

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

March 22, 2013

**Columbia Management Investment Advisers, LLC**

225 Franklin Street

Boston, MA 02110

ColumbiaManagement.com

This brochure provides information about the qualifications and business practices of Columbia Management Investment Advisers, LLC. If you have any questions about the contents of this brochure, please contact us at (800) 225-2365. 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 Management Investment Advisers, LLC is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training. Additional information about Columbia Management Investment Advisers, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes Summary

The Columbia Management Investment Advisers, LLC Advisory Brochure (Part 2A of Form ADV) (the “Brochure”), dated March 22, 2013, has been updated to reflect important information related to changes in our business practices from our last Brochure dated March 23, 2012.

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

A copy of our current Brochure may be requested from your client relationship manager, your financial professional, or by calling (800) 225-2365. Upon request we will provide you with a new Brochure at any time, without charge.

Additional information about Columbia Management Investment Advisers, 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 Management Investment Advisers, LLC who are registered, or are required to be registered, as investment adviser representatives of Columbia Management Investment Advisers, LLC.

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## ADVISORY BUSINESS

Columbia Management Investment Advisers, LLC (“Columbia Management Investment Advisers”) was incorporated in Minnesota in 1985 and is a subsidiary of Ameriprise Financial, Inc. (“Ameriprise Financial”), which owns 100% of the voting interests of the firm. This Brochure describes the investment advisory services offered by Columbia Management Investment Advisers and the words “we,” “our,” “us,” “the firm” and similar words mean Columbia Management Investment Advisers. We are providing this Brochure to persons who receive or who may receive investment advisory services from us in order to ensure compliance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

### Our General Services

We offer professional advisory services on a discretionary or non-discretionary basis and related services including trading, cash management and reporting. In addition to traditional advisory services, the services we provide may include asset-liability management, investment accounting, credit-analysis, and asset allocation services. Nearly all of the advisory services we provide involve continuous investment advice based on the stated investment objectives and policies of each client. Our firm does not specialize in any one particular type of advisory service. In certain cases, we hire other SEC-registered investment advisers to provide discretionary advisory services to our clients in a subadvised capacity. The subadvisers we hire may be affiliated or non-affiliated. Moreover, while we do not offer financial planning services, we do prepare a quarterly market outlook and provide other periodic market updates that are made available to our clients and to our advisory affiliate that provides financial planning services, Ameriprise Financial Services, Inc. (“Ameriprise Financial Services”). We also provide information that is used by Ameriprise Financial Services in developing certain asset allocation and financial planning tools. The advisory services we offer are provided to non-affiliated clients and to our affiliates, including Ameriprise Financial and its subsidiaries.

The discretionary advisory services we offer are available directly to clients who negotiate an investment management agreement with us. The investment management agreement incorporates investment restrictions and guidelines developed in consultation with each client. These restrictions and guidelines customarily impose limitations on the types of securities that may be purchased and the percentage of account assets that may be invested in certain types of securities. Clients may also choose to restrict investment in specific securities or groups of securities for social, environmental or other reasons. As of December 31, 2012, the amount of client assets managed on a discretionary basis was \$303.7 billion and the amount of client assets managed on a non-discretionary basis was \$874.3 million.

Prospective clients or investors may also choose to obtain our services indirectly by purchasing a securities product that we advise or subadvise, such as a private fund (which, depending upon its strategy, may be referred to as a hedge fund), a collective fund or an exchange traded fund, open-end or closed-end investment company (“a Fund”), rather than establishing a direct investment advisory relationship with us. This is common in the case of retail investors, who typically access our services indirectly by investing in the Funds we manage, but may also be an attractive investment option for institutional clients.

Clients or prospective clients who are eligible for multiple products or services should consider whether similar or comparable services are available at a lower overall cost through a different product or service type. Prospective clients may also wish to consider the different levels of liquidity and transparency of underlying holdings, as well as the different tax attributes, that may be associated with certain products and services. Clients or investors should consider these product features and their own specific needs and circumstances in identifying the most suitable investment vehicle from the available alternatives.

### Wrap Fee Advisory Services

We also provide discretionary investment advisory services in connection with advisory programs that are provided to clients for a specified fee not based directly upon transactions in a client’s account (“Wrap Fee Programs”). We may also provide non-discretionary investment advice in the context of model delivery programs, as described in the “Model Delivery Program Fees” section below. The Wrap Fee Programs we participate in may be sponsored by affiliated or non-affiliated entities and may involve strategies of other outside managers in addition to our own. In these arrangements, the Wrap Fee Program sponsor typically has primary responsibility for client communications and service. Wrap fee accounts and other client accounts following a strategy with the same name managed by the same portfolio management team may be managed differently. For example, a strategy designed for wrap fee accounts may be structured to hold

fewer securities positions than would be held in another client account following a strategy with the same name managed by the same portfolio management team. Also, the Wrap Fee Program sponsor may impose investment restrictions or administrative requirements upon us in managing accounts that could cause those accounts to be managed differently from other client accounts in the same strategy managed by the same portfolio management team that were not subject to those restrictions or requirements. Finally, as described in the section entitled “Trade Aggregation, Allocation and Partial Fills on a Trading Desk” there are differences in the trading procedures for accounts in a Wrap Fee Program compared to other accounts.

The Wrap Fee Program sponsor pays us a portion of the wrap fee it receives from its clients for our services. More information about the Wrap Fee Program fees we receive can be found in the “Fees and Compensation” section that follows and a list of the Wrap Fee Programs and program sponsors we have arrangements with can be found in Part 1A of our Form ADV.

#### Services Provided to Non-U.S. Clients

We may also act as an investment adviser and may conduct marketing activity with respect to clients and prospective clients domiciled in foreign jurisdictions without maintaining regulatory licenses or registrations in those jurisdictions to the extent permitted by applicable law. Clients and prospective clients in these jurisdictions should consider whether the regulatory framework of their own jurisdiction as it applies to them imposes restrictions on hiring an investment adviser that does not hold local regulatory licenses or registrations. Clients and prospective clients should also consider whether the regulatory framework we are subject to provides sufficient protections given that we may not be subject to the regulatory framework they are familiar with in their own jurisdiction.

#### Offering Brands

In marketing our services to prospective clients, we use various offering brands. Columbia Management Investments is the operating division within Columbia Management Investment Advisers that we market to institutional clients. Columbia Management Capital Advisers is the operating division within Columbia Management Investment Advisers we market to Wrap Fee Programs. Columbia Management Investments claims compliance with the Global Investment Performance Standards (GIPS®). In accordance with GIPS®, all fee-paying discretionary (as defined by GIPS®) accounts within Columbia Management Investments are included in one or more composites that consist of accounts with similar objectives, strategies and risk tolerances. GIPS® also sets forth requirements for calculating and presenting investment manager performance in a fair and consistent manner. We also market certain strategies and products under the Seligman brand, and from time to time we may market Seligman Investments as an offering brand within Columbia Management Investments.

### **FEES AND COMPENSATION**

Our investment management fees are generally based on an annual percentage of the value or size of assets under management, as determined by us in good faith or by a client’s custodian or other administrator. While we seek to reconcile valuations with client custodians and administrators, in situations where fees are calculated based on valuations established by these third parties, it is possible for fees to be higher or lower than the level we would have assessed had we been responsible for calculating the fees based on our internal valuations. Certain clients receiving investment accounting services may pay fees based on a calculation involving book values rather than market values. Policies relating to our fee practices and representative fee schedules for different types of clients are described below.

#### ***General Fee Policies***

##### Ability to Negotiate Fees

We may negotiate and charge different fees for different accounts. For example, we may offer discounted fee schedules to certain clients based on the totality of their (and/or their affiliates’) relationship with us and/or our affiliates. The number of accounts managed, the size or asset level of the account(s), the nature of services rendered, the country of domicile, and any special requirements of the account(s) managed are factors taken into consideration in making this determination. For clients with whom we have agreed to give the lowest fee rate charged to any other similarly situated client, all of these factors, including the totality of our relationship with a client and/or its affiliates may be taken into consideration in determining whether a client is similarly situated to another. We may also consider the impact such arrangements could have on agreements that have previously been entered into with other clients. From time to time we

may enter into fixed-fee arrangements with certain clients, such as a situation where we have decided to waive an account minimum.

When deciding whether to negotiate a particular fee, we may also consider our capacity to manage assets in a particular strategy. In addition, we may offer or make available to certain clients a specified asset level or capacity maximum that we will allow them to invest in a given strategy. The amount of capacity offered may impact fee negotiations. The negotiation of fees may result in similarly situated clients paying different fees for comparable advisory services. When we establish new representative fee schedules for a given client type or strategy, we generally do not renegotiate fees with existing clients.

#### **Billing Methodology**

Under our standard investment advisory contract, fees are billed quarterly in arrears, though we may negotiate other billing terms at a client's request, including advance billing arrangements. The pooled vehicles we manage or separate accounts of Wrap Fee Programs that we subadvise typically have different billing arrangements based on the methodology established by the product sponsor or administrator. We typically invoice clients, but in certain cases we may receive fees directly from client accounts pursuant to automatic deduction arrangements when authorized by the client. We only permit these arrangements in situations where we have a reasonable belief, upon due inquiry, that the custodian sends the client a statement, at least quarterly, identifying the amount of funds and securities in the account at the end of the period and setting forth all transactions in the account during that period. We encourage clients to compare the account statements that their custodian sends them with those that we provide.

#### **Fee Policy for Discretionary Investments in Funds**

In some cases (to achieve greater portfolio diversification or to meet a particular client need) and where authorized by the client, we may invest all or a portion of a client's assets in one or more Funds. The management fees for such Funds are described in the Fund's prospectus. Assets held in a mutual fund managed by us or an affiliate (a "Mutual Fund") for which we or an affiliate receive a fund-level advisory fee will bear no account level advisory fee. However, this would not impact any account level fees we might collect for providing asset allocation or fund selection services to a client account based on the client's guidelines.

In addition to the Mutual Funds, client assets may be invested in other managed products such as closed-end funds, exchange traded funds, REITs, business development companies and limited partnerships. Certain expenses such as management and brokerage fees and custodian expenses are incurred by these investment vehicles and are thus indirectly borne by the client in addition to our separate account advisory fee.

#### ***Policies and Representative Fee Schedules for Institutional Clients***

Fees are generally calculated and payable quarterly in arrears based on a month-end average value of the assets under management. However, we may enter into customized billing arrangements with clients upon request. Additions or withdrawals made prior to a valuation date may or may not be factored in to the calculation of our fee, depending on the terms of a client's contract. We do not ask clients to pay fees in advance although some clients may choose to do so. Depending on the arrangement with each client, the value of assets under management that we use to calculate the fees payable may be determined by the custodian or by us in good faith. Given the potential for different parties to arrive at different valuations, the fee charged to a client may be higher or lower depending on which party's valuation is used to calculate the fee.

Under our standard investment advisory contract, either party may terminate the investment advisory contract upon 30 days' written notice to the other party. However, we may negotiate customized termination provisions with certain clients during the contracting process. Fees are pro-rated upon termination; however, performance fees, to the extent accrued but not yet paid, are not pro-rated or refunded. To the extent we receive any prepaid fees for a period following a client's termination date, the fees will be refunded to the client on a pro rata basis. Where fees are payable in arrears, they are not refundable.

Our affiliates who receive institutional advisory services from us may pay fees based on the allocated cost of providing the services. In addition, we may charge an hourly fee in connection with certain non-discretionary arrangements with institutional clients.

Fees are designed to cover investment advice, account servicing, and access to personnel who are knowledgeable about the management of the account. Clients pay for all transaction costs such as brokerage commissions and other account and service charges, including fees for custody service (we do not act as custodian, although our affiliates may). More information about brokerage fees and other transaction costs can be found in the “Brokerage Practices” section that follows.

#### Separate Account Institutional Client Fees

Representative fee schedules used for separate account strategies with institutional clients are provided below. In addition to the fee schedules listed below, there are in effect historical fee schedules that may differ from those applicable to new clients.

Separate Account Equity Strategies	Fee Schedules
Columbia Large Cap Core Columbia Large Cap Growth Columbia Contrarian Large Cap Core Columbia Dividend Value Columbia Focused Large Cap Growth Columbia Opportunity Value Columbia Equity Value Columbia Dividend Opportunity Columbia Seligman Large-Cap Value	0.65% on the first \$25 million 0.50% on the next \$25 million 0.40% on the next \$50 million Negotiable over \$100 million
Columbia Disciplined Large Core Columbia Disciplined Large Value Columbia Disciplined Large Growth Columbia Enhanced Large Core	0.40% on the first \$25million 0.35% on the next \$50 million 0.30% on the next \$75 million Negotiable over \$150 million
Columbia Large Cap Index	0.10% on the first \$25 million 0.08% on the next \$50 million 0.06% on the next \$75 million Negotiable over \$150 million
Columbia Mid Cap Growth Columbia Mid Cap Value Columbia Mid Cap Value Opportunity	0.80% on the first \$25 million 0.70% on the next \$25 million 0.65% on the next \$50 million Negotiable over \$100 million
Columbia Enhanced Mid Core	0.45% on the first \$25 million 0.40% on the next \$50 million 0.35% on the next \$75 million Negotiable over \$150 million
Columbia Mid Cap Index	0.15% on the first \$25 million 0.13% on the next \$50 million 0.11% on the next \$75 million Negotiable over \$150 million
Columbia Small/Mid Cap Growth Columbia Small/Mid Cap Value	0.85% on the first \$25 million 0.65% on the next \$50 million 0.55% on the next \$75 million Negotiable over \$150 million
Columbia Disciplined Small Cap Equity	0.65% on the first \$25 million 0.55% on the next \$50 million 0.50% on the next \$75 million Negotiable over \$150 million
Columbia Small Cap Equity Columbia Small Cap Value I Columbia Small Cap Value II Columbia Small Cap Growth	0.90% on the first \$25 million 0.70% on the next \$50 million 0.60% on the next \$75 million Negotiable over \$150 million
Columbia Seligman Small-Cap Value	1.00% on the first \$25 million 0.75% on the next \$75 million Negotiable over \$100 million
Columbia Enhanced Small Core	0.50% on the first \$25 million 0.45% on the next \$50 million 0.40% on the next \$75 million



	Negotiable over \$150 million
Columbia Small Cap Index	0.15% on the first \$25 million 0.13% on the next \$50 million 0.11% on the next \$75 million Negotiable over \$150 million
Columbia Emerging Markets Equity Columbia Pacific/Asia	0.90% on the first \$25 million 0.70% on the next \$50 million 0.60% on the next \$75 million Negotiable over \$150 million
Columbia Seligman Technology Growth	1.00% on the first \$50 million 0.90% on the next \$50 million 0.80% over \$100 million
Columbia Seligman Global Technology	1.00% on the first \$25 million 0.90% on the next \$25 million 0.80% on the next \$50 million Negotiable over \$100 million
Columbia Research Market Neutral	Base Fee: 1.0% on all assets, plus performance fee of 20% of out performance over Treasury Bills using a high watermark methodology
Columbia Seligman Long/Short Equity	Base Fee: 1.5% Performance Fee: 20% using high watermark methodology
Columbia Value & Restructuring	0.60% on the first \$25 million 0.45% on the next \$50 million 0.35% on the next \$75 million 0.30% on the next \$150 million 0.275% on the next \$200 million 0.225% on all assets over \$500 million
Columbia Energy and Natural Resources	0.65% on the first \$25 million 0.50% on the next \$50 million 0.40% on the next \$75 million 0.35% on the next \$150 million 0.325% on the next \$200 million 0.275% on all assets over \$500 million
Columbia Convertible Securities	0.85% on the first \$25 million 0.75% on the next \$25 million 0.65% on the next \$50 million 0.60% on all assets over \$100 million
Separate Account Fixed Income Strategies	Fee Schedules
Columbia Stable Value <ul style="list-style-type: none"> <li>Investment Grade Strategy</li> <li>Government Strategy</li> </ul>	0.20% on the first \$25 million 0.15% on the next \$25 million 0.125% on the next \$25 million 0.10% on the next \$25 million Negotiable over \$100 million
Columbia Short Duration Columbia Ultra Short Term Columbia Short Term Municipal	0.20% on the first \$25 million 0.12% on the next \$50 million 0.10% on the next \$75 million Negotiable over \$150 million
Columbia Intermediate Municipal Columbia Long Government/Credit Columbia Investment Grade Corporate Fixed Income Columbia Investment Grade Corporate Long Duration Fixed Income Columbia Corporate Limited Duration Fixed Income Columbia U.S. Government Mortgage	0.35% on the first \$25 million 0.30% on the next \$25 million 0.25% on the next \$50 million Negotiable over \$100 million
Columbia Intermediate Fixed Income Columbia Core Fixed Income Columbia Core Plus Fixed Income Columbia Core Fixed Income - Government/Credit Columbia Liability Driven Investing	0.30% on the first \$25 million 0.20% on the next \$50 million 0.15% on the next \$75 million 0.12% on the next \$150 million 0.11% on the next \$200 million

	0.10% on assets over \$500 million
Columbia U.S. Inflation Protected Securities Columbia Global Inflation Protected Securities	0.25% on the first \$100 million 0.20% Thereafter
Columbia Institutional High Yield Fixed Income Columbia High Quality High Yield Fixed Income Columbia Short Duration High Yield Columbia Emerging Markets Fixed Income	0.50% on the first \$50 million 0.40% on the next \$50 million Negotiable over \$100 million
Columbia Global Aggregate Fixed Income	0.40% on the first \$50 million 0.30% on the next \$50 million 0.25% over \$100 million
Columbia Global Aggregate Multi Alpha	Base Management Fee: 0.10% Performance Fee: 25% of the net of base fee excess return above the Barclay's Global Aggregate Index
Columbia Diversified Global Alpha Columbia Currency Alpha Absolute Return (USD) Columbia Currency Alpha Plus Absolute Return (USD)	Fully Funded Over Cash: 0.20% on cash portfolio + 20% performance fee Fully Funded Portable Alpha Approach: Standard fee for underlying assets + 20% performance fee Partially Funded Over Cash: Flat fee of 0.08% on amount invested per 1% targeted volatility + 20% performance fee
Columbia Bank Loan Strategy	0.55% on the first \$100 million 0.525% on the next \$100 million 0.50% Thereafter
Columbia Strategic Income Allocation	0.60% on all assets
Columbia Tax Exempt Fixed Income	0.40% on the first \$25 million 0.30% on the next \$25 million Negotiable over \$50 million

### Fund Fees

Fund advisory fees are set forth in each Fund's prospectus and statement of additional information. On an annual basis, each Fund's Board of Directors/Trustees (the Board), including the independent Board members, considers renewal of the Fund's investment management services agreement, including the advisory fee paid by the Fund to the investment manager. These fees may be higher or lower than the representative fee schedules shown above.

### Subadvised Mutual Funds and Other Pooled Vehicle Fees

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

### Collective Fund Fees

We work with the Board of Directors of our affiliate, Ameriprise Trust Company ("ATC"), to establish investment management fee rates for the collective funds maintained by ATC. Factors taken into consideration in establishing these rates include our institutional fee schedules and fees paid by the Mutual Funds, as well as minimum account sizes and asset levels. Where similar strategies are available, investment management fee rates paid by these collective funds at lower asset levels are typically lower than our published institutional fee schedules and the rates paid by the Mutual Funds. At higher asset levels, the investment management fee rates paid by these collective funds may meet, exceed, or be lower than these other rates depending on the type of strategy and product.

### Private Fund Fees

As investment manager to private, pooled investment vehicles ("Private Funds"), we are paid an investment management fee at an annual rate ranging from 0.45% - 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 of up to 20.0% of the net realized and unrealized appreciation based on a high watermark/hurdle rate or benchmark index performance. 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 waive management fees and incentive fees for current employees of the investment manager and its affiliates and incentive fees for their immediate family members 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. Although we may provide substantial input, the modifications are at the discretion of the Private Fund. To the extent we or an onshore Private Fund for which our affiliate serves as a managing member are a party, modifications are also subject to our discretion. Additionally, modifications 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 similar commitment by an investor.

