Spring 2019

INVESTOR NEWSLETTER

columbiathreadneedleus.com/newsletter

Cover story:

Pursuing income in today's market

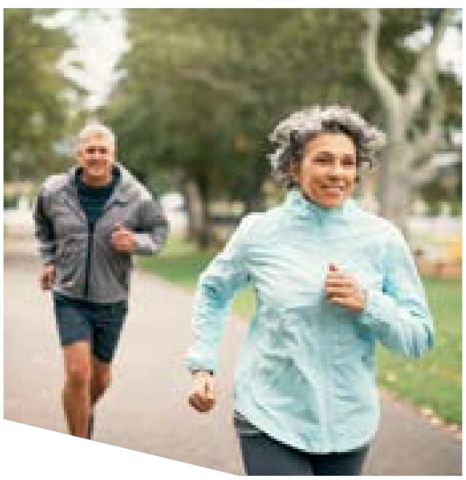
Also in this issue:

Envision your retirement lifestyle and goals

A quick guide to economic indicators

FEATURED STORIES

2 Pursuing income in today's market



6 Envision your retirement lifestyle and goals

8 A quick guide to economic indicators

Spring 2019
Volume 7 Issue 10

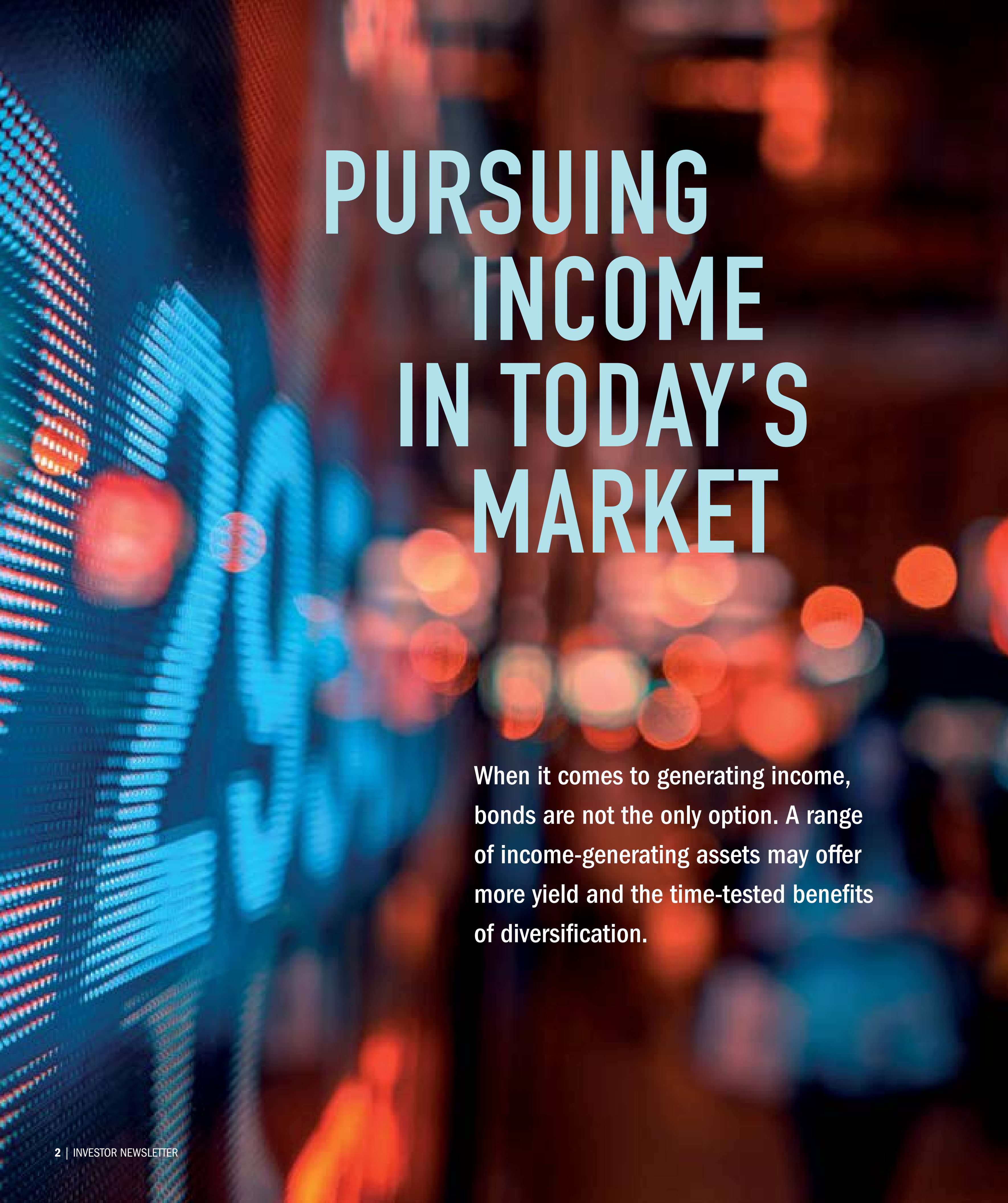
Columbia Threadneedle Investor Newsletter is published quarterly online and features timely articles covering economic trends, investment strategies and solutions, and service changes.

