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**Advisory Brochure**

**(Part 2A of Form ADV)**

for

**Columbia Wanger Asset Management, LLC**

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Chicago, IL 60606

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March 29, 2018

**This brochure provides information about the qualifications and business practices of Columbia Wanger Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 634-9200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Columbia Wanger Asset Management, LLC is an-SEC registered investment adviser. This registration does not imply a certain level of skill or training. Additional information about Columbia Wanger Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Columbia Threadneedle Investments is the global brand of the Columbia and Threadneedle group of companies.**

### Material Changes Summary

This Brochure, dated March 30, 2018, has been updated to reflect important information related to changes in our business practices from our last Brochure dated September 28, 2017.

While there have been no material changes to the report from the previous annual amendment, we have made certain routine updates.

A copy of our current Brochure may be requested from shareholder services or by calling (312) 634-9200 at any time, without charge.

Additional information about Columbia Wanger Asset Management, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Columbia Wanger Asset Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Columbia Wanger Asset Management, LLC

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## **ADVISORY BUSINESS**

Columbia Wanger Asset Management, LLC (operating as a limited partnership prior to May 1, 2010) (“Columbia Wanger”), an investment adviser registered with the U.S. Securities and Exchange Commission, serves as the investment adviser for the Columbia Acorn Funds, the Wanger Advisors Trust and other institutional accounts. Columbia Wanger and its predecessors have managed mutual funds, since 1992.

Columbia Wanger, a Delaware limited liability company based in Chicago, Illinois, is wholly-owned by Columbia Management Investment Advisers, LLC (formerly known as RiverSource Investment, LLC) (“CMIA”), a Minnesota limited liability company. CMIA is a wholly-owned subsidiary of Ameriprise Financial, Inc. (“Ameriprise Financial”). This disclosure document describes the investment advisory services offered by Columbia Wanger and in this disclosure document, “we,” “our,” “us” and similar words mean Columbia Wanger. We are providing this disclosure document to persons who receive or who may receive investment advisory services in order to ensure compliance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

### *Our General Services*

Columbia Wanger provides professional management of global equity assets using in-house resources to seek superior long term results. We follow a fundamental, research-intensive investment style characterized by unconventional stock picking and multiyear time horizon. We seek to build wealth for our clients and communicate clearly, honestly and creatively with them. We attract and retain the best talent by creating a stimulating and financially rewarding environment. We develop the skills of our people to serve the needs of our clients, in the belief that the firm’s growth and profitability rest on our clients’ satisfaction.

### **Columbia Wanger Funds**

Columbia Wanger is the investment adviser to the following open-end mutual funds (the “Funds”), that are series or portfolios of Columbia Acorn Trust and Wanger Advisors Trust, two registered investment companies sponsored by Columbia Wanger:

#### **Columbia Acorn Trust**

Columbia Acorn Fund  
Columbia Acorn USA  
Columbia Acorn Select  
Columbia Acorn International  
Columbia Acorn International Select  
Columbia Thermostat Fund  
Columbia Acorn Emerging Markets Fund  
Columbia Acorn European Fund

#### **Wanger Advisors Trust**

Wanger USA  
Wanger International  
Wanger Select

### *Institutional Clients/Other*

Columbia Wanger manages significant assets for institutional clients and has discretionary authority for managing the clients’ portfolios (“separate accounts”). Columbia Wanger is a sub adviser to various Variable Portfolio Trust funds, which are U.S. registered investment companies that serve as investment options offered within variable annuity and variable life insurance products. Columbia Wanger also manages the Columbia Mid Cap Growth Fund and Columbia Variable Portfolio Mid Cap Growth Fund. Columbia Wanger has discretionary authority for managing these clients’ portfolios.

### *Investment Policies and Objectives*

We currently manage \$13.5 billion (as of December 31, 2017) in discretionary assets (reported as Regulatory Assets Under Management). Columbia Acorn Fund, Columbia Acorn USA, and Wanger USA (a variable annuity fund) are our domestic small-cap funds, which invest primarily in stocks of companies with market capitalizations of less than \$5 billion at the time of initial purchase. Columbia Acorn International Fund and Wanger International (a variable annuity fund) are our international small-cap funds, which primarily invest in stocks of companies with market capitalizations of less than \$5 billion at the time of initial purchase. We do not sell successful stocks solely because they have appreciated beyond an arbitrary capitalization limit. Our domestic mid-cap funds, Columbia Acorn Select and Wanger Select, invest in stocks of companies with market capitalizations under \$20 billion at the time of initial purchase. Our international mid-cap funds, Columbia Acorn International Select (a variable annuity fund), invests in stocks of companies with market capitalizations of \$2 to 25 billion at the time of initial purchase. Columbia Acorn Emerging Markets Fund is our international emerging markets small-cap fund, which invests primarily in stocks of companies with market capitalizations of less than \$5 billion at the time of initial purchase that are located in emerging market countries. Columbia Acorn European Fund is our European small-cap fund, which invests primarily in stocks of companies with market capitalizations of less than \$5 billion at the time of initial purchase that are located in a European country. The investment objectives, strategies and risks of the particular funds are set forth in each Fund's prospectus.

Our style is not easily defined, but most closely resembles GARP -- growth at a reasonable price. Our mission is to buy growing, undervalued companies, grow with them, and sell them when their growth slows or we believe they are fully valued. We are particularly interested in underfollowed stocks and niche companies. We like companies that benefit from long-term trends that we identify. We use dividend discount, private market value, and cash flow models to value stocks. We especially like companies with hidden values beyond reported EPS, such as unusually high free cash flow (due to goodwill, tax loss carryforwards, or other factors), masked earnings power (often caused by a startup or underperforming division offsetting a great core business), or hidden assets. We usually avoid companies in highly competitive or unpredictable industries, such as airlines, commodity semiconductors, and many natural resource areas.

Our best brokers filter their analysts' work and target us with only ideas that fit our style. They recognize that we are not interested in all of their firm's ideas, but that we will take major positions in stocks that fit.

Columbia Wanger invests client assets in certain small to medium capitalization companies, both U.S. and foreign, that it believes have growth potential, financial strength and fundamental value. Although Columbia Wanger invests its managed assets primarily in equity securities, it may also invest in other types of securities. At a client's request, substantially all of the client's portfolio may be invested in:

- U.S. securities (a "domestic portfolio"),
- non-U.S. securities (an "international portfolio"), or
- a portfolio including both U.S. and non-U.S. securities (a "global portfolio").

Investments are generally long-term (at least three to five years); although an investment may be liquidated within a shorter period if Columbia Wanger deems it advisable. Columbia Wanger also considers any investment policies and restrictions to which a client is subject or which the client has established for Columbia Wanger. Columbia Wanger may invest certain discretionary client accounts in shares of one or more mutual funds advised by Columbia Wanger or its affiliates. Columbia Wanger generally will make such investments only to the extent specifically authorized by each client in its investment management agreement.

### *Global Asset Management*

As we seek to enhance our investment capabilities and the support services provided to our clients, we may utilize services from, and provide services to, some of our U.S. affiliates ("U.S. Advisory Affiliates") and non-U.S. affiliates ("Non-U.S. Advisory Affiliates").

For example, we engage certain of our U.S. Advisory Affiliates and Non-U.S. Advisory Affiliates that engage in investment advisory services (collectively, "Advisory Affiliates") to provide (jointly or in coordination with us)

services relating to client relations, investment monitoring, account administration, investment research, trading and discretionary investment management (including portfolio management and risk management) to certain accounts we manage, including certain Funds and separately managed accounts. In some circumstances, an Advisory Affiliate may delegate responsibility for providing those services to another Advisory Affiliate. In addition, we provide certain similar services to our Advisory Affiliates for accounts they manage. Under personnel-sharing arrangements, our personnel may act on behalf of one of our U.S. Advisory Affiliates for purposes of providing some of those services for that U.S. Advisory Affiliate and its funds and/or separately managed accounts, and some of our U.S. Advisory Affiliates' personnel may act on our behalf for purposes of providing similar services for our Funds and separately managed accounts. Certain of our employees and officers are also officers of certain U.S. Advisory Affiliates, and employees and officers of our U.S. Advisory Affiliates are also officers of Columbia Management Investment Advisers.

We believe that harnessing the collective expertise of our firm and our Advisory Affiliates will benefit our clients. In this regard, we have certain portfolio management, trading, distribution and client servicing teams at both our firm and certain of our Non-U.S. Advisory Affiliates (through subadvisory or other intercompany arrangements) operating jointly to provide a better client experience. These joint teams use expanded and shared capabilities, including the sharing of research and other information by investment personnel (e.g., portfolio managers, analysts and traders) relating to economic perspectives, market analysis and equity and fixed income securities analysis.

To facilitate the collaborative approach noted above, we have entered into subadvisory agreements, intercompany agreements and "participating affiliate" arrangements with certain of our Non-U.S. Advisory Affiliates, including Threadneedle International Ltd. ("TINTL"), Threadneedle Asset Management Ltd. ("TAML") and Threadneedle Investments Singapore (Pte.) Limited ("TIS"), each of which, like us, is a direct or indirect wholly-owned investment advisory subsidiary of Ameriprise Financial. Each of TINTL, TAML and TIS is registered with the appropriate respective regulators in their home jurisdictions, and TINTL is also registered with the SEC as an investment adviser and with the United States Commodity Futures Trading Commission ("CFTC") as a commodity trading advisor. Under the participating affiliate arrangements, certain employees of our Non-U.S. Advisory Affiliates serve as "associated persons" of ours when providing certain of these services, including placing orders for our clients, and in this capacity are subject to our oversight and supervision. To the extent that we so engage one or more of our Advisory Affiliates in this manner, we remain responsible for and oversee the services provided by employees of such Non-U.S. Advisory Affiliates(s) to our clients.

In addition, we may provide certain investment-related support services to our Non-U.S. Advisory Affiliates, either directly or through our London branch office. These Non-U.S. Advisory Affiliates may also provide certain similar services to us. Such support services include, but are not limited to, traditional "middle office" and utility functions, such as trade processing, valuation, proxy voting administration and client reporting. We have also entered into intercompany agreements with certain Non-U.S. Advisory Affiliates to provide general corporate services and personnel support to our London branch office.

In addition to relationships with our Non-U.S. Advisory Affiliates, we have entered into subadvisory agreements, personnel-sharing agreements and/or other intercompany arrangements for portfolio management and certain investment-related services, with certain of our U.S. Advisory Affiliates, including Columbia Management Investment Advisers, LLC which is an SEC-registered investment adviser.

## **FEES AND COMPENSATION**

Columbia Wanger receives monthly or quarterly management fees from its institutional clients, based on the amount of value of the accounts under its management. Fees, however, may be subject to negotiation and variation, to take into account circumstances that Columbia Wanger may deem appropriate. A lower fee or a flat fee may be charged depending on the size and/or entirety of Columbia Wanger's or CMIA's relationship with a

particular client. Clients managed within the same investment strategy may be subject to varying fees. Lower fees for comparable services may be available from other sources. Clients may arrange to have their fees debited directly from their account held at the custodian for credit to Columbia Wanger, subject to applicable law and requirements. Columbia Wanger may enter into performance-based compensation arrangements with eligible clients, subject to compliance with applicable laws and regulations.

Policies relating to our fee practices and representative fee schedules for different types of clients are described below.

### *General Fee Policies*

#### Separate Account Fees

The following fee schedules apply to new separate accounts. Actual fees and minimums may differ from the amounts shown in these schedules. In addition, there are in effect historical fee arrangements that may differ from those applicable to new clients.

#### Separate Account – CWAM U.S. Small Cap Equity

0.95% on first \$25 million  
 0.90% on next \$25 million  
 0.85% on next \$50 million  
 Negotiable over \$100 million  
 Minimum account size \$10 million

#### Separate Account – CWAM U.S. SMID Cap Equity

0.80% on first \$25 million  
 0.75% on next \$25 million  
 0.70% on next \$50 million  
 Negotiable over \$100 million  
 Minimum account size \$10 million

#### Separate Account – CWAM International Small Cap Equity

1.00% on first \$25 million  
 0.95% on next \$25 million  
 0.90% on next \$50 million  
 Negotiable over \$100 million  
 Minimum account size \$25 million

#### Separate Account – CWAM International SMID Cap Equity

0.95% on first \$25 million  
 0.90% on next \$25 million  
 0.85% on next \$50 million  
 Negotiable over \$100 million  
 Minimum account size \$25 million

#### Separate Account – CWAM Emerging Markets Equity

1.10% on first \$25 million  
 1.05% on next \$25 million  
 1.00% on next \$50 million  
 Negotiable over \$100 million  
 Minimum account size \$25 million

In some cases (to meet a particular client need) and where authorized by the client, CWAM may invest all or a portion of a client's assets in one or more Funds managed by it or an affiliate. The management fees for such Funds are described in the Fund's prospectus or other offering document. Assets invested in a Fund managed by



CWAM or an affiliate for which CWAM or an affiliate receives a fund-level advisory fee typically will bear no separate account level advisory fee. Certain expenses such as management and brokerage fees and custodian expenses are incurred by Funds in which CWAM may invest and are thus indirectly borne by the client in addition to any separate account advisory fee that CWAM may charge.

#### Private Fund Fees

As investment manager to private, pooled investment vehicles (“Private Funds”), and subject to the fee waivers and side letters discussed in more detail below, we have entered into investment management agreements with the Private Funds or investment managers or trustees to those funds that entitle us to be paid an investment management fee at an annual rate up to 1.50% of the value of the Private Fund, typically payable on a monthly basis. In addition, depending on the Private Fund, we may receive a performance-based fee based upon the performance of the Private Fund against the benchmark index. Additional information regarding fees payable to us by Private Funds is described in the private placement memoranda for the Private Funds.

The Private Funds reserve the right to waive certain conditions and features of an investment in the Private Fund. For example, the Private Funds have a policy to discount or waive management fees and incentive fees for current employees of the investment manager and its affiliates who may be qualified to invest in the Private Fund.

We and a Private Fund may separately negotiate “side letters” with certain investors without applying terms negotiated with such investors, including terms relating to fees, to all investors in the Private Fund. Any such modifications are at the discretion of the Private Fund and may, among other things, be based on whether the investor is one of the first investors in the Private Fund, the size of the investor’s investment in the Private Fund or affiliated investment entity, the reputation of the investor, an agreement by an investor to maintain such investment in the Private Fund for a significant period of time, or other commitment by an investor.

Some of these preferential terms may also be offered by us to separately managed account clients pursuing strategies similar to the Private Funds. For example, in some cases, we may negotiate fees for separately managed accounts that offer strategies similar to Private Funds using the Private Fund’s published fee rate as the starting point for negotiations. We would typically do this in situations where the separate account offers one or more customized features that would justify a different fee rate.

#### Model Delivery Program Fees

We also participate in Wrap Fee Programs commonly referred to as “Model Delivery Programs” in which we provide non-discretionary investment services to the program sponsor and/or another investment adviser, commonly referred to as an “overlay manager”. The overlay manager exercises discretion over client accounts in the model delivery program. In these programs, our services are provided through periodically updated model portfolios given to the overlay manager and/or Wrap Fee Program sponsor who then exercises discretion in deciding whether and how to implement the model in a client account which may be made up of other model portfolios and/or securities products. In these arrangements, we do not typically have discretion to implement the changes imbedded within model portfolios; however, some overlay managers and Wrap Fee Program sponsors, pursuant to our contract with them, may be required to implement our services exactly as provided, while maintaining discretion with respect to brokerage. We do not have an adviser-client relationship with clients participating in these model delivery programs, nor do we have access to the identity of clients or the composition of a client’s account. For any Model Delivery Program, we cannot and do not provide any investment services that are intended to be individualized or suitable or fiduciary in nature for any specific account within the program.

As noted above, the overlay manager may or may not utilize the specific holdings or changes imbedded in our model portfolios as and when received from us in connection with the management by the overlay manager of its client accounts. Any changes in a model portfolio provided to the overlay manager may also reflect investment recommendations we have made to our other clients for whose accounts we do have investment discretion and we may be trading at the same time, or before or after the overlay manager acts on changes to a model portfolio we

have provided. As a result, our clients or the overlay manager's clients may be advantaged or disadvantaged in the market place due to execution, timing, price movements, large orders or thinly traded securities.

Our compensation pursuant to a Model Delivery Program may be lower than our representative institutional fee schedules, and the overall cost of a Model Delivery Program arrangement may be higher or lower than the end client would otherwise experience by participating in another program or by paying our standard fees and negotiating fees with a broker or dealer on a per transaction basis (either directly pursuant to a directed brokerage arrangement or through us where we are authorized to select a broker or dealer). In certain Model Delivery Programs, we may recommend model portfolios that are comprised, in whole or in part, of Registered Funds or other products that are advised by us. To the extent that we earn compensation directly from the Registered Funds and other products that are advised by us. In this respect, depending on the specific Model Delivery Program, we may earn fees for our model as well as fees for any underlying Funds or other products that are advised by us in such Model Delivery Programs.

Agreements with Model Delivery Program sponsors typically can be terminated at the written request of either the client or the program sponsor upon up to 90 days' notice. To the extent we receive any prepaid fees for a period following a termination date, the fees will generally be refunded.

#### Mutual Fund Fees

Fund advisory fees are set forth in each fund's prospectus and statement of additional information. Fees for the Funds and other investment companies are negotiated on a case-by-case basis and are reviewed annually with the Boards of Directors/Trustees of the Funds ("Boards"). These fees may be higher or lower than the representative fee schedules shown above

#### *Investment Company Fees*

We serve in a sub-advisory capacity for registered U.S investment companies that are advised by third parties. Fees for such services are negotiated with the client, and set forth in the fund's registration statement or other similar offering document.

These fees are established prior to the initiation of Columbia Wanger's services. In the case of clients that are investment companies registered under the Investment Company Act of 1940 (the "Act"), fees are subject to periodic review and approval by the funds' Board of Trustees in accordance with the requirements of that Act.

#### *Administrative Services Fees*

In connection with administrative services provided by Columbia Wanger to certain registered investment company clients, Columbia Wanger receives administrative service fees from such clients. The amount of the fees is described in the registration statement filed by the registered investment company to which Columbia Wanger provides the administrative services. Columbia Wanger, as well as its affiliates, CMIA, Columbia Management Investment Distributors, Inc. and Columbia Management Investment Services, Corp., may (i) pay certain financial services companies or broker dealers a specified percentage of the average net assets held in certain accounts or other compensation on a per account basis for accounting, account servicing and distribution services these entities provide for the products Columbia Wanger manages and (ii) pay or reimburse employee benefit plans for participant recordkeeping expenses.

#### *Termination Policies*

Typically, a client or Columbia Wanger may terminate advisory agreements on not more than 60 days' written notice, although this may vary depending on applicable law and client negotiation. If a client terminates the services of Columbia Wanger, Columbia Wanger will pro-rate fees paid in advance to the date of termination and will refund any unearned portion to a client.

#### *Compensation for the Sale of Securities and Other Investment Products*

CWAM employees who refer investment advisory business to us may be compensated through CWAM's incentive compensation plan. Representatives of our affiliates who refer investment advisory business may be compensated on the basis of a percentage of the management fees earned on such referrals. Similar compensation

is available to these employees when they are successful in selling securities products in their capacity as representatives of our affiliated broker-dealer. These securities products may include mutual funds and private funds managed by affiliate. The compensation paid by our affiliate is based on a percentage of investment management fees in accordance with a commission schedule. Where employees of our affiliates are selling Funds and collective funds through our affiliated broker-dealer, compensation is paid to these individuals by that broker-dealer and the commission schedule may be different.

