Winter 2019

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INVESTOR NEWSLETTER

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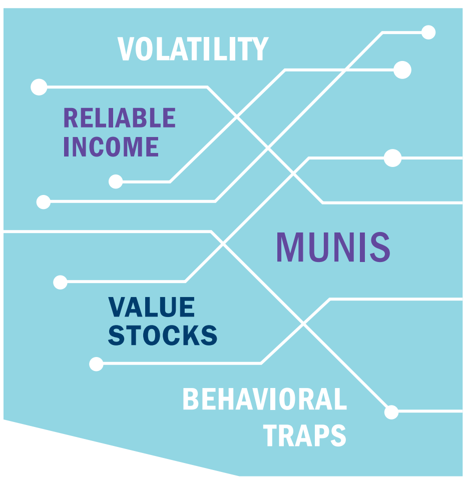

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Winter 2019
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Columbia Threadneedle *Investor Newsletter* is published quarterly online and features timely articles covering economic trends, investment strategies and solutions, and service changes.

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GET INVESTED

BRIDGING THE GAP BETWEEN FEMALE INVESTORS AND FINANCIAL ADVISORS

In 2017, women held the majority (51.6%) of all management, professional and related occupations in the United States.

In 2016, women earned more than half of all postsecondary education degrees: **57.2%** of bachelor's degrees, **59.2%** of master's degrees and **52.7%** of doctorate degrees.

Women control **$14 trillion** of personal wealth in our country.

Source: upi.com 12/04/18

Over the last year, Vicki Lester, head of intermediary marketing at Columbia Threadneedle Investments, has shared her own personal story while leading an effort focused on connecting women investors with financial advisors.

VICKI LESTER

Head of Intermediary Marketing

I'VE WORKED IN A VARIETY OF FINANCIAL SERVICES roles and companies since I graduated from college. I've gotten my MBA, worked in what was, at the time, the new field of asset securitization, and moved internationally — all to further my career. But I've also had to make choices like taking a lower paying job with less travel when I got married. I took time out of my career path to raise children. And I've had plenty of missteps while navigating the intersection between my personal, professional and financial goals.

You could say that throughout my career, I became attuned to how women approached their own financial situations and goals. I didn't know it at the time, but these experiences and countless others helped shape who I am as both a marketing professional at an asset management company and an investor. From my vantage point now, I spend a lot of time thinking about the different investor segments we work with and what they need to be successful. Women are an extremely important segment.

Female clients as a group represent an enormous growth opportunity. Women are gaining economic power and influence. We're increasing in numbers in higher education, the workplace and government. In 2016, women earned more than half of all postsecondary education degrees: 57.2% of bachelor's degrees, 59.2% of master's degrees and 52.7% of doctorate degrees. Women control $14 trillion of personal wealth in our country. In 2017, women held the majority (51.6%) of all management, professional and related occupations in the United States. And as of January 2019, a record number of women will serve in the U.S. Congress. We're often the primary breadwinners in the family. We're the "chief consumer officer" in our households, and we control 51% of all personal wealth in the United States.

While doing this research, I also began to learn some surprising statistics about female investors that not only piqued my interest, but that I very much related to.

Women are often at a disadvantage — but they don't have to be

It's been widely reported that women still earn less than their male counterparts. And this, compounded with the fact that many women take time out of their careers to have a family or care for a loved one like I did, and live (on average) five years longer than men, puts them at a disadvantage when they're saving for retirement. I realized that many women either don't have an advisor or they rely on their spouse to have a relationship with their advisor.

I couldn't help but relate these facts to my own personal situation: I'm now a divorced mother of teenagers, and I have to ask myself important questions all the time that could affect their future. How do I save enough for college? Should I spring for a car for them? What if my kids want to go to graduate school? Will they need help with a down payment on a home? And, what do I want out of life? Do I want to go back to school, travel or be more involved in my community? I can do some of these things for my children and myself, but maybe not all of them. Even though I'm a financial professional, I've needed help from experts to think through my options and develop a plan. Having a plan gives me peace of mind. And now, with my oldest child in college, I can see my planning start to pay off.

American women are less likely than their male counterparts to consider themselves financially knowledgeable

Women and men have access to the same investment products, and the end result should be the same as well. But the industry should approach communication with women investors differently. The investment industry has historically been male-dominated and it can be intimidating. The clichés and stereotypes used to describe investing are often full of competitive jargon, like "outperform," "beat the market," "bet on stocks," "pick a winner" and "hit a home run." For many women, this can make it feel unapproachable. While women and men in the U.S. are roughly equally financially literate, American women are less likely than their male counterparts to consider themselves knowledgeable about finances. Many people call this a confidence gap, but I like to think that women simply expect a lot of themselves in terms of preparation and education.