Many existing investors in the Private Funds have negotiated such side letters. The terms and conditions of these side letters may include, for example, special rights to make future investments in the Private Fund, other investment vehicles or managed accounts, as appropriate; special rights for a reduction of the fixed fee and/or the incentive fee; special redemption or transfer rights relating to frequency, notice, a reduction or rebate in fees to be paid by the shareholder, eligible transferees and/or other terms; rights to receive reports or notifications from the Private Fund or us on a more frequent basis or that include information not provided to other shareholders (including, without limitation, more detailed information regarding portfolio positions); “most favored nation” rights which grant the shareholder the right to receive any more favorable terms granted to other shareholders or our similarly situated clients; and such other rights as may be negotiated by the Private Fund or us and such shareholders.

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.

#### Wrap Fee Program Fees

The fees we receive from Wrap Fee Program sponsors generally range from 0.25% - 0.70% of the assets in the program to which our services relate. We offer a variety of investment strategies through one or more Wrap Fee Programs.

Additional information concerning specific Wrap Fee Programs is available from the Wrap Fee Program sponsors. The terms of the client's agreement, including the client's right to terminate our services, will vary from sponsor to sponsor. An updated list of Wrap Fee Programs in which we participate and the fee arrangement available through each program is available upon request by writing to us at the address set forth on the cover page of this Brochure or calling the phone number that appears on that page.

Typically, clients participating in Wrap Fee Programs pay a single all-inclusive fee, generally known as a “wrap” fee or “bundled” fee. This fee is described in more detail in each program sponsor’s disclosure document. The bundled fee generally covers investment advisory, custodial, client servicing, accounting and certain trade execution (i.e. brokerage) services. Clients may incur additional fees or charges in connection with their accounts or certain securities transactions. These may include any other execution or service charges, dealer mark-ups and mark-downs, odd-lot differentials, exchange fees, transfer taxes, electronic fund transfer fees, trust custodial fees and any charges mandated by law. In these programs, to the extent we execute wrap client trades other than through the sponsor or other designated broker-dealers having arrangements with the sponsor, separate transaction charges may be paid by the client. Certain Wrap Fee Program sponsors may vary the services provided and can provide more detail on the specific services they offer.

Client fees are payable to the Wrap Fee Program sponsor, either in advance or arrears on a quarterly or monthly basis, and are typically based on an annual percentage of the value of assets in the account. A portion of the wrap fee paid by the client is then paid to us for the investment advisory services we provide to the client, although in situations where we are providing asset allocation services with respect to investments in underlying funds, we may or may not receive a portion

of the wrap fee paid by the client. The portion of the fee allocated to us is based on the percentage fee rate that is typically described in a separate agreement between us and the Wrap Fee Program sponsor.

### 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 advice 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 advice is 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 that advice in a client account that may be made up of other model portfolios and/or securities products. In these arrangements, we do not typically have discretion to carry out the advice contained in the model portfolios; however, some overlay managers and Wrap Fee Program sponsors may be required to implement our advice 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.

As noted above, the overlay manager may or may not utilize the recommendations received from us in connection with the management of its client accounts. The recommendations to the overlay manager may also reflect 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 the investment recommendations 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).

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.

### 529 Plan Fees

We provide investment advisory services to 529 plans sponsored by state governments. Fees for such services are negotiated with the state government sponsoring the plan and in certain cases, the plan administrators. More information about the management or administrative fees paid to us as the investment manager of a 529 plan can be found in each individual plan’s program brochure.

### ***Policies and Representative Fee Schedules for Securitized Asset Funds***

As the collateral manager to several special purpose vehicles (e.g., “collateralized loan obligations” or “CLOs”) we receive a collateral management fee as set forth in the offering document for each vehicle, which is generally assessed based on the size of the portfolio being managed and which may vary by vehicle. We may also receive a subordinated and/or deferred fee that is contingent upon the vehicle’s performance. Fees are pro-rated upon termination; however, performance fees, to the extent accrued but not yet paid, are not pro-rated or refunded. Fee rates are typically negotiated on a case-by-case basis; however, depending on the vehicle, senior collateral management fees are typically paid at an annual rate that ranges currently between .10% - .20% of the aggregate principal amount of the collateral assets; subordinated fees at an annual rate that ranges currently between .25% - .55% of the aggregate principal amount of the collateral assets; and performance fees, generally payable based upon the achievement of specified internal rates of return, at an annual rate that is based upon either a percentage of the aggregate principal amount of the collateral assets or a percentage of the available excess residual cash flow. Other or alternative fees may apply as well, such as a fee that may be charged in connection with the structuring or warehousing of a new CLO.

### ***Policies and Representative Fee Schedules for Asset-Liability Management Clients***

Fees for asset-liability management services are negotiated on a case-by-case basis, but we will generally use our standard institutional fee schedules as a starting point. Ameriprise Financial and its affiliates receiving asset-liability management services may pay fees based on the allocated cost of providing the services. However, Ameriprise Certificate Company (“ACC”), our affiliated face-amount certificate company that receives asset-liability management services from us, pays a monthly fee equal on an annual basis to a percentage of net invested assets of ACC based on the following schedule:

- 0.35% on the first \$250 million of ACC net invested assets (valued on a GAAP basis)
- 0.30% on the next \$250 million of ACC net invested assets (valued on a GAAP basis)
- 0.25% on the next \$500 million of ACC net invested assets (valued on a GAAP basis)
- 0.20% on the amount over \$1 billion of ACC net invested assets (valued on a GAAP basis)

Loans originated by banks or investment banks are excluded from the computation of ACC’s net invested assets. ACC pays us a fee of 0.35% for managing and servicing these loans. Our investment advisory agreement with ACC provides for termination by either party upon sixty days written notice to the other. This is necessary because ACC is a registered investment company.

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

Our employees and representatives of our affiliates who refer investment advisory business to us may be compensated on the basis of a percentage of the management fees we earn 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 Funds and Private Funds managed by us or an affiliate, as well as collective funds subadvised by us. The compensation paid to our institutional sales personnel (including compensation they receive in their capacity as representatives of our affiliated broker-dealer) is based on a percentage of investment management fees in accordance with a fixed commission schedule paid out over a period of three years. Where employees of ours and our affiliates are selling Funds and Collective Funds through our affiliated broker-dealer, compensation paid to these individuals on sales of these products may be higher or lower than the amount received on sales of an identical amount of separate accounts. This is a result of the fact that the amount of compensation received is based on the amount of revenue generated by a particular type of product. For example, compensation will generally be higher on a sale of Funds than on a sale of separate accounts of the same size due to the higher fees that Fund products generate. This practice gives our sales personnel an incentive to recommend investment products based upon the compensation received rather than a client’s needs. 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. Clients have the option to purchase investment products that we may recommend to them through other brokers or agents that are not affiliated with us.

Client service and sales personnel may receive incentive compensation attributable to solicitation activities based on a percentage of management fees collected in the first two years following the sale.

As noted previously, some of our 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. We do not charge commissions or mark ups to our separate account clients.

Our employees who provide wholesale support for securities products distributed through our affiliated broker-dealer and through non-affiliated distribution partners may be compensated on the basis of a percentage of the gross fund flows into these products. These securities products may include Funds and Private Funds managed by us or an affiliate, as well as collective funds subadvised by us. The compensation paid to our wholesalers is based on a percentage of gross fund flows in accordance with an established commission schedule. These commissions are paid monthly. The commission schedule is the same for similar product types, but can vary by distribution partner.

### ***Portfolio Manager Compensation***

Portfolio manager compensation is typically comprised of a base salary and an annual incentive award. The incentive award is paid either in the form of a cash bonus (if the size of the award is under a specified threshold) or, if the size of the award is over a specified threshold, the award is paid as a combination of a cash bonus, an equity incentive award in the

form of restricted stock and stock options, and deferred compensation, the value of which is measured by reference to the performance of specified accounts. The equity incentive awards and deferred compensation vest over time contingent on continuing employment with Ameriprise Financial. Portfolio manager compensation may also include retention bonuses that require continued employment through a specified date.

A portfolio manager's incentive award is variable and generally is based on (1) an evaluation of the portfolio manager's investment performance and (2) the results of a peer and/or management review of the portfolio manager, which takes into account skills and attributes such as team participation, investment process, communication and professionalism. In evaluating investment performance, management generally considers the one, three and five year performance of Mutual Funds and other accounts managed by the portfolio manager relative to the benchmarks and peer groups, emphasizing the portfolio manager's long-term performance. Consideration may also be given to a portfolio manager's performance in managing client assets in sectors and industries assigned to the portfolio manager as part of his/her investment team responsibilities, where applicable. For portfolio managers who also have group management responsibilities, another factor in their evaluation is an assessment of the group's overall investment performance.

Funding for the incentive award pool is determined by management and depends on, among other factors, the levels of compensation generally in the investment management industry (based on market compensation data) and our profitability for the year, which is largely determined by assets under management. Exceptions to this general approach to bonus pool funding exist for certain teams and individuals.

## **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. For example, we may receive a performance-based fee of up to 20.0% of the net realized and unrealized appreciation based on a high watermark/hurdle rate or benchmark index performance. 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***

Because we manage multiple accounts, from time to time portfolio management teams may make differing investment decisions related to the same security. To mitigate these conflicts between accounts, we have adopted a number of policies. The principles governing these policies prohibit a portfolio management team from taking an inconsistent view of the same security for inappropriate purposes (e.g., to seek a profitable trade for one account at the detriment of another) and prohibit front-running and the use of information about one account's activities (e.g., an upcoming long sale) to benefit another account. Subject to the specific exceptions set forth in our policy or for other good cause as may be approved on a one-off basis, a portfolio management team may not sell a security for an account that the account does not own or short a security using a synthetic or derivative instrument (i.e., a "short position") if that team owns the same security or a long position in that security using a synthetic or derivative instrument (i.e., a "long position") in another portfolio. Similarly, a portfolio management team may not enter into a long position in a security if that team has a short position in that security in another portfolio. In addition, a portfolio management team may not open or maintain positions in different portfolios that perform inversely based on the performance of the same underlying security in another portfolio managed by that team. This does not include a convertible security and the security into which the convertible security may be converted.

## **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 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;
- open-end investment companies registered with the U.S. Securities and Exchange Commission (“mutual funds”) branded as “Columbia,” and “Columbia Seligman” collectively (the “Mutual Funds”);
- closed-end investment companies registered with the U.S. Securities and Exchange Commission, (the “Closed-End Funds”);
- exchange-traded funds which are open-end investment companies that are registered with the U.S. Securities and Exchange Commission, (the “ETFs”), and together with the Mutual Funds and the Closed-End Funds, (the “Funds”);
- 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;
- certain Collective Funds maintained by our affiliate ATC and other Common Trust Funds;
- various private, pooled investment vehicles (“Private Funds”) organized as limited partnerships, limited liability corporations, foreign (non-U.S.) entities or other legal form;
- corporate and other types of institutional clients seeking separately managed accounts that offer strategies similar to the Private Funds or collateralized loan obligations;
- pooled investment vehicles registered or authorized offshore;
- structured investment products that invest in high yield bonds;
- various qualified tuition programs formed under the Internal Revenue Code Section 529 (“529 Plans”);
- sponsors of Wrap Fee Programs and other investment advisers participating in such programs;
- various special purpose vehicle clients (CLOs) that issue securities collateralized by a pool of assets, including bank loans and high-yield bonds, to large institutional investors and/or high net worth individuals;
- Ameriprise Financial and its affiliates including a face-amount certificate company, Ameriprise Certificate Company, Ameriprise National Trust Bank, and Ameriprise Financial’s insurance company subsidiaries; and
- corporate and other types of institutional clients seeking asset-liability management services.

### ***Conditions for Managing Accounts***

#### **Institutional Separate Accounts**

We generally require institutional clients to have a minimum account size of \$10,000,000 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.

#### **Private Funds**

Most of the Private Funds we manage impose a minimum subscription amount of \$1,000,000. These Private Funds have broad discretion to waive investment minimums or lower minimum investment requirements, and we may provide a recommendation to the Private Fund or its manager member or general partner (which are our affiliates) regarding such a waiver or lower minimum investment requirement.

### Wrap Fee Programs

Smaller minimum account sizes generally apply to participants in Wrap Fee Programs. These minimums are described in more detail in each Wrap Fee Program sponsor's disclosure document. The program sponsor may allow us to waive account minimums in connection with these programs. Where we are provided with this discretion, we are able to apply the same consideration factors described above with respect to separate account management in determining whether to waive an account minimum.

We reserve the right to decline any account where we exercise discretion. We reserve the right to resign as investment adviser to any of these discretionary accounts, subject to the terms of the client contract. Where we provide a model to a Wrap Program sponsor we act as a non-discretionary adviser to the underlying accounts for which the sponsor chooses to apply our model and the sponsor determines which clients are included in the program.

## **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 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 for both equity and fixed income. 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. However, equity analysts that are tied to specific portfolio management teams or strategies generally do not provide their research internally in this manner.

### ***Methods of Analysis***

The methods of analysis that we employ for registered investment company clients are described in the applicable fund prospectus. Methods of analysis that we employ for Private Funds and alternative investment clients are described in offering materials relating to the product. The methods of analysis we employ in connection with Wrap Fee Programs are typically described in investment strategy profiles made available by the program sponsor. In situations where a Wrap Fee Program strategy is modeled after one of our institutional mandates, we use the same methods of analysis.

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 in the chart below.

### ***A Word about Risk***

Each investment strategy is subject to certain specific risks, some are which are material, and others less so. In the chart below we have listed the material risks for each strategy. Other risks that are not material also apply. Each material risk is described in the Risk Disclosure Appendix.

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. This would negatively affect 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, natural disasters or other events, conditions or factors.

Market Risk refers to the possibility that the market values of securities or other investments will 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 Equity Strategies	Primary Methods of Analysis	Material Risks
Columbia Large Cap Core	<ul style="list-style-type: none"> <li>• Uses fundamental and quantitative research as well as the management team's perspectives for stock selection</li> <li>• Is constructed to be relatively sector neutral but will take industry and stock-specific positions versus benchmark (S&amp;P 500 Index)</li> </ul>	Active Management Risk Derivatives Risk Emerging Market Securities Risk Growth Securities Risk Portfolio Turnover Risk Quantitative Model Risk Value Securities Risk
Columbia Large Cap Growth	<ul style="list-style-type: none"> <li>• Focuses on companies with sustainable growth prospects, improving margins and high returns on capital with market capitalizations similar to the constituents of the Russell 1000 Growth Index</li> <li>• Uses fundamental and quantitative research as well as the management team's perspectives for stock selection</li> <li>• Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Emerging Market Securities Risk Growth Securities Risk Quantitative Model Risk
Columbia Contrarian Large Cap Core	<ul style="list-style-type: none"> <li>• Contrarian philosophy based on belief that the best investment opportunities can be found where market displays pessimism</li> <li>• Uses fundamental and quantitative research as well as the management team's perspectives for stock selection</li> <li>• Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Derivatives Risk Growth Securities Risk Portfolio Turnover Risk Quantitative Model Risk Value Securities Risk
Columbia Dividend Value	<ul style="list-style-type: none"> <li>• Focuses on free cash flow from operations and ability to sustain and grow dividend</li> <li>• Uses fundamental and quantitative research as well as the management team's perspectives for stock selection</li> </ul>	Active Management Risk Derivatives Risk Dividend and Income Risk Emerging Market Securities Risk Value Securities Risk
Columbia Focused Large Cap Growth	<ul style="list-style-type: none"> <li>• Focuses on high quality, high growth companies with market capitalizations above \$3B</li> <li>• Concentrated portfolio of 25-35 companies with high returns on capital and low debt to equity ratios</li> <li>• Fundamental analysis with quantitative judgment drives portfolio construction and risk management</li> </ul>	Active Management Risk Emerging Market Securities Risk Focused Portfolio Risk Growth Securities Risk Sector Risk Tracking Error Risk
Columbia Opportunity Value Columbia Equity Value Columbia Mid Cap Value Opportunity Columbia Dividend Opportunity	<ul style="list-style-type: none"> <li>• Fundamental contrarian analysis-behavioral/sentiment insight</li> <li>• Focus on valuation and free cash flow yield</li> <li>• Identify industry and stock level chronic inefficiencies</li> </ul>	Active Management Risk Derivatives Risk Emerging Market Securities Risk Sector Risk Small- and Mid-Cap Company Securities Risk Value Securities Risk
Columbia Seligman Large Cap Value	<ul style="list-style-type: none"> <li>• Bottom-up, fundamental investment process</li> <li>• Screens companies, focusing on financial analysis, management, valuation assessment</li> </ul>	Active Management Risk Focused Portfolio Risk Sector Risk Value Securities Risk
Columbia Disciplined Large Core	<ul style="list-style-type: none"> <li>• Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of large cap domestic stocks</li> <li>• Focuses on stock-specific risk rather than systemic risk</li> <li>• Maintain characteristics similar to the benchmark for a specified tracking error level</li> </ul>	Active Management Risk Derivatives Risk Growth Securities Risk Portfolio Turnover Risk Quantitative Model Risk Value Securities Risk
Columbia Disciplined Large Value	<ul style="list-style-type: none"> <li>• Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of large cap domestic stocks</li> <li>• Focuses on stock-specific risk rather than</li> </ul>	Active Management Risk Derivatives Risk Portfolio Turnover Risk Quantitative Model Risk Value Securities Risk

	<ul style="list-style-type: none"> <li>systemic risk</li> <li>Maintain characteristics similar to the benchmark for a specified tracking error level</li> </ul>	
Columbia Disciplined Large Growth	<ul style="list-style-type: none"> <li>Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of large cap domestic stocks</li> <li>Focuses on stock-specific risk rather than systemic risk</li> <li>Maintain characteristics similar to the benchmark for a specified tracking error level</li> </ul>	Active Management Risk Derivatives Risk Growth Securities Risk Portfolio Turnover Risk Quantitative Model Risk
Columbia Large Cap Index	<ul style="list-style-type: none"> <li>Full replication of S&amp;P 500 Index</li> <li>Uses technology to monitor and automate index rebalancing, dividends, cash flows, M&amp;A activity</li> </ul>	Derivatives Risk Index Risk
Columbia Enhanced Large Core	<ul style="list-style-type: none"> <li>Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of large cap domestic stocks</li> <li>Focuses on stock-specific risk rather than systemic risk</li> </ul>	Derivatives Risk Growth Securities Risk Portfolio Turnover Risk Quantitative Model Risk Value Securities Risk
Columbia Mid Cap Growth	<ul style="list-style-type: none"> <li>Focuses on companies with sustainable growth prospects, improving margins and high returns on capital with market capitalizations similar to the constituents of the Russell Mid Cap Growth Index</li> <li>Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> <li>Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Derivatives Risk Emerging Market Securities Risk Foreign Currency Risk Growth Securities Risk Mid-Cap Company Securities Risk Portfolio Turnover Risk Small Company Securities Risk
Columbia Mid Cap Value	<ul style="list-style-type: none"> <li>Focuses on companies trading at attractive valuations with current margins below normalized levels.</li> <li>Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> <li>Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Emerging Market Securities Risk Real Estate Industry and Real Estate Investment Trust (REIT) Risk Small- and Mid-Cap Company Securities Risk Value Securities Risk
Columbia Enhanced Mid Core	<ul style="list-style-type: none"> <li>Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of mid cap domestic stocks</li> <li>Focuses on stock-specific risk rather than systemic risk</li> </ul>	Derivatives Risk Growth Securities Risk Mid-Cap Company Securities Risk Portfolio Turnover Risk Quantitative Model Risk Value Securities Risk
Columbia Mid Cap Index	<ul style="list-style-type: none"> <li>Full replication of S&amp;P Mid Cap 400 Index</li> <li>Uses technology to monitor and automate index rebalancing, dividends, cash flows, M&amp;A activity</li> </ul>	Derivatives Risk Index Risk Mid-Cap Company Securities Risk
Columbia Small/Mid Cap Growth	<ul style="list-style-type: none"> <li>Focuses on companies with sustainable growth prospects, improving margins and high returns on capital with market capitalizations similar to the constituents of the Russell 2500 Growth Index</li> <li>Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> <li>Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Derivatives Risk Emerging Market Securities Risk Foreign Currency Risk Growth Securities Risk Portfolio Turnover Risk Small- and Mid-Cap Company Securities Risk