Our affiliates client service personnel receive incentive compensation attributable to solicitation activities based on a percentage of management fees collected in the first two years following the sale.

Some of our affiliates employees may be licensed representatives of our affiliated broker-dealer, and in that capacity may receive compensation from that entity for the offer and sale of securities and other investment products, including asset-based charges or service fees from the sale of Funds. Our affiliates do not charge commissions or mark ups to their clients.

#### *Portfolio Manager Compensation*

Incentive compensation for portfolio managers and key analysts is determined using market competitive incentive targets, with actual incentive awards based on these incentive targets and the cumulative performance of the portfolios/stocks that they manage. Portfolio manager performance is measured versus primary portfolio benchmarks. Analyst performance is measured versus a custom benchmark for each analyst. One-, three- and five-year performance periods primarily drive incentive levels. Incentive compensation can range from between a fraction of base pay to a multiple of base pay, the objective being to provide very competitive total compensation for high performing analysts and portfolio managers. The preliminary incentive compensation amount determined based on investment performance may be adjusted up or down, by up to 15%, based on qualitative performance factors. These factors include investment performance impacts not included in benchmarks such as industry (or country) weighting recommendations, plus adherence to compliance standards, corporate governance, business building, and citizenship. Other analysts' incentives are also based on performance versus benchmarks, though they are less formulaic in order to emphasize investment process instead of initial investment results. The qualitative factors discussed above are also considered. These analysts participate in an incentive pool which is based on a formula primarily driven by firm-wide investment performance.

Each year the Columbia Wanger target incentive pool is adjusted up or down based upon the increase/decrease in Columbia Wanger revenues versus an agreed upon base revenue amount. Investment performance, however, impacts incentives far more than revenues. Columbia Wanger determines individual incentive compensation, subject to review by Ameriprise Financial.

Incentive compensation is paid in a combination of cash, Ameriprise Financial restricted stock and/or nonqualified stock options ("LTIA"), and deferred mutual fund compensation. The cash portion of incentive compensation can range from 100%, for less senior positions, down to 60% for more senior positions. The LTIA portion can range from 0%, for less senior positions, up to 10% for more senior positions. The balance of incentive compensation is in the form of deferred mutual fund compensation. Once credited, the value of deferred mutual fund compensation accounts is based on the performance of certain Columbia Funds, including the Columbia Acorn Funds. Both LTIA's and deferred mutual fund compensation vest over three years from the date of issuance.

For all employees the benefit programs generally are the same, and are competitive within the financial services industry. Employees participate in a wide variety of plans, including options in Medical, Dental, Vision, Health Care and Dependent Spending Accounts, Life Insurance, Long Term Disability Insurance, 401(k), and a cash balance pension plan.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### *Performance-Based Fees*

Qualified clients may negotiate performance-based fees in compliance with Advisers Act requirements with respect to accounts managed by us. The performance on which performance-based compensation is calculated will typically include unrealized appreciation and depreciation of investments that may not ultimately be realized.

We believe that performance-based fee arrangements align our interests with the interests of our clients who are subject to those fees. We recognize the structure of these arrangements can create an incentive to favor these accounts in allocating investment opportunities or to make investments that are more speculative than would be the case in the absence of performance-based compensation. We have adopted policies and related controls that seek to mitigate certain conflicts presented by our performance-based fee arrangements.

### *Management of Multiple Accounts and Multiple Strategies*

Like other investment professionals with multiple clients, a Fund's portfolio manager(s) may face certain potential conflicts of interest in connection with managing both the Fund and other accounts at the same time. Columbia Wanger and the Funds have adopted compliance policies and procedures that attempt to address certain of the potential conflicts that portfolio managers face in this regard. Certain of these conflicts of interest are summarized below.

The management of accounts with different advisory fee rates and/or fee structures, including accounts that pay advisory fees based on account performance (performance fee accounts), if any, may raise potential conflicts of interest for a portfolio manager by creating an incentive to favor higher fee accounts. Potential conflicts of interest also may arise when a portfolio manager has personal investments in other accounts that may create an incentive to favor those accounts. As a general matter and subject to the Columbia Wanger's Code of Ethics and certain limited exceptions, Columbia Wanger's investment professionals do not have the opportunity to invest in client accounts, other than the pooled investment vehicles.

A portfolio manager who is responsible for managing multiple funds and/or accounts may devote unequal time and attention to the management of those funds and/or accounts. The effects of this potential conflict may be more pronounced where funds and/or accounts managed by a particular portfolio manager have different investment strategies.

A portfolio manager may be able to influence the selection of the broker/dealers that are used to execute securities transactions for the funds. A portfolio manager's influence as to the selection of broker/dealers could produce disproportionate costs and benefits among the funds and the other accounts the portfolio manager manages.

A potential conflict of interest may arise when a portfolio manager buys or sells the same securities for a fund and other accounts. On occasions when a portfolio manager considers the purchase or sale of a security to be in the best interests of a fund as well as other accounts, Columbia Wanger trading desk may, to the extent consistent with applicable laws and regulations, aggregate the securities to be sold or bought in order to seek best execution. All clients participating in the aggregated execution receive the same execution price and transaction costs are shared pro-rata. Aggregation of trades may create the potential for unfairness to a fund or another account if a portfolio manager favors one account over another in allocating the securities bought or sold.

Another potential conflict of interest may arise based on the different investment objectives and strategies of a fund and other accounts managed by its portfolio manager(s). Depending on another account's objectives and other factors, a portfolio manager may give advice to and make decisions for a fund that may differ from advice given, or the timing or nature of decisions made, with respect to another account. A portfolio manager's investment decisions are the product of many factors in addition to basic suitability for the particular account involved. Thus, a portfolio manager may buy or sell a particular security for certain accounts, and not for a fund, even though it could have been bought or sold for the fund at the same time. A portfolio manager also may buy a particular security for one or more accounts when one or more other accounts are selling the security (including

short sales). There may be circumstances when a portfolio manager's purchases or sales of portfolio securities for one or more accounts may have an adverse effect on other accounts, including the Funds.

A fund's portfolio manager(s) also may have other potential conflicts of interest in managing the fund, and the description above is not a complete description of every conflict that could exist in managing the fund and other accounts. Many of the potential conflicts of interest to which Columbia Wanger's portfolio managers are subject are essentially the same as or similar to the potential conflicts of interest related to the investment management activities of Columbia Wanger and its affiliates.

## **TYPES OF CLIENTS**

We provide investment advisory services to the types of clients listed below.

- pension, profit sharing, employee savings funds and Taft-Hartley pension funds;
- foundations and endowments;
- corporate and other types of institutional clients, including tax-exempt and not-for-profit organizations;
- state, municipal or other governmental entities;
- high-net-worth individuals, including trusts and estates;
- other investment advisers registered with the SEC or with regulators in other countries;
- Mutual Funds, including Columbia Funds, registered with the U.S. Securities and Exchange Commission branded as "Columbia," and "Columbia Seligman";
- Mutual Funds that are used as funding vehicles by separate accounts for variable annuity contracts and/or variable life insurance policies issued by our insurance company affiliates and third party, unaffiliated insurance companies;
- various private, pooled investment vehicles ("Private Funds") organized as limited partnerships, limited liability corporations, foreign (non-U.S.) entities or other legal form;

### *Conditions for Managing Accounts*

In general, Columbia Wanger does not accept accounts, or groups or related accounts, which have initial asset values of less than \$25,000,000. Columbia Wanger may set a higher or lower minimum account size, depending on circumstances it believes relevant, such as historic relationships with officers, expectation of additions to the account in the future and other circumstances.

We generally require institutional clients to have a minimum account size of \$25,000,000 to receive discretionary investment advisory services. We may impose higher minimums for certain investment mandates from time to time. We also reserve the right to waive account minimums in our sole discretion. Factors we take into consideration in making a determination whether to waive an account minimum may include the number of accounts managed for a client, the nature of services rendered, any special requirements of the account(s) managed and the totality of the relationship between us and our affiliates and the client and/or its affiliates. We may also consider a client's specific needs and circumstances, and a client's future ability to reach our minimum account size by making supplemental contributions. We may also offer to waive an account minimum based on our capacity to manage assets in a particular strategy. Our ability to waive account minimums may result in similarly situated clients being offered different minimums to establish a separately managed account.

We reserve the right to decline any account in our sole discretion. We reserve the right to resign as investment adviser to any account, subject to the terms of the client contract.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

While individual portfolio managers may emphasize one method of security analysis over another, the primary methods of analysis we employ are fundamental analysis (*i.e.*, the analysis and interpretation of basic company

and industry data) and quantitative analysis (*i.e.*, the analysis and interpretation of numerical, measurable characteristics). We also use other methods of analysis such as technical analysis (charting) and cyclical analysis. The firm maintains an internal centralized research function. Investment analysts who are responsible for centralized research provide their views on specific issuers and securities internally for general consumption by other analysts and portfolio managers.

#### Methods of Analysis

The primary methods of analysis and the material risks involved for the standard investment strategies that we offer to our Private Funds are described in the offering materials relating to the product.

The primary methods of analysis and the material risks involved for the standard investment strategies that we offer to our institutional clients are set forth below.

#### Risk Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Each Investment strategy is subject to certain specific risks, some of which are material, and other less so. We utilize the investment strategies and methods of analysis to seek to achieve each portfolio's investment objective. The investment decisions we make may not produce the expected returns, may cause the portfolio to lose value or may cause the portfolio to underperform other portfolios with similar investment objectives. There is no assurance that a portfolio's objective will be achieved, and investors could lose money. In addition, there can be no assurance that a specific portfolio manager or other investment professional supporting a particular strategy will continue to support that strategy. While we endeavor to retain talented investment professionals, there can be no assurance that we will be successful in that regard.

In the chart below we have listed the material risks for each strategy. Other risks that are not material also apply. Please see the Risk Disclosure Appendix that follows for more detailed information about the material risks as they apply to the separate account strategies as listed in the chart below and other challenges and risks associated with the investment management industry including strategy-specific risks and regulatory uncertainty.

Material risks that apply to every strategy include issuer risk and market risk.

Issuer risk is the risk that an issuer of a security may perform poorly, and therefore, the value of its securities may decline. Poor performance may be caused by poor management decisions, competitive pressures, breakthroughs in technology, reliance on suppliers, labor problems or shortages, corporate restructurings, fraudulent disclosures, natural disasters or other events, conditions or factors

Market risk refers to the possibility that the market values of securities or other investments may fall, sometimes rapidly or unpredictably, or fail to rise. Security values may fall or fail to rise because of a variety of factors affecting (or the market's perception of) individual companies (e.g., an unfavorable earnings report), industries or sectors, or the market as a whole, reducing the value of an investment. Accordingly, an investment could lose money over short or even long periods. The market values of securities also can be affected by changes or perceived changes in U.S. or foreign economies and financial markets, and the liquidity of these securities, among other factors. In general, equity securities tend to have greater price volatility than debt securities. In addition, common stock prices may be sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

Separate Account Strategy or Fund Name	Primary Methods of Analysis	Material Risks
Columbia Acorn	<ul style="list-style-type: none"> <li>•Focuses on small and mid-sized companies with market capitalizations under \$5billion at the time of investment.</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives</li> </ul>	Active Management Risk Small- and Mid-Cap Company Securities Risk Foreign Securities Risk Emerging Market Securities

Separate Account Strategy or Fund Name	Primary Methods of Analysis	Material Risks
	for stock selection	Risk Liquidity and Trading Volume Risk Foreign Currency Risk Sector Risk Growth Securities Risk
Columbia Acorn International	<ul style="list-style-type: none"> <li>•Focuses on small and mid-sized companies with market capitalizations under \$10billion at the time of investment.</li> <li>•The Fund invests at least 75% of its total assets in foreign companies in developed markets and emerging markets</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	Active Management Risk Small-and Mid-Cap Company Securities Risk Sector risk Foreign Securities Risk Emerging Market Securities Risk Liquidity and Trading Volume Risk Foreign Currency Risk Growth Securities Risk Geographic Focus Risk
Columbia Acorn International Select	<ul style="list-style-type: none"> <li>•The Fund invests at least 65% of its net assets in foreign companies in developed markets and up to 35%of its total assets in emerging markets</li> <li>•Invests a majority of its net assets in the common stock of small- and mid-sized companies with market capitalizations under \$25 billion at the time of investment</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	Active Management Risk Select Portfolio Risk Sector Risk Liquidity and Trading Volume Risk Foreign Securities Risk Emerging Market Securities Risk Small- and Mid-Cap Securities Risk Foreign Currency Risk Growth Securities Risk Geographic Focus Risk Large Cap Company Securities Risk
Columbia Acorn Select	<ul style="list-style-type: none"> <li>•Invests a majority of its net assets in the common stock of small- and mid-sized companies with market capitalizations under \$20 billion at the time of investment</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	Select Portfolio Risk Active Management Risk Small- and Mid-Cap Company Securities Risk Foreign Securities Risk Emerging Market Securities Risk Liquidity and Trading Volume Risk  Foreign Currency Risk Real Estate-Related Investment Risk Growth Securities Risk
Columbia Acorn USA	<ul style="list-style-type: none"> <li>•Focuses on small and mid-sized companies with market capitalizations under \$5 billion at the time of investment.</li> <li>•Uses quantitative and fundamental research as</li> </ul>	Small- and Mid-Cap Company Securities Risk Growth Securities Risk Sector Risk

Separate Account Strategy or Fund Name	Primary Methods of Analysis	Material Risks
	well as the management team's perspectives for stock selection	
Columbia Thermostat	<ul style="list-style-type: none"> <li>•Invests in other mutual funds and allocates at least 95% of its net assets among a selected group of stock and bond mutual funds according to the current level of . Standard &amp; Poor's (S&amp;P) 500® Index</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	Allocation Risk Fund-of-Funds Risk Interest Rate Risk Credit Risk High-Yield Investment Risk Value Securities Risk Growth Securities Risk Sector Risk Foreign Securities Risk Emerging Market Securities Risk Small- and Mid-Cap Company Securities Risk Convertible Securities Risk Forward Commitments on Mortgage-Backed Securities Risk Mortgage and Other Asset-Backed Securities Risk Stripped Securities Risk Prepayment and Extension Risk Reinvestment Risk Liquidity and Trading Volume Risk Depository Receipts Risk Derivatives Risk – Futures Contracts Risk Changing Distribution Levels Risk Rule 144A and Other Exempted Securities Risk Frequent Trading Risk Foreign Currency Risk Derivatives Risk – Swaps Risk High Leveraged Transactions Risk Counterparty Risk Exchange Traded Fund Risk Liquidity Risk Active Management Risk Index Fund Risk Correlation/Tracking Error Risk New Fund Risk
Columbia Acorn Emerging Markets	<ul style="list-style-type: none"> <li>•Fund invests a majority of its net assets in the common stock of small-and mid-sized companies with the market capitalizations under \$10 billion at the time of investment.</li> <li>•The Fund invests at least 80% of its net assets in companies located in emerging market</li> </ul>	Active Management Risk Liquidity and Trading Volume Risk Foreign Securities Risk Emerging Market Securities Risk



Separate Account Strategy or Fund Name	Primary Methods of Analysis	Material Risks
	<p>countries, including frontier market countries.</p> <ul style="list-style-type: none"> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	<p>Frontier Market Risk Small- and Mid-Cap Company Geographic Focus Risk Foreign Currency Risk  Growth Securities Risk</p>
Columbia Acorn European	<ul style="list-style-type: none"> <li>•Fund invests a majority of its net assets in the common stock of small-and mid-sized companies with the market capitalizations under \$5 billion at the time of investment.</li> <li>•The Fund invests at least 80% of its net assets in companies located in European companies.</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	<p>Active Management Risk Liquidity and Trading Volume Risk Foreign Securities Risk Geographic Focus Risk RiskEmerging Market Securities Risk Small- and Mid-Cap Securities Risk Foreign Currency Risk  Growth Securities Risk</p>
Wanger USA	<ul style="list-style-type: none"> <li>•Focuses on small and mid-sized companies with market capitalizations under \$5 billion at the time of investment.</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	<p>Small- and Mid-Cap Company Securities Risk Growth Securities Risk Sector Risk</p>
Wanger Select	<ul style="list-style-type: none"> <li>•Invests a majority of its net assets in the common stock of small- and mid-sized companies with market capitalizations under \$20 billion at the time of investment</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives</li> </ul>	<p>Active Management Risk Small- and Mid-Cap Securities Select Portfolio Risk Sector Risk Foreign Securities Risk Emerging Market Securities Risk Liquidity and Trading Volume Risk Foreign Currency Risk Growth Securities Risk Real Estate Related Investment Risk</p>
Wanger International	<ul style="list-style-type: none"> <li>•Focuses on small and mid-sized companies with market capitalizations under \$5 billion at the time of investment.</li> <li>•The Fund invests at least 65% of its total assets in foreign companies in developed markets and emerging markets</li> <li>•Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> </ul>	<p>Active Management Risk Small- and Mid-Cap Company Securities Risk Emerging Market Securities Risk Liquidity and Trading Volume Risk Foreign Securities Risk Geographic Focus Risk Sector Risk Foreign Currency Risk Growth Securities Risk</p>

## DISCIPLINARY INFORMATION

A description of certain regulatory, governmental agency and litigation matters is provided below. Where required, we provide disclosure regarding such matters in Part 1A of our ADV.

Columbia Wanger and the Trustees of the Trust (collectively, the Columbia defendants) were named as defendants in class and derivative complaints that were consolidated in a Multi-District Action (the MDL Action) in the federal district court of Maryland. These lawsuits contend that defendants permitted certain investors to market time their trades in certain Columbia Acorn Funds. The MDL Action is ongoing. However, all claims against the Trust and the Independent Trustees of the Trust have been dismissed.

Columbia Acorn Trust and Columbia Wanger are also defendants in a state court class action lawsuit that alleges, in summary, that the Trust and Columbia Wanger exposed shareholders of Columbia Acorn International to trading by market timers by allegedly: (a) failing to properly evaluate daily whether a significant event affecting the value of the Fund's securities had occurred after foreign markets had closed but before the calculation of the Fund's net asset value (NAV); (b) failing to implement the Fund's portfolio valuation and share pricing policies and procedures; and (c) failing to know and implement applicable rules and regulations concerning the calculation of NAV (the Fair Valuation Lawsuit). The United States Court of Appeals for the Seventh Circuit ruled that the plaintiffs' state law claims were preempted under federal law, resulting in the dismissal of plaintiffs' complaint. Plaintiffs appealed the Seventh Circuit's ruling to the United States Supreme Court. The Supreme Court reversed the Seventh Circuit's ruling on jurisdictional grounds and the case was remanded to the state court.

On March 21, 2005, a class action complaint was filed against the Trust and Columbia Wanger seeking to rescind the contingent deferred sales charge (CDSC) assessed upon redemption of Class B shares of the Columbia Acorn Funds (the CDSC Lawsuit). In addition to the rescission of sales charges, plaintiffs seek recovery of actual damages, attorneys' fees and costs. The case was transferred to the MDL Action in the federal district court of Maryland.

On September 14, 2007, the plaintiffs and the Columbia defendants named in the MDL Action, including the Columbia family of funds, entered into a stipulation of settlement with respect to all Columbia-related claims in the MDL Action described above, including the CDSC and Fair Valuation Lawsuits.