Not FDIC insured	May lose value
No bank guarantee	

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

ALSO INSIDE

The yield curve and recessions **10**



PURSUING INCOME IN TODAY'S MARKET

When it comes to generating income, bonds are not the only option. A range of income-generating assets may offer more yield and the time-tested benefits of diversification.

Financial advisors use income-generating investments for clients who are retired or approaching retirement. Such investments represent a source of reliable income that retirees can count on. But reliable income isn't the only attractive feature of this strategy. Studies have shown that income can be an important driver of total returns for most asset classes — not just bonds. While bonds are a traditional source of income, they can be risky and overvalued at times, underscoring the potential benefit of a multi-asset approach that includes stocks.

Income drives investment returns

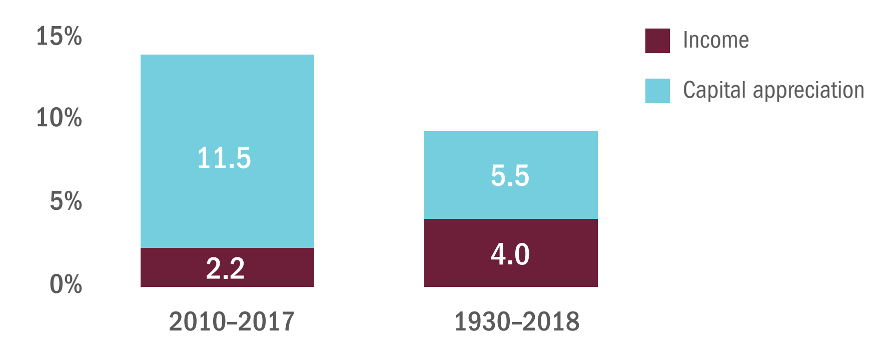
It may come as a surprise to some, but income is a significant component of equity returns. In the short term, equity market returns are driven by movement in stock prices. But over longer periods of time, dividends — the income-generating component of equities — can provide even greater returns than stock price appreciation. In fact, dividend income accounted for over 40% of equity returns since 1930. More recently, stock appreciation has been strong, and dividends have played a less important role in total return. From 2010–2017, dividends contributed just over 15% of total return, because it was a bull market and stock prices were increasing. As we return to more normal expectations for equity growth, dividends may again make up a larger portion of investors' total return.

Melda Mergen, deputy global head of equities, often discusses how finding income in equity markets doesn't mean you need to focus solely on the sectors that tend to deliver higher dividends, such as consumer staples or utilities. Income is an important component of equity returns across the entire stock market.

For fixed income, over a period as short as five years, well over 90% of the returns comes from the coupon, which is the income component of bonds. Since this will primarily determine returns, the focus within fixed income tends to be on finding sectors that provide the best value.

U.S. EQUITY MARKET AVERAGE ANNUAL RETURNS: INCOME VS. CAPITAL APPRECIATION

Going back to 1930, more than 40% of returns have come from dividend income.



Source: Ned Davis Research as of 12/31/18. U.S. equities represented by the S&P 500 Index, which tracks the performance of 500 widely held, large-capitalization U.S. stocks. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

continued on next page

Diversify your income sources

Diversification is as important for an income-generating strategy as it is for any other investment goal. A well-diversified multi-asset portfolio may generate more income for the risk taken compared with stocks or bonds alone. It's the result of thoughtfully combining asset classes with low correlation to each other. As many of us know, too much exposure to one part of the market can be dangerous.