Columbia Small/Mid Cap Value Columbia Small Cap Value II	<ul style="list-style-type: none"> <li>• Focuses on companies trading at attractive valuations that exhibit positive upward inflection points.</li> <li>• Uses a propriety quantitative model and management team's rigorous fundamental research as bottom-up analysis drives stock selection</li> <li>• Leverages centralized fundamental research for sector expertise</li> </ul>	Active Management Risk Emerging Market Securities Risk Real Estate Industry and Real Estate Investment Trust (REIT) Risk Small- and Mid-Cap Company Securities Risk Value Securities Risk
Columbia Disciplined Small Cap Equity	<ul style="list-style-type: none"> <li>• Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of small cap domestic stocks</li> <li>• Focuses on stock-specific risk rather than systemic risk</li> <li>• Maintain characteristics similar to the benchmark for a specified tracking error level</li> </ul>	Active Management Risk Derivatives Risk Portfolio Turnover Risk Quantitative Model Risk Small Company Securities Risk
Columbia Small Cap Equity	<ul style="list-style-type: none"> <li>• Bottom-up fundamental analysis on existing holdings and potential candidates</li> <li>• Focus on financial strength, low relative valuation to peers, strong balance sheet and financials</li> <li>• Broad base of portfolio holdings with diverse sector allocation</li> </ul>	Active Management Risk Derivatives Risk Growth Securities Risk Small Company Securities Risk Value Securities Risk
Columbia Small Cap Value I	<ul style="list-style-type: none"> <li>• Process focuses on companies trading at attractive valuations with strong balance sheet and cash flows</li> <li>• Uses a quantitative model and management team's rigorous fundamental research as bottom-up analysis drives stock selection</li> <li>• Leverages centralized fundamental research for sector expertise</li> </ul>	Active Management Risk Emerging Market Securities Risk Real Estate Industry and Real Estate Investment Trust (REIT) Risk Sector Risk Small and Mid-Sized Company -Risk Value Securities Risk
Columbia Small Cap Growth	<ul style="list-style-type: none"> <li>• Focuses on companies with sustainable growth prospects, improving margins and high returns on capital with market capitalizations similar to the constituents of the Russell Small Cap Growth Index</li> <li>• Uses quantitative and fundamental research as well as the management team's perspectives for stock selection</li> <li>• Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Derivatives Risk Emerging Market Securities Risk Foreign Currency Risk Growth Securities Risk Portfolio Turnover Risk Small Company Securities Risk
Columbia Seligman Small Cap Value	<ul style="list-style-type: none"> <li>• Bottom-up, fundamental investment process</li> <li>• Screens companies, focusing on financial analysis, management, valuation assessment</li> </ul>	Active Management Risk Focused Portfolio Risk Real Estate Industry and Real Estate Investment Trust (REIT) Risk Sector Risk Small Company Securities Risk Value Securities Risk
Columbia Enhanced Small Core	<ul style="list-style-type: none"> <li>• Uses quantitative analysis to interpret key quality, valuation and catalyst measures such as company assets, historical returns, cash flow, profitability, and momentum measures of small cap domestic stocks</li> <li>• Focuses on stock-specific risk rather than systemic risk</li> <li>• Maintain characteristics similar to the benchmark for a specified tracking error level</li> </ul>	Derivatives Risk Growth Securities Risk Portfolio Turnover Risk Quantitative Model Risk Small Company Securities Risk Value Securities Risk
Columbia Small Cap Index	<ul style="list-style-type: none"> <li>• Full replication of S&amp;P Small Cap 600 Index</li> <li>• Uses technology to monitor and automate index rebalancing, dividends, cash flows, M&amp;A activity</li> </ul>	Derivatives Risk Index Risk Small Company Securities Risk
Columbia Emerging Markets Equity	<ul style="list-style-type: none"> <li>• Considers both top-down and bottom-up views; individual security selection plays a significant role in determining overall asset</li> </ul>	Derivatives Risk Emerging Market Securities Risk Foreign Currency Risk

	<ul style="list-style-type: none"> <li>allocation.</li> <li>Focus on “stewards of capital,” which are companies that know how to grow their business profitably and in a sustainable fashion.</li> <li>Fundamental screening tools supplemented by proprietary quantitative model.</li> </ul>	Growth Securities Risk Investment Strategy Risk Smaller Company Securities Risk Special Situations Risk Value Securities Risk
Columbia Pacific/Asia	<ul style="list-style-type: none"> <li>Considers both top-down and bottom-up views; individual security selection plays a significant role in determining overall asset allocation.</li> <li>Incorporates the strengths of fundamental and quantitative analysis.</li> <li>Regional expertise identifies high-potential investment themes that enhance bottom-up stock selection.</li> </ul>	Derivatives Risk Emerging Market Securities Risk Foreign Currency Risk Growth Securities Risk Investment Strategy Risk Pacific/Asia Regional Risk Smaller Company Securities Risk Special Situations Risk Value Securities Risk
Columbia Seligman Technology Growth Columbia Seligman Global Technology	<ul style="list-style-type: none"> <li>Fundamental analysis with independent research overlay</li> <li>Focused on finding strong growth companies with reasonable valuations</li> <li>Invests within the technology sector</li> </ul>	Active Management Risk Concentration Risk Foreign Securities Risk Sector Risk Small- and Mid-Cap Company Securities Risk
Columbia Research Market Neutral	<ul style="list-style-type: none"> <li>Identifies a universe of long and short candidates using a combination of fundamental and quantitative research. Uses composite research ratings to create a candidate list of approximately 350 long and 350 short securities.</li> <li>Constructs the portfolio by balancing portfolio characteristics to stay within market-neutral parameters.</li> </ul>	Counterparty Risk Quantitative Model Risk Short Positions Risk
Columbia Seligman Long/Short Equity	<ul style="list-style-type: none"> <li>Rigorous bottom-up fundamental analysis with independent research overlay</li> <li>Focused on finding strong growth companies with reasonable valuations</li> <li>Will take large position sizes in names in which there is a high degree of proprietary insight</li> </ul>	Active Management Risk Concentration Risk Derivatives Risk Risk of Foreign Investment Sector Risk Short Positions Risk Small- and Mid-Cap Company Securities Risk
Columbia Value & Restructuring	<ul style="list-style-type: none"> <li>Contrarian philosophy based on belief that the best investment opportunities can be found where market displays pessimism</li> <li>Uses fundamental and quantitative research as well as the management team’s perspectives for stock selection</li> <li>Bottom-up analysis drives stock selection</li> </ul>	Active Management Risk Derivatives Risk Portfolio Turnover Risk Quantitative Model Risk
Columbia Energy and Natural Resources	<ul style="list-style-type: none"> <li>Fundamental analysis focused on quality of resource base, quality of management, market position, competitive advantage, cash flow and balance sheet strength</li> <li>Disciplined process to gauge risk identifies holdings as defensive and yield oriented, or commodity-sensitive and growth orientated</li> <li>Invests in energy and natural resources to seek to benefit from energy overweighting during strong cycles, while retaining the ability to diversify into natural resources in down cycles</li> </ul>	Active Management Risk Concentration Risk Derivatives Risk Emerging Markets Risk Growth Securities Risk Sector Risk Small Company Securities Risk Value Securities Risk
Columbia Convertible Securities	<ul style="list-style-type: none"> <li>Total return through income and price appreciation by actively managing a portfolio of convertible securities</li> <li>Flexible approach focusing on bottom up security selection identifies convertibles that may outperform in a variety of market environments</li> </ul>	Active Management Risk Convertible Security Risk Credit Risk Emerging Market Securities Risk High Yield Securities Risk Interest Rate Risk Short Positions Risk

Separate Account Fixed Income Strategies	Primary Methods of Analysis	Material Risks
Columbia Stable Value <ul style="list-style-type: none"> <li>Investment Grade Strategy</li> <li>Government Strategy</li> </ul>	Wrap contract provider selection and review process: <ul style="list-style-type: none"> <li>Credit evaluation of potential wrap contract providers is provided by internal credit research team</li> <li>Contract types identified and selected to meet client needs</li> </ul> Managing the underlying bond portfolios: <ul style="list-style-type: none"> <li>Macro assessment results in targeted sector weightings, duration, curve, and quality positioning</li> <li>Intensive, fundamental credit and quantitative research guides issue selection</li> <li>Diversification and disciplined approach intends to minimize credit and structure risk</li> </ul>	Market Value/Book Value Risks Regulatory Risk Wrap Contract Risk  Material Risks for Columbia Short Duration, below, also apply to this strategy
Columbia Short Duration Columbia Ultra Short Term	<ul style="list-style-type: none"> <li>Macro assessment results in targeted sector weightings, duration, curve, and quality positioning</li> <li>Intensive, fundamental credit and quantitative research guides issue selection</li> <li>Diversification and disciplined approach intends to minimize credit and structure risk</li> </ul>	Asset-Backed Securities Risk Credit Risk Derivatives Risk Dollar Rolls Risk Foreign Securities Risk Interest Rate Risk Investment Strategy Risk Liquidity Risk Mortgage- and Other Asset-Backed Securities Risk Reinvestment Risk U.S. Government Obligations Risk
Columbia Short Term Municipal	<ul style="list-style-type: none"> <li>Relative-value based investment approach</li> <li>Top-down approach to formulate outlook and to identify undervalued sectors, industries and states</li> <li>Bottom-up security selection supported by intensive, fundamental and quantitative credit research</li> <li>Diversification across geography, industry, credit quality and bond structure</li> </ul>	Credit Risk Interest rate Risk Investment strategy Risk Municipal securities Risk
Columbia Intermediate Municipal	<ul style="list-style-type: none"> <li>Relative-value based investment approach</li> <li>Top-down approach to formulate outlook and to identify undervalued sectors, industries and states</li> <li>Bottom-up security selection supported by intensive, fundamental and quantitative credit research</li> <li>Diversification across geography, industry, credit quality and bond structure</li> </ul>	Credit Risk Interest rate Risk Investment strategy Risk Low and Below Investment Grade (High-Yield) Securities Municipal securities Risk Reinvestment Risk
Columbia Liability Driven Investing	<ul style="list-style-type: none"> <li>Bottom-up approach to identify opportunities where expected reward is greater than expected risk</li> <li>Fundamental and quantitative analysis used for sector/industry allocation</li> <li>Intensive, proprietary research guides credit and issue selection</li> </ul>	Active Management Risk Counterparty Risk Credit Risk Derivatives Risk Impairment of Collateral Risk Interest Rate Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Prepayment and Extension Risk Sovereign Debt Risk
Columbia U.S. Inflation Protected Securities	<ul style="list-style-type: none"> <li>Systematic, disciplined process combining top down macro-economic view with bottom-up security selection</li> <li>Focused on the inflation-linked securities market incorporating both US and non-US inflation-linked bonds and their nominal comparators</li> <li>Quantitative risk controls and qualitative risk</li> </ul>	Active Management Risk Credit Risk Derivatives Risk Emerging Markets Securities Risk Foreign Currency Risk Foreign Securities Risk Inflation Protected Securities Risk Interest Rate Risk

	assessments to minimize portfolio relative volatility	Non-Diversification Risk Prepayment and Extension Risk Quantitative Model Risk Sovereign Debt Risk U.S. Government Obligations Risk
Columbia Global Inflation Protected Securities	<ul style="list-style-type: none"> <li>• Systematic, disciplined process combining top down macro-economic view with bottom-up security selection</li> <li>• Focused on the global inflation-linked securities market</li> <li>• Quantitative risk controls and qualitative risk assessments to minimize portfolio relative volatility</li> </ul>	Active Management Risk Credit Risk Derivatives Risk Emerging Markets Securities Risk Foreign Currency Risk Foreign Securities Risk Inflation Protected Securities Risk Interest Rate Risk Non-Diversification Risk Prepayment and Extension Risk Quantitative Model Risk Sovereign Debt Risk U.S. Government Obligations Risk
Columbia Investment Grade Corporate Fixed Income Columbia Investment Grade Corporate Long Duration Fixed Income Columbia Corporate Limited Duration Fixed Income	<ul style="list-style-type: none"> <li>• Independent, proprietary, fundamental credit research drives the investment process</li> <li>• Quantitative analysis supplements traditional credit research</li> <li>• Active portfolio management to exploit inefficiencies and varying market conditions</li> </ul>	Active Management Risk Counterparty Risk Credit Risk Derivatives Risk Highly Leveraged Transactions Risk Impairment of Collateral Risk Interest Rate Risk Liquidity Risk Prepayment and Extension Risk
Columbia U.S. Government Mortgage	<ul style="list-style-type: none"> <li>• Independent, proprietary, fundamental research drives the investment process</li> <li>• Quantitative analysis supplements traditional research</li> <li>• Active portfolio management to exploit inefficiencies and varying market conditions</li> </ul>	Active Management Risk Credit Risk Derivatives Risk Interest Rate Risk Prepayment and Extension Risk
Columbia Long Government/Credit	<ul style="list-style-type: none"> <li>• Quantitative and fundamental analysis used to formulate interest rate outlook and strategy</li> <li>• Quantitative and fundamental analysis used for sector allocation</li> <li>• Fundamental security analysis</li> </ul>	Asset-Backed Securities Risk Credit Risk Derivatives Risk Dollar Rolls Risk Foreign Securities Risk Frequent Trading Risk Interest Rate Risk Investment Strategy Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Mortgage-Backed Securities Risk U.S. Government Obligations Risk
Columbia Intermediate Fixed Income Columbia Core Fixed Income Columbia Core Plus Fixed Income Columbia Core Fixed Income - Government/Credit	<ul style="list-style-type: none"> <li>• Bottom-up approach to identify opportunities where expected reward is greater than expected risk</li> <li>• Fundamental and quantitative analysis used for sector/industry allocation</li> <li>• Intensive, proprietary research guides credit and issue selection</li> </ul>	Asset-Backed Securities Risk Credit Risk Derivatives Risk Dollar Rolls Risk Foreign Securities Risk Frequent Trading Risk Interest Rate Risk Investment Strategy Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Mortgage- and Other Asset-Backed Securities Risk U.S. Government Obligations Risk
Columbia Institutional High Yield Fixed Income Columbia High Quality High Yield Fixed Income	<ul style="list-style-type: none"> <li>• Fundamental analysis used to formulate market outlook and strategy</li> <li>• Top down tactical review guides industry weightings and quality positioning</li> <li>• Intensive, fundamental credit research guides</li> </ul>	Active Management Risk Counterparty Risk Credit Risk Derivatives Risk Emerging Market Securities Risk

	credit selection	Highly Leveraged Transactions Risk Impairment of Collateral Risk Interest Rate Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Prepayment and Extension Risk
Columbia Short Duration High Yield	<ul style="list-style-type: none"> <li>Fundamental analysis used to formulate market outlook and strategy</li> <li>Intensive, fundamental credit research guides credit selection</li> <li>Strict investment discipline within our stated opportunity is employed to help manage the changing profile of the short duration high yield universe</li> </ul>	Active Management Risk Counterparty Risk Credit Risk Derivatives Risk Emerging Market Securities Risk Highly Leveraged Transactions Risk Impairment of Collateral Risk Interest Rate Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Prepayment and Extension Risk
Columbia Global Aggregate Fixed Income Columbia Global Aggregate Multi Alpha	<ul style="list-style-type: none"> <li>Quantitative and fundamental analysis used in country and currency allocation/selection</li> <li>Quantitative and fundamental analysis used to formulate global interest rate outlook and strategy</li> <li>Quantitative and fundamental analysis used for sector allocation</li> <li>Fundamental security analysis</li> </ul>	Active Management Risk Counterparty Risk Credit Risk Derivatives Risk Foreign Currency Risk Foreign Securities Risk Geographic Concentration Risk Impairment of Collateral Risk Interest Rate Risk Leverage Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Prepayment and Extension Risk Quantitative Model Risk Short Positions Risk Sovereign Debt Risk
Columbia Emerging Markets Fixed Income	<ul style="list-style-type: none"> <li>Top-down fundamental research based approach in analyzing both domestic and US Dollar emerging markets</li> <li>Fundamental research of economic fundamentals for both country and currency selection</li> <li>In depth research of emerging markets fiscal, monetary policy, debt level and current account balances</li> </ul>	Active Management Risk Counterparty Risk Credit Risk Foreign Currency Risk Derivatives Risk Emerging Markets Securities Risk Foreign Securities Risk Geographic Concentration Risk Low and Below Investment Grade (High-Yield) Securities Impairment of Collateral Risk Interest Rate Risk Liquidity Risk Prepayment and Extension Risk Sovereign Debt Risk
Columbia Currency Alpha Absolute Return (USD) Columbia Currency Alpha Plus Absolute Return (USD)	<ul style="list-style-type: none"> <li>Quantitative currency selection process</li> <li>Systematic long-short currency trading strategy</li> <li>Underlying bond securities selected using fundamental and quantitative analysis with goal of matching the return on cash</li> </ul>	Active Management Risk Concentration Risk Counterparty Risk Credit Risk Derivatives Risk Foreign Currency Risk Foreign Securities Risk Geographic Concentration Risk Interest Rate Risk Leverage Risk Prepayment and Extension Risk Quantitative Model Risk Reinvestment Risk Short Positions Risk Sovereign Debt Risk

Columbia Diversified Global Alpha	<ul style="list-style-type: none"> <li>Quantitative currency and bond selection process</li> <li>Systematic long-short currency and bond trading strategy</li> <li>Highly flexible portfolio applications, Fully funded, Portable Alpha, and Partially funded approaches that provide targeted returns and uncorrelated Alpha</li> </ul>	Active Management Risk Counterparty Risk Derivatives Risk Emerging Markets Securities Risk Exchange -Traded Fund (ETF) Risk Foreign Currency Risk Geographic Concentration Risk Interest Rate Risk Leverage Risk Prepayment and Extension Risk Quantitative Model Risk Reinvestment Risk Short Positions Risk
Columbia Bank Loan Strategy	<ul style="list-style-type: none"> <li>Bottom-up, in-house fundamental credit research guides credit selection</li> <li>Fundamental industry analysis</li> <li>Focus on downside risk management</li> </ul>	Active Management Risk Confidential Information Access Risk Counterparty Risk Credit Risk Derivatives Risk Emerging Market Securities Risk Highly Leveraged Transactions Risk Impairment of Collateral Risk Interest Rate Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Non-Diversification Risk Prepayment and Extension Risk
Columbia Strategic Income Allocation	<ul style="list-style-type: none"> <li>Independent, proprietary, fundamental research drives the investment process</li> <li>Quantitative analysis supplements traditional research</li> <li>Active portfolio management to exploit inefficiencies and varying market conditions</li> </ul>	Asset-Backed Securities Risk Credit Risk Derivatives Risk Derivatives Risk/Futures Contracts Risk Derivatives Risk/Forward Foreign Currency Contracts Risk Dollar Rolls Risk Emerging Markets Securities Risk Foreign Currency Risk Foreign Securities Risk Interest Rate Risk Investment Strategy Risk Liquidity Risk Low and Below Investment Grade (High-Yield) Securities Mortgage- and Other Asset-Backed Securities Risk Prepayment and Extension Risk Reinvestment Risk U.S. Government Obligations Risk
Columbia Tax Exempt Fixed Income	<ul style="list-style-type: none"> <li>Relative-value based investment approach</li> <li>Top-down approach to formulate outlook and to identify undervalued sectors, industries and states</li> <li>Bottom-up security selection supported by intensive, fundamental and quantitative credit research</li> <li>Diversification across geography, industry, credit quality and bond structure</li> </ul>	Credit Risk Interest rate Risk Investment strategy Risk Low and below-investment grade Risk Municipal securities Risk Reinvestment Risk Zero coupon bond Risk

### ***Investment Strategies***

We employ various investment strategies through our investment mandates and based on the objectives and strategies of the clients involved. Client portfolios with similar investment mandates, strategies and guidelines are generally managed similarly. Long term (securities held for at least one year), short term (securities sold within one year), trading (securities sold within thirty days) and option strategies, including option writing, may all be used, if permitted by the applicable client investment guidelines. We may also borrow securities in connection with short sales, borrow money to invest in



additional portfolio securities or engage in transactions in futures contracts for some clients. We may also provide asset allocation services to certain clients, on either a discretionary or non-discretionary basis, with periodic rebalancing.