Get Invested: A seminar that motivates women investors

Our team decided that the best way to help advisors and female investors connect was to understand the reasons women don't take a more active role in their financial futures — and figure out what we could do to help. We launched the Get Invested seminar, which motivates women to invest and gives them some basic education to get started. Most importantly, it emphasizes the importance of either starting a relationship with a financial advisor they trust or building a stronger relationship with the one they have.

When developing the seminar, I thought a lot about the relationship I have with my own financial advisor: he's both relatable as a person and skilled in investments. He has understood the way my priorities have shifted over time, and he's helped me adapt along the way, always offering constructive suggestions. He's never been judgmental, even when the decisions I made were not optimal from a pure investment perspective. One of my biggest goals is to help other women (and men!) find that type of relationship built on trust, skill and empathy. I believe this seminar is a powerful first step.

The future of the financial industry and women investors

Right now is a pivotal moment for the financial industry as women and millennials start to make more money and prepare for their futures. I hope that our industry in 5 or 10 years will be even more diverse and that there will be less of a discrepancy between the financial responsibility and wealth that women have, and the power that they can have in society. Ultimately, I believe that every single investor should be seen as an individual with a unique story and specialized investment needs. Finding the right financial advisor is critical, and we're positioning Columbia Threadneedle Investments to help.

If you're a financial advisor interested in hosting a Get Invested seminar, we'd love to connect. Contact Vicki Lester at vicki.lester@columbiathreadneedle.com to find out more.

Sources: "Women make up 51% of the population," U.S. Census Bureau; "In 2016, women earned more than half of all postsecondary education degrees: 57.2% of bachelor's degrees, 59.2% of master's degrees and 52.7% of doctorate degrees," National Center for Education Statistics, 2017 Digest of Education Statistics; "In 2017, women held the majority (51.6%) of all management, professional and related occupations in the United States," Bureau of Labor Statistics, Current Population Survey (2017); "We control 51% of all personal wealth in the United States," BMO Wealth Institute, Financial Concerns for Women, March 2015; "53% of women surveyed don't have a financial advisor and 75% of those under 40 don't have one," Center for Talent Innovation report: Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth; "86% of all board positions are still male," PWC, Mending the Gender Gap; "American women are 44% less likely than their male counterparts to consider themselves knowledgeable about finances." Center for Talent Innovation report: Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth.

TIPS TO SIMPLIFY TAX TIME

Organize your records.

Whether you complete your tax forms or have a tax professional prepare them for you, one of the biggest hassles is rushing to assemble everything you need. Start gathering all the paperwork now, adding forms and schedules as they arrive in the mail. Keeping everything in one place as you go will help lighten the load.

- ☐ **Copies of last year's tax forms**
- ☐ **W-2 forms**
- ☐ **If you itemize your deductions: receipts for 2018 for charitable donations, medical expenses, business costs, moving expenses, qualifying energy-efficient home improvements, child care costs and education costs, to just name a few.**
- ☐ **Various 1099s that report income, such as 1099-INT (interest income), 1099-DIV (dividend income), 1099-B (gains and losses on securities transactions), SSA-1099 (Social Security benefits received), 1099-R (payments/distributions from IRAs or retirement plans)**
- ☐ **Various 1098s reporting mortgage interest (1098), student loan interest (1098-E) and tuition payments (1098-T)**
- ☐ **Schedule K-1s from entities in which you have an ownership interest, such as S-companies, partnerships, limited liability companies, trusts and estates**
- ☐ **Records of IRA contributions made during 2018**

This is by no means an exhaustive list. Issuers are required to send most forms (W-2, 1099s, 1098s) by January 31, 2019. If you don't see them soon after that, be sure to reach out to the issuer(s).

Prepare yourself for tax-law changes

Keep in mind that tax reform legislation that took effect January 1, 2018 has changed tax brackets, standard deduction amounts and eligible deductions and may affect how your taxes are prepared for 2018 vs. how they were prepared for 2017.

Maximize your retirement savings

You still have time to maximize your contributions to a traditional or Roth IRA. The deadline is April 15, 2019. The annual contribution limit for a traditional or Roth IRA is $5,500 in 2018. If you are age 50 or older, you can add an additional $1,000 catch-up contribution for a total of $6,500 for 2018. Contributions to a traditional IRA may be tax deductible. Please consult with your tax professional.