Advisors often gravitate toward parts of the financial market that have an attractive yield component, even though these areas can contain significant volatility. This is true within the fixed-income portion of a multi-asset income portfolio. As Colin Lundgren, global head of fixed income, says, "I worry that investors stretch for yield at the wrong time. They're taking a risk in some of the lowest quality rungs of the corporate bond market or investing in emerging market countries they can't point to on a map."

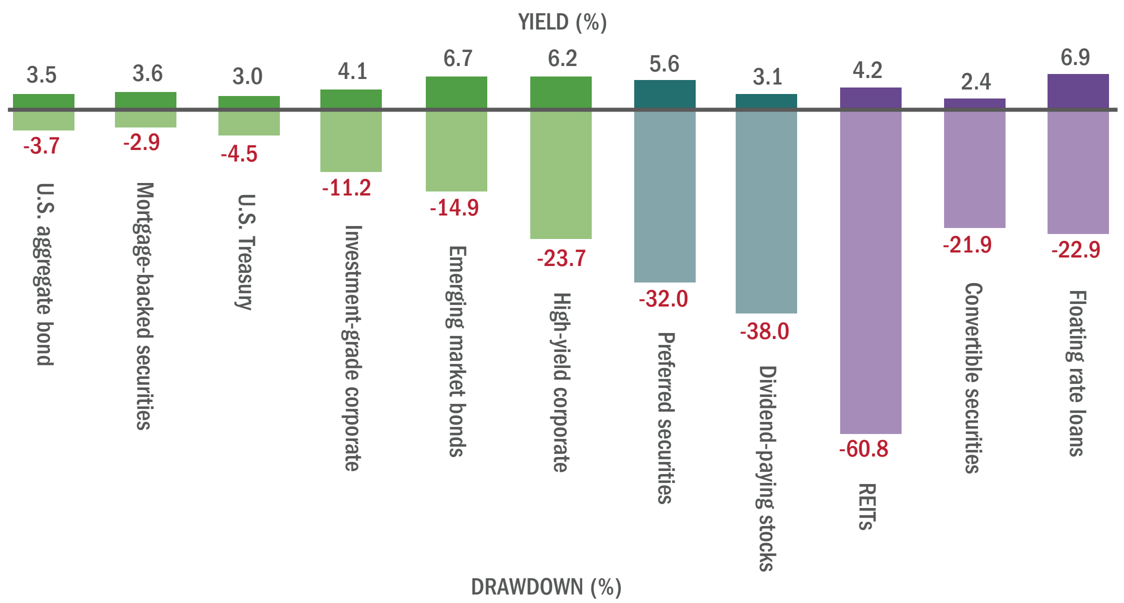
It's critical to recognize the potential for volatility when it comes to a portfolio focused on single asset classes. A portfolio based around a multi-asset framework can achieve higher income and lower its overall volatility by holding bonds, equities and less traditional asset classes.

Tactical portfolio management

There are other, less conventional ways of eking out more income. One strategy is to invest in preferred and convertible securities, which, over the long term, may improve the performance of portfolios while potentially reducing the level of overall risk. Indeed, a well-structured multi-asset portfolio can access income from across the entire capital structure of a company's balance sheet.

CURRENT YIELD AND 10-YEAR MAX DRAWDOWN ACROSS ASSET CLASSES

Higher yielding assets can have bigger losses, measured by drawdowns.



Source: Bloomberg, FactSet, Barclays, Columbia Threadneedle Investments. As of 09/30/18. Current yield represented as yield to worst for fixed income and current dividend yield for equity. Using weekly data. Updated on a quarter lag. See disclosure for indices used to represent asset classes. Drawdown represents a peak-to-trough decline in values during a specified time period.

Active management of an income portfolio is critical. Our preference is to be thoughtfully tactical so you're able to capitalize on compelling opportunities when they arise — for example, underweighting bonds when they appear overvalued and overweighting other assets in higher yielding parts of the market when they've reached a desired value.

A multi-asset approach that's tactically managed may give investors access to a more secure, less volatile income stream.

It's critical to recognize the potential for volatility when it comes to a portfolio focused on single asset classes.