In employing investment strategies, we may use certain strategies in an attempt to “hedge” or “neutralize” various risks associated with positions in a client’s portfolio. The instruments used to engage in these hedging strategies include various derivative instruments, such as options, warrants, interest rate swaps, interest rate caps and other derivative securities. Our attempts to partially or fully hedge a portfolio may not be successful and may cause the portfolio to incur a loss. In addition, some clients may attempt to hedge or neutralize various risks in their portfolios independently and with no input from us.

We do not use socially conscious screens in implementing our investment processes. Each of our portfolio managers has a fiduciary duty to manage portfolios in the best interest of our clients, but decisions are based on investment discipline rather than social considerations. In our global economy, social concerns vary by country and region and it is very difficult to implement shifting standards unless they are defined in regulatory requirements. For this reason, we have decided to implement restrictions once they become part of applicable law or regulations or a client’s specific investment guidelines and not before.

### ***Risk of Loss***

Investing in securities involves risk of loss that clients should be prepared to bear. Please see the Risk Disclosure Appendix that follows for more detailed information about risks as they apply to the separate account strategies as listed in the chart above and other challenges and risks associated with the investment management industry including strategy-specific risks and regulatory uncertainty.

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.

## **DISCIPLINARY INFORMATION**

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

Regulatory Matters - Settlement Agreements Relating to Market Timing Activities. In November and December 2005, without admitting or denying the allegations, American Express Financial Corporation (“AEFC,” which is now known as Ameriprise Financial), the parent company of Columbia Management Investment Advisers, finalized settlement agreements with the Securities and Exchange Commission (“SEC”) and Minnesota Department of Commerce (“MDOC”) relating to market timing activities. The SEC and MDOC allegations indicated that AEFC failed to: (i) adequately disclose market timing activities in mutual fund and variable annuity product prospectuses; (ii) implement procedures to detect and prevent market timing in 401(k) plans for employees of AEFC and related companies and adequately disclose that there were no such procedures; and (iii) in the case of MDOC only, establish written policies and procedures and properly supervise its employees. AEFC was censured and ordered to cease and desist from committing or causing any violations of certain federal and Minnesota securities laws. AEFC agreed to: (i) pay disgorgement of \$10 million and civil money penalties of \$7 million; (ii) make presentations at least annually to its board of directors and the relevant mutual funds’ board relating to market timing policies and procedures and related disclosures; (iii) retain an independent distribution consultant to assist in distributing disgorgement and civil penalties; and (iv) submit to the MDOC a compliance review of its market timing procedures within one year, including a certification by a senior officer regarding compliance and supervisory procedures. The SEC order is available at <http://www.sec.gov/litigation/admin/ia-2451.pdf>.

Governmental Agency Matter - Memorandum of Understanding. In January 2005, Columbia Management Investment Advisers (then known as American Express Asset Management Group Inc. “AEAMG”) and Northwinds Marketing Group LLC, a former affiliate of AEAMG, entered into a memorandum of understanding with the State of Ohio and the Ohio Ethics Commission to resolve a dispute regarding whether any officer, director, employee or agent of AEAMG and/or Northwinds knowingly gave items of value or paid expenses on behalf of Ohio public agencies, officials or employees that were excessive and/or restricted under Ohio law. AEAMG and Northwinds resolved the matter by agreement and

compromise, including the payment of \$124,000 to the Ohio Police and Fire Pension Fund and \$40,000 to reimburse expenses incurred by the Ohio Ethics Commission, without admitting any liability or the truth of any claim.

**Litigation Matters.** In September 2006, the Office of the Attorney General of the State of New York (“NYAG”) commenced a civil action in New York State Supreme Court against J. & W. Seligman & Co. Incorporated (“Seligman”), Seligman Advisors, Inc. (now known as Columbia Management Investment Distributors, Inc.), Seligman Data Corp. and Brian T. Zino (collectively, the “Seligman Parties”), alleging, in substance, that the Seligman Parties permitted various persons to engage in frequent trading and, as a result, the prospectus disclosure used by the registered investment companies then managed by Seligman is and has been misleading. The NYAG included other related claims and also claimed that the fees charged by Seligman to the Seligman Funds were excessive.

On March 13, 2009, without admitting or denying any violations of law or wrongdoing, the Seligman Parties entered into a stipulation of settlement with the NYAG and settled the claims made by the NYAG. Under the terms of the settlement, Seligman paid \$11.3 million to four Seligman Funds. This settlement resolved all outstanding matters between the Seligman Parties and the NYAG. In addition to the foregoing matter, the New York staff of the SEC indicated in September 2005 that it was considering recommending to the Commissioners of the SEC the instituting of a formal action against Seligman and Seligman Advisors, Inc. relating to frequent trading in the Seligman Funds. Seligman responded to the staff in October 2005 that it believed that any action would be both inappropriate and unnecessary, especially in light of the fact that Seligman had previously resolved the underlying issue with the Independent Directors of the Seligman Funds and made recompense to the affected Seligman Funds. There have been no further developments with the SEC on this matter.

**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 deficiency 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.

We and Ameriprise Financial believe that 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 Management Investment Advisers is not a registered broker-dealer; however some of the Members of our Board of Governors, hereinafter referred to as “Directors” and our principal executive officers (together, “Directors and Executive Officers”) hold one or more securities licenses with the Financial Industry Regulatory Authority (“FINRA”) through our affiliated broker-dealer, Columbia Management Investment Distributors. Columbia Management Investment Advisers is also registered with the Commodity Futures Trading Association (“CFTC”) as a commodity pool operator (“CPO”), a commodity trading advisor (“CTA”) and a swap firm. This registration is administered through the National Futures Association (“NFA”). Certain of its Directors and Executive Officers either have applications pending to register or have approved registrations as associated persons of the foregoing entities. More information about our Directors and Executive Officers can be found in Part 1A of our Form ADV.

### ***Directors and Executive Officers***

The following is the education and business background of our Directors and Executive Officers who may also be officers or directors of Ameriprise Financial or its other subsidiaries. Many of our Directors and Executive Officers had leadership roles at Columbia Management Advisors, LLC (CMA) prior to joining the Ameriprise organization.

J. Kevin Connaughton (born in 1964) Managing Director and General Manager Mutual Fund Products. Prior to joining the Ameriprise organization in 2010, he was employed by CMA from 1998 to 2010, most recently as Managing Director and Head of Mutual Funds and has been a member of the investment community since 1987. He holds a B.S. degree in Finance from the University of Rhode Island.

Amy K. Johnson (born in 1965) Senior Vice President and Chief Operating Officer. Ms. Johnson joined the Ameriprise organization in 2001 as Director – Product Development and Research for the firm. In 2004 she assumed the role of Vice President – Operations and Compliance focused on asset management products, and became Vice President – Asset Management and Trust Company Services from November 2006 to May 2009. She was our Chief Administrative Officer from May 2009 to May 2010. She earned B.S. and M.A. degrees in Accounting at the University of Iowa and is also a Certified Public Accountant.

Jeffrey L. Knight (born in 1965) Managing Director and Head of Global Asset Allocation. Prior to joining the Ameriprise organization in 2013, Mr. Knight was employed by Putnam Investments where he most recently managed several mutual funds and institutional strategies as Head of Global Asset Allocation. He began at Putnam in 1993 as Senior Quantitative Analyst in the Global Asset Allocation Group and was instrumental in the development of quantitative models and methodologies. He has a B.A. from Colgate University and an MBA from the Tuck School of Business at Dartmouth College. He is a CFA charterholder and has been in the investment industry since 1987.

Colin J. Lundgren (born in 1964) Managing Director and Head of Fixed Income. Mr. Lundgren joined the Ameriprise Financial organization in 1986 and became manager of the Investment Statistical Group in 1989. Since then, he has held positions of responsibility for the development and operation of enhanced equity index products, fixed income quantitative analysis, mortgage sector analysis and portfolio management, most recently as Sector Leader, Institutional Fixed Income and Asset Allocation. He became our Head of Fixed Income in 2010. He earned a B.A. in Political Science from Lake Forest College and earned the Chartered Financial Analyst designation in 1995. He is a member of the Twin Cities Society of Security Analysts.

Robert K. McConnaughey (born in 1970) Managing Director and Head of Equities. Prior to joining the Ameriprise organization in 2010, he served as the Head of Equity for CMA and prior to that as director of CMA's Fundamental Equity Research from 2002 to 2010. Mr. McConnaughey earned his B.A. degree from Dartmouth College.

Brian J. McGrane (born in 1971) Director, Senior Vice President and Chief Financial Officer. He is also currently Executive Vice President - Global Asset Management, Insurance, Annuities and Corporate Finance for Ameriprise Financial. Since joining the Ameriprise organization in 1999, Mr. McGrane has also served as VP/LFO - Institutional and Brokerage (1/02-10/03), VP/LFO - US Brokerage (1/01-1/02) and Director - Financial Standards and Accounting Policy (6/99-1/01). He earned a B.A. in Accounting from St. John's University, Collegeville, MN and is also a Certified Public Accountant.

Colin Moore (born in 1958) Director and Global Chief Investment Officer. Prior to joining the Ameriprise organization in 2010, he was the Chief Investment Officer and Head of Fundamental and Quantitative Equity Investments and Fixed Income and Liquidity Strategies of CMA from 2002 to 2010. Mr. Moore attended the London Business School where he completed their Investment Management Program. He has been a member of the investment community since 1983 and is an associate by examination of the Institute of Investment Management and Research.

Jeffrey F. Peters (born in 1965) Director, Senior Vice President and Global Head of Institutional Distribution. Prior to joining the Ameriprise organization in 2010, he was employed by CMA from 2007 to 2010, most recently as a Managing Director and Head of Global Institutional Distribution. Prior to that, he was employed by Putnam Investments from 1999 to 2007 where he held numerous positions including Senior Managing Director and Head of International Business. He also served as Putnam Investments' Chief Operating Officer of International Business and Managing Director of Corporate Development. Mr. Peters has been a member of the investment community since 1987. He earned a B.A. degree in Economics from Princeton University and an M.B.A. degree from Harvard Graduate School of Business and holds one or more securities licenses.

Scott R. Plummer (born in 1959) Senior Vice President and Chief Legal Officer. He is also Senior Vice President and Lead Chief Counsel Asset Management for Ameriprise Financial and Vice President, Chief Legal Officer and Assistant

Secretary of the Registered Funds. Mr. Plummer joined the Ameriprise organization in 2004 as Vice President- Asset Management Compliance. He assumed his current position in June 2005. Prior to joining the Ameriprise organization, he was Senior Vice President and Chief Compliance Officer of U.S. Bancorp Asset Management and the Private Client, Trust and Asset Management Division of US Bancorp from 2002 to 2004. He earned a B.A. degree from the University of Wisconsin-Madison and a J.D. degree from William Mitchell College of Law.

Kevin G. Poole (born in 1954) Chief Compliance Officer. He is also Vice President, Asset Management Compliance of Ameriprise Financial. Prior to joining the Ameriprise organization in 2010, he was employed by CMA from 2007 to 2010, most recently as Head of Investment Compliance where he was responsible for managing a team of diverse compliance professionals that provided compliance oversight and guidance to the investment and trading teams, reporting directly to the Chief Compliance Officer. Mr. Poole has over 27 years of compliance, accounting, risk management and auditing experience within the financial services industry. He earned his B.A. from Stonehill College.

Christopher C. Thompson (born in 1964) Director, Senior Vice President and Head of Intermediary Distribution, Marketing and Product. Prior to joining the Ameriprise organization and CMA in 2010, he was Managing Director and Head of Investment Product Management at Putnam Investments from 1997 to 2010. He has been a member of the investment community since 1987. He holds a B.A. degree in Government from Dartmouth College and an M.B.A. degree from the Stern School of Business, New York University and holds one or more securities licenses.

William F. "Ted" Truscott (born in 1960) President and Chairman of the Board. Mr. Truscott is also Chief Executive Officer – Global Asset Management of Ameriprise Financial and Chairman of the Board and Chief Executive Officer of Columbia Management Investment Distributors. Mr. Truscott is also a Director of the Mutual Funds (since 2001) and was our Chief Investment Officer from 2002 to 2010. Mr. Truscott joined the Ameriprise organization in 2001. Prior to that, Mr. Truscott had served as Chief Investment Officer with Zurich Scudder Investments, Americas, from October 2000 through August 2001 and Managing Director of Zurich Scudder Investments from January 1996 through October 2000. He received a B.A. degree in East Asian Studies from Middlebury College and an M.B.A. degree from New York University and holds one or more securities licenses.

Amy L. Unckless (born in 1972) Director, Senior Vice President, Head of Private Wealth Management and Global Chief Administrative Officer. Prior to joining the Ameriprise organization in 2010 she was HR Executive from 2004 to 2008 and Business Support Executive from 2008 to 2010 at CMA. She holds a B.S. degree in Communication from Cornell University and M.S. and PhD degrees in Industrial/Organizational Psychology from Pennsylvania State University and holds one or more securities licenses.

Todd White (born in 1964) Managing Director and Head of Alternative and Absolute Return Investments. Mr. White joined the Ameriprise organization as Senior Sector Leader - Liquid and Structured Assets in 2008 and has been in the financial services industry since 1986. He was previously employed as Managing Director and Global Head of Asset-Backed and Mortgage-Backed Securities businesses at HSBC, from 2004 to 2008, where he also led the North American Interest Rate business. Prior to that, he served as Managing Director and Head of Business for Mortgage Pass-Throughs and Options at Lehman Brothers from 2000 to 2004. He holds a B.S. degree in Finance from Indiana University and holds one or more securities licenses.

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

Some of our Directors and Executive Officers and employees are also directors, officers or employees of our parent company or one or more 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 or Executive 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, equipment and facilities from Ameriprise Financial and certain of its wholly-owned subsidiaries, some of which are domiciled in foreign jurisdictions. For example, certain administrative services are provided by a wholly-owned subsidiary of Ameriprise Financial based in India. Threadneedle, an entity more fully described below, assists us in meeting various international regulatory requirements. Our eligible employees also receive certain employee benefits from Ameriprise Financial. 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.”

While our principal business is investment advisory services, we also provide client services and financial product development and support. We may also provide our clients with investment accounting and other administrative services through a sub-delegation arrangement with our parent company, Ameriprise Financial.

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. This practice may give our personnel an incentive to make recommendations, or take actions, that benefit the affiliated entity or put the affiliated entity’s interests ahead of our clients’ needs.

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.

### **Broker-Dealers and Municipal Securities Dealer**

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. Columbia Management Investment Distributors also provides certain marketing, distribution and sales support services for the RiverSource Trust Collective Funds and Columbia Trust Collective Funds, which are maintained by ATC and many of which are subadvised by us. Many of our sales personnel are registered representatives of Columbia Management Investment Distributors, and may present investment opportunities in the Funds, Private Funds and Collective 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 (collectively, the “Variable Series Trust funds”) and the Wanger Advisors Trust funds. Columbia Management Investment Distributors is also registered as a municipal securities dealer with the Municipal Securities Rulemaking Board and provides program management services to the 529 Plan for which we serve as the overall program manager.

RiverSource Distributors, Inc., an SEC-registered broker-dealer (“RiverSource Distributors”), distributes variable annuity and variable life insurance products issued by RiverSource Life Insurance Company (“RiverSource Life”) and RiverSource Life Insurance Co. of New York (“RiverSource Life of NY”) through other broker-dealers, including Ameriprise Financial Services.

We pay from our own resources or arrange for the payment of financial support to Columbia Management Investment Distributors and RiverSource Distributors to help promote and support the distribution of the Variable Series Trust funds and other Funds.

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 manage and may also offer and sell shares of any registered Closed-End Funds that we develop or currently manage. As the largest distributor of funds managed by us, Ameriprise Financial Services is one of several of Columbia Management Investment Distributors’ “Focus Firms”. Because of the large volume of Mutual Fund sales generated through these Focus Firms they are subject to special, but similar compensation rates, receive similar services and similar access to information about the Mutual Funds they distribute. From time to time,

employees and/or franchisees of Ameriprise Financial Services may refer prospective clients to us through a solicitation arrangement. More information about this arrangement can be found in “Referral Arrangements/Sales Compensation”. Additionally, Ameriprise Financial Services may also serve as an underwriter or member of a selling group for securities offerings, including those issued by affiliates. We may purchase securities from underwriting syndicates in which an affiliate participates as a syndicate manager or member, subject to certain regulatory requirements.

As noted previously, we participate in Wrap Fee Programs sponsored by Ameriprise Financial Services. In connection with these programs, another broker-dealer affiliate of ours, American Enterprise Investment Services Inc. (“AEIS”), may provide custody and safekeeping services for Wrap Fee Program client assets and will ordinarily act as the custodian for all assets held in Wrap Fee Program accounts. Please see the Custody section that follows for more information. AEIS also serves as Ameriprise Financial Services’ clearing agent in providing execution and clearing capabilities for program transactions that are executed by Ameriprise Financial Services. Ameriprise Financial Services and AEIS have an agreement pursuant to which Ameriprise Financial Services introduces customer accounts to AEIS on a fully disclosed basis and AEIS provides execution, record keeping, and all other clearing functions for accounts. Aside from these Wrap Fee Program activities, we do not execute securities transactions through our broker-dealer affiliates. We provide all Wrap Fee Program sponsors with comparable services and access to information about the strategies we manage for them.

#### Investment Companies and Other Pooled Investment Vehicles

We are affiliated with investment companies managed by us or our affiliates, including the Funds, ACC, and certain Private Funds. Ameriprise Financial provides certain support services for the Funds and ACC. 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 and Registered Municipal Advisor

We own 100% of Columbia Wanger Asset Management, LLC (“Wanger”), an SEC-registered investment adviser that manages certain registered mutual funds under the offering brand Columbia Acorn Funds and Wanger Advisors Trust. Wanger also serves as the subadviser to certain of the Variable Series Trust Funds, a series of variable funds that are distributed by Columbia Management Investment Distributors and also serves as subadviser to Wanger Investment Company PLC. Ameriprise Financial provides certain support services to these funds.

Our parent company, Ameriprise Financial, also owns Threadneedle Asset Management Holdings SARL (“TAM Holdings”), which in turn owns Threadneedle Asset Management UK Ltd, which in turn owns TAM UK Holdings Ltd, which in turn owns Threadneedle Asset Management Holdings Ltd., which owns Threadneedle International Limited (“TINTL”), an FSA- and SEC-registered adviser, and Threadneedle Holdings Ltd, the parent of Threadneedle Asset Management Limited (“TAML”), an FSA-registered adviser. We have an agreement with TINTL under which TINTL provides discretionary advisory services to some of our clients in a sub-advisory capacity, including certain Mutual Funds and Private Funds advised by us. We also have written solicitation arrangements with TINTL, Threadneedle Investments Singapore (Pte) Limited and Threadneedle Portfolio Services Hong Kong Ltd. (including their respective branches) that provide for payment of compensation to employees for the referral of clients. TINTL and TAML make up Threadneedle Asset Management, which is a separate firm for GIPS® compliance purposes.

Threadneedle Investments Singapore (Pte.) Limited (“TIS”), which is a wholly owned subsidiary of TAM Holdings, holds a capital markets services license for fund management under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Pursuant to an arrangement that has been approved by the Monetary Authority of Singapore, we are permitted to provide fund management (discretionary investment management) services to accredited, expert and institutional clients in Singapore in accordance with the terms of the approval, and TIS is permitted to market such services on our behalf.

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 a Registered Municipal Advisor with the SEC.

#### Financial Planning Firm

Our affiliate, Ameriprise Financial Services, a dually registered investment adviser and broker-dealer as described above, 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, and asset allocation and financial planning tools used may be developed based on the input or recommendations of our portfolio management personnel. Ameriprise Financial Services may also provide pension consulting services from time to time.

Our affiliate, Ameriprise India Private Limited, carries out fee-based financial planning and, directly and through its insurance brokerage subsidiary, Ameriprise India Insurance Brokers Services Private Limited, offers a broad range of products and services to Indian consumers. We own one share of Ameriprise India Insurance Brokers Services Private Limited.

#### Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor

We trade commodity interests for certain client accounts which requires us to be registered with the CFTC as a CPO, a CTA and a swap firm. Additionally, our advisory affiliate TINTL is also registered as a CTA and Ameriprise Financial Services is registered with the CFTC as a Futures Commission Merchant ("FCM").

#### Banking or Thrift Institutions

Ameriprise Trust Company, a Minnesota-chartered trust company, serves as trustee and offers investment management and related services to collective funds and institutional separate accounts. We provide investment advice to certain of these accounts in a subadvised capacity. ATC serves as the named custodian for these clients and ACC although certain custodial functions are delegated to a sub-custodian engaged by ATC.

We are also affiliated with and provide asset-liability and investment management to Ameriprise National Trust Bank, a non-depository national trust bank subsidiary of Ameriprise Financial, that offers trust products and services to clients of Ameriprise Financial Services.

#### 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 life insurance, variable life insurance, 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.

#### Private Funds

We sponsor and serve as investment adviser to several Private Funds organized as limited partnerships, limited liability corporations or non-U.S. entities. We are the parent to various entities that serve as the general partner or managing member of these private investment vehicles.

#### Subadvisory Relationships

In certain cases, we hire other SEC-registered investment advisers to provide discretionary advisory services to our advisory clients in a subadvised capacity. The subadvisers we hire may be affiliated or non-affiliated. We have an active subadvisory oversight program in place that includes initial due diligence and ongoing supervision of investment management that is applicable to all affiliated and non-affiliated funds. We do not receive direct or indirect compensation from such subadvisers; rather we pay them for the services they provide. We also serve in a sub-advisory capacity for U.S. and offshore investment companies both registered and unregistered that are advised by third parties.

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

#### ***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 between us 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 monitoring of our policies and procedures, with oversight 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 departments 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, subadviser oversight, Code of Ethics oversight, valuation, trading, including complex securities and best execution, portfolio holdings disclosure and new products.

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

We and certain of our affiliates have adopted an “Investment Adviser Code of Ethics” (“Code”) designed to state standards of business conduct and 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. Covered Persons are persons who have access to our nonpublic client information, such as information about purchases or sales of portfolio securities for clients’ accounts. All Covered Persons are required to conduct all personal trades through designated broker-dealers unless an exception has been granted. Further, all Covered Persons must complete an annual certification form regarding their personal securities activities and provide additional information about personal trading activities and 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, 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 swing profit 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.

The Code contains specific provisions relating to Fund shares, including a prohibition on direct or indirect market timing and, for Covered Persons, a 30-day holding period for Covered Funds subject to limited exceptions. Covered 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.

### ***Insider Trading***

We and our associated persons 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 including shares of pooled vehicles such as Mutual Funds. The Code contains a summary of the “Insider Trading Policy” 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, any of our affiliates or 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. In addition, we have adopted procedures designed to restrict trading in an issuer’s securities in situations where we or one of our 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 or for operations purposes.



Our Code of Ethics Committee is responsible for enforcing compliance with the Code. Persons who violate the Code or the Insider Trading Policy are subject to sanctions, which vary depending on the nature of the violation, but may include potential termination.

***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 or Private Fund managed by us or a Collective Fund maintained by our affiliate, ATC, and sub-advised by us. This creates a potential conflict we mitigate by not exercising our discretion to place client assets in those funds unless it is allowed by a specific provision in the client's agreement with us and is done in accordance with applicable legal requirements.

We provide asset allocation services to certain clients and doing so presents conflicts of interest. For example, we act as investment adviser to model portfolios, funds of funds and Wrap Fee Programs that invest in Mutual Funds that are also advised by us. Also, when deciding which underlying Mutual Funds to recommend or invest in, we have an incentive to allocate more assets to underlying funds that have higher fees. In these situations, how we exercise our influence over the choices of funds included in model portfolios, funds of funds, or Wrap Fee Program strategies may be influenced by whether we believe an underlying fund may benefit from additional assets or be harmed by redemptions. With respect to these funds of funds and Wrap Fee Programs, the portfolio managers of the investing funds may have access to non-public portfolio holdings information of the underlying Mutual Funds through our policies and procedures prohibit portfolio managers from executing trades in underlying Mutual Funds while in possession of material non-public information regarding underlying Mutual Funds. In addition, in our capacity as investment adviser to the underlying Mutual Funds that may be used in certain advisory programs, we monitor the performance of the underlying funds. In this role, we may, from time to time, recommend to the board of directors of an underlying Mutual Fund a change in portfolio management or fund strategy or the closure or merger of a fund. Moreover, where a third party is involved in the implementation or sponsorship of an asset allocation program, we may provide input to the third party in connection with overall program structure that results in certain direct or indirect benefits to us and/or our affiliates. All of these factors may also influence our decisions, and the identification of the universe of available funds in connection with the development and ongoing maintenance of these programs.

There are also performance risks associated with the periodic rebalancing and updating of asset allocation portfolios, and these risks present certain conflicts of interest for us in situations where we manage the underlying Mutual Funds used in an asset allocation program. For example, rebalancing a portfolio in an asset allocation program can cause the underlying funds in which the portfolio invests to incur taxes or transactional expenses to raise cash for money flowing out of the funds or to buy securities with money flowing into the funds and may cause the funds to sell securities at less favorable prices than would be the case if the fund's manager were not forced to raise cash in the portfolio. These price differences could be significant during periods of market stress, where disorderly market conditions may make it difficult or impossible to sell investments at certain prices or at all. Moreover, large outflows of money from the funds may increase the expenses attributable to the assets remaining in the funds. These factors can adversely affect the performance of the relevant funds and the asset allocation portfolios themselves.

In addition, when a particular fund needs to buy or sell securities due to periodic rebalancing or updating of an asset allocation portfolio, it may hold a large cash position. A large cash position (generated by selling securities or large inflows) could detract from the achievement of the fund's investment objective in a period of rising market prices; conversely, a large cash position would reduce the fund's magnitude of loss in the event of falling market prices and provide the fund with liquidity to make additional investments or to meet redemptions. For additional information regarding the risks of investing in a particular fund, see that fund's prospectus.

In recommending or implementing specific investment decisions through different accounts, programs and investment vehicles, including asset allocation services, the timing of the implementation of our advice may differ among the various accounts or investment vehicles. Differences among the accounts, programs and investment vehicles that impact this timing include, among others, whether the account is managed on a non-discretionary basis and whether a third party is involved in the implementation of the advice. Differences in timing may result in one client receiving better or worse investment performance than a client receiving similar advice through a different account, program or investment vehicle. The timing and sequencing of trades executed for discretionary accounts in these programs, as well as underlying funds, is influenced by many factors such as the size of an asset allocation shift, the related cash flows in and out of the underlying funds, market conditions and the potentially differing views of those managing underlying Mutual Funds. Our investment professionals that manage accounts in these programs may also manage accounts for a variety of clients, including other

institutional clients. In these situations, we seek to provide a process that is designed to prevent an unfair advantage in the timing and sequencing of trades for all client accounts over time, though in any given trading sequence, one client account or group of client accounts may receive more or less favorable timing of trade execution.

We or an affiliate may invest assets in a Mutual Fund for the purpose of providing seed money at the time of launch. When sufficient client assets are invested in such Mutual Fund, the seed money may be withdrawn, though we would attempt to do so without impairing our ability to effectively manage the Mutual Fund or cause harm to the existing shareholders. In addition, our employees are investors in the Mutual Funds and other pooled investment vehicles for 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, nor are they treated as “Proprietary Accounts” for purposes of the trading procedures described in the section below titled “Best Execution.”

From time to time, we or an affiliate may invest assets in an account for the purpose of creating a track record that will later be used to market an investment style. The level of assets invested in such “incubator accounts” may be substantial. Since the goal of an incubator account is to create a marketable track record, we or an affiliate may increase asset levels in an incubator account to meet market expectations regarding assets under management. When an incubator account’s investment style is brought to market and client assets are committed to that investment style, we may withdraw our assets from the incubator account, though we would attempt to do so without impairing our ability to effectively manage pursuant to the investment style or cause harm to the existing shareholders. We do not bring to market all investment styles for which incubator accounts are established. We maintain a revolving credit arrangement with our parent company that allows us to obtain loans from Ameriprise Financial to support the funding of our incubator accounts. The outstanding balance on this line of credit may be substantial at times, and our parent company has the ability to terminate this agreement on 60 days notice. Termination of this agreement may trigger a need to raise cash by liquidating certain securities positions relating to our seed investments that may also be held in our client accounts.

From time to time, we may engage in principal transactions involving a non-mutual fund client account and an account owned by us or an affiliate. In this type of transaction, we or an affiliate buy securities from, or sell securities to, an advisory client. Principal transactions are conducted only in accordance with SEC disclosure and consent requirements.

## **BROKERAGE PRACTICES**

### ***Trading***

We operate several separate trading desks in different geographic locations in the United States. The trading desks support different portfolio management teams managing a variety of accounts and products. Nevertheless, the equity desks are functionally and operationally integrated so as to operate as one virtual desk. The fixed income desks, however, function and operate separately. By operating the fixed income trading desks in this manner, our clients may forego certain opportunities including the aggregation of trades across accounts that trade on different trading desks, which could result in one trading desk competing with another in the market for similar trades. In addition, it is possible that the separate fixed income trading desks may be on opposite sides of a trade at the same time. While the trading desks operate in several locations, the desks do have linkages in oversight and reporting lines and are generally conducted under similar policies and procedures. In addition, certain fixed income portfolio managers have the authority to execute trades themselves.

### **Best Execution**

As a fiduciary, we have an obligation to seek to obtain the best execution of client transactions under the circumstances of the particular transaction. We seek to satisfy this best execution obligation by creating the conditions under which best execution is most likely to occur, i.e., by following procedures calculated to achieve it. We believe that the trading process itself can be used to maximize the value of a client’s portfolio. This approach requires that we adopt standardized procedures and practices that allow sufficient *flexibility* to allow different types of trades to be handled differently, while generally ensuring *consistency* among similar types of trades. Our trading procedures are also designed to address the conflicts of interest that arise as a result of managing multiple types of accounts, including conflicts that may be personal to our traders and portfolio managers, client accounts, client accounts that pay us higher fees (i.e., performance fees) and accounts owned more than 25% by us or one of our affiliates (“Proprietary Accounts”). The term “Proprietary Accounts” does not include incubator accounts or pooled investment vehicles available for outside investment. Thus, incubator

accounts and these other vehicles are not subject to certain restrictions imposed on Proprietary Accounts by our trading policies and procedures, some of which are described below.

We monitor compliance with our trading procedures on both a transactional and forensic basis and have formalized committee oversight of trading-related matters such as compliance, the use of client commissions to obtain research and brokerage services and overall best execution. For more detail regarding our use of client commission arrangements, please see the section below titled “Client Commission Practices, Policies and Procedures.”

#### FX Trading

Depending on the directions from the client, foreign currency (FX) transactions are effected either through us or through the client’s custodian. Where we have been given authority to effect FX trades, the client’s portfolio will be set up on our 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 we select at our discretion. All income will also be repatriated to the operating currency of the account pursuant to standing instructions from us to the client’s custodian bank. Except where expressly permitted by the investment guidelines, we do not seek to make currency bets on client accounts, but only enter into FX transactions for currency management purposes. Where the client has directed us to use the client’s custodian to effect all FX transactions we do not evaluate the FX services provided to the client.

#### Trade Aggregation, Allocation and Partial Fills on a Trading Desk

Generally, trading orders are processed and executed in the order received. Certain portfolio management decisions may affect more than one account, including both client accounts and accounts owned or controlled by us or one of our affiliates. Situations arise in which a portfolio management team decides to take an investment action with respect to all of the accounts the team manages. Different portfolio management teams may own similar securities and independently decide to take similar investment actions. Either of these may result in multiple trading orders relating to the same security but for different accounts occurring at about the same time.

In these cases, we may combine or aggregate purchase or sale orders for more than one account when we believe such aggregation is consistent with our duty to seek best execution. This includes aggregating orders involving both client and affiliated accounts. The decision to aggregate is made in situations where it does not intentionally favor any account over another and it does not systematically advantage or disadvantage any account. Each participating account will receive the average unit price and will share pro-rata in the transaction costs. If there is an open order and a subsequent similar order for the same security for a different account is received by the same equity trading desk or the same fixed income sector team, such subsequent order may be aggregated with any remainder of the original order consistent with the considerations set forth above. Aggregation of orders may result in longer time periods to fill an order with respect to a particular client account. This is more pronounced when smaller orders for accounts are combined with larger orders of other accounts.

Where an equity analyst dedicated to a portfolio management team (i.e. a non-centralized equity research analyst) has portfolio management responsibilities, they are encouraged to communicate their intent to place an order to all portfolio managers on their team or team(s) before or shortly after communicating the order to the equity trading desk. Generally, subsequent orders in that same security are processed and executed in the order received by the equity trading desk. However, orders involving the same security received by the trading desk from other portfolio managers on the analyst’s team(s) may be aggregated with the analyst’s order if appropriate under the circumstances. In these situations, the orders will be aggregated and allocated as if all the orders were received at the same time, i.e., receiving the same average price and pro-rata transaction costs, as opposed to the general practice described above of aggregating only the remainder of an existing order with a new order.

Such aggregation may be able to reduce transaction costs or market impact on a per-unit and per-dollar basis, though aggregation may have the opposite effect in certain circumstances. When orders are not aggregated clients may pay prices for transactions that are more or less than the client would have paid had the order been aggregated. A determination may be made not to aggregate orders for a number of reasons. These reasons may include: the account’s governing documents do not permit aggregation; a client has directed that trades be executed through a specific broker-dealer or applicable law or regulation prohibits a client’s account from executing trades through a specific broker-dealer; aggregation is

impractical because of specific trade directions received from the portfolio manager, e.g., a limit order; the order involves a different trading strategy, e.g., it is part of large basket, program or index trade; or if we otherwise determine that aggregation is not consistent with seeking best execution. For example, as a result of the structure of Wrap Fee Programs, transactions for wrap fee arrangements sponsored by third parties are usually executed with the third party broker-dealer supporting the wrap fee arrangement. Trading priorities among these Wrap Fee Program sponsors are generally handled with a rotational approach by the Wrap Trading desk, which typically provides sponsors with aggregated orders within each particular wrap program. Wrap fee orders on the trading desk are placed concurrently with orders for other wrap fee client accounts traded on that desk but 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. Timing delays or other operational factors associated with the implementation of trades by these broker-dealers may result in wrap fee clients receiving materially different prices relative to other wrap fee clients or our other client accounts.

Certain investment teams for Columbia Seligman-branded strategies may review each of their respective accounts separately and non-concurrent with other accounts managed by the team. As a result, transactions for such clients may not be executed in an aggregated order, and therefore a client may receive different prices which may be more or less than the price a client would have received had accounts been reviewed collectively and orders aggregated. This may create performance dispersions within accounts with the same or similar investment mandate. We believe that over time such an approach does not unfairly disadvantage any client versus another.

When it has been determined that multiple orders will not be aggregated, we have adopted procedures that seek to ensure that client account orders are executed before Proprietary Account orders. These procedures provide that client account orders with no trading limitations or with trading limitations that may be satisfied using “step-outs” (described in the section below titled “Selection of Broker-Dealers”) shall be executed first; client account orders with trading limitations that cannot be satisfied with step-outs, such as certain client directed brokerage, shall be executed next; Proprietary Accounts shall be executed last.

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 both client accounts and Proprietary Accounts will be allocated to the client accounts first. Only if the orders for client accounts are completely filled will the remainder of the partial fill be allocated pro-rata to the Proprietary Accounts.

Although certain of our fixed income portfolio management teams, which operate in various geographic locations, may share research information, the teams may make separate investment decisions regarding similar securities and execute transactions from separate trading desks. As a result, fixed income accounts being managed by different teams may purchase and sell the same instrument in the secondary market on the same day. Executing similar transactions on separate trading desks may give rise to the potential for a particular account or group of accounts to receive a different allocation (either larger or smaller) or price than might otherwise be obtained if we were to operate one trading desk and aggregate trades across the portfolio management teams. Notwithstanding the fact that we operate separate trading desks for fixed income portfolio management teams, we believe we are able to operate within this structure in a manner that is consistent with our duty to seek best execution.

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.

#### Allocations of Investments in Initial Public Offerings (“IPO”)

Depending upon the investment objectives, strategies and restrictions applicable to an account, portfolio management teams may invest client assets in securities offered in an initial public offering (“IPO”). The availability of IPO shares is generally limited; this is particularly the case with “hot issues” where the demand for participation in such transactions far exceeds the supply of shares that are available. This scenario typically results in higher values when the offering first begins to be publicly traded. The allocation of IPO shares to interested investors, such as to us for allocation to our clients, is made by the underwriter of the transaction. These allocations are based on many factors, including the investors’ past business with the underwriter. While our ability to receive IPO allocations for our clients may be partially based on the trading activity of all accounts managed by us, many client accounts will not be eligible to receive allocations of IPO shares.

Assuming that an account is eligible to invest in IPOs pursuant to its investment objectives, strategies and restrictions, the decision as to whether the account will participate in a particular transaction is determined through the exercise of investment discretion by the portfolio management team responsible for managing the account. Unless there is an appropriate exception, for example where an account does not have sufficient cash to participate in the investment, if one account receives an allocation of IPO shares, all other accounts with the same investment objective and strategies that are managed by the same portfolio management team will ordinarily participate in the investment on a pro-rata basis based on relative account size.

To the extent our assets or the assets of an affiliate are invested in a separately managed account or private pooled vehicle, such as a Private Fund, the eligibility to participate in IPOs, and any pro-rata allocation, shall be based only on the amount of eligible third party assets. These additional eligibility and allocation considerations do not apply to situations where we or an affiliate invest in a Fund. The Funds may participate in IPOs as described above. “Incubator accounts,” in which our assets or assets of an affiliate are invested for the purpose of creating a track record, are not permitted to invest in IPOs.

Certain investment objectives and strategies tend to be more consistent with investments in IPOs. For example, because most IPO issuers are small-sized companies (based on their market capitalization) such investments are typically more consistent with the investment objectives of accounts focusing on these capitalization ranges. Similarly, investment objectives and strategies pursuing a growth investment strategy or a focus on technology companies tend to be more consistent with investments in IPOs. Moreover, accounts that have short-term trading strategies, such as actively managed Private Funds, may also find investments in IPOs to be relatively more attractive than accounts that have “buy and hold” investment strategies, which is the case with many Mutual Funds. This is especially true with hot issues where a portfolio management team managing accounts with short-term investment strategies may be interested in “flipping” such an IPO by selling it soon after it begins to be publicly traded. Certain teams are responsible for managing Mutual Funds, institutional accounts and Private Funds. The Private Funds managed by these teams may utilize short-term investment strategies, while the other accounts managed by the teams typically do not and such other accounts also tend to have a mid to large capitalization focus. For this reason, one or more of the Private Funds managed by these teams will tend to participate in more IPOs, including “flipped” IPOs, than the Mutual Funds and other accounts managed by these teams. In certain market conditions, accounts that invest significantly in IPOs can have materially different performance than accounts that do not. The impact of IPOs on account performance generally decreases as the amount of assets in an account increases.

In the case of a limited supply, there can be no assurance of equal treatment among all clients with respect to a particular IPO. Certain clients have investment guidelines and/or regulatory restrictions that prevent us from purchasing IPOs for their account. Additionally, wrap fee accounts will not participate in IPOs. Clients for whom we have not or cannot ascertain their eligibility to participate in IPOs under the rules of FINRA will not participate in any IPOs that are restricted by such rules.

We have adopted policies and procedures relating to the allocation of IPO investment opportunities. Allocations are monitored on a case-by-case basis and over time to ensure compliance with our allocation policies. These policies and

procedures include a “tiering” structure whereby accounts placed in the first tier receive a pro rata allocation of up to 100% of their indication of interest before accounts in the second tier receive a pro rata allocation of any remaining shares. Subject to limited exceptions, our procedures define the first tier to include accounts without a market capitalization focus and accounts whose market capitalization focus or sector/industry focus match the nature of the securities offered (e.g., small-cap account and a small-cap IPO). Our procedures also limit the indication of interest for all accounts to 2% of an account’s market value, though specialty accounts may submit an indication of interest up to 4% of the account’s market value if the offering is within that specialty. These procedures may result in accounts in the second tier receiving a lower allocation or no allocation, even if the accounts are of a relatively large size.

