



ColumbiaManagementSM

Columbia Dividend Income Fund

(RD): Hello, I'm Dick Dahlberg, co-manager of the Columbia Dividend Income Fund.

(SD): And I'm Scott Davis, the co-manager also of the Columbia Dividend Income Fund. We'd like to talk to you about the opportunity in dividend-paying stocks, and the process that we use to manage our fund.

Why dividend paying stocks?

(RD): Few people realize that dividends are a critical component of total return. Historically, dividends have accounted for over 40% of total return for stocks. Dividend returns are also less volatile in comparison with price appreciation.

Large Companies 1926–2009	Geometric Mean	Standard Deviation
Income Return	4.1%	1.6
Capital Appreciation	5.5%	19.8
Total Return	9.8%	20.5

Source: 2010 Ibbotson SBBI Classic Yearbook

Geometric Mean — The average of a set of products, the calculation of which is commonly used to determine the performance results of an investment or portfolio.

Standard Deviation is applied to the annual rate of return of an investment to measure the investment's volatility and is used by investors as a gauge for the amount of expected volatility.

Our strategy focuses on dividend growers, as studies have shown, they have significantly outperformed the broad equity market over time. The Ned Davis chart shows that dividend growers and initiators have historically outperformed non-dividend paying stocks and have a lower volatility in comparison.



Returns based on monthly equal-weighted geometric average of total returns of S&P 500 component stocks, with components reconstituted monthly.

Source: Ned Davis Research, Inc. as of 12/31/10.

Past performance does not guarantee future results.

What is your process for managing the Columbia Dividend Income Fund?

(SD): The Columbia Dividend Income Fund invests in high-quality companies that increase their dividends consistently over time. Central to our process is understanding the source for dividends and identifying corporations with the ability and willingness to pay increasing dividends.

We accomplish our goal through the use of free cash flow analytics to assess and value a corporation, plus project future dividend actions. Sustainable free cash flow from operations provides the source for dividend payments and the ability to increase dividends over time.

We adhere to the “Jerry McGuire” school of investment: show us the money! As a result, our investment process focuses on companies that generate significant cash earnings from operations.

Based on our conversations with company managements, we also assess their stewardship of capital and their willingness to reward shareholders through actions such as increased dividend payments.

The Columbia Dividend Income Fund is primarily an equity income portfolio. We do not use leverage, derivatives, or bonds to boost the portfolio's yield.

We are proud of the fund's solid, long-term performance and the competitive yield the fund offers investors.

Why consider investing in the Columbia Dividend Income Fund today?

(RD): We want to emphasize that the Columbia Dividend Income Fund is a total return portfolio strategy. The strategy has worked well over market cycles and would be a wise addition as a part of a core portfolio.

Dividend increases tend to lag the earnings cycle. As a result, we should see strong dividend increases this year to catch up with the newly elevated level of earnings we saw last year.

High-quality dividend stocks are also very reasonably valued in comparison, as they generally lagged non-dividend paying stocks recently.

Our strategy seeks to deliver competitive risk-adjusted performance over time and our long-term performance record shows this.

(SD): Thank you for joining us today as we shared our process for managing the Columbia Dividend Income Fund.

(RD): If you want more information on our fund, we encourage you to visit our website: columbiamanagement.com

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Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. For a free prospectus, which contains this and other important information about the funds, visit columbiamanagement.com. The prospectus should be read carefully before investing.

Risks include stock market fluctuations due to business and economic developments. Value stocks may also be subject to specific business risks that have caused the stocks to be out of favor. Lower-rated and medium-quality debt securities are more speculative and incur more risk.

There is no guarantee that the investment objectives will be achieved or that return expectations will be met. Dividend payments are not guaranteed. The amount of a dividend payment, if any, can vary over time.

There is no guarantee that these trends will continue. The information in this video is intended for illustrative purposes only. It is not intended to be representative of specific portfolio holdings.

The Standard & Poor's (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. Unlike mutual funds, indices are not investments, do not incur fees or expenses and are not professionally managed. It is not possible to invest directly in an index.

Investment products are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

For more information about the fund, including current performance, visit the Products & Performance section of our website:
<http://www.columbiamanagement.com/products-performance/mutual-funds>

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