HOT TOPICS
FOR THE SAVVY INVESTOR

We're all constantly bombarded with information, whether it's on our phones, emails, social media — the list goes on and on — and it can be hard to keep on top of things. So we've pulled together a list of hot investment topics that deserve your attention. Consider discussing these topics with your investment advisor, friends, family or anyone who might benefit from them. **Pass it on.**

1 UNDERSTAND WHAT NORMAL VOLATILITY IS AND STAY FOCUSED.

OUR LATEST INSIGHT

We expect returns to be positive, but with more market volatility on the way to achieving those returns. As you move toward the end of any economic cycle, any market occurrence or correction creates a naturally higher level of volatility.

WHAT TO DISCUSS WITH YOUR ADVISOR

Stick to your long-term investment plan. Diversify your portfolio. Use investment strategies that aim for consistent returns rather than always reaching for the biggest highs, which can leave you susceptible to the biggest lows.

2 MANAGE YOUR EXPECTATIONS BY LOOKING AT FIVE-YEAR FORECASTED RETURNS.

OUR LATEST INSIGHT

We believe returns will be positive across all asset classes, but we think they'll be lower than they were in the last five years. Equity returns will most likely be positive, but they've fallen recently because we're concerned about trade disputes. Bond returns, however, have moved higher.

WHAT TO DISCUSS WITH YOUR ADVISOR

Talk about your strategic asset allocations. How will these expected returns help you reach your investment goals? Will they result in a shortfall or surplus? A strategic portfolio often includes multiple asset classes because they all play a different role in getting you closer to your goals. Ask if your equity portfolio is diversified globally and if your fixed-income portfolio can give you the stability you want it to.

3 STOP CHASING YIELD. FOCUS ON RELIABLE DIVIDEND INCOME.

OUR LATEST INSIGHT

Since 1930, more than 40% of the 500 S&P Index growth has come from dividend income. But, that number fell dramatically in the last decade. Why? It was a strong bull market, and stocks had a lot of capital appreciation. As we return to more normal levels of equity growth, investing in stocks with reliable dividend income may be more important than ever.

WHAT TO DISCUSS WITH YOUR ADVISOR

Make sure your equity income strategy focuses on reliable dividend income — not just chasing stocks with the highest yield. Ask about investing in companies that have strong balance sheets and good financial health. And remember that yield isn't always a good indicator of future income potential.

4 REVIEW YOUR ALLOCATION TO LARGE-CAP VALUE STOCKS.

OUR LATEST INSIGHT

For the last decade, value stocks have had lower cumulative returns than growth stocks — the longest stretch of value underperformance since style indices were introduced in 1978. But now, some of the catalysts that have driven this record, like low interest rates, are coming to an end.

WHAT TO DISCUSS WITH YOUR ADVISOR

Be prepared for a shift to value investing. Ask if your portfolio is being systematically rebalanced to make sure your allocation to growth and value stocks are in sync with your target allocations.

5 GETTING THE MOST OUT OF THE MUNI MARKET WITH REVENUE BONDS

OUR LATEST INSIGHT

Municipal bonds fall into two categories: general obligation and revenue. General obligation bonds are backed by the full faith and credit of the issuing municipality whereas revenue bonds are secured by the revenue of a specific project. In the last decade, several high-profile municipalities (like Stockton, N.J. and Detroit) haven't paid back general obligation bondholders, but as a category, general obligation bonds are still in high demand, and their perceived safety keeps yields lower than revenue bonds.

WHAT TO DISCUSS WITH YOUR ADVISOR

Talk about diversifying your municipal bond investments. Ask if your municipal strategy includes all of the revenue bond sectors rather than being over-concentrated in general obligation bonds.

6 CONSIDER ACCESSING TWO SOURCES OF RETURN IN THE MUNI MARKET.

OUR LATEST INSIGHT

There are two sources of return in municipal bond investing: interest rate risk, which is sensitivity to changes in interest rates, and credit risk, which represents to the likelihood a municipal bond issuer will default on a bond. Traditional municipal benchmarks are biased toward high-quality bonds and excess interest rate risk — and this is an opportunity for municipal bond investors.

WHAT TO DISCUSS WITH YOUR ADVISOR

Talk about diversifying your muni bond investments. Ask if your municipal income strategy is flexible enough to tap into bonds with different durations (a measure of interest rate sensitivity) and different credit ratings (a measure of the likelihood of default). Watch out for benchmark-tracking municipal bond strategies — they could cause you to miss out on opportunities and accidently expose you to unnecessary risks.