#### Allocation of Fixed Income Trades

For allocation of fixed income securities, a fixed income portfolio manager will generally allocate to all participating accounts with similar strategies and guidelines on a pro-rata basis, or to “true up” the holdings of accounts with similar investment mandates. To the extent that similarly managed accounts have different holdings of a security, trades will be allocated to minimize the difference from the target weighting in the security over time. The portfolio manager may also consider other factors, including the investment objectives and policies and size of the account, the liquidity and size of the issue, the amount of securities actually purchased or sold, the duration of the account, and the existence of similar securities already in the account.

#### Trade Priority for Certain Equity Trades

Certain of our policies related to conflicts between client accounts address the priority of a trade order. For example, a sale of a long security has priority over the short sale of the same security. There are no specific trade priorities with respect to an option trade and a trade in the underlying security or with respect to a security that is convertible into a common stock and a trade in that common stock. Rather, best execution will be sought for each trade, which could result in the related securities being traded at the same or different times with the same or different brokers.

#### 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. However, if there is another order on the trading desk for the same security, we may allocate the security to that client(s). Errors are generally corrected in the client account; however, to facilitate the error correction, we may 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 the error 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 we must reimburse the client account. Managed account program clients should be aware that the program sponsor may require that errors in client accounts be corrected in accordance with the sponsor’s error correction policies and procedures. Those policies and procedures may be different from sponsor to sponsor and they may be materially different than our policies and procedures described above. For example, some sponsors may require that gains resulting from an error be given to charity or they may require that gains and losses caused by us are netted over a period of time in a separate “error account” maintained by the sponsor. Managed account program clients should contact their program sponsor if they wish to obtain more information about the error correction policies and procedures that apply to their account.

#### ***Selection of Brokers-Dealers***

We select broker-dealers to execute client transactions based on a number of factors. As a general matter, broker-dealers are subjected to an initial approval process. This approval process involves the review of financial and related quantitative information concerning a broker-dealer and then the consideration of such qualitative factors as are relevant

to the determination that the broker-dealer can provide best execution. Such factors may include, but are not limited to: volume of securities traded of the type to be traded; instruments regularly offered by the firm; research capabilities of the firm; general reputation of the firm; trading desk opinion of the firm; and regulatory history of the firm.

With respect to a specific order, we seek to choose the broker-dealer most capable of providing the brokerage services necessary in seeking to obtain the best available price and most favorable execution. In order to determine the reasonableness of a broker-dealer's compensation, we will consider the particular characteristics of a security to be traded including relevant market factors. We will assess the intent of the portfolio manager and the level of urgency attached to the transaction. We will also consider other factors such as: ability to minimize trading costs; level of trading expertise; infrastructure; ability to provide information or services; financial condition; confidentiality provided by broker-dealer; competitiveness of commission rates; evaluations of execution quality; promptness of execution; past history; ability to prospect for and find liquidity; difficulty of trade and security's trading characteristics; size of order; liquidity of market; block trading capabilities; quality of settlements; specialized expertise; overall responsiveness; and willingness to commit capital. All of these considerations (and others as relevant) guide a trader in selecting the appropriate venue (e.g., an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS"), a traditional broker, a crossing network, etc.) in which to place an order and the proper tactics with which to trade.

As discussed in more detail below, in selecting a broker-dealer to execute equity trades we may also consider research or brokerage services provided by the broker-dealer, consistent with the requirements of Section 28(e) of the Securities Exchange Act of 1934 and related interpretative guidance. Such research is considered by the Fixed Income Department when determining which broker-dealers to include on the approved broker-dealer list, though it is not considered when executing specific fixed income trades. In no case do we execute the trade with the requested broker-dealer if we determine that doing so would not be consistent with the obligation to seek best execution. More information on our receipt of brokerage and research services from broker-dealers is contained in the section "Client Commission Practices, Policies and Procedures" below.

#### Directed Brokerage

We do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer. However, as described below we will typically execute transactions for wrap fee program clients through the wrap fee program sponsors. We also permit our clients to direct us, in writing, to execute all or a portion of their equity trades through a particular broker-dealer or a network of broker-dealer(s). In these circumstances the client typically has an arrangement with such broker-dealer(s) that results in the client receiving some benefit from the broker-dealer(s) in exchange for the directed brokerage. Clients should keep in mind the potential risks associated with directed brokerage including the following:

- the direction may result in higher commissions, greater spreads or less favorable net prices than would be the case if we selected the broker-dealers;
- the direction may result in trades for the client's account not being aggregated with similar trades for other accounts and thus not eligible for the benefits that accrue to such aggregation of orders;
- as a result of not being aggregated, client transactions will generally be executed after accounts whose trades are aggregated and may receive less favorable prices;
- 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; and
- because of the direction the client's account may not generate returns equal to those of other accounts that do not direct brokerage.

Our equity trading procedures also permit the use of "step-outs" in aggregated equity transactions to accommodate certain wrap fee account and other client directed brokerage. A step-out generally involves a trader's direction that the executing broker-dealer allocate (or "step out") all or part of an equity trade to another broker-dealer for clearance and settlement. The step-out broker confirms the portion of the equity trade it clears and settles while the step-in broker confirms the portion it clears and settles. Step-outs may assist us in seeking best execution by allowing us to aggregate equity trades with one broker-dealer involving client accounts that have directed us to execute through different broker-dealers.

Under a step-out arrangement, clients may be charged lower or no transaction fees by the step-out broker-dealer because clients have already paid for brokerage under a separate fee arrangement. If step-outs are used, accounts with special

trading instructions due to client directions or guidelines will be traded with other accounts. If step-outs cannot be used, accounts with special trading instructions will be traded after the other accounts and may not be aggregated for execution purposes with orders for the same securities for other accounts managed by us. Under these circumstances, directed accounts may receive different execution times and different prices than trades for other accounts that are executed at other broker-dealers on an aggregated basis.

Under no circumstances do we consider the marketing efforts of broker-dealers on our behalf or on behalf of the funds for which we serve as investment adviser in selecting broker-dealers to execute trades. Such marketing efforts include the sales of Mutual Funds we advise, the inclusion of our products on a broker-dealer's wrap program platform (other than to the extent such program requires us to trade with such broker-dealer), and referrals of clients or prospective clients. However, many broker-dealers that effect securities transactions for our clients will have a relationship with us or our affiliates to distribute shares of such funds or other investment products managed by us or will act as sponsor of a Wrap Fee Program for which we act as investment adviser.

On occasion, a broker-dealer we utilize for execution services may introduce us to potential clients or investors in the Private Funds we manage. Particularly in the case of the Private Funds we manage, these introductions may take place during capital market introduction events sponsored by the broker-dealer. While participation in these events would benefit us if we are able to attract new business, we do not give consideration to these introductions in selecting broker-dealers to execute transactions for our advisory clients. However, the Private Funds we manage (or their general partner, our wholly-owned affiliate) may take into account a broker-dealer's capital markets introduction services when selecting and retaining a broker-dealer as the funds' designated prime broker.

#### ***Client Commission Practices, Policies and Procedures***

Congress adopted Section 28(e) of the Securities Exchange Act of 1934 which, along with related SEC interpretations, provides a "safe harbor" for investment advisers to obtain research used in investment decision-making and brokerage services with client commissions. We have adopted policies and procedures designed to ensure that the use of client commissions falls within the safe harbor while permitting client accounts to benefit from our investment professionals' use of other firms' research and related investment decision-making tools. In the event a client does not allow us to utilize soft dollars on its behalf, the client account will be removed from block orders placed for our other institutional clients with any broker/dealer with which Columbia Management has a soft dollar arrangement. This will likely result in a different execution price than the block trade received.

Broker-dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). We use broker-dealers who provide both types of research products and services, as well as brokerage products and services, in exchange for commissions generated by transactions in the client accounts, also known as "soft dollars" or client commission practices.

The receipt of research and brokerage products and services in exchange for client commissions allows us, at no cost to us, to supplement our own research and analysis activities, by receiving the views and information of individuals and research staffs of other securities firms, and by gaining access to specialized expertise on individual companies, industries, areas of the economy, market factors and specialized tools to facilitate trading strategies, which we would otherwise have to pay for or produce ourselves. This may create an incentive for us to choose broker-dealers that provide quality research.

Research and brokerage products and services acquired with client commissions may include independent consultations with industry experts or company employees, reports on the economy, industries, sectors and individual companies or issuers; statistical information; accounting and tax law interpretations; political analyses; reports on legal developments affecting portfolio securities; information on technical market actions; credit analyses; risk measurement; analyses of corporate responsibility issues; financial and market database services; and trading software that provides algorithmic or automated trading capabilities.



Some broker-dealers with whom our Fixed Income Department executes trades provide the Fixed Income Department with proprietary research products and services, though the Fixed Income Department does not put in place any client commission arrangements with such broker-dealers. However, such research may be considered by the Fixed Income Department when determining which broker-dealers to include on the approved broker-dealer list. It is our policy not to execute a fixed income trade with a broker-dealer at a higher bid/offer than that provided by another broker-dealer in consideration of the value of research products and services received by the Fixed Income Department.

We may also receive proprietary research products and services from derivatives counterparties with which we have not established a client commission arrangement, similar to the approach taken with fixed income brokers. In these situations, we may take the research into account in determining whether to add the derivatives counterparty to our approved list, but we do not consider the value of the research products and services provided on a trade-by-trade basis.

The use of client commissions for research and brokerage services inherently involves conflicts of interest, which include:

- Using client commissions for research may affect our ability to seek best execution. Sometimes we may compensate a broker-dealer for research or brokerage products or services by causing client accounts to pay a commission in excess of what another broker-dealer might charge. It is not always possible to place a dollar value on special execution services. Likewise, research provided by executing broker-dealers may or may not have a specific dollar value attached to it by the party creating the research. Accordingly, some client accounts may pay commissions to broker-dealers that are higher than those obtainable from other broker-dealers for effecting similar transactions if we determine in good faith that such amounts are reasonable in relation to the value of the research and brokerage products and services provided by those broker-dealers. We conduct surveys periodically to assess the value of research services to our investment professionals. We also conduct periodic reviews of equity execution quality, which include regular reviews from a third party evaluator in order to gauge the effectiveness of our current procedures in seeking best execution for client accounts.
- The use of client commissions to obtain research may create an incentive to effect an unnecessary amount of trades in order to generate commissions (“churning”). Our equity trading group, which manages to informal, non-binding commission targets, is generally separate from our research and portfolio management groups. This helps to reduce incentives for a portfolio manager to churn a particular account to generate commissions. In addition, our client commission arrangements are administered by the Commission Practices Team, (“the Team”) which is independent from both traders and research users and can reduce commission targets on its own initiative when circumstances warrant.
- Research acquired with client commissions may be shared across multiple accounts. One client’s commissions may not be generated in the same proportion as its usage of a shared service. Not all client commission services are necessarily used exclusively in connection with the accounts that pay the commissions to the broker-dealer providing the services. Efforts are made to allocate the costs of group-wide research in proportion to each account’s assets under management to the extent feasible. Also, analysts and portfolio managers in our Equity and Fixed Income Departments across Columbia Management Investment Advisers and certain affiliates may share investment ideas and strategies of their respective firms, some of which may be informed by research paid for with commissions generated only by equity accounts. We believe that, in the aggregate and over time, the research and brokerage products and services we receive benefit clients and assist us in fulfilling our overall duty to our clients.
- Some of our clients ask us to abide by commission recapture arrangements they have negotiated or otherwise seek to limit our discretion with respect to their commissions, and we may, in our discretion, honor such requests. Because services acquired with client commissions may be used across various client accounts, commissions generated by transactions for clients who have not imposed any such limits may be used to acquire research or brokerage products and services that also benefit clients with these limitations.
- Client commissions can be used to obtain products or services that are used for both investment decision-making and non-investment decision making purposes (so called “mixed-use” items). For example, broker-dealers may provide performance evaluation services which may be used for both investment decision-making and marketing purposes. If the product or service is a “mixed-use” item, we use client commissions to obtain the investment

decision-making portion and pay cash, or “hard dollars,” for the non-investment decision-making portion. Determining how much of the mixed-use items must be paid for with hard dollars represents a conflict of interest because we have a financial incentive to allocate a greater proportion of the cost of mixed-use items to client commissions. Although the allocation between client commissions and hard dollars is not always capable of precise calculation, we make a good faith effort to allocate these items reasonably. If an employee is using a product/service for both research and non-research purposes, the entire cost of the product or service allocable to that employee is paid for in hard dollars.

We evaluate proprietary research through a periodic broker-dealer evaluation survey (“Broker Vote”) completed by equity portfolio managers and analysts. Based on the results of the Broker Vote and an amount of commissions determined to be reasonable by the managing equity traders, the Team sets internal, non-binding targets for the amount of proprietary research we expect to receive in a given time period, with top-ranked brokers targeted for a greater proportion of available commissions. Results of the Broker Vote, including certain details regarding the votes a broker-dealer received and the broker-dealer’s ranking, are provided to the broker-dealers. The Broker Vote process is reviewed periodically to help provide for fair and accurate evaluations.

Generally, the commission targets established through the Broker Vote and the direction of commissions by portfolio managers to specific broker-dealers are fulfilled by executing trades directly with the research-producing broker-dealer. However, our traders may choose to execute trades through a separate broker-dealer, who subsequently makes payment to the research-producing broker-dealer at our direction, retaining a portion of the commissions for execution. We determine the amount of the payments through the Broker Vote. This alternate compensation method, sometimes referred to as a “broker aggregation arrangement”, is essentially a hybrid between the traditional methods of compensating broker-dealers for both proprietary and third party research and brokerage services. It allows us to more selectively obtain research from one broker-dealer while seeking the execution services of another, preferred execution broker-dealer. Like proprietary research arrangements, such arrangements do not obligate us to generate a specified level of commissions with the executing broker-dealers.

Third party research services may be identified by investment professionals (e.g., portfolio managers or analysts) to assist their investment decision-making and benefit their client accounts. New third party client commission research services require formal approval. The Team evaluates whether the research and its use falls within the safe harbor of Section 28(e) and undertakes to understand the cost and value of the research. The Trading Committee is tasked with responsibility for evaluating new material requests with respect to potential value and determining whether the research and its intended use falls within the safe harbor of Section 28(e). Once approved and used, research services are re-evaluated by investment professionals on an ongoing basis.

We have established relationships with specific broker-dealers to acquire third party research with client commissions. Guidelines used to evaluate such broker-dealers include: (1) approval by a managing trader to confirm that the broker-dealer has good trading capabilities, including the ability to provide best execution and back office support; (2) consideration of the credit-worthiness of the broker-dealer; (3) consideration of whether the total number of eligible broker-dealer relationships provides adequate trading alternatives, but remains administratively manageable; (4) consideration of whether each negotiated ratio is competitive; (5) consideration of whether each broker-dealer is well-versed in regulatory compliance issues involving client commission practices and provides quality customer service, including accurate reconciliation, knowledgeable resources and timely responses to requests; and (6) consideration of whether the broker-dealer has an effective working relationship with traders and other investment personnel. The Team reviews these criteria on a periodic basis. We may, from time to time, step out all or a portion of a trade to a broker-dealer in connection with a third party client commission arrangement.

Broker-dealers that provide research via third party or broker aggregation 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.

### ***Use of Affiliated Brokers and Cross Transactions***

We do not effect securities transactions through affiliated brokers for our institutional and alternative investment or asset-liability management clients. However, we may execute securities transactions through affiliated brokers in connection with Wrap Fee Programs sponsored by Ameriprise Financial Services that are structured as bundled or wrap fee arrangements. In these situations, consistent with our obligation to seek best execution, we generally direct transactions to Ameriprise Financial Services for execution on an agency basis through its clearing broker, AEIS, both because of its execution capabilities and because the wrap fees paid by clients participating in the program cover transaction charges only when transactions are directed to Ameriprise Financial Services for execution through AEIS on an agency basis. It is possible that we would send an order on behalf of a client to one of our affiliated broker-dealers authorized to execute transactions for such clients and at the same time the affiliate would execute the opposite order for one of its brokerage customers.

While we do not engage in agency cross transactions, where a broker-dealer affiliated with us would act as broker for both sides of the transaction, we may from time to time effectuate a cross transaction of one or more securities from one advisory client account to another client account of ours or an affiliate where client consent has been obtained. The procedures that govern these transactions 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 transfer fees, be paid in connection with the transaction. Since, in such transactions, we or our affiliate will represent both the client selling and the client buying, there may be a conflict of interest given the obligation to seek best execution. In other situations for certain alternative investment clients we may provide disclosure and obtain certain consents, including prospective consent, to transactions between two special purpose or other pooled vehicle clients. We or an affiliate may have an interest in one or more of these pooled vehicles. Absent the appropriate disclosure and consent as may be required by applicable law, cross transactions will not be effected with any client account that is subject to ERISA or an account that is owned by us or an affiliate.

### ***Other Conflicts of Interest***

We face many conflicts of interest in connection with our investment management business. Our policies and procedures are designed to address these conflicts, either through disclosure, mitigation or prevention.

### **Securities Issued by Ameriprise Financial or Our Clients**

Our parent company, Ameriprise Financial, issues various securities from time to time, including common stock. It is our policy that no securities issued by Ameriprise Financial will be purchased for client accounts where we exercise investment discretion, unless the client account is passively managed in an effort to match the returns of an index in which an Ameriprise Financial security is included or unless an exception is approved by senior management in accordance with our policies and procedures. Therefore, a client account that is actively managed to an index will not hold any Ameriprise Financial securities even if such securities are included in the index. Accordingly, an account's performance versus such an index will likely differ.

We may invest the assets of our client accounts in the publicly traded securities of other clients or prospective clients. We may also invest the assets of our client accounts in securities issued by companies that are customers of our affiliates. In such circumstances, we do not and will not receive any compensation from the issuer specifically for investing client assets in such issuer's securities and our policy places significant limitations on the ability of any such customer to learn of our buying and selling activity.

### **Research Sharing with Affiliates**

We provide investment advisory services to certain of our investment advisory affiliates ("Advisory Affiliates") and their clients, and certain Advisory Affiliates provide investment advisory services to us and our clients. Seeking to have clients benefit from collective intellectual capital, our investment personnel (e.g., portfolio managers and analysts) share information and research relating to economic perspectives, market analysis, equity and fixed income securities analysis, etc. with investment personnel from some of our Advisory Affiliates. Except in circumstances where we and our Advisory Affiliates may jointly manage a client account as a combined team or in an adviser/sub-adviser arrangement, we do not share information relating to the trading of specific securities, derivatives and other instruments with our Advisory Affiliates nor do we coordinate or allocate trading activities with them. Unless we are jointly managing a client account with our Advisory Affiliates, we will make our own trading decisions separate from our Advisory Affiliates and we have

policies and procedures in place to maintain that separation. As a result, it is possible that we and our Advisory Affiliates may trade in the same securities, derivatives, and other instruments at the same time, in the same or opposite direction, or in different sequence. Further, because some of the research we share with our Advisory Affiliates is provided at the same time as the research is distributed internally, portfolio managers of our Advisory Affiliates may act on such research before our own portfolio managers. We have adopted policies and compliance controls that seek to ensure that our clients are treated fairly with respect to this sharing of research among Advisory Affiliates.

#### Other Affiliated Relationships

We may also invest the assets of our client accounts in securities issued by companies that have material relationships with us or an affiliate. For example, an issuer may be a distribution partner or commercial banking customer of our affiliate. In such circumstances the potential for a conflict of interest exists between our obligation to seek the most suitable investments for our clients and the perception that we have an incentive to assist in developing the business relationship or the success of our affiliate. In addition, we or our affiliates may have business arrangements with a third party that may influence our decision to retain that third party to assist in providing services to our clients. In these situations, we consider our obligations to our clients, and we seek to take action that is in the best interest of our clients. We may also have a sponsorship role in the establishment of a special purpose or pooled vehicle client, which may be significant in some cases and may require us to engage third parties in connection with the product development phase.