On April 23, 2010, the parties to the MDL Action filed a motion seeking: (a) preliminary approval of the MDL settlements; (b) the conditional certification of the plaintiff class for purposes of settlement; (c) approval of the form and manner of giving notice to the plaintiff class of the proposed settlements; and, (d) approval of the proposed schedule for various deadlines in connection with the final settlement hearing. The motion was presented to and approved by the court on May 7, 2010.

On October 21, 2010, the court held a final hearing regarding the MDL settlements and on October 25, 2010 issued a final judgment and related orders that: (a) approved the settlements as fair, reasonable and adequate, and in the best interests of members of both the plaintiff class and current shareholders of the Columbia funds, including the Columbia Acorn Funds; (b) dismissed with prejudice all complaints against the Columbia defendants; and (c) approved a plan of distribution for the amounts due to the plaintiff class as established in the settlements. The orders of settlement do not create any liability for the Columbia Acorn Funds.

Columbia Wanger believes that the lawsuits described in the four preceding paragraphs are not likely to materially affect its ability to provide investment management services to the Funds.

**Other Matters.** Ameriprise Financial, Inc. and certain of its affiliates, including us, have been involved in other legal, arbitration and/or regulatory matters concerning their respective business activities. These matters include routine litigation, class actions, and regulatory or governmental agency examinations and investigations. As a matter of policy, we do not typically provide copies of letters or responses stemming from regulatory or governmental examinations or investigations, or publish information relating to ongoing exams, investigations or

litigation. However, upon request of a prospective or current client, we may communicate the results of completed exams, investigations or litigation or the status of ongoing matters.

To the best of our knowledge, neither we nor Ameriprise Financial, nor any of our affiliates, is currently the subject of any pending legal, arbitration, regulatory or other governmental matters that are likely to have a material adverse effect on Ameriprise Financial's financial condition or our ability to meet our contractual commitments to clients. Ameriprise Financial is required to make 10Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at [www.sec.gov](http://www.sec.gov).

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Columbia Wanger is not a registered broker-dealer however some of our directors and principal executive officers ("Directors and Officers") hold one or more securities licenses with the Financial Industry Regulatory Authority (FINRA) through our affiliated broker-dealer, Columbia Management Investment Distributors. Neither Columbia Wanger nor any of its Directors and Officers are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading adviser or an associated person of the foregoing entities. More information about our Directors and Officers can be found in the Part 1A of our Form ADV.

Columbia Wanger, the adviser to the Columbia Acorn Trust and Wanger Advisors Trust, has determined that it is not required to register as a Commodity Pool Operator under the amendments to Rule 4.5 adopted by the Commodity Futures Trading Commission. We currently anticipate that each of the funds in the Columbia Acorn Trust and Wanger Advisors Trust will continue to be eligible for the Rule 4.5 exemption.

The following are the educational and business backgrounds of the Directors and principal executive officers of Columbia Wanger:

**Alan Berkshire**, born in 1960, joined Columbia Wanger April 2015 and is a Director and the Chief Operating Officer. Mr. Berkshire received his B.S. degree from the University of Michigan in 1982 and is JD degree from Columbia University in 1986.

**John Kunka**, born in 1970, joined Columbia Wanger in May 2006 and is Treasurer and Chief Financial Officer. Mr. Kunka received his B.A. degree in Economics from the University of Illinois in 1992. He is a Certified Public Accountant.

**P. Zachary Egan**, born in 1968, joined Columbia Wanger in September 1999 and as of April 1, 2014 is a Director and the President and Chief Investment Officer of Columbia Wanger Asset Management, LLC. He is currently is co-portfolio manager for the Columbia Acorn International and Columbia Acorn Fund. He is also the director of International Research for Columbia Wanger. Mr. Egan received his B.A. degree from Middlebury College in 1990 and his M.A. degree from the University of Chicago in 1996. He is a Chartered Financial Analyst.

**Joseph C. LaPalm**, born in 1969, is the chief compliance officer of Columbia Wanger and also serves as a Vice President of Ameriprise Financial. Before joining Columbia Wanger in 2005, Mr. LaPalm was a compliance officer with William Blair & Company, beginning in 2000. Mr. LaPalm received his B.S. degree in Economics and Political Science from Florida State University in 1993.

### *Multiple Roles Played by Certain Directors and Officers*

Some of our Directors and Officers and employees are also directors, officers or employees of our ultimate parent company or one or more affiliates, including certain Advisory Affiliates that may directly or indirectly benefit from our client relationships or advisory activities. In these circumstances, the potential for a conflict of interest exists between the obligations to our clients and the incentive to make recommendations, or take actions, that benefit one or more of our other affiliates as well as conflicts among the affiliated entities with respect to the

allocation of resources and the Director's or Officer's time. We believe these potential conflicts are mitigated because our employees and those of our affiliates are subject to a Code of Ethics and various policies that require these employees to act in the best interests of our clients and to put the needs of our clients first at all times.

#### *Business Activities and Affiliations*

As part of the Ameriprise Financial organization, we receive general corporate services, including administrative support and client account support, equipment and facilities from Ameriprise Financial and certain of its wholly-owned subsidiaries, some of which are domiciled in foreign jurisdictions. For example, certain back-office and administrative and client support services are provided by a wholly-owned subsidiary of Ameriprise Financial based in India. Threadneedle, an organization more fully described below, assists us in meeting various international regulatory requirements and collaborates with us in providing certain asset management services. Our eligible employees also receive certain employee benefits from Ameriprise Financial. To the extent employees of Ameriprise Financial are provided access to proprietary investment information conflicts may exist. To mitigate such conflicts these employees are subject to a Code of Ethics and various policies that limit the use of such information. Please see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

As described below, many of our affiliates engage in activities that are material to our advisory business or to our clients. We may utilize, suggest or recommend the services of these affiliated entities

Our policies and procedures require these Management Persons and employees put our clients' interests first, but they may have an incentive to make recommendations, or take actions, that benefit the affiliated entity or put the affiliated entity's interests ahead of our own.

#### Broker-Dealers

Columbia Management Investment Distributors, an SEC-registered broker-dealer, serves as the principal underwriter and distributor of the Funds and serves as a placement agent or distributor of Private Funds managed by us. Our sales personnel are registered representatives of Columbia Management Investment Distributors and may present investment opportunities in the Funds and Private Funds managed by us to our current and prospective clients and receive compensation to do so. Columbia Management Investment Distributors also serves as the distributor of the investment companies offered and sold to insurance companies as part of the Columbia Funds Variable Insurance Trust, the Columbia Funds Variable Insurance Trust I and the Columbia Funds Variable Series Trust II (the "Variable Series Trust funds") and the Wanger Advisors Trust funds. Columbia Management Investment Distributors is also a member of the Municipal Securities Rulemaking Board and serves as the program manager for 529 Plans.

We are also affiliated with Ameriprise Financial Services, an SEC-registered broker-dealer and investment adviser that is a wholly-owned subsidiary of Ameriprise Financial. Ameriprise Financial Services and other third party broker dealers distribute the shares of the Mutual Funds we or an affiliate manage and may also offer and sell shares of any registered Closed-End Funds that we or an affiliate develop or currently manage.

#### Investment Companies and Other Pooled Investment Vehicles

We are affiliated with investment companies managed by us or our affiliates, including the Funds, certain Private Funds and sub-advised funds. Ameriprise Financial provides administrative and accounting services for the Funds. To the extent employees of Ameriprise Financial gain access to proprietary investment information conflicts may exist. To mitigate such conflicts these employees are subject to a Code of Ethics and various policies that limit the use of such information. Please see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

#### Investment Advisers

Columbia Wanger, a Delaware limited liability company based in Chicago, Illinois, is wholly-owned by Columbia Management Investment Advisers, LLC (formerly known as RiverSource Investment, LLC), a Minnesota limited liability company. CMIA is a wholly-owned subsidiary of Ameriprise Financial, Inc.

Our ultimate parent company, Ameriprise Financial, indirectly owns certain of our advisory affiliates, including Threadneedle International Limited (“TINTL”), a Financial Conduct Authority (“FCA”) and SEC SEC-registered adviser; Threadneedle Asset Management Limited (“TAML”), an FCA-registered adviser; Threadneedle Investments Singapore (Pte) Ltd. (“TIS”), an adviser regulated by the Monetary Authority of Singapore; and Threadneedle Asset Management Malaysia SDN.BHD, a Malaysian-based investment adviser. We are also affiliated with Columbia Threadneedle Investments (ME) Limited which is registered to advise on financial products and arrange deals in investments in the Dubai International Financial Centre.

We are also affiliated with Ameriprise Financial Services, an SEC-registered investment adviser and broker-dealer that provides retail investment advisory services and engages in the broker-dealer activities described above. Ameriprise Financial Services is also registered with the SEC as a Registered Municipal Advisor.

#### Financial Planning Firm

Our affiliate, Ameriprise Financial Services, a dually registered investment adviser and broker-dealer as previously described, also offers financial planning services through its Ameriprise Financial Planning Service in the form of a personal financial plan that includes analysis and written recommendations that may include specific investment recommendations and other product solutions available from Ameriprise Financial Services and its affiliates. Products recommended may include Mutual Funds or other products managed by us. Ameriprise Financial Services, an affiliate that is not involved in our asset management business, may provide pension consulting services from time to time.

#### Insurance Companies

Through Ameriprise Financial, we are affiliated with RiverSource Life, a licensed insurance company in 49 states, as well as the District of Columbia and American Samoa and with RiverSource Life of NY, licensed to do business as an insurance company in New York. The products of our insurance company affiliates include fixed, variable life, and disability insurance and fixed and variable annuities. Additionally, the Variable Series Trust funds we manage are investment options offered within those variable annuity and variable life insurance products.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### *Generally*

Ameriprise Financial is a broadly diversified financial services company that directly or through affiliates provides a variety of securities, insurance, bank and other investment services to a broad array of customers. Ameriprise Financial, its affiliates, directors, officers and employees (collectively “Ameriprise”) are engaged in businesses and/or have interests that may differ from Columbia Wanger’s. Ameriprise may be involved in advisory, transactional and financial activities and/or other interests in securities and companies that may be directly or indirectly purchased or sold by Columbia Wanger for its advisory accounts. As a result, Columbia Wanger’s affiliation with Ameriprise Financial may involve real, potential or apparent conflicts of interests to Columbia Wanger and, in certain cases, its clients.

Columbia Wanger acts as a fiduciary with respect to its asset management activities and owes its clients a duty of care, and loyalty. As a fiduciary, Columbia Wanger is required to act in the best interests of its clients and address conflicts that arise. However, there exists the potential that current or future activities of Ameriprise Financial could affect Columbia Wanger’s management of its clients’ accounts and could be disadvantageous. The overall investment activities of Columbia Wanger and its affiliates may limit the investment opportunities for accounts under their management (collectively, the “Accounts”) in certain markets in which limitations are imposed by regulators upon the amount of investment by affiliated investors, in the aggregate or in individual issuers. From time to time, the Account’s activities also may be restricted because of regulatory restrictions applicable to Columbia Wanger and its affiliates, and/or their internal policies.

We and our affiliates may trade in the same securities. Certain securities may be subject to ownership limitations due to regulatory limits imposed by various jurisdictions for certain industries or by issuers through mechanisms

such as poison pills. Some of these limitations may require us to aggregate our clients' holdings with those of our affiliates' clients in the same security for purchases of determining compliance with those thresholds. In these instances, we (and therefore our clients) may be limited or prevented from acquiring securities of an issuer that we may otherwise prefer to purchase. For example, many countries limit the amount of outstanding shares that an organization, including any of its affiliates also holding shares, may hold in a bank holding company with a locally-domiciled bank. In this circumstance, we may be limited or prevented from purchasing additional shares of that issuer if the purchase would put us over the regulatory limit when combined with our affiliates' holdings even if our holdings alone would not be in excess of limit. We have policies and procedures in place to monitor and interpret these ownership limits. However, it is possible that we and our affiliates may inadvertently breach these limits, and we (and therefore our clients) may be required to sell securities of an issuer that we may otherwise prefer to continue to hold in order to be in compliance with such limits. In addition, it is possible that aggregate ownership limitations could cause performance dispersion among accounts with similar investment objectives and strategies and portfolio management teams. For example, if further purchases in an issuer are restricted due to ownership limits, a portfolio manager would not be able to invest a new account in securities of that issuer that may be held by funds and accounts managed with similar investment objectives and strategies.

We may also choose to limit purchases in an issuer to a certain threshold for risk management purposes. If the holdings of our affiliates are included in that limitation, it is possible that we may be limited in our ability to purchase securities we would otherwise prefer to purchase in order to maintain such limits.

Ameriprise and Columbia Wanger have established a variety of policies, procedures and other controls that seek to manage conflicts of interest arising between advisory accounts and the Firm's businesses. With respect to conflicts that may arise in connection with personal securities trading, all Columbia Wanger employees must comply with Columbia Wanger's Code of Ethics.

Columbia Wanger may take investment positions and/or give advice in securities for some clients in which other clients or Ameriprise or clients of Ameriprise have similar or different investment positions. Columbia Wanger seeks to treat all clients in a fair and equitable manner, however, there may be instances in which Columbia Wanger is purchasing or selling for its client accounts, securities in which Columbia Wanger or Ameriprise is undertaking the same or differing strategy for other clients (including similarly managed accounts). Prices, availability, liquidity and terms of the investments may be negatively impacted by activities of Ameriprise and the transactions for Columbia Wanger's clients may, as a result, be less favorable. The investment results for Columbia Wanger's clients may differ from the results achieved by the Firm and other clients of the Firm.

Columbia Wanger may recommend to its clients the purchase of shares of the investment companies or interests of other entities for which Columbia Wanger or an affiliate serves as investment adviser. Recommendations to Columbia Wanger clients are premised on Columbia Wanger's fiduciary obligations to act in a client's best interests and pursuant to the discretionary authority granted to Columbia Wanger by the client, to the extent permitted by applicable law.

Columbia Wanger personnel may invest from time to time in shares of any mutual fund, to which Columbia Wanger or an affiliate is an investment adviser, on the terms outlined in the fund prospectuses. Such terms may cause them to realize a more favorable return than other investors.

Columbia Wanger personnel may invest from time to time in interests of other entities that Columbia Wanger or an affiliate may manage. Such investments may be purchased at the same prices available to other eligible investors, but at lower or no fees, which would cause them to realize a more favorable return than other investors.

The aggregate compensation of Columbia Wanger may be increased when clients and others purchase shares ("invested shares") of investment companies or other entities managed by Columbia Wanger ("managed entities"). To prevent Columbia Wanger from receiving a fee from both the client and a managed entity for the invested shares, the computation of Columbia Wanger's management fee excludes the value of the invested shares from the value of the client account.

Columbia Wanger may recommend to its clients investments in other investment entities in which Columbia Wanger or its personnel may invest or which Columbia Wanger's or its partners, officers or employees, may serve as general or limited partner, member, director, trustee or officer. Columbia Wanger or its personnel may also manage or advise an entity (or an entity serving as general partner of such entity) that may purchase or hold securities recommended for purchase or sale by clients.

#### Our Approach to Conflicts of Interest

Ameriprise Financial and its subsidiaries, which includes us, constitute a large diversified financial services organization. As a result of this and other aspects of our business, conflicts of interest may arise among our different clients and among us, our affiliates and our clients. Conflicts of interest that may arise in the course of providing investment advisory services are described throughout this brochure, as are some of our policies and procedures designed to address specific conflicts of interest, such as our Code of Ethics and trading procedures.

We have a compliance program in place that is intended to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest, as well as to ensure compliance with legal and regulatory requirements and ensure compliance with client investment guidelines and restrictions. Our compliance program includes written policies and procedures that we believe are reasonably designed to prevent violations of applicable law and regulations.

Our various business units typically take front-line responsibility for ongoing implementation and supervision of our policies and procedures, with monitoring provided by our compliance department. We also maintain various committees, which provide oversight and review of compliance across functional boundaries including several operating committees, whose membership is comprised of personnel from the impacted business area(s). These committees receive input from our compliance and legal counsel and help ensure compliance with some of these policies and procedures. Some of the key committees (or subcommittees) supporting our compliance program efforts include those committees (or subcommittees) responsible for investment oversight, proxy voting, Code of Ethics oversight, valuation, trading portfolio holdings disclosure and new products.

#### Code of Ethics/Personal Trading Rules and Procedures

We and certain of our affiliates have adopted a "Code of Ethics" ("Code") that sets forth standards of business conduct and principles to mitigate conflicts of interest for all our "Covered Persons" as they perform their respective roles and responsibilities and when they engage in personal securities transactions. We and certain of our affiliates have adopted different versions of the Code for Investment Covered Persons and for other Covered Persons. Investment Covered Persons are Covered Persons who have access to our institutional client information, such as information about impending purchases or sales of portfolio securities for institutional clients' accounts. All Covered Persons are required to conduct most personal trades through designated broker-dealers unless an exception has been granted. Further, all Covered Persons must complete annual certifications regarding their personal securities accounts and holdings and attest that they have read and understand the Code. In addition, they must also comply with quarterly reporting requirements.

The specific provisions under the Code seek to ensure that clients' interests are placed ahead of the interests of Covered Persons. Under the Code, Investment Covered Persons must pre-clear investments in most types of securities, are restricted with respect to the timing of certain transactions and are prohibited from making certain transactions. The Code also contains short term trading prohibitions applicable to all Covered Persons and trading black-out periods before and after client transactions applicable to all portfolio managers. These prohibitions are subject to limited exceptions. Covered Persons who are not Investment Covered Persons also are prohibited from making certain transactions.

The Code contains specific provisions relating to Mutual Fund shares, including a prohibition on direct or indirect market timing and, for Investment Covered Persons, a 60-day holding period for Covered Mutual Funds subject to limited exceptions. Covered Mutual Funds are those funds for which we or an affiliate serves as an investment adviser or subadviser or for which an affiliate serves as principal underwriter.

We will provide a copy of the Code to any client or prospective client upon request. Clients may obtain a copy by writing to us at the address set forth on the cover of this Brochure or calling the phone number that appears on that page.

#### Material Non-Public Information

We and our employees may, from time to time, come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. The Code addresses the "Disclosure of Non Public Information" which prohibits the misuse of material nonpublic information by us and our associated persons. Those who possess material nonpublic information must not (a) use that information to obtain profits, mitigate losses or otherwise secure benefits for us, our clients, any of our affiliates or their clients, themselves or others, (b) engage in transactions or make recommendations while in possession of material nonpublic information, or (c) disclose that information to others (except legal and compliance personnel who assist in administering the Material Non-Public Information Policy or persons authorized by legal and compliance). In addition, we have adopted procedures designed to restrict trading in an issuer's securities in situations where we or one of our Investment Covered Persons possesses material nonpublic information regarding the issuer's securities. These prohibitions and restrictions on trading or sharing information may result in our not purchasing or selling securities for a client account or not fully communicating material investment ideas despite our view that a purchase, sale or communication would benefit client accounts. Losses could be incurred if we cannot close out a position. In certain situations where material nonpublic information is obtained, these procedures also allow for the creation of an "information wall" to contain information within a small group and avoid a firm-wide prohibition on trading. However, our legal and compliance department may determine that an information wall is not appropriate under the circumstances and restrict trading across the entire firm, including its affiliates (as applicable).