7 DIVERSIFYING WITH CONVERTIBLE SECURITIES

OUR LATEST INSIGHT

Expectations for equity and bond returns are lower than they've been over the last decade, which is spiking an interest in convertible securities. Investors assume that performance and risk of convertible securities is somewhere in the middle of bonds and stocks. But over the last 20 years, convertible securities have not only performed better than the S&P 500 Index, they've offered less volatility and more yield.

WHAT TO DISCUSS WITH YOUR ADVISOR

If you're a fixed-income investor who made a lot of money in bonds over the last 30 years, don't assume this trend will continue. And if you're an equity investor who's somewhat conservative, discuss opportunities to help your money grow — but with less volatility. If you don't have convertible securities in your portfolio, you may be missing out on a diversification opportunity.

8 TAKING AN ACTIVE ROLE IN FIXED INCOME

OUR LATEST INSIGHT

The bond market is starting to show a greater divide between sources of risk and return — and it's happening across regions, sectors and bond issuers. For example, the U.S. has been returning interest rates to normal levels for several years, while other countries are just beginning this process. And while high levels of debt increase some companies' corporate credit risk, it varies greatly across companies, industries and regions.

WHAT TO DISCUSS WITH YOUR ADVISOR

If you're able to actively navigate the bond market, you could earn better returns than in the past couple of years. Discuss whether your fixed-income portfolio allocation is set-up to uncover different sources of return and risk in bonds — most passive investment options are concentrated in only one, and active strategies can be more nimble.

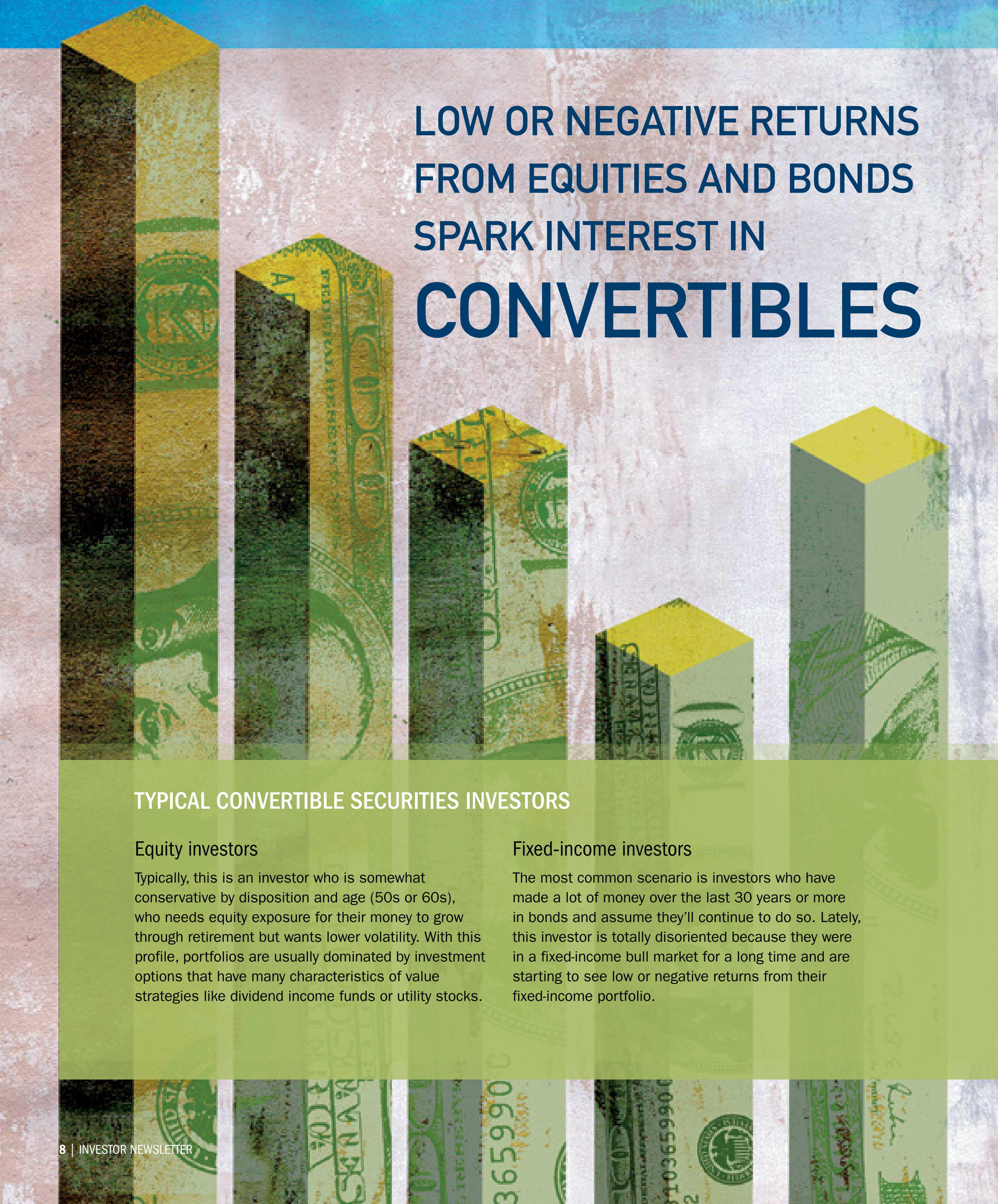
9 PREPARING FOR A NEW INTEREST RATE REGIME