#### Other Client-Related Potential Conflicts

We provide advisory services to pension plans of state and local governments. The management of public monies that fund pension plans raises the potential for conflicts of interest to the extent we or our employees make political contributions to elected officials responsible directly or indirectly for those pension plans or otherwise capable of influencing the selection of us as the plan's investment adviser. We have policies and procedures in place designed to prevent this conflict from arising by limiting such contributions.

Investors in Private Funds managed by us include natural persons (or their personal trusts) that may be directors, executives or employees of (i) public companies in which such investment companies may invest ("Company Executives"), (ii) broker-dealers that provide research or brokerage services to such investment companies ("BD Executives"); or (iii) investment advisers of third-party investment funds ("Adviser Executives", and together with Company Executives and BD Executives, "Executives"). In addition, our investment personnel and senior management who support the Private Funds and have oversight responsibilities regarding conflicts of interest may invest in the Private Funds we manage. Permitting Executives and our other personnel to invest in these Private Funds may create the potential for conflicts of interest. We have adopted policies and procedures designed to mitigate such conflicts.

#### Management of Multiple Accounts

Actual or potential conflicts of interest may arise from the fact that we and our portfolio managers have day-to-day management responsibilities with respect to a specific client account in addition to other client accounts ("Other Accounts"). We and our affiliates may give advice and take action with respect to the funds or accounts we manage, or for our own accounts, that may differ from action taken by us on behalf of the Other Accounts. We and our affiliates are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that we or our respective Covered Persons may buy or sell for our own accounts or for the accounts of any other client. We have policies and procedures intended to mitigate or manage the conflicts of interest described below. Certain of these policies and procedures are described in prior sections of this Advisory Brochure. There is no guarantee that any such policies or procedures will detect each and every situation in which a conflict of interest arises.

We also manage long/short strategies (long/short funds). Side-by-side management of such a fund and Other Accounts can create conflicts of interest as a result of differing investment strategies employed for the long/short fund, proprietary capital investments in such fund or performance-based fees paid by such fund, all of which are applicable to the long/short funds. We have policies and procedures that seek to address conflicts relating to trading practices of a long/short fund. We believe that our policies and procedures should seek to limit actual conflicts of interest. Such policies and procedures include, but are not limited to, those relating to: (i) personal trading; (ii) aggregation and allocation; (iii) short sales; and (iv) cross trading. In addition, we may not be able to participate in underwritten equity secondary and follow-on offerings if another of our accounts has recently sold short equities of the same issuer.

We may receive higher compensation with respect to Other Accounts (including accounts which are Private Funds or have performance or higher fees paid to us, or in which one or more portfolio managers have direct or indirect personal

interest in the receipt of such fees) than that received with respect to a specific client account. This may create a potential conflict of interest for us or our portfolio managers by providing an incentive to favor these Other Accounts when, for example, placing securities transactions. In addition, we could be viewed as having a conflict of interest to the extent that we or an affiliate has a proprietary investment in one or more Other Accounts, the portfolio managers have personal investments, directly or indirectly, in one or more Other Accounts or the Other Accounts are investment options in our or an affiliate's employee benefit plans.

Potential conflicts of interest may arise with both the aggregation and allocation of securities transactions and allocation of limited investment opportunities. Allocations of aggregated trades, particularly trade orders that were only partially completed due to limited availability and allocation of investment opportunities generally, could raise a potential conflict of interest, as we may have an incentive to allocate securities that are expected to increase in value to favored accounts. Initial public offerings, in particular, are frequently of very limited availability. We may be perceived as causing accounts we manage to participate in an offering to increase our overall allocation of securities in that offering. A potential conflict of interest also may be perceived to arise if transactions in one account closely follow related transactions in a different account, such as when a purchase increases the value of securities previously purchased by another account or when a sale in one account lowers the sale price received in a sale by a second account. Because we manage accounts that engage in short sales of securities of the type in which many clients may invest, we could be seen as harming the performance of certain client accounts (i.e., those not engaging in short sale transactions) for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall. Conversely, we could be seen as benefiting those accounts that may engage in short sales through the sale of securities held by other clients to the extent that such sales reduce the cost to cover the short positions.

From time to time, we and our affiliates will be trading in the same securities or be deemed to beneficially hold the same securities. Due to regulatory limits in various countries or industry or issuer specific limits (e.g., poison pills) that restrict the amount that may be held of an issuer on an aggregate basis with our affiliates, 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 may be held in a local bank by an organization. In these circumstances, we may be limited or prevented from purchasing additional shares of a bank if the purchase would put us over the regulatory limit when combined with the holdings of our affiliates even if our purchases alone would not be in excess of limit. Additionally, the regulatory and other applicable limits are complex and vary significantly from country to country and issuer to issuer. As a result, 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. We have procedures in place designed to monitor the potential conflicts arising from the regulatory and other limits.

Because portfolio managers manage multiple client accounts, portfolio managers may not devote equal time and attention to the portfolio management of each client account.

#### Advisory and Sub-Advisory Services to Bank of America and its Affiliates

We provide discretionary advice to fiduciary accounts (which may include trusts, investment management accounts, guardianships, and agency accounts) with respect to the investment of assets over which the Private Wealth Management division of Bank of America ("PWM") exercises discretion, and to common trust funds and collective funds maintained by PWM (collectively, "PWM client accounts"). We also provide non-discretionary advice that PWM uses in the management of certain of its fiduciary accounts in the form of model portfolios. For these discretionary and non-discretionary PWM client accounts, we may effect the securities transactions. Fees for these services are negotiated between us and Bank of America, N.A. ("BANA"), and may be lower than fees charged to other separately managed accounts in the same strategy.

As discussed previously, the firm maintains an internal centralized research function for both equity and fixed income. 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. However, certain equity analysts that are tied to specific portfolio management teams or strategies generally do not provide their research internally in this manner. Pursuant to the terms of our master sub-advisory agreement with BANA the same analysts that provide internal research described above also share general and specific research regarding equity securities and issuers with designated PWM portfolio managers on a non-discretionary basis that is not available to other clients of ours. This research is provided

periodically, and in some cases daily, either through electronic distribution or through communication in group meetings. Periodically, credit ratings information may be provided with respect to investment grade taxable bonds. The research and other information that is provided is for PWM's internal use only and may not be re-distributed by PWM. In connection with our services to PWM, PWM portfolio managers may act upon the information we provide and may make investment decisions for their client accounts that are similar to or contrary to what we implement for our own discretionary account clients. Since some of the research we provide to PWM is provided at the same time as the research is distributed internally, PWM portfolio managers may act on such research before our own portfolio managers.

### **REVIEW OF ACCOUNTS**

The complete account guidelines for Mutual Fund, Private Fund and institutional accounts are reviewed by the client's portfolio manager and a representative from the Asset Management Compliance Department at least once every twenty-four months and more often if guidelines are changed.

Each of our portfolio managers and other investment personnel are responsible for managing assigned accounts in accordance with their investment objectives and guidelines. There is no specific limit on the number of accounts that may be assigned to each professional. In addition to the periodic review, factors that may cause the portfolio manager to initiate a portfolio review include, but are not limited to: changes in the investment strategy; changes in the client's objectives, guidelines or restrictions; significant price movements of portfolio securities or of the portfolio as a whole; changes in the prospects of a particular portfolio security; the need to invest incoming cash; and the need to raise cash from the portfolio.

Also, our Investment Risk Department monitors the risk profile of fixed income and equity Mutual Funds, Private Funds and representative institutional accounts (typically, the largest institutional account in a given strategy). This monitoring includes a periodic review of the portfolios' risk profile versus their appropriate benchmark (or cash in the case of Private Funds) and individual contributors thereto. In the case of Mutual Funds and institutional accounts, the monitoring includes a daily review of the portfolios' derivatives trades and a monthly review of the drivers of the portfolios' performance and typical risk measures such as Tracking Error and Value at Risk (VaR).

In addition, we employ a series of pre- and post-trade controls and monitoring techniques through automated and manual procedures to ensure that portfolios are managed in accordance with client-specific guidelines or restrictions.

### **Client Communications and Reporting**

Generally reports are provided to institutional clients at the end of each calendar quarter showing performance, the value and holdings of the account and summarizing changes impacting the account during the quarter. These clients may request and receive this information and additional transaction details on a monthly basis. Reports on Funds are provided to the Boards of Directors/Trustees, or their agent, at regularly scheduled meetings of the boards and on a more frequent basis, as necessary. We may also provide a monthly or quarterly report that includes portfolio manager or product commentary on sources of return within the portfolio and recent market conditions. In addition, client relationship managers and/or investment personnel generally will offer to meet with clients on an annual basis to review goals, objectives, holdings and portfolio performance unless the client requests more frequent meetings.

In the case of the Funds, the portfolio managers generally report directly to the Board of each Fund on an annual basis. This report typically covers performance, investment process and an analysis of results.

On a monthly or quarterly basis, we, a trustee or an administrator typically provide our alternative investment clients including Private Funds with a periodic client statement that shows their account balances and net profit or loss for the month, or that summarizes the assets under management, certain cash flows and certain other items required by the underlying agreement or indenture. We may also provide a monthly or quarterly report that includes portfolio manager commentary on sources of return within the portfolio and recent market conditions.

In the case of Ameriprise Financial, its insurance company affiliates and other asset-liability management clients, we report on a periodic basis to the board or investment committees of the relevant entity. Boards, the investment committees and other representatives of the entity meet periodically to review and evaluate the preceding period's portfolio activity and to contemplate the next period's investment strategy.

With respect to Wrap Fee Program clients, the program sponsor has primary responsibility for client contact and reporting. We will typically supply the sponsor with certain information necessary for the sponsor to provide regular reports directly to its clients in accordance with the requirements of the specific program.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### ***Referral Arrangements/Sales Compensation***

While not a common practice of ours, we have entered into and may enter into written solicitation agreements with affiliated and non-affiliated third parties. Pursuant to these arrangements, we pay compensation for clients referred to us for separate account management. We structure these arrangements in accordance with the applicable requirements of the Advisers Act including those that limit the types of third parties that may be used as solicitors. These requirements impose an obligation on non-affiliated solicitors to provide a separate disclosure document to potential clients describing, among other things, the nature of the solicitation arrangement and the terms of our compensation arrangement with the solicitor. Additionally, we may take input from solicitors during fee negotiations with clients in foreign jurisdictions regarding local market factors. The terms of our written solicitation agreements may obligate us to pay compensation until termination of the client relationship. From time to time we may also enter into written solicitation agreements with employees or independent contractors of our affiliates which allow these individuals to refer potential investment advisory clients to us. Generally, client fees are not increased as a result of any referral fees. In the event of an increase, the specifics of the fee differential will be disclosed to the client in accordance with the applicable requirements of the Advisers Act. We require solicitors to forward copies of any client correspondence that is sent to the solicitor but intended for us. We also require solicitors to communicate to us any written client complaint or material client issue that is received or identified by the solicitor. To the extent a solicitor fails to forward client correspondence, complaints or other issues to us, we may not be able to appropriately address them.

Certain employees of the Ameriprise Financial organization are paid bonuses, which, unless prohibited by local law, may be based, in part, upon retaining and increasing assets under management. While activities that result in higher compensation may influence behavior, it is our policy to treat all clients fairly and equitably in accordance with our fiduciary duty. Our Gifts and Benefits Policy, which is designed to address the general principles of gifts, entertainment and other benefits, outlines the procedures that our employees must follow in order to give or receive gifts and benefits to or from clients, prospective clients or suppliers.

Unaffiliated third parties may also receive fees from us or from our affiliates in connection with the sale or servicing of securities products sponsored by us, including Funds and Private Funds.

### ***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.

We may from time to time provide financial support and guidance for third party research studies (including follow up publications and other communications) relating to the types of products we manage. Our role in supporting these studies and publications may not be disclosed to research participants at the time they are asked to participate in the studies.

### ***Other Compensation***

We receive fees from third-party sponsors of certain managed account or asset allocation programs for services rendered.

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**

We do not maintain custody of client funds or securities; however, AEIS, one of our broker-dealer affiliates, acts as custodian of assets for clients to whom we may provide investment advice or other investment advisory services. Because AEIS provides custody for certain of our clients in connection with the advisory services we provide these clients, we are required under SEC Rule 206(4)-2 (the "Custody Rule") to obtain from AEIS a written internal control report (the "ICR"), such as a an SSAE16 report, at least annually from an independent public accountant registered with and regularly inspected by the Public Company Accounting Oversight Board. The ICR that we receive from AEIS is intended to show that AEIS has established appropriate custodial controls with respect to client assets that are under custody. We do not undergo an annual surprise examination by an independent public accountant with respect to those client assets for which AEIS has custody because AEIS is operationally independent from us and, as a result, the Custody Rule does not require such an examination. With respect to the collective funds maintained by ATC and for which we act as subadviser and the Private Funds that we manage and sponsor (regardless of whether we are deemed to have custody of the funds' assets under the Custody Rule), we intend to continue to engage an independent public accountant to conduct an annual audit of those funds and provide the results of those audits to investors. Further, with respect to the collective funds maintained by ATC we intend to seek an ICR. Finally, we may receive fees directly from client accounts pursuant to automatic deduction arrangements when authorized by the client as described elsewhere in the "Billing Methodology" section of this Brochure.

The foregoing describes situations where we may be deemed under the Advisers Act to have custody of client assets even when we do not have actual, physical custody of client assets. Although we do not maintain custody of client assets, we may on occasion inadvertently receive client funds or securities. If we inadvertently receive funds or securities attributable to a client or former client from a third party, we will return the funds or securities to the sender within three to five business days, as required, following receipt.

We provide monthly statements to our clients and, in those cases where we are deemed to have custody because of automatic fee deduction arrangements, we have a reasonable belief that client custodians also send their clients statements, at least quarterly, identifying the amount of funds and securities in their accounts at the end of the period and setting forth all transactions in the account during that period. We encourage our clients to compare the account statements that their custodian sends them with those that we provide.

### **INVESTMENT DISCRETION**

The accounts over which we exercise investment discretion are generally subject to investment restrictions and guidelines developed in consultation with clients. We will exercise such discretionary authority with a client or wrap program sponsor only after executing an agreement that gives us such discretion. These restrictions and guidelines customarily impose limitations on the types of securities that may be purchased and also generally limit the percentage of account assets that may be invested in certain types of securities. Additional policies may be set by a client's board or investment committee. We generally are authorized to make the following determinations, consistent with each client's investment goals and policies, without client consultation or consent before a transaction is effected:

- Which securities or other investments to buy or sell;
- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transactions costs.

However, from time to time, we may accept accounts for which we have discretionary authority to purchase securities for the account, but not to select broker-dealers for transactions. These are commonly known as "client directed brokerage relationships." We may also accept non-discretionary arrangements, such as providing a series of securities recommendations by periodically updating a model portfolio or where clients retain investment discretion with respect to



transactions in the account. In these situations, our lack of investment discretion may cause the client to lose possible advantages that our discretionary clients may derive from our ability to act for those discretionary clients in a more timely fashion, such as the aggregation of orders for several clients as a single transaction.

We may act as investment manager to other clients (including funds) now or in the future and each account's investment restrictions and guidelines may differ. All investment decisions for an account are made in accordance with the investment restrictions and guidelines of that account. Investment decisions for each account are made with a view to achieving the account's investment objectives and after consideration of such factors as the account's current holdings, the current investment views of the particular portfolio manager, availability of cash for investment, and the size of the account's positions generally. In addition, we may apply certain proprietary risk management guidelines or other restrictions to the universe of accounts we manage in situations where we believe such actions will enhance our overall advisory services. Further, we may seek to include or maintain some of the accounts we manage in certain categories or "style boxes" published and monitored by third party rating and ranking organizations, which might cause us to manage the account in a way that meets the criteria for those categories or style boxes. These internal restrictions and style box categories are subject to change and may impose supplemental limitations and guidelines on the management of an account in addition to the guidelines provided to us by the applicable client.

### **VOTING CLIENT SECURITIES**

As a fiduciary, we owe our clients the duties of care and loyalty with respect to the services undertaken on the behalf of clients. Our proxy voting policies and procedures are reasonably designed to satisfy our fiduciary obligation with respect to proxy voting. 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 the guidelines based on, among other things, industry trends and proposal frequency.

When vested with proxy voting authority and in the absence of specific client guidelines, we will generally vote in the same manner as proxies being voted by our affiliates on behalf of their own clients who have adopted the same voting guidelines. However, recognizing that we and our affiliates each have an independent fiduciary obligation with respect to the voting of proxies, the proxy voting policies fully preserve our ability, and the ability of each affiliate, to vote in a manner contrary to other affiliates as well as voting differently on behalf of a specific client. In the event a client believes that its interests require a different vote, we will vote as the client clearly instructs, provided we receive such instructions in time to act accordingly.

In certain limited circumstances when we are not vested with discretionary authority to vote a client's proxies (i.e., when the client retains voting discretion), at the client's request we will administer proxy voting on behalf of the client in accordance with the client's voting guidelines. In such circumstances the client may contact us with questions about a particular proxy solicitation 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. A client may also vote its own proxies, or the client's agent may vote proxies on behalf of the client.

In exercising our proxy voting responsibilities, we may consider the recommendations of third party research providers and may rely upon the recommendations of these research providers in situations where it is possible to establish voting criteria that are consistent with the intent of our voting guidelines. Securities held only within a passive index account managed by Columbia Management Investment Advisers' Quantitative Strategies Group or Columbia Management Investment Advisers' Tax Efficient Structured Equity Group and not in any other account within Columbia Management Investment Advisers, will be voted in accordance with the recommendations of the third party research provider selected

by Columbia Management Investment Advisers or as specified by the client. A complete copy of our discretionary proxy voting guidelines is available 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.

Where we are vested with proxy voting authority, it is our policy to endeavor to vote all proxies on behalf of the client, unless we determine in accordance with our policies to refrain from voting. Because of the volume and complexity of the proxy voting process, including inherent inefficiencies in the process that are outside our control (e.g., delays or incomplete information from intermediaries such as custodians, proxy agents or parties involved in Wrap Fee Programs), not all proxies may be voted. While we will make reasonable efforts to vote foreign securities on behalf of clients, voting proxies of companies not domiciled in the United States may involve greater effort and cost due to the variety of regulatory schemes and corporate practices.

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 administration of our proxy voting process is handled by a central point of administration at our firm (the "Proxy Team") servicing us and our affiliates. Among other duties, the Proxy Team coordinates with our third party proxy voting and research providers. Our investment personnel may also make recommendations about voting on a proposal, which may include a recommendation to vote in a manner contrary to our guidelines, subject to established controls. In addition, while we and each of our affiliates ultimately decides how each proxy will be voted, a Proxy Voting Committee reviews policies and procedures and helps ensure quality and objectivity in connection with our proxy voting procedures.

In voting proxies on behalf of clients, we seek to carry out our responsibilities without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote, and we have implemented practices reasonably designed to identify potential significant conflicts of interest. One way that we seek to address potential material conflicts of interest is through employing predetermined voting guidelines. Alternatively, if we determine that a material conflict of interest exists, we will invoke one or more of the following conflict management practices: (i) causing the proxies to be voted in accordance with the recommendations of an independent third party (which may be our proxy voting administrator or research provider); (ii) causing the proxies to be delegated to an independent third party (which may be our proxy voting administrator or research provider); and (iii) in unusual cases, with the client's consent and upon ample notice, forwarding the proxies to our clients so that they may vote the proxies directly. For example, with respect to Ameriprise Financial, Inc. proxies, we vote in accordance with the recommendation of an independent third party when we are vested with proxy voting authority. Similarly, with respect to public companies with which have a substantive relationship, we will vote such proxies following our pre-determined voting guidelines or the recommendations of an independent third party. Further, members of the Proxy Voting Committee are prohibited from voting on any proposal for which he or she has a conflict of interest by reason of a direct relationship with the issuer or other party affected by a given proposal. Persons making recommendations to the Proxy Voting Committee or its members are required to disclose to the committee any relationship with a party making a proposal or other matter known to the person that would create a potential conflict of interest.

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 physical 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 Management Investment Advisers 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 with respect to any natural person or wrap clients 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.