4 Fundamentals of Dividend Investing

1. Dividend growth.
When investing for dividends, it's important to consider a disciplined strategy that focuses on dividend growth rather than just yield. A high-yield strategy doesn't necessarily translate into a reliable stream of income because the highest yields may not be sustainable. We believe the best opportunity for success in a dividend strategy is with the stocks of companies that can sustain and grow their dividend over time. Additionally, returns from these stocks generally have less variability.

2. Sustainable free cash flow.
Companies need cash, not only to pay dividends but also to grow their business. If a corporation generates cash returns that exceed what it needs to grow its asset base (i.e., if the company is left with free cash flow), then it will have the firepower for dividend growth. Dividends that aren't supported by free cash flow may not be sustainable.

3. Payout ratio.
Investors often look to the payout ratio based on a company's earnings, but this can be misleading since earnings are based on accrual accounting, which can be manipulated. To assess a company's true potential to grow dividends and avoid dividend cuts, we prefer to focus on the percentage of annual operating free cash flow consumed by the dividend.

4. Active management.
Assessing a company's ability to raise its dividend is critical. A history of paying dividends doesn't necessarily mean a company can increase or even maintain a dividend in the future. For example, many banks had a long history of paying and even growing dividends prior to the great financial crisis, but excess leverage forced most of them to cut or eliminate them. Active management, supported by fundamental sector research, can help identify and avoid these types of situations.

Dividend payments are not guaranteed and the amount, if any, can vary over time.

Columbia Dividend Income Fund earns 2019 Lipper Fund Award | Institutional 3 Class shares

A top-performing fund in five-year performance

We are pleased to announce that Columbia Dividend Income Fund received a prestigious 2019 U.S. Lipper Fund Award for top performance in Lipper's Equity Income Funds category (118 funds, 5-year performance). The award is presented to one fund in each category for consistently strong risk-adjusted performance against category peers.

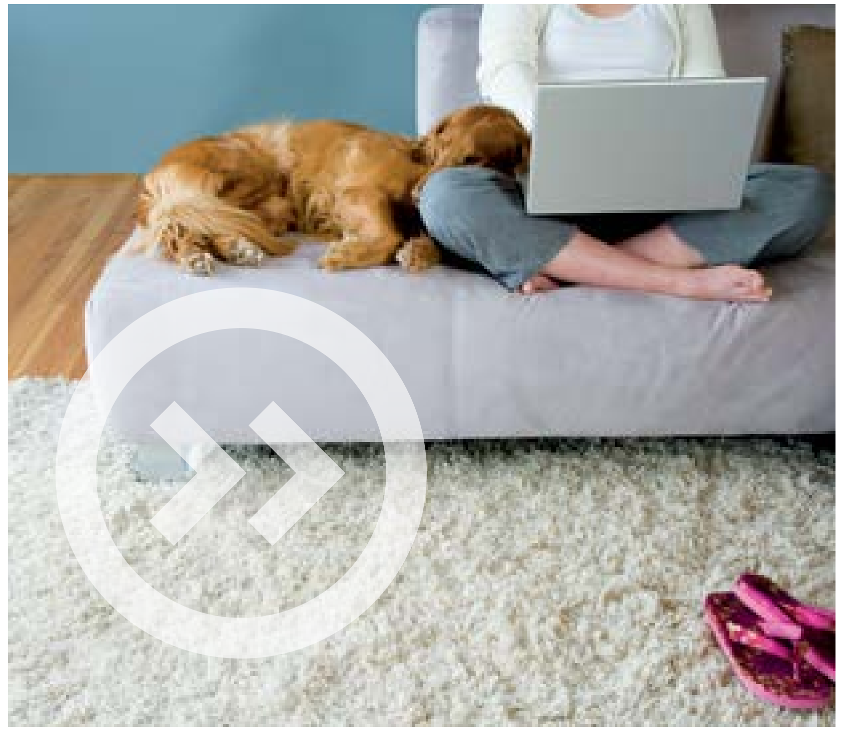
LIPPER FUND AWARDS FROM REFINITIV
2019 WINNER
UNITED STATES

Past performance is not a guarantee of future results.

Institutional 3 Class shares are sold at net asset value and have limited eligibility.

