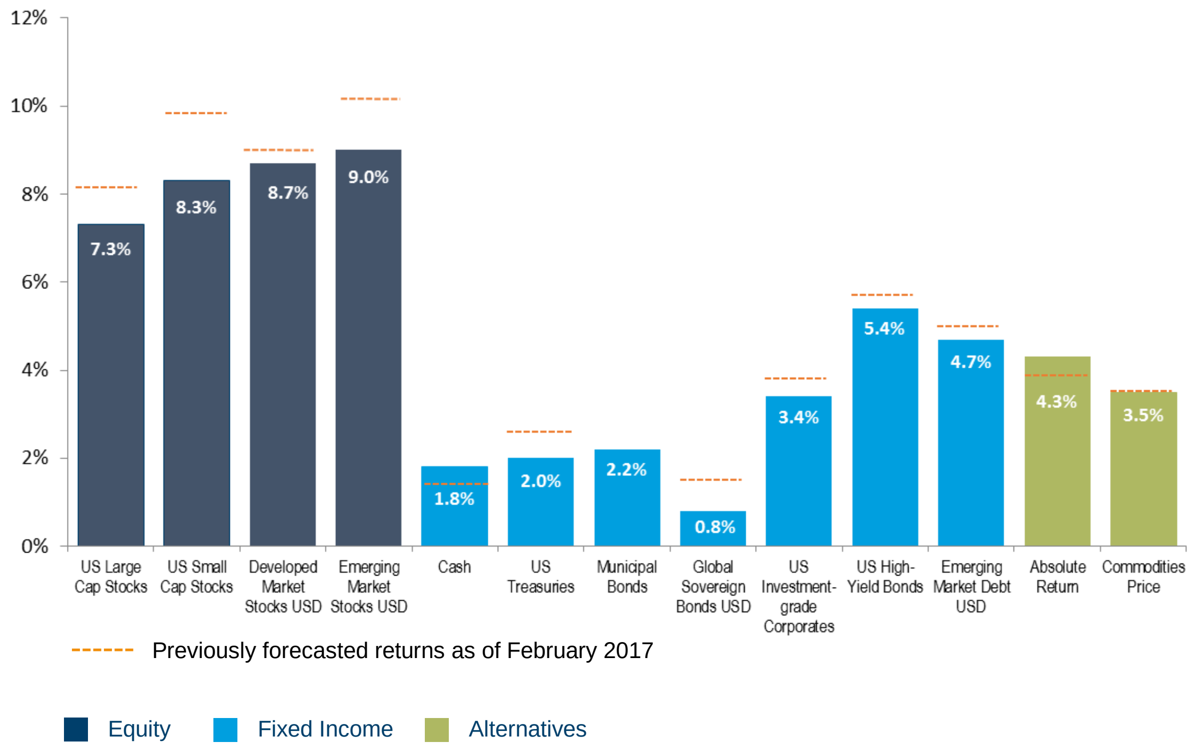
RESULTS OF SENSITIVITY ANALYSIS

We've conducted a sensitivity analysis across the three scenarios to offer additional insights, including the high cost of U.S. equities. If the least likely scenario materializes, the expected loss from equity investments could be severe. When it comes to fixed income, our sensitivity analysis shows that bond returns are not as negatively skewed, and the improving reinvestment returns contribute to the five-year return forecast. In both the most or least likely scenarios, we expect far more pronounced winners and losers, and active investment strategies will experience more success than in recent years.

THE BOTTOM LINE

We believe that portfolios designed to rely on equity risk over fixed-income risk are more likely to succeed, on average, over the next five years. In the near term, we expect this to be especially true, but over the five-year horizon, we expect the future return from fixed income to improve. It will be key to continue to monitor the success or failure of policy revisions over the next five years.

Forecasted five-year total average returns



Bar chart represents forecasted five-year total average returns as of July 2017. Dotted line represents previously forecasted returns as of February 2017. Source: Columbia Management Investment Advisers, LLC. **Past performance does not guarantee future results. It is not possible to invest in an index.**

Important note: This chart is for illustrative purposes only and is not intended to represent any investment product. All of the above are forecasts based on Columbia Management Investment Advisers, LLC models and analysis. As such, there is high likelihood that actual returns and economic results will deviate from our expectations.

Equity forecasts are based on three components: expected dividend payments, expected earnings growth and change in valuation levels (price-to-earnings ratios). Expected earnings growth is driven by expected economic growth, input cost changes and pricing power. Fixed-income forecasts are based on the shape of the yield curve, direction of interest rates, increase/decrease in yield spreads and timing of those changes. The major asset classes are based on the following indices: Large-cap stocks: S&P 500 Index; Small-cap stocks: Russell 2000 Index; Developed market stocks: MSCI EAFE Index; Emerging market stocks: MSCI EM Index; Cash: Citigroup U.S. Domestic 3-Month T-Bill Index; U.S. Treasuries: Bloomberg Barclays U.S. Treasury Index; Global sovereign bonds: Bloomberg Barclays Global Treasury Index (excl. U.S.); Investment-grade corporates: Bloomberg Barclays U.S. Aggregate Credit Index; High-yield bonds: Bloomberg Barclays Corporate High Yield Index; Emerging market debt: JPMorgan EMBI Global Diversified Index; Commodities: Bloomberg Commodity Index plus active management component: Municipal Bonds: Bloomberg Barclays Municipal Bond Index

The illustrations here are not intended to be representative of the performance of any particular investment. Such information has inherent limitations and may not be indicative of future results. It is important to keep in mind that no formula, model or tool can in and of itself be used to determine which securities to buy or sell, or when to buy or sell them.

Diversification does not assure a profit or protect against a loss.

This document and the information contained herein is for informational purposes only and should not be considered a solicitation or offer of any investment product or service to any person in any jurisdiction where such solicitation or offer would be unlawful.

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. 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. 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.

columbiathreadneedle.com

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

Columbia Management Investment Advisers, LLC is an investment adviser registered with the U.S. Securities and Exchange Commission.

 2248353 exp. 9/30/19