OUR LATEST INSIGHT

For almost four decades, investors have gotten a boost in their returns from falling interest rates. But now, the U.S. central bank is in the process of removing the extraordinary monetary policy that's kept the level of interest rates low — and it's going to get more challenging to achieve the kinds of returns and income investors are used to. It's more important than ever to focus on reliable income in both fixed income and equity.

WHAT TO DISCUSS WITH YOUR ADVISOR

This is an unprecedented shift in monetary policy, so ask if doing the same thing you've always done will work in this new environment. In fixed income, talk about solutions that don't rely only on interest rates as a source of return. And in equity, a focus on consistent dividends may make up more total return.



BONDS CONVERTIBLES EQUITIES

LOW OR NEGATIVE RETURNS FROM EQUITIES AND BONDS SPARK INTEREST IN CONVERTIBLES

If you're looking for ways to maximize your portfolio returns, convertible securities may be worth looking into. Convertible securities are bonds or preferred stocks that can be converted into shares of common stock. They are unique in that they combine the investment characteristics of both corporate bonds and stocks — having the potential for equity-like returns with less volatility.

Potential benefits of convertible securities

- Over the past 20 years, convertibles have performed in line with the S&P 500 Index but with less volatility.
- Convertibles have exposure to equity sectors such as technology and health care, which may be too volatile and low-yielding for conservative equity investors.
- Convertible securities usually yield more than the dividend on the company's common stock and provide other attractive attributes, such as seniority in a company's capital structure.
- Convertibles, especially convertible bonds, can offer competitive yields while lowering an investor's interest rate risk and providing diversification when compared with government bonds, with lower correlation to those securities.

Not for the do-it-yourselfer

The convertible securities market isn't like the stock market with transparent pricing and low execution costs; it's an over-the-counter market like the one that existed before Nasdaq. To buy or sell convertible securities, you need to work with large brokers and trade securities based on bid-ask prices. Individual investors will find that a large portion of the convertible securities market is unavailable to them, and for the rest, they can't see the actual price. If you try to do it yourself, trading challenges can translate into percentage points lost per year due to higher trading costs. And having the skills to analyze and trade convertible securities doesn't necessarily guarantee access and transparency to the market.

Risks associated with convertible securities

Convertibles are hybrid securities, falling between bonds and common stocks, and may exhibit the risk characteristics of both. They may be exposed to equity-specific risks, such as market volatility and stock price depreciation, influencing the convertible's price. Traditional fixed-income risks such as credit quality, rating changes, rising interest rates and duration are also influences that can affect a convertible security's price.

Convertible securities may complement your portfolio

During any investment environment, convertible securities play an important role in a portfolio and can contribute to investor returns. Investors are encouraged to consider convertible securities as part of a well-diversified portfolio.

TYPICAL CONVERTIBLE SECURITIES INVESTORS

Equity investors

Typically, this is an investor who is somewhat conservative by disposition and age (50s or 60s), who needs equity exposure for their money to grow through retirement but wants lower volatility. With this profile, portfolios are usually dominated by investment options that have many characteristics of value strategies like dividend income funds or utility stocks.

Fixed-income investors

The most common scenario is investors who have made a lot of money over the last 30 years or more in bonds and assume they'll continue to do so. Lately, this investor is totally disoriented because they were in a fixed-income bull market for a long time and are starting to see low or negative returns from their fixed-income portfolio.