Persons who violate the Code, the Material Non-Public information Policy, SEC or FINRA rules, or our other policies and procedures may be subject to sanctions, including termination of employment.

#### Products sold or managed by us in which we have an interest

Our employees who are also registered representatives of our affiliated broker-dealer, Columbia Management Investment Distributors, may offer qualified clients the opportunity to invest in a Mutual Fund managed by us. This creates a potential conflict we mitigate for by not exercising our discretion to place client assets in those funds unless it is suitable, allowed by a specific provision in the client's agreement with us and then it will be done in accordance with applicable legal requirements.

Our employees are investors in the Mutual Funds which we or a related person acts as investment adviser. In some cases, these investments are substantial. These investment vehicles are treated as clients. As a result, the underlying securities transactions in these vehicles are not subject to the personal trading restrictions described above.

## **BROKERAGE PRACTICES**

### *Choosing a Broker*

Subject to any client direction to utilize a particular broker or dealer, or a broker or dealer meeting specified criteria, for execution of transactions in that client's account, Columbia Wanger's overriding objective in effecting portfolio transactions is to seek to obtain the best combination of net price and execution. The best net price, giving effect to brokerage commission, if any, and other transaction costs, is normally an important factor in this decision, but a number of other judgmental factors may also enter into the decision. These factors include:

- negotiated commission rates currently available and other current transaction costs;
- the nature and liquidity of the security being traded; the size of the transaction, the desired time of the trade, the market place at the time of execution;



- evaluation of competing markets, including exchanges, over-the-counter markets, electronic communications networks or other alternative trading facilities;
- the activity existing and expected in the market for a particular security;
- confidentiality;
- the execution, clearance and settlement capabilities of the broker or dealer selected and others which are considered;
- the financial stability of the broker or dealer selected and such other brokers or dealers or any operational problems that the broker or dealer may have;
- the broker's or dealer's responsiveness to Columbia Wanger; and
- actual or apparent operational problems of any broker or dealer.

In light of these factors, Columbia Wanger's clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

Columbia Wanger's Trade Market Oversight Committee ("TMOC") assists in evaluating executing brokers and dealers. The TMOC also assists in reviewing reports generated by a various vendors approved by TMOC, which analyzes trading costs and provides analysis on best execution.

#### *Client Directed Brokerage Arrangements*

As noted above, clients may direct Columbia Wanger (subject to certain conditions that Columbia Wanger may impose from time to time) to effect portfolio transactions through particular brokers or dealers, or brokers or dealers meeting stated criteria. Such a direction to utilize a particular broker or dealer may be conditioned by the client on the broker or dealer being competitive as to price and execution of each transaction, or may be subject to varying degrees of "restriction", i.e., an instruction to utilize the broker or dealer whether or not competitive, or at specified levels of commissions or commission discounts which are less favorable than might otherwise be attained by Columbia Wanger. Columbia Wanger is not obligated to negotiate lowest commission rates from such brokers or dealers on behalf of such clients. There is a possibility of increased credit and/or settlement risk if the broker-dealers the client has selected are not otherwise on our approved list.

Clients sometimes wish to restrict brokerage to a particular broker or dealer in recognition of custodial or other services provided to the client by the broker dealer. A client who chooses to designate use of a particular broker dealer on a "restricted" basis, including a client who designates use of a broker or dealer as custodian of the client's assets, should consider whether such a designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be attainable by Columbia Wanger, or may receive less favorable execution of some transactions, or both.

A client who "restricts" brokerage may also be subject to the disadvantages discussed below regarding aggregation of orders. In determining whether to instruct Columbia Wanger to utilize a particular broker or dealer on a "restricted" basis in recognition of such services, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the custodian or other services provided. While Columbia Wanger will attempt to obtain "best execution" for such trades, in circumstances where the client directs brokerage, best execution may be affected by the factors described above.

#### *Monitoring Commissions*

Evaluations of the reasonableness of brokerage commission, based on the foregoing factors, are made on an on-going basis by Columbia Wanger's trading staff while effecting portfolio transactions. Columbia Wanger may to the extent permitted by applicable law, make trades with or through a registered broker-dealer affiliated with it. Such trades will only be affected consistent with Columbia Wanger's obligation to seek best execution for its clients.

It is Columbia Wanger's practice, when feasible, to aggregate for execution as a single transaction orders for the purchase or sale of a particular security, with the same terms and conditions, for the accounts of several clients in order to seek a lower commission or more advantageous net price. All clients participating in the aggregated execution receive the same execution price and transaction costs are shared pro-rata, whenever possible.

However, in the case of a client who has restricted Columbia Wanger to a particular broker or dealer with respect to transactions for that client's account, and has specified particular commission rates for such transactions, such client's accounts generally will be unable to participate in aggregated orders and, where such client's account does not participate in an aggregated order executed with the client's designated broker, the client's specification of a particular commission will preclude that client from receiving the benefit, if any, of a lower commission resulting from the aggregation, and the accounts of other clients participating in the aggregated offer may receive a correspondingly greater benefit.

Additionally, clients that have restricted brokerage to particular brokers will ordinarily have their orders executed after accounts of those clients that do not have such restrictions. It is Columbia Wanger's policy to execute the aggregated orders before directed orders for the same stock.

Where a client restricts Columbia Wanger to a particular broker or dealer with respect to transactions for that client's account, the client may be disadvantaged in obtaining allocations of new issues of securities which Columbia Wanger purchases or recommends for purchase in other client accounts. It is Columbia Wanger's policy that such "restricted" accounts not participate in allocations of new issues of equity or convertible securities obtained through brokers and dealers other than that designated by the client. See the description below with respect to Initial Public Offerings.

#### *Allocation of Aggregated Trades*

Generally the portfolio manager, or analyst duly delegated by the portfolio manager, allocates the order prior to placing the trade order, according to client objectives and portfolio holdings, except for initial public offerings which, depending on the offering size, are either allocated to suitable accounts in proportion to commission dollars paid in the previous quarter or rotated between suitable accounts. See also the description below with respect to Initial Public Offerings. When the order is placed, the allocation of the execution will normally be on a pro-rata basis, relative to the size of the total outstanding order. Specifically, each account's allocation will be determined by applying its percentage of the total outstanding order to the actual execution received. All clients participating receive the same execution price, which price may be an averaged execution price. Where possible, allocations will be in round lots and in size. However, cash balances, account liquidations, minimum position size, small lot orders, and the need to raise cash for a particular account may result in exceptions to the normal allocation procedure.

#### *FX Trading*

Depending on the directions from the client, foreign currency (FX) transactions are effected either through our selection of brokers for trading execution or through the client's custodian. Where Columbia Wanger has been given authority to place FX trades, the client's portfolio will be set on Columbia Wanger's trading system with a single operating currency (which may not be the same as the reporting currency of the account). Client account trades (i.e., purchases or sales of portfolio securities) that occur in currencies other than the operating currency will be converted to the operating currency by processing an FX transaction with brokers Columbia Wanger selects at its discretion. All income will also be repatriated to the operating currency of the account pursuant to standing instructions from Columbia Wanger to the client's custodian bank. Columbia Wanger enters into FX transactions for currency management purposes and typically does not seek to make currency bets on client accounts. However, where expressly permitted by the investment guidelines, Columbia Wanger does periodically execute forward transactions to hedge specific currency risk. Where the market dictates Columbia Wanger to use a client's custodian to repatriate foreign currency Columbia Wanger does evaluate the repatriation services.

#### *Wrap Fee Program Trades*

Wrap Fee Program orders are generally separate from orders for other client accounts that are buying and selling the same securities. In this respect, orders for wrap fee accounts placed with the applicable designated broker-dealer for a Wrap Fee Program are not aggregated with any other orders for the same securities other than for that Wrap Fee Program. .

In the case of Wrap Fee Programs that are structured as bundled or wrap fee arrangements, we may have discretion to select broker-dealers other than the program sponsors when necessary to fulfill our duty to seek best execution of transactions for our clients' accounts. However, brokerage commissions and other charges for transactions not effected through the sponsor or its broker-dealer affiliate may be charged to the client, whereas the wrap fee covers the cost of brokerage commissions and other transaction fees on transactions effected through the Wrap Fee Program sponsors. For this reason, most transactions for such clients will be effected through the Wrap Fee Program sponsors.

We are not in a position to negotiate commission rates with the program sponsors on behalf of wrap clients. A client who participates in the wrap fee arrangement should consider that, depending on the level of the wrap fee charged by the Wrap Fee Program sponsor, the amount of portfolio activity in the client's account, the value of the custodial and other services that are provided under the arrangement, and other factors, the wrap fee may exceed the aggregate cost of such services if they were to be provided separately.

When it has been determined that multiple orders will not be aggregated, we have adopted procedures that seek to ensure fair treatment of client accounts. These procedures contemplate treatment of client account orders (including the orders of accounts of our Advisory Affiliates for which we are providing trading services) with trading limitations and Proprietary Accounts.

From time to time an aggregated order involving multiple accounts does not receive sufficient securities to fill all of the accounts. If an aggregated order cannot be filled in one day (a "partial fill"), the executed portion of the order is automatically allocated to the participating accounts pro-rata on the basis of order size, subject to certain exceptions. Partial fills that include client accounts, the accounts of our Advisory Affiliates for which we are providing trading services and Proprietary Accounts will be allocated in accordance with our policies and procedures, taking into account the order size, amount of the fill and the types of client accounts.

We have adopted policies and compliance controls that seek to ensure that our clients are treated fairly with respect to the sharing of information amongst Advisory Affiliates.

#### *Initial Public Offerings*

Columbia Wanger will purchase for its clients securities offered through initial public offerings ("IPOs") if it and its portfolio managers determine, after evaluating an offering, that the offered securities are appropriate for clients and are consistent with client investment objectives and circumstances. If Columbia Wanger were to receive fewer shares of an IPO than its portfolio managers requested or ordered for its clients (as frequently happens with IPO securities), Columbia Wanger will then follow an allocation policy that is reasonably designed to treat clients fairly, namely, by allocating on a pro-rata basis in proportion to commission dollars paid in the previous quarter or, as described below, rotated between suitable accounts in certain circumstances. Where possible, allocations will be made in round lots and in size, not less than the size necessary to cover minimum ticket charges. However, cash balances, account liquidations, minimum position size, small lot orders, and the need to raise cash for a particular account may result in exceptions to the normal allocation procedure.

Basing IPO allocations on accounts' previous quarter's commissions may cause accounts with a lower turnover, buy-and-hold strategies and fewer assets under management to receive a lower allocation than larger accounts that employ an investment strategy with higher turnover. We believe this allocation methodology is fair and reasonable because of the correlation between commissions generated and IPO allocations Columbia Wanger receives from broker-dealers and we monitor the allocations of IPOs to ensure they comply with the policies and to ensure that the policy does not result in systematic disadvantage to any client or group of clients.

When Columbia Wanger receives an IPO allocation of \$1,000,000 or less for a domestic or a global IPO, or \$400,000 or less for an international IPO, IPO allocations will be rotated among appropriate accounts in

accordance with Columbia Wanger's procedures. Columbia Wanger's trading department will maintain separate rotation lists for domestic, international and global allocations by account. New client accounts normally are included in IPO allocations, subject to such rotation lists and eligibility.

When one of our Advisory Affiliates acts on our behalf to provide investment management services to one of our clients or Funds, the IPO policies and procedures of the Advisory Affiliate, which could differ from ours, will apply.

### *Soft Dollar Policies*

Columbia Wanger engages in the long-standing practice in the money management industry of acquiring research and brokerage products and services ("research products") from broker-dealer firms in connection with placing trades from Columbia Wanger clients or funds (hereinafter referred to as "Fund" or "Funds") with those firms. In effect, Columbia Wanger is using the commission dollars generated from the Funds to pay for these research products. The money management industry uses the term "soft dollars" to refer to this industry practice.

Columbia Wanger has a duty to seek the best combination of net price and execution. Columbia Wanger faces a potential conflict of interest with this duty when it uses Fund trades to obtain soft dollar products. This conflict exists because Columbia Wanger is able to use the soft dollar products in managing its Funds without paying cash ("hard dollars") for the product. This reduces Columbia Wanger's expenses.

Moreover, under a provision of the federal securities laws applicable to soft dollars, Columbia Wanger is not required to use the soft dollar product in managing those accounts that generate the trade. Thus, the Funds that generate the brokerage commission used to acquire the soft dollar product may not benefit directly from that product. In effect, those Funds are cross subsidizing Columbia Wanger's management of the other Funds that do benefit directly from the product. This practice is explicitly sanctioned by a provision of the Securities Exchange Act of 1934, which creates a "safe harbor" for soft dollar transactions conducted in a specified manner.

Columbia Wanger attempts to reduce or eliminate the conflict associated with using soft dollars by directing trades for soft dollar products only if Columbia Wanger concludes that the broker-dealer supplying the product is capable of providing a combination of the best net price and execution on the trade. As noted above, the best net price, while significant, is one of a number of judgmental factors Columbia Wanger considers in determining whether a particular broker is capable of providing the best net price and execution. Columbia Wanger may cause a Fund to pay a brokerage commission in a soft dollar trade in excess of that which another broker-dealer might have charged for the same transaction. Columbia Wanger acquires two types of soft dollar research products: (i) proprietary research created by the broker-dealer firm executing the trade and (ii) other research created by third parties that are supplied to Columbia Wanger through the broker-dealer firm executing the trade. In the event a client or the arrangement does not allow us to utilize soft dollars on its behalf, the client account may be removed from block orders placed for our other institutional clients. Orders for the client's account may be executed after any block trades, which may likely result in a different execution price than the block trade received.

Proprietary research consists primarily of traditional research reports, recommendations and similar materials produced by the in house research staffs of broker-dealer firms. This research includes evaluations and recommendations of specific companies or industry groups, as well as analyses of general economic and market conditions and trends, market data, contacts and other related information and assistance. Columbia Wanger's research analysts periodically rate the quality of proprietary research produced by various broker-dealer firms. Based on these evaluations, Columbia Wanger develops target levels of commission dollars on a firm-by-firm basis. Columbia Wanger attempts to direct trades to each firm to meet these targets.

Columbia Wanger also uses soft dollars to acquire research created by third parties that are supplied to Columbia Wanger through broker-dealers executing the trade (or other broker-dealers who "step in" to a transaction and receive a portion of the brokerage commission for the trade).

The targets that Columbia Wanger establishes for both proprietary and for third party research typically will reflect discussions that Columbia Wanger has with the broker-dealer providing the research regarding the level of

commissions it expects to receive for the research. However, proprietary research targets are not binding commitments, and Columbia Wanger does not agree to direct a minimum amount of commissions to any broker-dealer for soft dollar proprietary research. In setting these targets, Columbia Wanger makes a determination that the value of the research is reasonably commensurate with the cost of acquiring it. These targets are established on a calendar year basis. Columbia Wanger will receive the research whether or not commissions directed to the applicable broker-dealer are less than, equal to or in excess of the target. Columbia Wanger generally will carry over target shortages and excesses to the next year's target. Columbia Wanger believes that this practice reduces the conflicts of interest associated with soft dollar transactions, since Columbia Wanger can meet the non-binding expectations of broker-dealers providing soft dollar research over flexible time periods. In the case of third party research, Columbia Wanger receives company-specific research for soft dollars from independent research organizations that are not brokers. The third party is paid by the broker-dealer and not by Columbia Wanger. Columbia Wanger may enter into a contract with the third party vendor to use the research.

In certain instances, Columbia Wanger utilizes Electronic Communication Networks (ECNs) to execute trades, rather than executing trades directly with a broker-dealer to pay for research services. Columbia Wanger may direct a portion of the commissions from these trades to an introducing broker through Commission Sharing Agreements ("CSAs"). Where Columbia Wanger has executed a CSA with an introducing broker, Columbia Wanger will place a trade with the ECN, and pay the negotiated commission to the ECN. The ECN will then credit a negotiated portion of the commission to the introducing broker as requested by Columbia Wanger for the purpose of funding a pool to be used to pay for research services received by Columbia Wanger from other third parties. In addition, the ECN will credit a further portion of the commission negotiated by the ECN and the introducing broker to the introducing broker for its services administering the CSA. ECNs will make periodic lump-sum payments to the introducing brokers. CSAs are a permitted form of soft dollar transaction under the Securities Exchange Act of 1934.

Broker-dealers that provide research via third party or Broker Consolidation arrangements frequently maintain accounts on our behalf to hold the portion of commission dollars intended to facilitate future payment for research and brokerage products and services. Those accounts may, at any given time, have significant balances. In any given calendar year, an account's balance may "carryover" to be used for research provided by the broker-dealer in subsequent years. Thus, a portion of a particular client's commissions may accumulate and not specifically be used for research or brokerage products or services until after a client's relationship with us terminates and new clients may benefit from current or past clients' commissions in this manner. Further, in the event of a bankruptcy or liquidation of a broker-dealer with whom we have such arrangements, we may not be able to access or recover balances in our accounts with the broker-dealer.

In certain cases, Columbia Wanger will direct a trade to one broker-dealer with the instruction that it execute the trade and pay over a portion of the commission from the trade to another broker-dealer who provides Columbia Wanger with soft dollar research. The broker-dealer executing the trade "steps out" of a portion of the commission in favor of the other broker-dealer providing the soft dollar product. Columbia Wanger may engage in step out transactions in order to direct soft dollar commissions to a broker-dealer which provides research but may not be able to provide best execution. Brokers who receive step out commissions typically are brokers providing third party soft dollar research that is not available on a hard dollars basis. Columbia Wanger has not engaged in step out transactions as a manner of compensating broker-dealers that sell shares of investment companies managed by Columbia Wanger.

#### *Pricing Policy*

Certain responsibilities and procedures related to pricing client securities have been delegated to Columbia Wanger's ultimate parent, Ameriprise Financial.

Columbia Wanger generally compares and shadow prices information furnished by Ameriprise Financial. Columbia Wanger may provide guidance according to procedures approved by the Columbia Acorn Trust and Wanger Advisors Trust.

For the Columbia Acorn Trust funds and the Wanger Advisors Trust funds, Ameriprise Financial acts as Columbia Wanger's pricing agent. Ameriprise Financial has primary responsibility to furnish prices for securities held by such funds, subject to comparison by Columbia Wanger. IDC serves as a vendor of pricing systems and related technologies, and provides to Ameriprise Financial regression fair values for certain foreign securities. Columbia Wanger also may utilize additional sources to compare pricing information, including the Reuters Bridge Station. Columbia Wanger generally has no responsibility with respect to pricing securities held by the separate accounts or those clients for whom Columbia Wanger acts as sub-adviser. Such clients' respective custodians have primary responsibility for pricing of securities held by such clients.

Columbia Wanger generally performs a "shadow pricing" function whereby Columbia Wanger will periodically review reports concerning prices of securities held by such clients.