Source: Lipper, Inc. for the five-year period as of 12/31/18, Class Institutional 3 shares. A Lipper Fund Award is awarded to one fund in each Lipper classification for achieving the strongest trend of consistent risk-adjusted performance against its classification peers over the five-year period ended 12/31/18.

ENVISION
YOUR RETIREMENT LIFESTYLE AND GOALS



Planning for retirement should include how you want to live when you retire. Considering the possibilities can help you envision and plan for your retirement lifestyle. Remember, people who write down their retirement goals are more likely to achieve them.

What would you like to do in life after retirement?

SECOND CAREER	HOBBIES	VOLUNTEER WORK	EDUCATION	RELAXATION
Non-profit executive	Restore an old car	Build homes for the homeless	Go back to school	Travel with the family
Patient representative	Make quilts	Volunteer for a political party	Learn another language	Read more
Celebrant/religious leader	Garden	Teach people to read	Get your pilot's license	Savor quiet time
Teacher	Write a novel			
Financial advisor				
Lobbyist				
Retail sales				

Who do you want to spend time with throughout your life in retirement?

Maintaining social connections can be challenging throughout our lives. The loss of work friends is the most unforeseen challenge of retirement. It's important to take an active role in building and maintaining your support network of friends, family and acquaintances when you retire.

- **Spouse or partner:** Consider new activities you may participate in together.
- **Family:** How far away are your parents, children and grandchildren? What activities do you like to do together? Do you have to travel to see family members?
- **Friends:** How much do you like to entertain and stay socially active?
- **New friends:** How can you meet new people? Consider classes, clubs and organizations.

Where do you dream of going?

Travel can provide solitude, companionship, adventure or relaxation. The possibilities are endless.

- **Destination:** U.S., overseas, historical sites, places from your roots, homes of friends or family
- **Transportation:** Motor home, car, bicycle, motorcycle, plane, train, bus
- **Frequency:** Number of trips each year, duration
- **Travel companions:** Spouse or partner, friends, children, tour groups

Where do you want to live your life in retirement?

Do you want to stay in your current home? Do you want to be part of a community? Do you want to try a new climate or lifestyle? Do you want to live in multiple locations?

- **Stay in the area:** Loft in the city, current home, downsizing to a smaller/maintenance-free home
- **Move closer to family:** Spend time with children, grandchildren or parents
- **Relocate near activities you love:** Vacation home, overseas, learning community, active outdoor setting

How do you want to make a difference?

Retirement goals can include helping others. Think about the people who matter to you, what you hope the future holds for them, and how you might help them realize their own dreams. What organizations or causes represent your values? How do you want to support them?

- **Family:** Fund education, instill values or teach personal skills
- **Community:** Serve on a board, provide volunteer outreach, do fundraising or donate money
- **Friends:** Form support groups or be a mentor

How do you want to make your lasting mark?

We all have a say in how we're remembered. Our legacy is formed by the ideas, actions and causes to which we dedicate ourselves today. What's important to you? What do you want to pass on to others?

- **Family and friends:** Children, siblings, parents, friends or pets
- **Spiritual interests:** Your place of worship, religious organizations
- **Schools:** Your alma mater, your family members' schools
- **Charities or causes:** Food banks, shelters, arts, research organizations

What brings you happiness?

When it comes to achieving a fulfilling retirement, having a vision is as important as having money. Working with your advisor can help support your retirement lifestyle goals.

How do you intend to stay healthy and active?

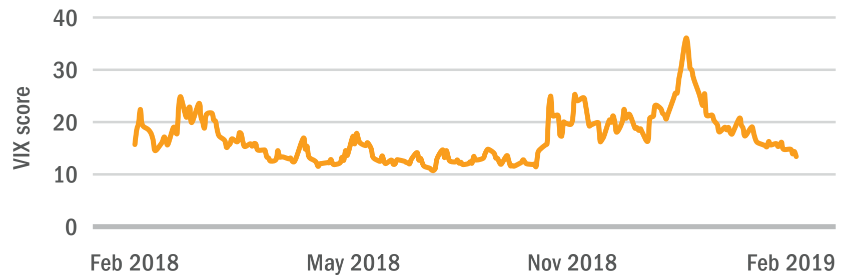
PHYSICAL FITNESS	MENTAL FITNESS	HEALTH CARE: LEARN ABOUT AND MAKE THE MOST OF YOUR BENEFITS
Join a health club	Take classes	Health insurance
Take walks	Go to concerts	Health savings accounts (HSA)
Learn martial arts	Play chess or cards	Medical help lines
Play golf	Write a book	Medicare
Buy a home gym	Practice meditation	Long-term care
Practice yoga		Prescription drugs