"People view convertible securities as an asset class that you need to trade in and out of, and many have ignored it in the past because they're not sure when to do what. But I always suggest that you shouldn't focus on timing. Treat convertible securities like a long-term investment — similar to equities or bonds."

DAVID KING
Global Head of Fixed Income

To learn more about how this asset class might complement your portfolio, speak with your financial advisor. For additional investor education materials, please visit investor.columbiathreadneedle.com.

QUARTERLY INVESTMENT REVIEW AND OUTLOOK

REVIEW

U.S. stocks were the primary driver of returns in diversified portfolios for the first three quarters of 2018. While the S&P 500 Index went up, almost everything else went down. By the end of the year most of the S&P 500 Index returns were erased and all asset classes delivered losses or minimal gains. Rising interest rates through November were leading to one of the worst years in history for the Bloomberg Barclays U.S. Aggregate Index, but rates dropped as the year ended and bonds registered a modest gain.

OUTLOOK

Economic growth	Global economic growth peaked in 2017 and is expected to slow through 2023.
Interest rates	Central banks are beginning to normalize monetary policy and raise rates, which is already largely reflected in U.S. bond yields.
Inflation	Inflation is forecast to have peaked in 2018 and then decline modestly along with slowing GDP growth.
Valuations	Equity valuations are at or below historical averages.
Volatility	Volatility is expected to remain at normal levels, which are higher than last year.

EQUITY

U.S. EQUITY

- Stocks valuations corrected in Q3 2018 and now are at more normal price-to-earnings multiples going into 2019.
- Consider rebalancing portfolios to make sure growth and value are at strategic targets, but don't see compelling opportunity to suggest that value will universally outperform growth.

INTERNATIONAL

- Geopolitical headlines, including Brexit, and continuing imbalances in southern European countries are a risk to European stocks.
- Mid-to-low single digit consensus earnings growth for Europe and Japan could limit any potential gains.

EMERGING MARKET

- We expect the slowdown in China to continue into 2019; a resolution of trade conflict may be a necessary precursor to rebuild positive sentiment.
- We maintain a positive outlook for emerging markets given attractive long-term growth prospects and attractive valuations, although current consensus earnings expectations for slowing growth in 2019 could limit the rebound.

FIXED INCOME

CREDIT AND INTEREST RATE FACTORS

- Credit and monetary cycles around the world are becoming out of sync. The U.S. has already begun returning to more normal interest rate policies, and that's just beginning from other central banks. Corporate leverage is higher in recent years, but with a lot of divergence across regions and sectors.
- We believe corporate bonds are attractive again. After volatility in 2018, corporate bonds now offer above-average risk premiums for below-average default rates. A rare combination.
- Duration or interest rate risk was a negative factor for fixed income for much of the year as interest rates rose, but reversed in Q4 and may continue in 2019. The pace of Fed interest rate hikes is expected to slow down and pause. We think duration should no longer be feared but viewed as an effective ballast or shock absorber in the portfolio — potentially contributing positively to returns during periods of market stress.

MUNICIPAL BONDS

- In municipal investing, we're expecting a better year in 2019 than last year. The effects of tax-reform have faded, and technical factors are supportive in 2019 with an expected negative $70 billion in net supply. More bonds are maturing in 2019 than we've seen in the last decade. Defaults remain low.

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 485 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.

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Investment Risks

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors. **Value securities** may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth. There are risks associated with **fixed-income** investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities. Income from tax-exempt **municipal bonds** or municipal bond funds may be subject to state and local taxes, and a portion of income may be subject to the federal and/or state alternative minimum tax for certain investors. Federal income tax rules will apply to any capital gains. In general, **equity** securities tend to have greater price volatility than **debt** securities. The market value of securities may fall, fail to rise or fluctuate, sometimes rapidly and unpredictably. **Market** risk may affect a single issuer, sector of the economy, industry or the market as a whole. **International** investing involves certain risks and volatility due to potential political, economic or currency instabilities and different financial and accounting standards. Risks are enhanced for **emerging market** issuers. **Convertible securities** are subject to issuer default risk. A rise in **interest rates** may result in a price decline of convertible securities. investors may also be forced to convert a convertible security at an inopportune time, which may decrease return.

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 which includes 500 large companies.

The **Bloomberg Barclays U.S. Aggregate Index** is an index comprised 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 September 30, 2018. Source: Ameriprise Q3 Earnings Release. Contact us for more current data.

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

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