#### *Error Correction*

On occasion, a mistake may occur in the execution of a trade. As a fiduciary, we owe clients duties of loyalty and trust, and as such must treat errors caused by us in a fair and equitable manner. Errors may occur for a number of reasons, including human input error, systems error, communications error or incorrect application or understanding of a guideline or restriction. Examples of errors include, but are not limited to the following: buying securities not authorized for a client's account; buying or selling incorrect types of securities or instruments; buying or selling incorrect amounts of securities; buying or selling in violation of one of our policies; failure to follow specific client directives or portfolio manager instructions to buy, sell or hold securities; and incorrect allocation of trades to or between various accounts. In correcting trade errors caused by us, we do not: make the client account absorb the financial loss due to the trade error; use client commission arrangements or directed trades to fix the error; or attempt to fix the error using another client account. Errors are generally corrected in the client account; however, to facilitate the error correction, we may, in limited instances, process the correcting transactions in an error account owned by us when it is not feasible to correct the error in the client's account (e.g., if the error would result in a security settling in a client account and the holding of such security by the client would be unlawful). To the extent correction of an error processed in a client account results in a gain to the client's account, we allow the client to keep the benefit, unless the gain offsets a loss in connection with a single transaction or occurrence or a series of related transactions, in which case any such gains and losses are netted. Such netting may result in lowering the amount, if any, we must reimburse the client account.

#### *Use of Affiliated Brokers and Buy and Sell Transactions Involving Related Accounts*

We may from time to time effect a cross transaction of one or more securities from one advisory client account to another client account of ours (including accounts of affiliates) when we conclude that such transaction is consistent with such clients' investment objectives and policies, applicable law and the fiduciary duty we owe to our clients (including the obligation to seek best execution). We have implemented policies and procedures governing these transactions which require that the securities be crossed at the independent current market price (as defined in the procedures) and that no brokerage commission, fee or other remuneration, except for customary administrative or transfer fees, be received by us or any other party in connection with the transaction. We will comply with any disclosure and consent requirements that may be required for cross transactions under applicable law for the relevant accounts, such as ERISA.

We may from time to time purchase securities from a broker to which we have recently sold the same securities. We do so when we believe it is consistent with our fiduciary duties, particularly where the dealer is one of a limited number of brokers who hold or deal in those securities or the security.

#### *Valuation Committees*

Valuation Committees may be established in order to determine valuations for securities for which reliable market quotations are unavailable, or when Columbia Wanger believes that available market quotations are unreliable. In such instances, a Valuation Committee determines a fair value for the security.

Columbia Wanger may determine to establish additional Valuation Committees to determine whether to fair value a security held by a sub-advised or a separate account. The recommendations are only information for each

client's own valuation committees to use in making their own valuation determination. Such additional Valuation Committees' membership will be drawn solely from Columbia Wanger personnel.

In certain instances, a security to be valued may be held by more than one client. A valuation of a security generally will be uniform across all client portfolios, unless there are reasons to maintain different valuations, such as differing valuation determinations by separate Valuation Committees of clients including registered investment company clients. Columbia Wanger personnel may inform one Valuation Committee of a valuation made by another Valuation Committee. However, the final valuation determination will be made by each Valuation Committee independently.

## **REVIEW OF ACCOUNTS**

### *Reviewers and Reviews of Accounts*

Each account managed by Columbia Wanger is assigned to a specific portfolio manager. The portfolio manager is responsible for becoming familiar with the client's investment objectives, policies and investment restrictions. The portfolio manager is then responsible for monitoring the client's accounts. The portfolio manager may be assisted by other managers or analysts, depending on the size, complexity and investment strategy of the account. In addition, CMIA may provide input for inspection by the portfolio managers when completing their reviews. Except for Columbia Wanger's president, who has overall responsibility for all accounts, no portfolio manager is responsible for reviewing more than ten accounts.

At least monthly, the compliance department (i) reviews the account through an examination of a detailed holdings report, (ii) analyzes the account for compliance with client investment objectives, investment policies and restrictions, and (iii) considers the industry and, where applicable, the country weighting and position sizes. At least quarterly, the portfolio manager expands the monthly review to include a review of the account's investment performance and, if applicable, compares the performance against established benchmarks and other accounts with similar investment objectives and restrictions. Columbia Wanger, or each account's respective custodian, sends monthly account statements to all clients.

### *Nature and Frequency of Regular Reports to Clients*

Columbia Wanger provides its clients with regular reports as requested by the client and/or as agreed upon in the investment advisory agreement between the client and Columbia Wanger. Generally, Columbia Wanger or the client's custodian bank will provide the client with reports that summarize their account activities. If Columbia Wanger provides a summary, the report may also provide a summary cover sheet listing the performance data for each security, the quantity of each security owned, the market value of the securities, and the percentage holding of the portfolio. Columbia Wanger may provide more frequent reports or reports containing additional information to the extent reasonably requested by the client.

### *Investment Companies*

Columbia Wanger responds to clients that are registered investment companies at regularly scheduled meetings of the trustees/directors of those entities. The trustees/directors typically meet at least quarterly. Columbia Wanger reports information in the form and scope requested by the trustees/directors or their counsel.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### *Compensation for Client Referrals*

Columbia Wanger may from time to time compensate, either directly or indirectly, persons, including employees of Ameriprise Financial/or its affiliates, for referring or soliciting clients for Columbia Wanger or for investment in an investment company or other entity to which Columbia Wanger provides management or investment services. In some cases these persons may be compensated on the amount of assets invested. If Columbia Wanger pays fees to persons for referring or soliciting clients to its firm, it will not then charge those clients any additional fees to compensate for its payments to persons unless fully disclosed to the client as required by law. Columbia Wanger charges clients only those fees in accordance with the investment management agreement between the

client and Columbia Wanger. Any payment of compensation for referrals shall comply with all applicable federal and state laws.

#### *Consultant Relationships*

From time to time, we may pay a fee to a consultant for certain marketing support services, including newsletters or other reports on general industry developments, or for participation in a conference or educational seminar. Our clients or prospective clients, or their respective representatives (e.g., officials representing pension funds), may also be clients of these consultants and may choose to participate in these conferences or seminars. Any relationship between us and our clients will be separate and distinct from any relationship these clients might have with their consultants. While we may be introduced to clients pursuant to these arrangements, these arrangements are not subject to the disclosure and consent requirements associated with the type of cash solicitation arrangements described above.

#### *Other Compensation*

We receive fees from third-party sponsors of certain managed account or asset allocation programs for services rendered. To the extent that the program sponsor is not considered our client, we would technically be receiving cash from a non-client (the program sponsor) in connection with giving advice indirectly to managed account or asset allocation program clients.

Our equity investment teams rely on one or more designated traders to support the trading function associated with the accounts they manage. A portion of the bonus pool for our equity trading personnel is based on the performance of the investment management teams and accounts they support. Our trading procedures dealing with aggregation and allocation of orders are designed to address conflicts of interest this compensation system may present (e.g., a trader's incentive to favor an account a trader supports over an account a trader does not support in order to increase the bonus pool).

### **CUSTODY**

Columbia Wanger does not have custody as defined in Rule 206(4)-2 of the Investment Advisers Act of 1940 of client funds or securities.

### **INVESTMENT DISCRETION**

#### *Investment and Brokerage Discretion*

Clients may retain Columbia Wanger on either a discretionary or non-discretionary basis.

#### Investment Discretion

With investment discretion, Columbia Wanger will normally have authority to supervise and direct the investments of and for the client's account without prior consultation with the client and will normally determine which securities are bought and sold for the account, the total amount of such purchases and sales, the brokers or dealers through which transactions will be executed, and the commission rates paid to effect the transactions. Columbia Wanger's authority may be subject to conditions imposed by the client, e.g., where the client restricts or prohibits transactions on certain types of securities or directs that transactions be effected through specific brokers or dealers.

#### Non-Investment Discretion

When a client does not grant investment discretion, Columbia Wanger recommends to the client which securities to buy or sell and the amounts to buy or sell. Upon approval of recommended transactions, the client may request that Columbia Wanger direct the execution of purchase or sale orders to implement the recommendations. Columbia Wanger may then have the authority to determine the brokers or dealers through which the transactions will be executed and the commission rates paid to effect the transactions. As described above with respect to discretionary accounts, the client may direct that transactions be effected through specific brokers or dealers.



Notwithstanding the above, for all accounts which Columbia Wanger currently manages, it has investment discretion.

## VOTING CLIENT SECURITIES

### *Proxy Voting*

Our proxy voting policies and procedures are designed to satisfy our fiduciary obligation with respect to proxy voting in situations where we have been vested with proxy voting authority. In voting proxies on behalf of our advisory clients, we apply the following general principles in an effort to satisfy this fiduciary obligation:

- Seek to ensure that proxies are voted in the best economic interest of clients;
- address material conflicts of interest that may arise; and
- comply with disclosure and other requirements in connection with our proxy voting responsibilities.

We have adopted proxy voting guidelines covering certain types of proposals. These guidelines indicate whether we vote for, against, or abstain from a particular proposal, or whether the matter should be considered on a case-by-case basis. The proxy voting guidelines address matters relating to boards of directors, corporate governance, compensation, capitalization, acquisitions and other restructuring transactions, takeover defenses, and certain other business matters. We regularly review and may amend our voting guidelines based on, among other things, industry trends and proposal frequency.

Columbia Wanger votes proxies for client securities for which Columbia Wanger has been granted voting authority in a manner consistent with the best interests of its clients, without regard to any benefit to Columbia Wanger or its affiliates.

From time to time, Columbia Wanger and its affiliates may face regulatory or compliance limits on the types or amounts of voting securities that it may purchase or hold for client accounts, including ownership limits which may restrict the total percentage of an issuer's voting securities that Columbia Wanger can hold for clients. As a result, in limited circumstances in order to comply with such limits and/or internal policies designed to comply with such limits, Columbia Wanger may delegate proxy voting in certain issuers to a qualified third party to vote in the shareholders best interest. In the event a client informs Columbia Wanger that the client's other interests require a particular vote, Columbia Wanger will vote that client's proxy as the client instructs. Columbia Wanger shall establish and maintain a Proxy Policy Committee ("Proxy Committee"), the membership of which shall include senior investment personnel and senior non-investment personnel of Columbia Wanger. The Proxy Committee shall have responsibility for the content, interpretation and application of this Proxy Policy and Procedures and shall also adopt a set of proxy voting guidelines ("Proxy Guidelines") in respect of each account managed by Columbia Wanger, the securities of which Columbia Wanger has been granted authority to vote ("Voted Account"). The Proxy Guidelines for any Voted Account may be developed independently by Columbia Wanger, or may be guidelines developed by a Proxy Voting Service (defined below), or may be a combination thereof, which the Proxy Committee has determined are generally consistent with its views on the substantive topics covered thereby and take into account the best interests of the Voted Account. The Proxy Committee may adopt different Proxy Guidelines for different Voted Accounts, based on the specific goals (investment or other) of such accounts.

The Proxy Committee, in its discretion, may delegate to an independent third party proxy research and/or voting service ("Proxy Voting Service") the responsibility to review proxy proposals, to make voting recommendations for a proposal in accordance with the Proxy Guidelines for the account(s) involved, to vote shares in accordance with the recommendation for that proposal, and/or to votes shares as instructed by Columbia Wanger. If a Proxy Voting Service is engaged to actually vote shares other than at the prior direction of the portfolio manager for the Voted Account, procedures shall be established with the Proxy Voting Service to enable a portfolio manager for any account to change (override) the vote of the Proxy Voting Service prior to the deadline for the vote, in accordance with the ultimate authority of the portfolio manager for any Voted Account. In addition, if a Proxy

Voting Service is engaged, the Proxy Committee shall be responsible for ensuring that the Proxy Voting Service is providing sufficient information to Columbia Wanger with respect to its recommendations and/or votes.

The Proxy Committee will review any Proxy Voting Service on at least an annual basis to determine that the Proxy Guidelines being applied by the Proxy Voting Service remain generally consistent with the Proxy Committee's views on the substantive topics covered thereby and take into account the best interests of the Voted Account. In connection with that review, the Proxy Committee will also assess: (a) the Proxy Voting Service's capacity and competency in analyzing proxy issues; (b) the adequacy of the Proxy Voting Service's staffing and personnel; (c) whether the Proxy Voting Service has robust policies and procedures that enable it to make proxy voting recommendations based on current and accurate information and in accordance with the Proxy Guidelines; and (d) the Proxy Voting Service's ability to identify and address any real or potential conflicts of interest that exist or may have existed between the Proxy Voting Service or its employees and the voting recommendations it made to Columbia Wanger. The Proxy Committee will also regularly monitor the Proxy Voting Service by requesting information from it to determine whether any real or potential conflicts of interest exist as a result of changes to its business or internal policies. The Proxy Voting Service will also be required to proactively communicate any (a) business changes or (b) changes and updates to its policies and procedures that could impact the adequacy and quality of the voting services or its ability to effectively manage conflicts. Clients, and prospective clients, may obtain a copy of Columbia Wanger's proxy voting policies and procedures. Columbia Wanger will disclose information regarding how securities in an investment company were voted through annual public filings. Clients wishing to obtain information concerning how securities in their account were voted for up to a one-year period should contact their designated Client Service Representative.

Certain non-U.S. countries require securities to be blocked prior to a vote, which means that the securities to be voted may not be traded within a specified number of days before the shareholder meeting. We typically will not vote securities in non-U.S. countries that require securities to be blocked as the need for liquidity of the securities in the funds will typically outweigh the benefit of voting. Some of our clients may participate in securities lending programs. In these situations, where we are responsible for voting a client's proxies, we will work with the client to determine whether there will be situations where securities loaned out under these lending arrangements will be recalled for the purpose of exercising voting rights. In certain circumstances securities on loan may not be recalled due to clients' preferences or due to circumstances beyond our control.

The Proxy Committee will be responsible for monitoring and resolving possible conflicts between the interests of Columbia Wanger and those of its clients with respect to proxy voting. Portfolio Managers and Proxy Committee members with a personal conflict of interest regarding any particular proxy vote must recuse themselves from any discussion or decision with respect to that proxy. The Proxy Committee shall determine if Columbia Wanger as an entity has a conflict of interest with respect to any proposal (e.g., Columbia Wanger is affiliated by ownership with the issuer of the security). In the event that a Proxy Voting Service is engaged to make recommendations in respect of the Proxy Guidelines, that recommendation will be followed for any Voted Account where the portfolio manager for the account has a conflict of interest with respect to the proxy proposal, and no portfolio manager for the Voted Account will be able to override the recommendation. In the event that a Proxy Voting Service is not engaged to make recommendations, or is so engaged but for any reason does not make a recommendation with respect to a particular proxy proposal where a portfolio manager conflict of interest exists, then the Proxy Committee shall be responsible for determining how to vote the shares of the Voted Account on such proposal. In the event that Columbia Wanger as an entity has a conflict of interest with respect to any proxy proposal, shares of any Voted Account may only be voted on such proposal in accordance with the recommendation of a Proxy Voting Service. In the event that a Proxy Voting Service recommendation is overridden in respect of any Voted Account, a record of the circumstances around such action shall be completed and maintained.

We maintain proxy voting records and related records designed to meet our obligations under applicable law. Where permitted by and in accordance with applicable law, we may rely on third parties to make and retain, on our behalf, a copy of the relevant records. Clients may obtain a complete copy of our proxy voting policies and other information regarding how their proxies were voted upon request by writing to us at the address set forth on the first page of this brochure or calling the phone number that appears on that page.

## FINANCIAL INFORMATION

We do not require or solicit prepayments from clients nor do we have custody of client funds or securities. We do, however, have discretionary authority over client funds and securities. We currently do not know of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

## NOTICE OF PRIVACY POLICIES AND PRACTICES

At Columbia Wanger Asset Management maintaining our clients' trust and confidence is a high priority. That is why we want you to understand how we protect your privacy when we collect and use personal information, and the measures that we take to safeguard that information.

**Information We Collect.** In order for us to provide services to you, you provide us with nonpublic personal information about you ("Client Information"). Client Information we collect about you comes primarily from the forms that are completed during the client intake process and from the transactions that you make with us and others. We also may receive Client Information about you from other unaffiliated companies who provide services to you.

**Disclosure of Client Information.** Client Information about you or any former client is only disclosed as authorized by you or as permitted by law. For example, we may provide copies of your client statements to a third party if you request or authorize such release, or we may be required to provide Client Information pursuant to a subpoena or other legal mandate. Client Information about you or any former client is also disclosed to entities, whether or not affiliated with us, that help us to administer, maintain, and service your accounts. Also, unless we are contractually prohibited, Client Information about you may also be provided to our other financial services affiliates, including other asset management affiliates, in order to assist us, or them, in providing or offering products and services to you. However, we will not share Client Information for marketing purposes with affiliates or non-affiliates or with respect to any natural person even if they may be considered institutional clients. Our institutional policy is, of course, subject to any contractual prohibitions on our ability to share Client Information for marketing purposes and any other client-imposed restrictions on this practice.

**Protecting Client Information.** We provide access to Client Information only to those employees and agents (which can include affiliates and non-affiliates) who need the information to perform services for you or functions on your behalf, as well as those affiliates who may be involved in providing or offering services to you, as described above. Be assured that we maintain physical, electronic, and procedural security measures that comply with federal regulations to safeguard Client Information.

If you have any questions about how we protect and safeguard nonpublic personal information, please call your Client Relationship Manager.

## **Risk Disclosure Appendix**

### **Active Management Risk.**

Due to its active management, there is a risk a fund could underperform its benchmark index and/or other portfolios with a similar investment objectives and/or strategy.

### **Allocation Risk.**

For any Fund that uses an asset allocation strategy in pursuit of its investment objective, there is a risk that the Fund's allocation among asset classes, investments, managers, strategies and/or investment styles will cause the Fund's shares to lose value or cause the Fund to underperform other funds with similar investment objectives and/or strategies, or that the investments themselves will not produce the returns expected..

### **Alternative Strategies Investment Risk**

An investment in alternative investment strategies (Alternative Strategies), whether through direct investment or through a Portfolio Fund or other underlying fund, involves risks, which may be significant. Alternative Strategies may include strategies, instruments or other assets, such as derivatives, that seek investment returns uncorrelated with the broad equity and fixed income/debt markets, as well as those providing exposure to other markets (such as commodity markets), including but not limited to absolute (positive) return strategies. Alternative Strategies may fail to achieve their desired performance, market or other exposure, or their returns (or lack thereof) may be more correlated with the broad equity and/or fixed income/debt markets than was anticipated, and a Fund may lose money.

### **Asset-Backed Securities Risk.**

The value of a Fund's asset-backed securities may be affected by, among other things, changes in interest rates, factors concerning the interests in and structure of the issuer or the originator of the receivables, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market's assessment of the quality of underlying assets. Asset-backed securities represent interests in, or are backed by, pools of receivables such as credit card, auto, student and home equity loans. They may also be backed by securities backed by these types of loans and others, such as mortgage loans. Assetbacked securities can have a fixed or an adjustable rate. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing a Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility. Rising or high interest rates tend to extend the duration of assetbacked securities, resulting in valuations that are volatile and sensitive to changes in interest rates.

### **Changing Distribution Levels Risk.**

The amount of the distributions a Fund pays will vary and generally depends on the amount of income the Fund earns (less expenses) on the loans and securities it holds and capital gains or losses it recognizes. A Fund may not be able to pay distributions or may have to reduce its distribution level if there is a decline in the Fund's income or net capital gains from its investments. Conversely, if the Fund recognizes significant capital gains from sales of securities it holds, its distribution level will rise.

### **Concentration Risk.**

To the extent that a Fund concentrates its investment in particular issuers, countries, geographic regions, industries or sectors, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of issuers, countries, geographic regions, industries, sectors or investments.