A quick guide to economic indicators

Economic indicators are statistics used to gain a better understanding of how the economy is performing. Changes in these statistics can indicate growth, stagnation, changes in spending trends that can have broad implications for how business is steered, and how we feel about what's going on in the markets and economy as a whole. Some key economic indicators are:

VIX (the Volatility Index)

Volatility seems to be an ever-present word these days in connection with the financial markets. One go-to measure of volatility is known as the VIX (the Volatility Index). Created by the Chicago Board Options Exchange, the VIX measures the market's expectation of volatility over the coming 30 days, using the prices of S&P 500 Index options. It provides a measure of market risk and investor sentiment with higher VIX scores indicating higher levels of expected volatility.



Chicago Board Options Exchange. Daily closing values of the VIX, February 22, 2018–February 26, 2019. It is not possible to invest directly in an index.

Consumer Confidence Index (CCI)

Consumer confidence measures how optimistic consumers feel about the overall state of the economy and their own financial situations. The higher the confidence in the near-term economy, the more likely a consumer is to spend. Conversely, when confidence is low, consumers are more likely to save instead. Consumer confidence typically increases when the economy expands and decreases when the economy contracts. It's measured using two indexes: the Consumer Confidence Index (CCI) and the Michigan Consumer Sentiment Index (MCSI).

Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Retail Sales Report

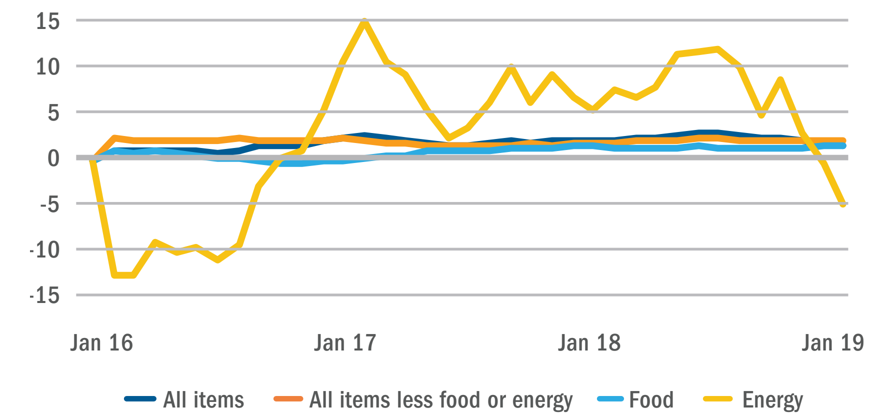
Retail sales are reported by the U.S. Census Bureau in a monthly Retail Sales Report. The report tracks the dollar value of merchandise sold by a sample group of retailer outlets to consumers.

The Consumer Price Index (CPI)

The Consumer Price Index (CPI) measures the average change in price over time for a basket of consumer goods and services typically purchased by urban households. Changes in CPI are used to identify periods of inflationary or deflationary activity.

CONSUMER PRICE INDEX, SELECTED CATEGORIES

12-month percentage change, not seasonally adjusted, January 2016–January 2019

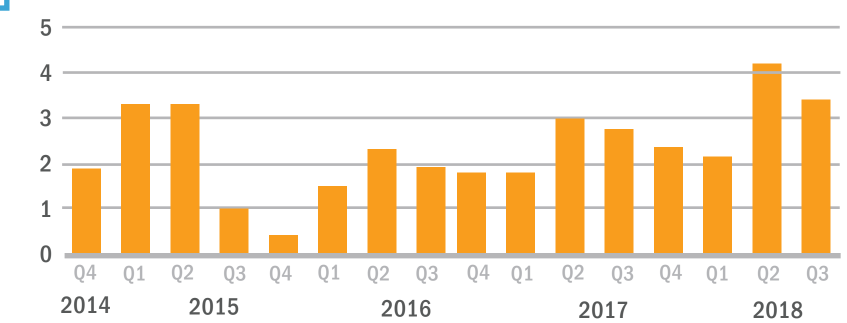


Source: U.S. Bureau of Labor Statistics

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) measures the market value of all final goods and services produced in a period of time, usually annually. It is one of the main indicators used to measure the health of a country's economy. Is the economy growing? Or is it contracting? GDP gives us an indication of what's going on.

