



ColumbiaManagement®

Key Investment Themes for 2012: Absolute Return

Hello, my name is Todd White and I am the Head of Alternative and Absolute Return Investments at Columbia Management. Today I would like to talk about Absolute Return investing.

An alternative path to investing

Investors today have been through many ups and downs in recent years. They have endured the tech bubble, a real estate market collapse and the financial crisis. All of these events have created a considerable amount of fear that traditional diversification has failed. In essence, traditional asset allocation did not live up to what it was supposed to do: help cushion volatility.

Investing in a traditional 60/40 portfolio may not give clients a truly diversified portfolio



For example, investors who held a traditional mix of 60% stocks and 40% bonds experienced a level of volatility that was very similar to the S&P 500 Index itself.

Now, investors are seeking new ways to diversify to help protect their investments. And that's really where absolute return investing has a tremendous opportunity to help investors today.

The absolute return advantage

In our view, true diversification isn't about the number of stocks and bonds you own in a portfolio. It's about the correlation of your investments to each other. This means it is important to have investments in your portfolio that behave differently than stocks and bonds.

Absolute return strategies aim to do exactly this. They seek to invest in assets that are uncorrelated to each other and deliver positive returns for investors.

Absolute return strategies can help diversify a portfolio by adding investments that have a low correlation to the broader stock and bond markets. We believe this non-correlation is really the only true means of diversification.

When it comes to absolute return investing, our belief is that balancing targeted return, volatility and correlation is the key to successful, effective diversification.

A complement to traditional asset allocation

Absolute return strategies can offer investors three potential key benefits:

- > The potential for more consistent returns,
- > Lower portfolio volatility, and
- > Enhanced portfolio diversification.

There is a compelling opportunity for absolute return investing in today's market environment. Thank you for listening and please consider implementing absolute return strategies in your portfolio today.

Absolute return funds are not designed to outperform stocks and bonds in strong (upward) markets. There is no guarantee that any investment strategy will deliver favorable results.

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.

Chart source: Morningstar Direct, as of December 31, 2010. Data shown represents rolling 1-year returns for the 10-year period from 1/01/00 through 12/31/10. It is not possible to invest directly in an index. Index returns assume the reinvestment of all distributions.

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Diversification does not assure a profit or protect against loss.

The Barclays Capital U.S. Aggregate Bond Index is a market-value-weighted index that tracks the daily price, coupon, pay-downs and total return performance of fixed-rate, publicly placed, dollar-denominated and non-convertible investment-grade debt issues with at least \$250 million par amount outstanding and with at least one year to final maturity.

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks.

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