### **Confidential Information Access Risk.**

In many instances, issuers of floating rate loans offer to furnish material, non-public information (Confidential Information) to prospective purchasers or holders of the issuer's floating rate loans to help potential investors assess the value of the loan. The Investment Manager and its affiliates, including the investment adviser to the

Portfolio Funds, may avoid the receipt of Confidential Information about the issuers of floating rate loans being considered for acquisition by a Fund or Portfolio Fund, or held by a Fund or Portfolio Fund. A decision not to receive Confidential Information from these issuers may disadvantage a by a Fund or Portfolio Fund as compared to other floating rate loan investors, and may adversely affect the price the Fund or the Portfolio Fund pays for the loans it purchases, or the price at which the Fund sells the loans. Further, in situations when holders of floating rate loans are asked, for example, to grant consents, waivers or amendments, the ability to assess the desirability of such consents, waivers or amendments may be compromised. For these and other reasons, it is possible that the decision not to receive Confidential Information could adversely affect a Fund's or a Portfolio Fund's performance.

### **Convertible Securities Risk**

Convertible securities are subject to the usual risks associated with debt instruments, such as interest rate risk (the risk of losses attributable to changes in interest rates) and credit risk (the risk that the issuer of a debt instrument will default or otherwise become unable, or be perceived to be unable or unwilling, to honor a financial obligation, such as making payments to a Fund when due). Convertible securities also react to changes in the value of the common stock into which they convert, and are thus subject to market risk (the risk that the market values of securities or other investments that a Fund holds will fall, sometimes rapidly or unpredictably, or fail to rise). Because the value of a convertible security can be influenced by both interest rates and the common stock's market movements, a convertible security generally is not as sensitive to interest rates as a similar debt instrument, and generally will not vary in value in response to other factors to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would typically be paid before the company's common stockholders but after holders of any senior debt obligations of the company. A Fund may be forced to convert a convertible security before it otherwise would choose to do so, which may decrease a Fund's return.

### **Counterparty Risk.**

The risk exists that a counterparty to a financial instrument held by a Fund or by a special purpose or structured vehicle in which the Fund invests may become insolvent or otherwise fail to perform its obligations due to financial difficulties, including making payments to the Fund. A Fund may obtain no or limited recovery in a bankruptcy or other re-organizational proceedings, and any recovery may be significantly delayed. Transactions that a Fund enters into may involve counterparties in the financial services sector and, as a result, events affecting the financial services sector may cause the Fund's share value to fluctuate.

### **Credit Risk.**

Credit risk is the risk that the issuer of a fixed-income security, or the counterparty to a contract may or will default or otherwise become unable or unwilling to honor a financial obligation, such as making payments. If the portfolio purchases unrated securities, or if the rating of a security is reduced after purchase, the portfolio will depend on analysis of credit risk more heavily than usual. In addition, investments in emerging markets debt obligations also are subject to increased credit risk because of the difficulties of requiring foreign entities, including issuers of sovereign debt obligations, to honor their contractual commitments, and because emerging markets governments and other issuers have historically high default rates.

### **Cybersecurity Breaches and Technology and Related Systems Failure Risk**

The Funds and their service providers, including but not limited to the Investment Manager (in its role as investment adviser and administrator to the Funds), Ameriprise Financial (the Investment Manager's parent company), the Distributor, the Transfer Agent, and the Custodian, as well as their underlying service providers (collectively, the Service Providers) are heavily dependent on proprietary and third-party technology and infrastructure and related operational and information systems, networks and functions (collectively, Systems) to perform necessary business activities. The Systems relied upon by the Funds and the Service Providers (referred to herein as we, us and our) may be vulnerable to significant damage and disruption arising from Systems failures or cybersecurity breaches. Systems failures include malfunctions, failures, user error and misconduct arising from employees and agents, natural disasters or other events (whether foreseeable or unforeseeable). Cybersecurity

breaches include intentional (e.g., cyber-attacks or hacking) and unintentional (e.g., user error arising from or caused by us or our agents) events or activity. Systems failures and cybersecurity breaches may result in (i) proprietary or confidential information or data being stolen, released, corrupted or rendered unavailable, including personal investor information (and that of beneficial owners of investors), (ii) loss of operational capacity, including from denial-of-service attacks (i.e., efforts to make network services unavailable to intended users), and (iii) the misappropriation of Fund or investor assets or sensitive information. Any such events could negatively impact our Systems and may have significant adverse impacts on the Funds and their shareholders.

Systems failures and cybersecurity breaches may also interfere with or negatively impact the processing of shareholder transactions, pricing of Fund investments, calculation of Fund NAVs and trading within the Funds' portfolios, while causing or subjecting us to reputational damage, violations of law, legal claims, regulatory fines, penalties, financial losses, reimbursement expenses or other compensation costs and remediation costs, as well as additional compliance, legal, and operational costs. Such events could negatively affect the Funds, their shareholders and our business, financial condition or results of operations.

The trend toward broad consumer and general public notification of Systems failures and cybersecurity breaches could exacerbate the harm to the Funds, their shareholders and our business, financial condition or results of operations. Even if we successfully protect our Systems from failures or cybersecurity breaches, we may incur significant expenses in connection with our responses to any such events as well as from the need to adopt, implement and maintain appropriate security measures. We could also suffer harm to our business and reputation if attempted or actual cybersecurity breaches are publicized. We cannot be certain that evolving threats from cyber criminals and other cyber threat actors, exploitation of new vulnerabilities in our Systems, or other developments, data thefts, System break-ins or inappropriate access will not compromise or breach the technology or other security measures protecting our Systems.

To date, we have not experienced any material Systems failures or cybersecurity breaches; however, we routinely encounter and address such threats. For example, in 2015, the Columbia exchange-traded funds (ETFs) were for a period unable to price their portfolios due to a technology issue impacting the ETFs' third-party administrator. In another case, in 2014, Ameriprise Financial, and other financial institutions experienced distributed denial-of-service attacks intended to disrupt clients' online access. While Ameriprise Financial was able to detect and respond to this incident without loss of client assets or information, Ameriprise Financial has since implemented additional security capabilities and will continue to assess its ability to monitor and respond to such threats. In addition to the foregoing, the experiences of Ameriprise Financial and its affiliates with cybersecurity and technology threats have included phishing scams, introductions of malware, attempts at electronic break-ins and unauthorized payment requests.

Although the Investment Manager and its affiliates have established business continuity/disaster recovery plans and systems (Continuity and Recovery Plans) designed to prevent or mitigate the effects of Systems failures and cybersecurity breaches, there are inherent limitations in Continuity and Recovery Plans. These limitations include the possibility that certain risks have not been identified or that Continuity and Recovery Plans might not — despite testing and monitoring — operate as designed, be sufficient to stop or mitigate losses or otherwise fail to achieve their objective. The Funds and their shareholders could be negatively impacted as a result. In addition, the Funds cannot control the Continuity and Recovery Plans of its Service Providers. As a result, there can be no assurance that Continuity and Recovery Plans will be sufficient to limit any losses relating to Systems failures or cybersecurity breaches affecting us in the future.

Systems failures and cybersecurity breaches may necessitate significant investment to repair or replace impacted Systems. In addition to those costs, we may incur substantial costs for Systems failure risk management and cybersecurity risk management in order to attempt to prevent any such events or incidents in the future.

Insurance and other traditional risk-shifting tools may be held by or available to us in order to manage or mitigate the risks associated with Systems failures and cybersecurity breaches, but they are subject to terms such as deductibles, coinsurance, limits and policy exclusions, as well as risk of counterparty denial of coverage, default or insolvency. While Ameriprise Financial and its affiliates maintain cyber liability insurance that provides both

third-party liability and first-party liability coverages, this insurance may not be sufficient to protect us against all losses. In addition, contractual remedies may not be available with respect to Service Providers or may prove inadequate if available (e.g., because of limits on the liability of the Service Providers) to protect the Funds against all losses. Because of ambiguity in certain contractual provisions governing such losses, it is not possible to predict with certainty how such losses would be allocated among the Funds or the Service Providers.

Financial Intermediaries and issuers of, and counterparties to, the Funds' investments also may be adversely impacted by systems failures and cybersecurity breaches in their own businesses, subjecting them to the risks described herein, as well as other additional or enhanced risks particular to their businesses, which could result in losses to the Fund and its shareholders. Issuers of securities or other instruments in which the Funds invest may also experience System failures or cybersecurity breaches, which could result in material adverse consequences for such issuers, and may cause the Funds' investment in such issuers to lose money.

### **Depository Receipts Risk.**

Depository receipts involve risks similar to the risks associated with investments in foreign securities, including those associated with investing in the particular country of an issuer, which may be related to the particular political, regulatory, economic, social and other conditions or events, including, for example, military confrontations, war and terrorism, occurring in the country and fluctuations in its currency, as well as market risk tied to the underlying foreign company. In addition, ADR holders may have limited voting rights, may not have the same rights afforded typical company stockholders in the event of a corporate action such as an acquisition, merger or rights offering and may experience difficulty in receiving company stockholder communications. A potential conflict of interest exists to the extent that a Fund invests in ADRs for which a Fund's custodian serves as depository bank.

### **Derivatives Risk.**

Derivatives may involve significant risks. Derivatives are financial contracts, traded on an exchange or in the over-the-counter (OTC) markets, with a value related to, or derived from, the value of an underlying asset(s) (such as a security, commodity or currency) or other reference point, such as an index, rate or other economic indicator (each an underlying reference). Derivatives that the Fund enters into may be standardized as to their terms or, alternately, privately negotiated between the Fund and a counterparty. Derivatives that constitute securities under federal laws may be privately placed or otherwise exempt from SEC registration, including certain Rule 144A eligible securities. Derivatives could result in Fund losses if the underlying references do not perform as anticipated. Use of derivatives is a highly specialized activity that can involve investment techniques, risks, and tax planning different from those associated with more traditional investment instruments. A Fund's derivatives strategy may not be successful and could result in substantial, potentially unlimited, losses to the Fund regardless of the Fund's actual investment. A relatively small movement in the price, rate or other economic indicator associated with the underlying reference may result in substantial loss for a Fund. Derivatives may be, or over the term of the contract may become, more volatile than other types of investments and the use of derivatives may increase the volatility of a Fund's net asset value. Derivatives can increase a Fund's risk exposure to underlying references, including the risk of an adverse credit event associated with the underlying reference (credit risk), the risk of an adverse movement in the value, price or rate of the underlying reference (market risk), the risk of an adverse movement in the value of underlying currencies (foreign currency risk) and the risk of an adverse movement in underlying interest rates (interest rate risk).

Derivatives may expose a Fund to additional risks, including the risk of loss due to a derivative position that is imperfectly correlated with the underlying reference it is intended to hedge or replicate (correlation risk), the risk that a counterparty will fail to perform as agreed (counterparty risk), the risk that a hedging strategy may fail to mitigate losses, and may offset gains (hedging risk), the risk that losses may be greater than the amount invested (leverage risk), the risk that the Fund may be unable to sell an investment at an advantageous time or price (liquidity risk), the risk that the investment may be difficult to value (pricing risk), and the risk that price or value

of the investment fluctuates significantly over short periods of time (volatility risk). The value of derivatives may be influenced by a variety of factors, including national and international political and economic developments. Potential changes to the regulation of the derivatives markets may make derivatives more costly, may limit the amount of trading activity in the market for particular types of derivatives, or may otherwise adversely affect the value or performance of derivatives. Finally, a common provision in over-the-counter derivative contracts (including some contracts for cleared swaps) permits the counterparty to terminate any such contract between it and the Fund, if the value of the Fund's total net assets declines below a specified level over a given time period. Factors that may contribute to such a decline (which usually must be substantial) include significant shareholder redemptions and/or a marked decrease in the market value of the Fund's investments. Any such termination of the Fund's derivative contracts may adversely affect the Fund (for example, by increasing losses and/or costs, and/or preventing the Fund from fully implementing its investment strategies).

### **Derivatives Risk – Forward Contracts Risk.**

A forward contract is an over-the-counter derivative transaction between two parties to buy or sell a specified amount of an underlying reference at a specified price (or rate) on a specified date in the future. If the particular underlying reference is delivered by the seller to the buyer, then the forward contract can be described as a "deliverable forward". But, instead of requiring delivery of the underlying reference at settlement, a forward contract may be a "non-deliverable forward," meaning that the terms of the contract require the seller to make a payment to the buyer (if the market value of the underlying reference is greater than the agreed upon price) or the buyer to make a payment to the seller (if that market value is less than the agreed upon price). Forward contracts are negotiated on an individual basis and the type of forward contracts traded by the Fund are not standardized or traded on exchanges. The market for forward contracts is substantially unregulated (there is no limit on daily price movements and speculative position limits are not applicable). The principals who deal in certain forward markets are not required to continue to make markets in the underlying references in which they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in forward contract markets have refused to quote prices for certain underlying references or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. At or prior to maturity of a forward contract, a Fund may enter into an offsetting contract and may incur a loss to the extent there has been adverse movement in forward contract prices. The liquidity of the markets for forward contracts depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants make or take delivery, liquidity in the market for forwards could be reduced. A relatively small price movement in a forward contract may result in substantial losses to a Fund, exceeding the amount of any margin paid by the Fund in respect of the contract. The use of forwards may increase the volatility of a Fund's net asset value. Forward contracts can increase a Fund's risk exposure to underlying references and their attendant risks, such as credit risk, market risk, foreign currency risk and interest rate risk, while also exposing the Fund to correlation risk, counterparty risk, hedging risk, leverage risk, liquidity risk, pricing risk and volatility risk.

A **forward foreign currency contract** is a derivative (forward contract) in which the underlying reference is a country's or region's currency. A Fund may agree to buy or sell a country's or region's currency at a specific price on a specific date in the future. A forward foreign currency contract may be a deliverable or a nondeliverable forward, depending upon the specific terms of the contract. These instruments may fall in value (sometimes dramatically) due to foreign market downswings or foreign currency value fluctuations, subjecting a Fund to foreign currency risk (the risk that Fund performance may be negatively impacted by foreign currency strength or weakness relative to the U.S. dollar, particularly if the Fund exposes a significant percentage of its assets to currencies other than the U.S. dollar). The effectiveness of any currency hedging strategy by a Fund may be reduced by the Fund's inability to precisely match forward contract amounts and the value of securities involved. Forward foreign currency contracts used for hedging may also limit any potential gain that might result from an increase or decrease in the value of the currency. A Fund may use these instruments to gain leveraged exposure to currencies, which increases the Fund's risk exposure and the possibility of losses. Unanticipated changes in the currency markets could result in reduced performance for a Fund. When a Fund converts its



foreign currencies into U.S. dollars, it may incur currency conversion costs due to the spread between the prices at which it may buy and sell various currencies in the market.

A **forward interest rate agreement** is a derivative whereby the buyer locks in an interest rate at a future settlement date. If the interest rate on the settlement date exceeds the lock rate, the buyer pays the seller the difference between the two rates (based on the notional value of the agreement). If the lock rate exceeds the interest rate on the settlement date, the seller pays the buyer the difference between the two rates (based on the notional value of the agreement). A Fund may act as a buyer or a seller.

#### **Derivatives Risk – Futures Contracts Risk.**

A futures contract is an exchange-traded derivative transaction between two parties in which a buyer (holding the “long” position) agrees to pay a fixed price (or rate) at a specified future date for delivery of an underlying reference from a seller (holding the “short” position). Instead of requiring delivery of the underlying reference at settlement, a futures contract may require the seller to make a payment to the buyer (if the market value of the underlying reference is greater than the agreed upon price) or the buyer to make a payment to the seller (if that market value is less than the agreed upon price). Regardless of the type of settlement (i.e., by delivery or by cash payment), the seller benefits if the market price at settlement is less than the agreed upon price, while the buyer benefits if the market price is more than the agreed upon price. Futures contract markets may be, or over the term of the contract may become, highly volatile, and futures contracts may be or become illiquid. Futures exchanges may limit fluctuations in futures contract prices by imposing a maximum permissible daily price movement. A Fund may be disadvantaged if it is prohibited from executing a trade outside the daily permissible price movement. At or prior to maturity of a futures contract, a Fund may enter into an offsetting contract and may incur a loss to the extent there has been adverse movement in futures contract prices. The liquidity of the futures markets depends on participants entering into offsetting transactions rather than making or taking delivery of the underlying reference. Although, disruptions in the market for delivery of the underlying reference, may adversely impact liquidity (i.e., reduce liquidity) in the related futures market. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and no secondary market exists for such contracts. In order to secure future payment obligations, the Fund will be required to deposit cash or securities (referred to as “initial margin”) when it enters into a futures contract. The amount of initial margin required is relatively small compared to the level of market exposure obtained through the futures contract. Futures positions are marked to market each day and gains or losses on the contract (known as “variation margin”) must be paid to or by a Fund. Because of the low initial margin deposits normally required in futures trading relative to the level of market exposure obtained through a contract, it is possible that the Fund may employ a high degree of leverage in the portfolio. As a result, a relatively small price movement in a futures contract may result in substantial losses to a Fund, exceeding the amount of the margin deposited. For certain types of futures contracts (including any short position in a contract), losses are potentially unlimited. The use of futures may increase the volatility of a Fund’s NAV. Futures contracts executed on foreign exchanges (if any) may not provide the same protection as U.S. exchanges. Futures contracts can increase a Fund’s risk exposure to underlying references and their attendant risks, such as credit risk, market risk, foreign currency risk and interest rate risk, while also exposing the Fund to correlation risk, counterparty risk, hedging risk, leverage risk, liquidity risk, pricing risk and volatility risk.

An **interest rate future** is a derivative that is an agreement whereby the buyer and seller agree to the future delivery of an interest-bearing instrument on a specific date at a pre-determined price. Examples include Treasury-bill futures, Treasury-bond futures and Eurodollar futures. Some interest rate futures may be an agreement that requires the buyer (seller) to make payments to the seller (buyer) in the future if a particular underlying reference interest rate decreases (increases) over the term of the contract.

#### **Derivatives Risk — Inverse Floaters Risk.**

Inverse variable or floating rate obligations, sometimes referred to as inverse floaters, are a type of over-the-counter derivative debt instrument with a variable or floating coupon rate that moves in the opposite direction of an underlying reference, typically short-term interest rates. As short-term interest rates go down, the holders of the

inverse floaters receive more income and, as short-term interest rates go up, the holders of the inverse floaters receive less income. Variable rate securities provide for a specified periodic adjustment in the coupon rate, while floating rate securities have a coupon rate that changes whenever there is a change in a designated benchmark index or the issuer's credit rating. While inverse floaters tend to provide more income than similar term and credit quality fixed-rate bonds, they may also exhibit greater volatility in price movement, which could result in significant losses for a Fund. An inverse floater may have the effect of investment leverage to the extent that its coupon rate varies by a magnitude that exceeds the magnitude of the change in the index or reference rate of interest, which could result in increased losses for a Fund. There is a risk that the current interest rate on variable and floating rate instruments may not accurately reflect current market interest rates or adequately compensate the holder for the current creditworthiness of the issuer. Some inverse floaters are structured with liquidity features and may include market-dependent liquidity features that may expose a Fund to greater liquidity risk. Inverse floaters can increase a Fund's risk exposure to underlying references and their attendant risks, such as credit risk, market risk, foreign currency risk and interest rate risk, while also exposing the Fund to correlation risk, counterparty risk, hedging risk, leverage risk, liquidity risk, pricing risk and volatility risk.