REAL GDP: PERCENT CHANGE FROM PRECEDING QUARTER



Source: U.S. Bureau of Economic Analysis
Seasonally adjusted at annual rates.

The yield curve and recessions

Research done by the Federal Reserve Bank of New York found that when it comes to predicting recessions, the spread between the interest rates on the 10-year U.S. Treasury bond and the 3-month U.S. Treasury bill has historically been a more reliable indicator than other financial and macroeconomic indicators.[1]

Recently, on March 22, the spread between the 10-year Treasury bond and 3-month Treasury bill inverted, meaning the yield for the 3-month Treasury bill surpassed the yield on the 10-year Treasury bond. For some observers, this raised concerns of a possible recession. Currently, the probability of recession beginning two to six quarters into the future stands at 30%.

The yield curve continues to suggest a U.S. recession is increasingly possible but not yet very likely. Although past recessions have followed a probability as low as 10% (for example, prior to the 1960 recession[2]), the average probability prior to recession is 41%.

WHAT IS A RECESSION?

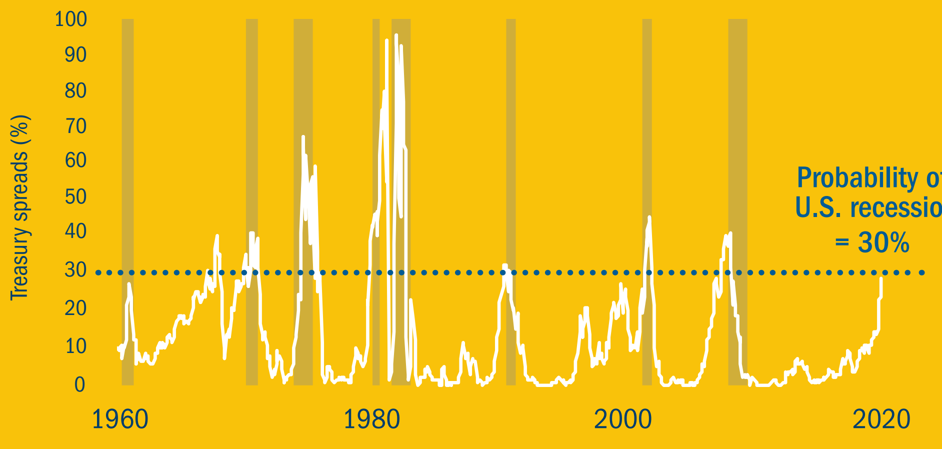
Most commonly, a recession is called when a country experiences back-to-back quarters of negative economic growth.

In a recession, declining economic activity can be seen in measurements such as industrial production, employment, real income and overall sales.

As a contractionary phase of the business cycle, recessions typically last from six to 18 months.

Governments typically respond to fix a recession by applying expansionary policies to increase the money supply and government spending, along with introducing tax cuts.

PROBABILITY OF U.S. RECESSION PREDICTED BY TREASURY SPREAD, 12 MONTHS AHEAD



Source: Federal Reserve Bank of New York, Bloomberg, as of 03/22/2019. Parameters estimated using data from January 1959 to December 2009, recession probabilities predicted using data through March 2019. Gray-shaded periods indicate recessions. For March the spread is a single point as of 03/22/19, but the rest of the months are based on monthly average and not a single point.

[1] *Yield Curve as a Predictor of U.S. Recessions*, The Federal Reserve Bank of New York, June 1996.

[2] Inflation was only 1.7% in December 1959 when the Fed began tightening. But to the Fed, it did not seem low. It had seen high inflation after World War II and was overly preoccupied with not letting it creep back up.

Columbia Threadneedle Investments is a leading global asset manager that provides a broad range of investment strategies for individual and institutional clients. With 450 investment professionals across 18 countries, we manage $431 billion* across asset classes. Our global investment team debates and challenges their best ideas to make better decisions, leading to better outcomes for you and your clients.