#### **Derivatives Risk — Options Risk.**

Options are derivatives that give the purchaser the right to buy (in the case of a call option) or sell (in the case of a put option) an underlying reference from or to a counterparty at a specified price (the strike price) on or before an expiration date. A Fund may purchase or write put and call options on an underlying reference it is otherwise permitted to invest in or to which it is otherwise permitted to have economic exposure. Writing an option is also referred to as selling that option. By investing in options, a Fund is exposed to the risk that it may be required to buy or sell the underlying reference at a disadvantageous price on or before the expiration date. Or, if the option is cash settled, then the Fund is exposed to the risk that it may be required to make payments to the other party to the contract based upon changes in the value of the underlying reference over the term of the contract. If a Fund sells a put option that settles by delivery of the underlying, the Fund may be required to buy the underlying reference at a strike price that is above market price, resulting in a loss. If the put option sold by the Fund is cash settled, then that loss would be in the form of a payment that corresponds to the amount by which the strike price under the contract exceeds the market price of the underlying reference. If a Fund sells a call option that settles by delivery of the underlying, the Fund may be required to sell the underlying reference at a strike price that is below market price, resulting in a loss. If the call option sold by the Fund is cash settled, then that loss would be in the form of a payment that corresponds to the amount by which the market price of the underlying reference exceeds the strike price under the contract. If a Fund sells a call option that is not covered (meaning that the Fund does not own the underlying reference), the Fund's losses are potentially unlimited. Options may involve economic leverage, which could result in greater volatility in price movement. Options may be traded on an exchange or in the over-the-counter market. At or prior to maturity of an options contract, a Fund may enter into an offsetting contract and may incur a loss to the extent there has been adverse movement in options prices. Options can increase a Fund's risk exposure to underlying references such as credit risk, market risk, foreign currency risk and interest rate risk, while also exposing the Fund to correlation risk, counterparty risk, hedging risk, leverage risk, liquidity risk, pricing risk and volatility risk.

#### **Derivatives Risk — Structured Investments Risk.**

Structured investments are over-the-counter derivatives that provide principal and/or interest payments based on the value of an underlying reference(s). Structured investments typically provide interest income, thereby offering a potential yield advantage over investing directly in an underlying reference. Structured investments may lack a liquid secondary market and their prices or value can be volatile which could result in significant losses for a Fund. In some cases, depending on its terms, a structured investment may provide that principal and/or interest payments may be adjusted below zero resulting in a potential loss of principal and/or interest payments. Additionally, the particular terms of a structured investment may create economic leverage by requiring payment by the issuer of an amount that is a multiple of the price change of the underlying reference. Economic leverage will increase the volatility of structured investment prices, and could result in increased losses for a Fund. A Fund's use of structured instruments may not work as intended. If structured investments are used to reduce the duration of a Fund's portfolio, this may limit the Fund's return when having a longer duration would be beneficial (for instance, when interest rates decline). Structured investments can increase a Fund's risk exposure to underlying references and their attendant risks, such as credit risk, market risk, foreign currency risk and interest

rate risk, while also exposing the Fund to correlation risk, counterparty risk, hedging risk, leverage risk, liquidity risk, pricing risk and volatility risk.

### **Derivatives Risk — Swaps Risk.**

Derivatives may involve significant risks. In a typical swap transaction, two parties agree to exchange an amount equal to the return, based upon an agreed-upon notional value, earned on a specified underlying reference for a fixed return or the return from another underlying reference during a specified period of time. Swaps may be, or over the term of the contract may become, difficult to value and may be illiquid. Swaps could result in Fund losses if the underlying asset or reference does not perform as anticipated. Swaps create significant investment leverage such that a relatively small price movement in a swap may result in immediate and substantial losses to a Fund. A Fund may only close out a swap with its particular counterparty, and may only transfer a position with the consent of that counterparty. Additionally, every swap is subject to bankruptcy and insolvency laws, which could delay or limit the Fund's recovery if the counterparty to a particular swap defaults on its obligation to make payments under the swap, or the Fund terminates that swap, in either case as a result of the counterparty's bankruptcy or insolvency. In any bankruptcy or insolvency situation, the Fund may lose the benefit of any payments previously made by the Fund to the counterparty, or collect only a portion of what it is otherwise entitled to, with any such collection involving significant costs or delays. Certain swaps, such as short swap transactions and total return swaps, have the potential for unlimited losses, regardless of the size of the initial investment. Swaps can increase a Fund's risk exposure to underlying references and their attendant risks, such as credit risk, market risk, foreign currency risk and interest rate risk, while also exposing a Fund to correlation risk, counterparty risk, hedging risk, inflation risk, leverage risk, liquidity risk, pricing risk and volatility risk.

### **Dollar Rolls Risk.**

Dollar rolls are transactions in which the portfolio sells securities to a counterparty and simultaneously agrees to purchase those or similar securities in the future at a predetermined price. Dollar rolls involve the risk that the market value of the securities the portfolio is obligated to repurchase may decline below the repurchase price, or that the counterparty may default on its obligations. These transactions may also increase the portfolio's portfolio turnover rate. If the portfolio reinvests the proceeds of the security sold, the portfolio will also be subject to the risk that the investments purchased with such proceeds will decline in value (a form of leverage risk).

### **Emerging Market Risk.**

Securities issued by foreign governments or companies in emerging market countries, such as China, Russia and certain countries in Eastern Europe, the Middle East, Asia, Latin America or Africa, are more likely to have greater exposure to the risks of investing in foreign securities that are described in *Foreign Securities Risk*. In addition, emerging market countries are more likely to experience instability resulting, for example, from rapid changes or developments in social, political, economic or other conditions. Their economies are usually less mature and their securities markets are typically less developed with more limited trading activity (*i.e.*, lower trading volumes and less liquidity) than more developed countries. Emerging market securities tend to be more volatile than securities in more developed markets. Many emerging market countries are heavily dependent on international trade and have fewer trading partners, which makes them more sensitive to world commodity prices and economic downturns in other countries. Some emerging market countries have a higher risk of currency devaluations, and some of these countries may experience periods of high inflation or rapid changes in inflation rates and may have hostile relations with other countries.

### **EuroZone – Related Risk.**

A number of countries in the European Union (EU) have experienced, and may continue to experience, severe economic and financial difficulties. Additional EU member countries may also fall subject to such difficulties. These events could negatively affect the value and liquidity of a Fund's investments in eurodenominated securities and derivatives contracts, securities of issuers located in the EU or with significant exposure to EU issuers or countries. If the euro is dissolved entirely, the legal and contractual consequences for holders of euro-denominated obligations and derivative contracts would be determined by laws in effect at such time. Such investments may continue to be held, or purchased, to the extent consistent with a Fund's investment objective

and permitted under applicable law. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of Fund shares.

### **Event-Driven Trading Risk.**

A Fund may seek to profit from the occurrence of specific corporate or other events. A delay in the timing of these events, or the failure of these events to occur at all, may have a significant negative effect on a Fund's performance.

### **Exchange-Traded Fund (ETF) Risk.**

An ETF's share price may not track its specified market index (if any) and may trade below its NAV. Certain ETFs use a "passive" investment strategy and do not take defensive positions in volatile or declining markets. Other ETFs in which a Fund may invest are actively managed ETFs (*i.e.*, they do not track a particular benchmark), which indirectly subjects a Fund to active management risk. An active secondary market in an ETF's shares may not develop or be maintained and may be halted or interrupted due to actions by its listing exchange, unusual market conditions or other reasons. There can be no assurance an ETF's shares will continue to be listed on an active exchange. In addition, shareholders bear both their proportionate share of a Fund's expenses and similar expenses incurred through ownership of the ETF.

### **Foreign Currency Risk.**

The performance of a Fund may be materially affected positively or negatively by foreign currency strength or weakness relative to the U.S. dollar, particularly if the Fund invests a significant percentage of its assets in foreign securities or other assets denominated in currencies other than the U.S. dollar. Currency rates in foreign countries may fluctuate significantly over short or long periods of time for a number of reasons, including changes in interest rates, imposition of currency controls and economic or political developments in the U.S. or abroad. A Fund may also incur currency conversion costs when converting foreign currencies into U.S. dollars and vice versa.

### **Foreign Security Risk**

Investments in foreign securities involve certain risks not associated with investments in securities of U.S. companies. Foreign securities subject the portfolio to the risks associated with investing in the particular country, including the political, regulatory, economic, social, diplomatic and other conditions or events occurring in the country or region, as well as risks associated with less developed custody and settlement practices. Foreign securities may be more volatile and less liquid than investments in securities of U.S. companies. The portfolio's performance may be negatively impacted by foreign currency strength or weakness relative to the U.S. dollar, particularly if it invests a significant percentage of its assets in foreign securities or other assets denominated in currencies other than the U.S. dollar.

### **Forward Commitments on Mortgage-Backed Securities (including Dollar Rolls) Risk.**

When purchasing mortgage-backed securities in the "to be announced" (TBA) market (MBS TBAs), the seller agrees to deliver mortgage-backed securities for an agreed upon price on an agreed upon date, but may make no guarantee as to the specific securities to be delivered. In lieu of taking delivery of mortgage-backed securities, a Fund or a Portfolio Fund could enter into dollar rolls, which are transactions in which the Fund or the Portfolio Funds sells securities to a counterparty and simultaneously agrees to purchase those or similar securities in the future at a predetermined price. Dollar rolls involve the risk that the market value of the securities a Fund or a Portfolio Fund is obligated to repurchase may decline below the repurchase price, or that the counterparty may default on its obligations. These transactions may also increase a Fund's or a Portfolio Fund's portfolio turnover rate. If a Fund or a Portfolio Fund reinvests the proceeds of the security sold, the Fund or the Portfolio Fund will also be subject to the risk that the investments purchased with such proceeds will decline in value (a form of leverage risk). MBS TBAs and dollar rolls are subject to counterparty risk.

### **Frontier Market Risk**

Frontier market countries generally have smaller economies and even less developed capital markets than typical emerging market countries (which themselves have increased investment risk relative to more developed market countries) and, as a result, a Fund's exposure to risks associated with investing in emerging market countries are magnified when a Fund invests in frontier market countries. The increased risks include: the potential for extreme price volatility and illiquidity in frontier market countries; government ownership or control of parts of the private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which frontier market countries trade; and the relatively new and unsettled securities laws in many frontier market countries.

### ***Fund-of-Funds Risk***

Determinations regarding asset classes or Portfolio Funds and a Fund's allocations thereto may not successfully achieve a Fund's investment objective, in whole or in part. The selected Portfolio Funds' performance may be lower than the performance of the asset class they were selected to represent or may be lower than the performance of alternative Portfolio Funds that could have been selected to represent the asset class. A Fund also is exposed to the same risks as the Portfolio Funds in direct proportion to the allocation of its assets among the Portfolio Funds. By investing in a combination of Portfolio Funds, a Fund has exposure to the risks of many areas of the market. The ability of a Fund to realize its investment objective will depend, in large part, on the extent to which the Portfolio Funds realize their investment objectives. There is no guarantee that the Portfolio Funds will achieve their respective investment objectives. The performance of Portfolio Funds could be adversely affected if other entities that invest in the same Portfolio Funds make relatively large investments or redemptions in such Portfolio Funds. A Fund, and its shareholders, indirectly bear a portion of the expenses of any funds in which the Fund invests. Because the expenses and costs of each Portfolio Fund are shared by its investors, redemptions by other investors in a Portfolio Fund could result in decreased economies of scale and increased operating expenses for such fund. These transactions might also result in higher brokerage, tax or other costs for a Portfolio Fund. This risk may be particularly important when one investor owns a substantial portion of a Portfolio Fund. The Investment Manager may have potential conflicts of interest in selecting affiliated funds over unaffiliated funds for investment by a Fund, and may also face potential conflicts of interest in selecting affiliated funds, because the fees the Investment Manager and its affiliates, including the investment adviser to the Portfolio Funds, receive from some Portfolio Funds may be higher than the fees paid by other Portfolio Funds. Further, because of the Investment Manager's confidence in its own strategies, investment philosophy and capacities, it will, in selecting funds, at times prefer Columbia Acorn Funds over alternative investments. There can be no assurance, however, that an Acorn Fund selected for inclusion in Columbia Thermostat Fund will, in fact, outperform similar funds managed by the Investment Manager's affiliates.

### **Geographic Focus Risk.**

Fund may be particularly susceptible to economic, political, regulatory or other events or conditions affecting issuers and countries within the specific geographic regions in which the Fund invests. Currency devaluations could occur in countries that have not yet experienced currency devaluation to date, or could continue to occur in countries that have already experienced such devaluations. As a result, a Fund's NAV may be more volatile than the NAV of a more geographically diversified fund.

### **Global Economic Risk.**

Global economies and financial markets are increasingly interconnected, which increases the possibility that conditions in one country or region might adversely impact issuers in a different country or region or across the globe. For instance, a significant slowdown in China's economy is adversely affecting worldwide commodity prices and the economies of many countries, especially those that depend heavily on commodity production and/or trade with China. The severity or duration of adverse economic conditions may also be affected by policy changes made by governments or quasi-governmental organizations. The imposition of sanctions by the United States or another government on a country could cause disruptions to the country's financial system and economy, which could negatively impact the value of securities.

At a referendum in June 2016, the United Kingdom (the UK) voted to leave the European Union (EU). In connection with the British exit from the EU (commonly known as “Brexit”). Subsequently, the UK invoked article 50 of the Treaty of Lisbon to withdraw from the EU over a two-year period. There is a significant degree of uncertainty about how negotiations relating to the UK’s withdrawal and new trade agreements will be conducted, as well as the potential consequences and precise timeframe for Brexit. During the two-year period and beyond, the impact of any partial or complete dissolution of the EU on the UK and European economies and the broader global economy could be significant, resulting in negative impacts on currency and financial markets generally, such as increased volatility and illiquidity, and potentially lower economic growth in markets in the UK, Europe and globally, which may adversely affect the value of the Fund’s portfolio investments.

The UK has one of the largest economies in Europe, and member countries of the EU are substantial trading partners of the UK. The City of London’s economy is dominated by financial services, some of which may have to move outside of the UK post referendum (e.g., currency trading, international settlement). Under the referendum, banks may be forced to move staff and comply with two separate sets of rules or lose business to banks in Europe. Furthermore, the referendum creates the potential for decreased trade, the possibility of capital outflows, devaluation of the pound sterling, the cost of higher corporate bond spreads due to uncertainty, and the risk that all the above could damage business and consumer spending as well as foreign direct investment. As a result of the referendum, the British economy and its currency may be negatively impacted by changes to its economic and political relations with the EU. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

The impact of the referendum in the near- and long-term is still unknown and could have additional adverse effects on economies, financial markets, currencies and asset valuations around the world. Any attempt by the Fund to hedge against or otherwise protect its portfolio or to profit from such circumstances may fail and, accordingly, an investment in the Fund could lose money over short or long periods.

### **Growth Securities Risk**

Growth securities typically trade at a higher multiple of earnings than other types of equity securities. Accordingly, the market values of growth securities may be more sensitive to adverse economic or other circumstances or changes in current or expected earnings Document Number: 334194 Version: 5 58 than the market values of other types of securities. In addition, 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 for varying periods of time.

### **High Yield Securities Risk**

Securities rated below investment grade (commonly called “high yield” or “junk” bonds) and unrated securities of comparable quality tend to be more sensitive to credit risk than higher-rated securities and may experience greater price fluctuations in response to perceived changes in the ability of the issuing entity or obligor to pay interest and principal when due than to changes in interest rates. These investments are generally more likely to experience a default than higher-rated securities. High yield securities are considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. These securities typically pay a premium — a higher interest rate or yield — because of the increased risk of loss, including default. High yield securities may require a greater degree of judgment to establish a price, may be difficult to sell at the time and price a Fund desires, may carry high transaction costs, and also are generally less liquid than higher-rated securities. The securities ratings provided by third party rating agencies are based on analyses by these ratings agencies of the credit quality of the securities and may not take into account every risk related to whether interest or principal will be timely repaid. In adverse economic and other circumstances, issuers of lower-rated securities are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities.

### **Highly Leveraged Transactions Risk**

The loans and other securities in which the portfolio invests may include highly leveraged transactions whereby the borrower assumes large amounts of debt in order to have the financial resources to attempt to achieve its

business objectives. Loans or securities that are part of highly leveraged transactions involve a greater risk (including default and bankruptcy) than other investments.

### **Impairment of Collateral Risk**

The value of collateral, if any, securing a loan can decline, and may be insufficient to meet the borrower's obligations or difficult or costly to liquidate. In addition, a Fund's access to collateral may be limited by bankruptcy or other insolvency laws. Further, certain floating rate and other loans may not be fully collateralized and may decline in value.

### **Inflation Risk**

Inflation risk is the uncertainty over the future real value (after inflation) of an investment. Inflation rates may change frequently and drastically as a result of various factors, including unexpected shifts in the domestic or global economy, and a Fund's investments may not keep pace with inflation, which may result in losses to Fund investors.

### **Inflation-Protected Securities Risk**

Inflation-protected debt securities tend to react to changes in real interest rates. Real interest rates can be described as nominal interest rates minus the expected impact of inflation. In general, the price of an inflation-protected debt security falls when real interest rates rise, and rises when real interest rates fall. Interest payments on inflation-protected debt securities will vary as the principal and/or interest is adjusted for inflation and may be more volatile than interest paid on ordinary bonds. In periods of deflation, a Fund may have no income at all from such investments. Income earned by a shareholder depends on the amount of principal invested, and that principal will not grow with inflation unless the shareholder reinvests the portion of Fund distributions that comes from inflation adjustments. A Fund's investment in certain inflation-protected debt securities may generate taxable income in excess of the interest they pay to the Fund, which may cause the Fund to sell investments to obtain cash to make income distributions to shareholders, including at times when it may not be advantageous to do so.

### **Interest Rate Risk.**

IPOs are subject to many of the same risks as investing in companies with smaller market capitalizations. To the extent the portfolio determines to invest in IPOs, it may not be able to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO are available to the portfolio. The investment performance of the portfolio during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the portfolio is able to do so.

### **Investing in Other Funds Risk**

A Fund's investment in other funds (affiliated and/or unaffiliated funds, including exchange-traded funds (ETFs)) subjects the Fund to the investment performance (positive or negative) and risks of the Portfolio Funds or other underlying funds in direct proportion to the Fund's investment therein. In addition, investments in ETFs have unique characteristics, including, but not limited to, the expense structure and additional expenses associated with investing in ETFs. The performance of the Portfolio Funds or other underlying funds could be adversely affected if other investors in the same Portfolio Funds or other underlying funds make relatively large investments or redemptions in such Portfolio Funds or other underlying funds. A Fund, and its shareholders, indirectly bear a portion of the expenses of any funds in which the Fund invests. Because the expenses and costs of a fund are shared by its investors, redemptions by other investors in the Portfolio Funds or other underlying funds could result in decreased economies of scale and increased operating expenses for such fund. These transactions might also result in higher brokerage, tax or other costs for the Portfolio Funds or other underlying funds. This risk may be particularly important when one investor owns a substantial portion of the Portfolio Funds or other underlying funds. The Investment Manager may have potential conflicts of interest in selecting affiliated Portfolio Funds or other underlying funds for investment by a Fund because the fees paid to it or its affiliates, including the investment adviser to the Portfolio Funds, by some Portfolio Funds or other underlying funds are higher than the fees paid by other Portfolio Funds or other underlying funds, as well as a potential conflict in selecting affiliated funds over unaffiliated funds. Also, to the extent that a Fund is constrained/restricted from investing (or investing

further) in a particular Portfolio Fund or other underlying fund for one or more reasons (e.g., Portfolio Fund or other underlying fund capacity constraints or regulatory restrictions) or if a Fund chooses to sell its investment in a Portfolio Fund or other underlying fund because of poor investment performance or for other reasons, the Fund may have to invest in other Portfolio Funds or other underlying funds, including less desirable funds — from a strategy or investment performance standpoint — which could have a negative impact on Fund performance. In addition, Fund performance could be negatively impacted if an appropriate alternate Portfolio Fund or other underlying fund does not present itself in a timely manner or at all.