VISIT US ONLINE
columbiathreadneedle.com

columbiathreadneedle.com/us/subscribe

twitter.com/CTinvest_US

youtube.com/CTInvestUS

linkedin.com/company/columbia-threadneedle-investments-us

To find out more, call 800.426.3750
or visit columbiathreadneedle.com

COLUMBIA THREADNEEDLE INVESTMENTS

Investing includes risk, including the risk of loss of principal.

Diversification does not assure a profit or protect against loss.

Columbia Threadneedle Investments does **not** offer tax or legal advice. Consult with a tax advisor or attorney.

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 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. 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.

The shown asset class descriptors reference the following indices: Bloomberg Barclays U.S. Aggregate Bond Index (Aggregate Bonds), Bloomberg Barclays U.S. Mortgage-Backed Securities Index (Mortgage-backed securities), Bloomberg Barclays U.S. Treasury index (U.S. Treasury Bonds), Bloomberg Barclays U.S. Aggregate Corporate Bond Index (Investment Grade Corporate), JP Morgan Emerging Markets Bond Index Global (Emerging Market Bonds), Bloomberg Barclays U.S. High Yield Corporate Bond Index (High yield), S&P U.S. Preferred Stock Index (Preferred stocks), MSCI USA High Dividend Yield Index (Dividend paying stocks), MSCI U.S. REIT Index (Real estate investment trusts), BofAML All Convertible All Qualities Index (Convertible securities), Credit Suisse Leveraged Loan Index (Floating rate loans).

The **Bloomberg Barclays U.S. Aggregate Corporate Bond Index** consists of publicly issued, fixed-rate, nonconvertible, investment-grade debt securities. The **Bloomberg Barclays US Aggregate Bond Index (U.S. Aggregate)** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). The **Bloomberg Barclays U.S. Mortgage-Backed Securities Index** includes 15- and 30-year fixed-rate securities backed by mortgage pools of Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). The Bloomberg Barclays US Treasury Index ("U.S. Treasuries") measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The **JPMorgan Emerging Market Bond Index** tracks total returns for traded external debt instruments in emerging markets and is an expanded version of the JPMorgan EMBI+. As with the EMBI+,the EMBI Global includes U.S.-dollar-denominated Brady bonds, loans and eurobonds with an outstanding face value of at least $500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity. The **Bloomberg Barclays U.S. High Yield Corporate Bond Index** represents the universe of fixed rate, non-investment grade debt. The **S&P U.S. Preferred Stock Index** is designed to serve the investment community's need for an investable benchmark representing the U.S. preferred stock market. Preferred stocks are a class of capital stock that pays dividends at a specified rate and has a preference over common stock in the payment of dividends and the liquidation of assets. The **MSCI High Dividend Yield Index** aims to capture the high dividend yield equity opportunity set within a standard MSCI parent index by including only securities that offer a higher than average dividend yield (i.e. at least 30% higher) relative to that of the parent index and that pass dividend sustainability and persistence screens. The **MSCI US REIT Index** is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs). The **Bank of America Merrill Lynch All Convertibles All Qualities Index** is a widely used index that measures convertible securities' performance. It measures the performance of U.S. dollar denominated convertible securities not currently in bankruptcy with a total market value greater than $50 million at issuance. Floating rate loans are represented by the **Credit Suisse Leveraged Loan Index**, also known as the Bank Loan Index, which provides broad and comprehensive total return metrics of the universe of syndicated term loans.

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.

The **Standard & Poor's 500 Index (S&P 500 Index)** is an unmanaged list of common stocks that includes 500 large companies.

The **Bloomberg Barclays U.S. Aggregate Index** is an index composed of approximately 6,000 publicly traded bonds, including U.S. government, mortgage-backed, corporate and Yankee bonds with an average maturity of approximately 10 years. The index is weighted by the market value of the bonds included in the index. This index represents asset types, which are subject to risk, including loss of principal.

* In U.S. dollars as of December 31, 2018. Source: Ameriprise Q4 Earnings Release. Contact us for more current data.

Past performance does not guarantee future results. It is not possible to invest in an index.

Columbia Management Investment Distributors, Inc., 225 Franklin Street, Boston, MA 02110-2804

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

CT-MK/**247542 AG (04/19)** FLEJ/2493321