#### **IPO Risk**

IPOs are subject to many of the same risks as investing in companies with smaller market capitalizations. To the extent a Fund determines to invest in IPOs, it may not be able to invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO are available to a Fund. The investment performance of a Fund during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the Fund is able to do so. In addition, as a Fund increases in size, the impact of IPOs on the Fund's performance will generally decrease. IPOs sold within 12 months of purchase may result in increased short-term capital gains, which will be taxable to a Fund's shareholders as ordinary income.

#### **Issuer Risk.**

An issuer may perform poorly, and therefore, the value of its securities may decline, which would negatively affect the Fund's performance. Poor performance may be caused by poor management decisions, competitive pressures, breakthroughs in technology, reliance on suppliers, labor problems or shortages, corporate restructurings, fraudulent disclosures or other events, conditions or factors.

#### **Large Fund Investor Risk**

A Fund may from time to time sell a substantial amount of its shares to relatively few investors or a single investor, including other funds advised by the Investment Manager or the investment adviser to a Portfolio Fund, or third parties. Sales to and redemptions from large investors may be very substantial relative to the size of a Fund and carry potentially adverse effects.

#### **Leverage Risk**

Leverage occurs when a Fund increases its assets available for investment using borrowings, short sales, derivatives, or similar instruments or techniques.

#### **Large Cap Securities Risk.**

Larger, more established companies may be unable to respond quickly to new competitive challenges, such as changes in consumer tastes or innovative smaller competitors. Also, large-cap companies are sometimes unable to attain the high growth rates of successful, smaller companies, especially during extended periods of economic expansion.

#### **Liquidity Risk.**

Liquidity risk is the risk associated with a lack of marketability of investments which may make it difficult to sell the investment at a desirable time or price. The portfolio may have to lower the selling price, sell other investments, or forego another, more appealing investment opportunity. Judgment plays a larger role in valuing these investments as compared to valuing more liquid investments.

#### **Listed Private Equity Fund Investment Risk.**

Private equity funds include financial institutions or vehicles whose principal business is to invest in and lend capital to privately held companies. A Fund is subject to the underlying risks that affect private equity funds in which it invests, which may include increased liquidity risk, valuation risk, sector risk and credit risk. Limited or incomplete information about the companies in which private equity funds invest, and relatively concentrated investment portfolios of private equity funds, may expose a Fund to greater volatility and risk of loss. A Fund's investment in private equity funds subjects Fund shareholders indirectly to the fees and expenses incurred by private equity funds.

#### **Macro Strategy Risk.**



The profitability of any macro program depends primarily on the ability of its manager to predict derivative contract price movements to implement investment ideas regarding macroeconomic trends. Price movements for commodity interests are influenced by, among other things: changes in interest rates; governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; natural disasters, such as hurricanes; changing supply and demand relationships; changes in balances of payments and trade; U.S. and international rates of inflation and deflation; currency devaluations and revaluations; U.S. and international political and economic events; and changes in philosophies and emotions of market participants. The manager's trading methods may not take all of these factors into account.

#### **Master Limited Partnership Risk.**

Investing in master limited partnerships generally is subject to the risks applicable to investing in a partnership as opposed to a corporation, which may include fewer protections afforded to investors. Additional risks include those associated with the specific industries in which a master limited partnership invests, such as the risks associated with investing in the real estate or oil and gas industries.

#### **Mid-Cap Company Securities Risk.**

Securities of mid-capitalization companies (mid-cap companies) can, in certain circumstances, have more risk than securities of larger capitalization companies (larger companies). For example, mid-cap companies may be more vulnerable to market downturns and adverse business or economic events than larger companies because they may have more limited financial resources and business operations. Mid-cap companies are also more likely than larger companies to have more limited product lines and operating histories and to depend on smaller management teams. Securities of mid-cap companies may trade less frequently and in smaller volumes and may fluctuate more sharply in value than securities of larger companies. When a Fund takes significant positions in mid-cap companies with limited trading volumes, the liquidation of those positions, particularly in a distressed market, could be difficult and result in Fund investment losses. In addition, some mid-cap companies may not be widely followed by the investment community, which can lower the demand for their stocks.

#### **Money Market Fund Investment Risk.**

An investment in a money market fund is not a bank deposit and is not insured or guaranteed by any bank, the FDIC or any other government agency. Although certain types of money market funds seek to preserve the value of investments at \$1.00 per share, it is possible for a Fund to lose money by investing in these and other types of money market funds. In addition to the fees and expenses that a Fund directly bears, the Fund indirectly bears the fees and expenses of any money market funds in which it invests, including affiliated money market funds.

#### **Mortgage-Backed Securities.**

The value of the portfolio's mortgage-backed and other asset-backed securities may be affected by, among other things, changes or perceived changes in: interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgages or other assets, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market's assessment of the quality of underlying assets. Payment of principal and interest on some mortgage-backed securities (but not the market value of the securities themselves) may be guaranteed by the full faith and credit of the U.S. Government or by its agencies, authorities, enterprises or instrumentalities, which are not insured or guaranteed by the U.S. Government. Mortgage-backed securities issued by non-governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may entail greater risk than obligations guaranteed by the U.S. Government, whether or not such obligations are guaranteed by the private issuer. Mortgage-backed securities are subject to prepayment risk, which is the possibility that the underlying mortgage may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the portfolio to have to reinvest the money received in securities that have lower yields. Rising or high interest rates tend to extend the duration of mortgage-backed securities, making them more volatile and more sensitive to changes in interest rates.

#### **Municipal Securities Risk.**

Municipal securities are debt obligations generally issued to obtain funds for various public purposes, including general financing for state and local governments, or financing for a specific project or public facility, and include

obligations of the governments of the U.S. territories, commonwealths and possessions such as Guam, Puerto Rico and the U.S. Virgin Islands to the extent such obligations are exempt from state and federal income taxes.

### **Opportunistic Investing Risk.**

Undervalued securities involve the risk that they may never reach their expected full market value, either because the market fails to recognize the security's intrinsic worth or the expected value was misgauged. Undervalued securities also may decline in price even though the Investment Manager believes they are already undervalued. Turnaround companies may never improve their fundamentals, may take much longer than expected to improve, or may improve much less than expected. Development stage companies could fail to develop and deplete their assets, resulting in large percentage losses

### **Prepayment and Extension Risk.**

Prepayment and extension risk is the risk that a loan, bond or other security or investment might be called or otherwise converted, prepaid or redeemed before maturity and the portfolio managers may not be able to invest the proceeds in other investments providing as high a level of income, resulting in a reduced yield to the portfolio. As interest rates decrease or spreads narrow, the likelihood of prepayment increases. The portfolio managers may be unable to capitalize on securities with higher interest rates or wider spreads because the portfolio's investments are locked in at a lower rate for a longer period of time.

### **Real Estate – Related Investment Risk.**

Investment in real estate investment trusts (REITs) and in securities of other companies (wherever organized) principally engaged in the real estate industry subjects the portfolio, among other risks, risks similar to those of direct investments in real estate and the real estate industry in general, including risks related to general and local economic conditions, possible lack of availability of financing and changes in interest rates or property values. REITs are entities that either own properties or make construction or mortgage loans, and also may include operating or finance companies. The value of REIT shares is affected by, among other factors, changes in the value of the underlying properties owned by the REIT, by changes in the prospect for earnings and/or cash flow growth of the REIT itself, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory matters affecting the real estate industry, including REITs. REITs and similar non-U.S. entities depend upon specialized management skills, may have limited financial resources, may have less trading volume in their securities, and may be subject to more abrupt or erratic price movements than the overall securities markets. REITs are also subject to the risk of failing to qualify for tax-free pass-through of income. Some REITs (especially mortgage REITs) are affected by risks similar to those associated with investments in debt securities including changes in interest rates and the quality of credit extended.

### **Redemption Risk.**

A Fund may need to sell portfolio securities to meet redemption requests. A Fund could experience a loss when selling portfolio securities to meet redemption requests if there is (i) significant redemption activity by shareholders, including, for example, when a single investor or few large investors make a significant redemption of Fund shares, (ii) a disruption in the normal operation of the markets in which a Fund buys and sells portfolio securities or (iii) the inability of a Fund to sell portfolio securities because such securities are illiquid. In such events, a Fund could be forced to sell portfolio securities at unfavorable prices in an effort to generate sufficient cash to pay redeeming shareholders. A Fund may suspend redemptions or the payment of redemption proceeds when permitted by applicable regulations.

### **Regulatory Risk — Alternative Investments.**

Legal, tax, and regulatory developments may adversely affect a Fund and its investments. The regulatory environment for a Fund and certain of its investments is evolving, and changes in the regulation of investment funds, their managers, and their trading activities and capital markets, or a regulator's disagreement with a Fund's or others' interpretation of the application of certain regulations, may adversely affect the ability of a Fund to pursue its investment strategy, its ability to obtain leverage and financing, and the value of investments held by the Fund.

### **Regulatory Risk — Money Market Funds.**

Money market funds and the securities they invest in are subject to comprehensive regulations. The enactment of new legislation or regulations, as well as changes in interpretation and enforcement of current laws, may affect the manner of operation, performance and/or yield of money market funds.

### **Reinvestment Risk.**

Reinvestment risk is the risk that the portfolio will not be able to reinvest income or principal at the same rate it is currently earning.

### **Repurchase Agreements Risk.**

Repurchase agreements are agreements in which the seller of a security to a Fund agrees to repurchase that security from the Fund at a mutually agreed upon price and time. Repurchase agreements carry the risk that the counterparty may not fulfill its obligations under the agreement. This could cause a Fund's income and the value of your investment in the Fund to decline.

### **Reverse Repurchase Agreements Risk.**

Reverse repurchase agreements are agreements in which a Fund sells a security to a counterparty, such as a bank or broker-dealer, in return for cash and agrees to repurchase that security at a mutually agreed upon price and time.

### **Rule 144A and other Exempted Securities Risk.**

A portfolio may invest in privately placed securities that have not been registered for sale under the Securities Act of 1933 pursuant to Rule 144A (Rule 144A securities). An insufficient number of qualified institutional buyers interested in purchasing Rule 144A securities could affect adversely the marketability of such securities and the portfolio might be unable to dispose of such securities promptly or at reasonable prices. A portfolio may also have to bear the expense of registering the securities for resale and the risk of substantial delays in effecting the registration. Additionally, the purchase price and subsequent valuation of restricted and illiquid securities normally reflect a discount, which may be significant, from the market price of comparable securities for which a liquid market exists.

### **Sector Risk.**

At times, the portfolio may have a significant portion of its assets invested in securities of companies conducting business in a related group of industries within an economic sector. Companies in the same economic sector may be similarly affected by economic, regulatory, political or market events or conditions, making the portfolio more vulnerable to unfavorable developments in that economic sector than portfolios that invest more broadly. The more a portfolio diversifies its investments, the more it spreads risk and potentially reduces the risks of loss and volatility.

### **Short Positions Risk**

A Fund that establishes short positions introduces more risk to the Fund than a fund that only takes long positions (where the Fund owns the instrument or other asset) because the maximum sustainable loss on an instrument or other asset purchased (held long) is limited to the amount paid for the instrument or other asset plus the transaction costs, whereas there is no maximum price of the shorted instrument or other asset when purchased in the open market. Therefore, in theory, short positions have unlimited risk. A Fund's use of short positions in effect "leverages" the Fund. Leverage potentially exposes a Fund to greater risks of loss due to unanticipated market movements, which may magnify losses and increase the volatility of returns. To the extent a Fund takes a short position in a derivative instrument or other asset, this involves the risk of a potentially unlimited increase in the value of the underlying instrument or other asset.

### **Small and Mid-Sized Company Risk.**

Investments in small- and mid-capitalization companies (small- and mid-cap companies) often involve greater risks than investments in larger, more established companies (larger companies) because small- and mid-cap companies tend to have less predictable earnings and may lack the management experience, financial resources,

product diversification and competitive strengths of larger companies, and securities of small- and mid-cap companies may be less liquid and more volatile than the securities of larger companies.

### **Sovereign Debt Risk.**

A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by a variety of factors, including its cash flow situation, the extent of its reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward international lenders, and the political constraints to which a sovereign debtor may be subject.

### **Special Situations Risk.**

Securities of companies that are involved in an initial public offering or a major corporate event, such as a business consolidation or restructuring, may present special risk because of the high degree of uncertainty that can be associated with such events. Securities issued in initial public offerings often are issued by companies that are in the early stages of development, have a history of little or no revenues and may operate at a loss following the offering. It is possible that there will be no active trading market for the securities after the offering, and that the market price of the securities may be subject to significant and unpredictable fluctuations. Investing in special situations may have a magnified effect on the performance of portfolios with small amounts of assets.

### **Stripped Securities Risk.**

Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates, and therefore subject to greater fluctuations in price than typical interest bearing debt securities. For example, stripped mortgage-backed securities have greater interest rate risk than mortgage-backed securities with like maturities, and stripped treasury securities have greater interest rate risk than traditional government securities with identical credit ratings.

### **Systems and Technology Sector Risk.**

Because a portfolio may invest in technology companies, a portfolio's price may be more volatile than a portfolio that is invested in a more diverse range of market sectors. Companies in the technology sector are subject to significant competitive pressures, such as aggressive pricing of their products or services, new market entrants, competition for market share, short product cycles due to an accelerated rate of technological developments and the potential for limited earnings and/or falling profit margins.

### **U.S. Government and Related Obligations.**

While U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. Government, such securities are nonetheless subject to credit risk (i.e., the risk that the U.S. Government may be, or may be perceived to be, unable or unwilling to honor its financial obligations, such as making payments). Securities issued or guaranteed by federal agencies or authorities and U.S. Government-sponsored instrumentalities or enterprises may or may not be backed by the full faith and credit of the U.S. Government.

### **Value Risk.**

Value securities are securities of companies that may have experienced, for example, adverse business, industry or other developments or may be subject to special risks that have caused the securities to be out of favor and, in turn, potentially undervalued. The market value of a portfolio security may not meet the portfolio manager's perceived value assessment of that security, or may decline in price, even though the portfolio manager(s) believe the securities are already undervalued. There is also a risk that it may take longer than expected for the value of these investments to rise to the portfolio manager's perceived value. In addition, value securities, at times, may not perform as well as growth securities or the stock market in general, and may be out of favor with investors for varying periods of time.

## **Additional Risks**

The following risk descriptions are designed to help clients anticipate some of the challenges and risks associated with the asset management industry today. Clients should speak with their consultants or other financial advisers for more information regarding these and other risks associated with making an investment. When we provide advisory services to a client, we are serving as an investment manager only with respect to those assets we manage and not with respect to the client's other assets or with an eye towards the client's overall financial situation.

### **No Guarantee of Performance**

All investments involve risk (the amount of which may vary significantly), investment performance can never be predicted or guaranteed, even when employing very conservative strategies such as those employed by money market mutual funds or other accounts that seek preservation of capital. The market value of client assets will fluctuate due to market conditions and other factors, such as liquidity and volatility. The assumptions associated with certain investment strategies that are derived and tested over longer periods (e.g., quantitative strategies) may not be meaningful, and such strategies may demonstrate relative weakness, during periods of unprecedented market conditions, since, by definition, those conditions may not be reflected in any historical data or research conducted to create the strategies.

### **Implementation Risk**

Disorderly market conditions or periods of market stress may make it difficult or impossible for us to pursue an investment strategy or objective. During these periods, it may be difficult or impossible to buy or sell investments at certain prices or at all. Moreover, volatility or events associated with markets, sectors or issuers may make it difficult to implement certain policies and procedures designed to ensure equal treatment among client accounts. For example, while our trading procedures are designed to ensure equal treatment among all clients, volatility on any given day may cause clients to receive materially different prices on the same securities. This may create performance dispersions among accounts with the same or similar investment mandate.

### **Strategy-Specific Risks**

Clients should also consider risks associated with the investment mandate you have engaged us to implement. Each client should consider those risks in its decision to engage us and in connection with the client's overall investment program. A consultant or financial adviser engaged to evaluate a client's overall investment program can assist clients with an evaluation of risks associated with investment strategies.

### **Counterparty Arrangements**

We enter into many counterparty arrangements in connection with our asset management business. These arrangements support our trading, custody and investment activities, and some of the counterparties we use have relationships with our affiliates as well. Reliable counterparty arrangements and the ability to assess counterparty risks have become a critical part of our day-to-day operations and we endeavor to manage these risks in accordance with our fiduciary duty to clients. While we seek to manage these risks, exposure to counterparty failures, including bankruptcies and defaults, is sometimes unavoidable and can result in sudden and unanticipated shocks to our operations or investments resulting from the inability to carry out transactions or satisfy liquidity demands.

### **Resource Constraints**

Unfavorable market conditions and budget constraints may impact our ability to retain or attract talented employees or allocate resources as we otherwise would during periods of economic stability. Moreover, the inherent conflict of interest associated with certain arrangements (e.g., the receipt of research in exchange for client commissions) is heightened when our business is under pressure to reduce overhead expenses in response to market conditions that impact our revenues. While we may make resource allocations designed to streamline or bring more efficiency to our operations during periods of economic stress, we will not compromise our fiduciary standards or compliance with our policies and procedures that are reasonably designed to prevent violations.

### **Regulatory Uncertainty**

Recent market events are likely to result in significant regulatory reform, which could impact the way we operate our business or pursue client objectives. For example, from September 19 – October 3, 2008, due to market events, the US Securities and Exchange Commission took temporary emergency action to prohibit short selling in over 800 financial services companies. Similar action was taken by regulators in other countries. This short sale ban imposed temporary limitations on our ability to fully implement certain investment strategies. There is no guarantee that similar limitations or other regulatory constraints will not be imposed in the future.

### **Segregated Account Advantages**

Investors in pooled vehicles may wish to consider the different levels of liquidity and transparency provided to segregated account owners pursuing the same investment strategy as a pooled vehicle. Greater visibility and access to underlying holdings could allow a segregated account holder to implement strategies (e.g., hedging techniques) that could prove disadvantageous to pooled fund vehicles or their investors. It is our current policy to seek representations from segregated account clients indicating that they are establishing and will be maintaining their accounts solely for the purpose of investing and not with a view to effecting securities transactions based upon such information or providing such information to another party.

### **Cyber Security Risk**

With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, Columbia Management Investment Advisers and our service providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks but unintentional events may also have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and other activities causing operational disruption.

A successful cyber-attack against Columbia Management Investment Advisers, or other types of security breakdowns may interfere with the processing of client transactions, cause the release of private client information or confidential portfolio information and impede trading, all negatively impacting clients and causing reputational damage to us. Additionally, we could be subjected to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs now and in the future. While we and our service providers have established business continuity plans and systems designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities or other instruments in which we invest, which could result in material adverse consequences for such issuers, and may cause a portfolio's investment therein to lose value.