*Please direct any questions or requests for additional information regarding Columbia Management Investment Advisers, LLC to the address or telephone number listed on the cover of this brochure.*

## RISK DISCLOSURE APPENDIX

*Investing in securities involves risk of loss that clients should be prepared to bear. Below you will find a detailed description of the material risks that apply to the investment strategies listed in the chart in “Methods of Analysis, Investment Strategies and Risk of Loss”. Some of these risks relate to very strategy-specific risks, such as foreign currency risk, and others are broader and impact all strategies generally, such as market or issuer risk.*

**Active Management Risk.** The portfolio is actively managed and its performance therefore will reflect, in part, the ability of the portfolio managers to select investments and to make investment decisions that are suited to achieving the portfolio’s investment objective. Due to its active management, the portfolio could underperform its benchmark index and/or other portfolios with a similar investment objective and/or strategies. The portfolio may fail to achieve its investment objective and investors may lose money.

**Asia Pacific Region Risk.** A number of countries in the Asia Pacific region are considered underdeveloped or developing, including from a political, economic and/or social perspective, and may have relatively unstable governments and economies based on limited business, industries and/or natural resources or commodities. Events in any one country within the region may impact that country, other countries in the region or the region as a whole. As a result, events in the region will generally have a greater effect on the portfolio than if it were more geographically diversified in areas with more developed countries and economies. This could result in increased volatility in the value of the portfolio’s investments and losses within the portfolio. Continued growth of economies and securities markets in the region will require sustained economic and fiscal discipline, as well as continued commitment to governmental and regulatory reforms. Development also may be influenced by international economic conditions, including those in the United States and Japan, and by world demand for goods or natural resources produced in countries in the Asia Pacific region. Securities markets in the region are generally smaller and have a lower trading volume than those in the United States, which may result in the securities of some companies in the region being less liquid than U.S. or other foreign securities. Some currencies, inflation rates or interest rates in the Asia Pacific region are or can be volatile, and some countries in the region may restrict the flow of money in and out of the country.

**Asset-Backed Securities Risk.** The value of the portfolio’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. Asset-backed 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 the portfolio 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 asset-backed securities, resulting in valuations that are volatile and sensitive to changes in interest rates.

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

**Confidential Information Access Risk.** In managing the portfolio, the investment manager normally will seek to avoid the receipt of material, non-public information (Confidential Information) about the issuers of floating rate loans being considered for acquisition by the portfolio, or held in the portfolio. In many instances, issuers of floating rate loans offer to furnish 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’s decision not to receive Confidential Information from these issuers may disadvantage the portfolio as compared to other floating rate loan investors, and may adversely affect the price the portfolio pays for the loans it purchases, or the price at which the portfolio sells the loans. Further, in situations when holders of floating rate loans are asked, for example, to grant consents, waivers or amendments, the investment manager’s ability to assess the desirability of such consents, waivers or amendments may be compromised. For these and other reasons, it is possible that the investment manager’s decision under normal circumstances not to receive Confidential Information could adversely affect the portfolio’s performance.

**Convertible Securities Risk.** Convertible securities are subject to the usual risks associated with debt securities, such as interest rate risk (i.e., the risk of losses attributable to changes in interest rates) and credit risk (i.e., the risk that the issuer of a fixed-income security may or will default or otherwise become unable, or be perceived to be unable or unwilling, to honor a financial obligation, such as making payments to the portfolio 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 (i.e., the risk that the market values of securities or other investments that the portfolio 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 security, 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. The portfolio may be forced to convert a convertible security before it otherwise would choose to do so, which may decrease the portfolio’s return.

**Counterparty Risk.** The risk exists that a counterparty to a financial instrument held by the portfolio or by a special purpose or structured vehicle in which the portfolio invests may become insolvent or otherwise fail to perform its obligations due to financial difficulties, including making payments to the portfolio. The portfolio may obtain no or limited recovery in a bankruptcy or other organizational proceedings, and any recovery may be

significantly delayed. Transactions that the portfolio enters into may involve counterparties in the financial services sector and, as a result, events affecting the financial services sector may cause the portfolio's value to fluctuate.

**Credit Risk.** Credit risk applies to most securities, but is generally less of a factor for obligations backed by the "full faith and credit" of the U.S. Government. It is the risk that the issuer of a fixed-income security may or will default or otherwise become unable or unwilling, or is perceived to be unable or unwilling, to honor a financial obligation, such as making payments when due. Various factors could affect the issuer's actual or perceived willingness or ability to make timely interest or principal payments, including changes in the issuer's financial condition or in general economic conditions. Debt securities backed by an issuer's taxing authority may be subject to legal limits on the issuer's power to increase taxes or otherwise to raise revenue, or may be dependent on legislative appropriation or government aid. Certain debt securities are backed only by revenues derived from a particular project or source, rather than by an issuer's taxing authority, and thus may have a greater risk of default. If the portfolio purchases unrated securities, or if the rating of a security is lowered after purchase, the portfolio will depend on analysis of credit risk more heavily than usual. Unrated securities held by the portfolio may present increased credit risk as compared to higher-rated securities.

#### **Credit Risk – High Yield Bonds and Bank Loans.**

Credit risk is the risk that the borrower of a loan or the issuer of another debt security may or will default or otherwise become unable or unwilling, or is perceived to be unable or unwilling, to honor a financial obligation, such as making payments to the portfolio. Rating agencies assign credit ratings to certain loans and other fixed-income securities to indicate their credit risk. The price of a loan or other debt security generally will fall if the borrower or the issuer defaults on its obligation to pay principal or interest, the rating agencies downgrade the credit rating of the borrower or the issuer or other news affects the market's perception of the credit risk of the borrower or the issuer. If the issuer of a loan declares bankruptcy or is declared bankrupt, there may be a delay before the portfolio can act on the collateral securing the loan, which may adversely affect the portfolio. Further, there is a risk that a court could take action with respect to a loan adverse to the holders of the loan, such as invalidating the loan, the lien on the collateral, the priority status of the loan, or ordering the refund of interest previously paid by the borrower. Any such actions by a court could adversely affect the portfolio's performance. If the portfolio purchases unrated loans or other debt securities, it will depend on analysis of credit risk more heavily than usual. Non-investment grade loans or securities (commonly called "high-yield" or "junk") have greater price fluctuations and are more likely to experience a default than investment grade loans or securities. A default or expected default of a loan could also make it difficult for the portfolio to sell the loan at a price approximating the value previously placed on it.

**Derivatives Risk.** Derivatives are financial instruments that have a value which depends upon, or is derived from, the value of something else, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Losses involving derivative instruments may be substantial, because a relatively small price movement in the underlying security(ies), instrument, commodity, currency or index may result in a substantial loss for the portfolio. In addition to the potential for increased losses, the use of derivative instruments may lead to increased volatility within the portfolio. Derivatives will typically increase the portfolio's exposure to principal risks to which it is otherwise exposed, and may expose the portfolio to additional risks, including correlation risk (related to hedging risk and is the risk that there may be an incomplete correlation between the hedge and the opposite position, which may result in increased or unanticipated losses), counterparty risk (the risk that the counterparty to the instrument will not perform or be able to perform in accordance with the terms of the instrument), leverage risk (the risk that losses from the derivative instrument may be greater than the amount invested in the derivative instrument), hedging risk (the risk that a hedging strategy may not eliminate the risk that it is intended to offset, and may offset gains, which may lead to losses within the portfolio), and liquidity risk (it may not be possible for the portfolio to liquidate the instrument at an advantageous time or price, which may result in significant losses to the portfolio).

**Derivatives Risk/Forward Foreign Currency Contracts Risk.** The use of forward foreign currency contracts is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. These instruments are a type of derivative contract, whereby the portfolio may agree to buy or sell a country's or region's currency at a specific price on a specific date, usually 30, 60, or 90 days in the future. These instruments may fall in value due to foreign market downswings or foreign currency value fluctuations. The effectiveness of any currency hedging strategy by a portfolio may be reduced by the portfolio'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. When entering into forward foreign currency contracts, unanticipated changes in the currency markets could result in reduced performance for the portfolio. At or prior to maturity of a forward contract, the portfolio may enter into an offsetting contract and may incur a loss to the extent there has been movement in forward contract prices. When the portfolio 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. Investment in these instruments also subjects the portfolio, among other factors, to counterparty risk (i.e., the counterparty to the instrument will not perform or be unable to perform in accordance with the terms of the instrument).

**Derivatives Risk/Futures Contracts Risk.** The use of futures contracts is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. A futures contract is a sales contract between a buyer (holding the "long" position) and a seller (holding the "short" position) for an asset with delivery deferred until a future date. The buyer agrees to pay a fixed price at the agreed future date and the seller agrees to deliver the asset. The seller hopes that the market price on the delivery date is less than the agreed upon price, while the buyer hopes for the contrary. The liquidity of the futures markets depends on participants entering into off-setting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced. In addition, futures exchanges often impose a maximum permissible price movement on each futures contract for each trading session. The portfolio may be disadvantaged if it is prohibited from executing a trade outside the daily permissible price movement. Moreover, to the extent the portfolio engages in futures contracts on foreign exchanges, such exchanges may not provide the same protection as U.S. exchanges. The loss that may be incurred in entering into futures contracts may exceed the amount of the premium paid and may be potentially unlimited. Futures markets are highly volatile and the use of futures may increase the volatility of the portfolio's value. Additionally, as a result of the low collateral deposits normally involved in futures trading, a relatively small price movement in a futures contract may result in substantial losses to the portfolio. Investment in these instruments involve risks, including counterparty risk (i.e., the counterparty to the instrument will not perform or be able to perform in accordance with the terms of the instrument), hedging risk (i.e., a hedging strategy may not eliminate the risk that it is intended to offset, and may offset gains, which may lead to losses within the portfolio) and pricing risk (i.e., the instrument may be difficult to value).

**Dividend and Income Risk.** The income received from the portfolio is based primarily on dividends and interest it earns from its investments as well as gains the portfolio receives from selling portfolio securities, each of which can vary widely over the short and long-term. The dividend income from the portfolio's investments in equity securities will be influenced by both general economic activity and issuer-specific factors. In the event of a recession or adverse events affecting a specific industry or issuer, the issuers of the equity securities held by the portfolio may reduce the dividends paid on such securities.

**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 Securities Risk.** Securities issued by foreign governments or companies in emerging market countries 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 and economic 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.

**Exchange-Traded Fund (ETF) Risk.** An ETF's share price may not track its specified market index (if any) and may trade below its net asset value. Certain ETFs use a "passive" investment strategy and do not take defensive positions in volatile or declining markets. Other ETFs in which the portfolio may invest are actively managed, which indirectly subjects the portfolio to active management risk. An active secondary market in ETF 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 that an ETF's shares will continue to be listed on an active exchange. In addition, shareholders bear both their proportionate share of the portfolio's expenses and similar expenses incurred through ownership of the ETF. There is a risk that ETFs in which the portfolio invests may terminate due to extraordinary events. For example, any of the service providers to ETFs, such as the trustee or sponsor, may close or otherwise fail to perform their obligations to the ETF, and the ETF may not be able to find a substitute service provider. Also, certain ETFs may be dependent upon licenses to use various indexes as a basis for determining their compositions and/or otherwise to use certain trade names. If these licenses are terminated, the ETFs may also terminate. In addition, an ETF may terminate if its net assets fall below a certain amount.

**Focused Portfolio Risk.** The portfolio, because it may invest in a limited number of companies, may have more volatility and is considered to have more risk than a portfolio that invests in a greater number of companies because changes in the value of a single security may have a more significant effect, either negative or positive, on the portfolio's value. To the extent the portfolio invests its assets in fewer securities, the portfolio is subject to greater risk of loss if any of those securities decline in price.

**Foreign Currency Risk.** The performance of the portfolio may be materially affected positively or negatively by foreign currency strength or weakness relative to the U.S. dollar, particularly if the portfolio 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 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. The portfolio may also incur currency conversion costs when converting foreign currencies into U.S. dollars.

**Foreign Securities Risk.** Investments in foreign securities involve certain risks not associated with investments in securities of U.S. companies. For example, foreign markets can be extremely volatile. Foreign securities are primarily denominated in foreign currencies. Fluctuations in currency exchange rates may impact the value of foreign securities, without a change in the intrinsic value of those securities. Foreign securities may also be less liquid than domestic securities so that the portfolio may, at times, be unable to sell foreign securities at desirable times or prices. Brokerage commissions, custodial costs and other fees are also generally higher for foreign securities. The portfolio may have limited or no legal recourse in the event of default with respect to certain foreign securities, including those issued by foreign governments. In addition, foreign governments may impose withholding or other taxes on the portfolio's income and capital gain on foreign securities, which could reduce the portfolio's yield on such securities. Other risks include possible delays in the settlement of transactions or in the payment of income; generally less publicly available information about companies; the impact of economic, political, social, diplomatic or other conditions or events; possible seizure, expropriation or nationalization of a company or its assets; possible imposition of currency exchange controls; accounting, auditing and financial reporting standards that may be less comprehensive and stringent than those applicable to domestic companies; and local agents are held only to the standard of care of the local markets, which may be less stringent than the U.S. markets. It may be difficult to obtain reliable information about the securities and business operations of certain foreign issuers. Governments or trade groups may compel local agents to hold securities in designated depositories that are not subject to independent evaluation. The less developed a country's securities market is, the greater the level of risks.

**Frequent Trading Risk.** The portfolio managers may actively and frequently trade investments in the portfolio to carry out its investment strategies. Frequent trading of investments increases the possibility that the portfolio, as relevant, will realize taxable capital gains (including short-term capital gains, which are generally taxable at higher rates than long-term capital gains for U.S. federal income tax purposes), which could reduce the portfolio's after-tax return. Frequent trading can also mean higher brokerage and other transaction costs, which could reduce the portfolio's return. The trading costs and tax effects associated with portfolio turnover may adversely affect its performance.

**Geographic Concentration Risk.** The portfolio 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 portfolio 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, the portfolios may be more volatile than a more geographically diversified portfolio.

**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 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.

**Highly Leveraged Transactions Risk.** The loans or other securities in which the portfolio invests may consist of transactions involving refinancings, recapitalizations, mergers and acquisitions and other financings for general corporate purposes. The portfolio's investments also may include senior obligations of a borrower issued in connection with a restructuring pursuant to Chapter 11 of the U.S. Bankruptcy Code (commonly known as "debtor-in-possession" financings), provided that such senior obligations are determined by the portfolio managers to be a suitable investment for the portfolio. In such highly leveraged transactions, the borrower assumes large amounts of debt in order to have the financial resources to attempt to achieve its business objectives. Such business objectives may include but are not limited to: management's taking over control of a company (leveraged buy-out); reorganizing the assets and liabilities of a company (leveraged recapitalization); or acquiring another company. 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, the portfolio'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.

**Index Risk.** The portfolio's value will generally decline when the performance of its targeted index declines. In addition, because the portfolio may not hold all issues included in its index, it may not always be fully invested. The portfolio also bears advisory, administrative and other expenses and transaction costs in trading securities, which the index does not bear. Accordingly, the portfolio's performance will likely fail to match the performance of its targeted index, after taking expenses into account. It is not possible to invest directly in an index.

**Industry Concentration Risk.** Investments that are concentrated in a particular industry will make the portfolio value more susceptible to the events or conditions impacting that particular industry.

**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, the portfolio may have no income at all.

**Infrastructure-Related Companies Risk.** Because the portfolio concentrates its investments in infrastructure-related securities, the portfolio has greater exposure to adverse economic, regulatory, political, legal, and other conditions or events affecting the issuers of such securities. Infrastructure-related businesses are subject to a variety of factors that may adversely affect their business or operations including high interest costs in connection with capital construction programs, costs associated with environmental and other regulations, the effects of an economic slowdown and surplus capacity, increased competition, uncertainties concerning availability of fuel at reasonable prices, the effects of energy conservation policies and other factors. Additionally, infrastructure-related entities may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption and/or legal challenges due to environmental, operational or other conditions or events and the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. There is also the risk that corruption may negatively affect publicly-funded infrastructure projects, especially in foreign markets, resulting in work stoppage, delays and cost overruns.

**Initial Public Offering (IPO) 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. In addition, as the portfolio increases in size, the impact of IPOs on the portfolio's performance will generally decrease.

**Interest Rate Risk.** Interest rate risk is the risk of losses attributable to changes in interest rates. In general, if prevailing interest rates rise, the values of debt securities will tend to fall, and if interest rates fall, the values of debt securities will tend to rise. Changes in the value of a debt security usually will not affect the amount of income the portfolio receives from it but may affect the value of the portfolio. In general, the longer the maturity or duration of a debt security, the greater its sensitivity to changes in interest rates. Interest rate declines also may increase prepayments of debt obligations, which, in turn, would increase prepayment risk. As interest rates rise or spreads widen, the likelihood of prepayment decreases.

**Investment Strategy Risk.** The adviser uses the principal investment strategies and other investment strategies to seek to achieve the portfolio's investment objective. There is no assurance that the portfolio will achieve its investment objective. Investment decisions made by the adviser in using these strategies may not produce the returns expected by the adviser, may cause the portfolio to lose value or may cause the portfolio to underperform other portfolios with similar investment objectives.

**Leverage Risk.** Leverage occurs when the portfolio increases its assets available for investment using borrowings, short sales, derivatives, or similar instruments or techniques. Short sales involve borrowing securities and then selling them. The portfolio's short sales effectively leverage the

portfolio's assets. The portfolio's assets that are used as collateral to secure its obligations to return the securities sold short and may decrease in value while the short positions are outstanding, which may force the portfolio to use its other assets to increase the collateral. Leverage can create an interest expense that may lower the portfolio's overall returns. Leverage presents the opportunity for increased net income and capital gains, but also exaggerates the portfolio's risk of loss. There can be no guarantee that a leveraging strategy will be successful.

**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.

**Liquidity Risk- Floating Rate Loans.** Liquidity risk is the risk associated with a lack of marketability of securities which may make it difficult to sell the security at a desirable time or price. The portfolio may have to lower the selling price of its investment, sell other investments, or forego another, more appealing investment opportunity. Floating rate loans generally are subject to legal or contractual restrictions on resale. Floating rate loans also may trade infrequently on the secondary market. The value of the loan to the portfolio may be impaired in the event that the portfolio needs to liquidate such loans. The inability to purchase or sell floating rate loans and other debt securities at a fair price may have a negative impact on the portfolio's performance. Securities in which the portfolio invests may be traded in the over-the-counter market rather than on an organized exchange and therefore may be more difficult to purchase or sell at a fair price. Judgment plays a larger role in valuing these investments as compared to valuing more liquid investments.

**Low and Below Investment Grade (High-Yield) Securities Risk.** Securities with the lowest investment grade rating, 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 react more 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 have greater price fluctuations and are 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. These securities may require a greater degree of judgment to establish a price, may be difficult to sell at the time and price the portfolio 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.

**Market Value/Book Value Risk.** Book value contracts are backed by high quality fixed income securities "wrapped" by creditworthy financial institutions to stabilize their value. Generally, when the market value of the securities is greater than the book value neither the investor nor the contract issuer have risk to the other. In this scenario, bonds could be sold at market value and pay all benefits and the contract issuers would not need to make up any losses. Investor risk increases as the market value of the securities declines relative to the book value because the contract issuer must be able to make up market losses on participant benefit payments. As the size of potential loss to be made up increases, larger benefit payments would need to be made.

**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 be less liquid and fluctuate more sharply in value than securities of larger companies. When the portfolio 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 portfolio 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.

**Mortgage- and Other Asset-Backed Securities Risk.** 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. Mortgage-backed securities represent interests in, or are backed by, pools of mortgages from which payments of interest and principal (net of fees paid to the issuer or guarantor of the securities) are distributed to the holders of the mortgage-backed securities. Mortgage-backed securities can have a fixed or an adjustable rate. Payment of principal and interest on some mortgage-backed securities (but not the market value of the securities themselves) may be guaranteed (i) by the full faith and credit of the U.S. Government (in the case of securities guaranteed by the Government National Mortgage Association) or (ii) by its agencies, authorities, enterprises or instrumentalities (in the case of securities guaranteed by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)), which are not insured or guaranteed by the U.S. Government (although FNMA and FHLMC may be able to access capital from the U.S. Treasury to meet their obligations under such securities). 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 be supported by various credit enhancements, such as pool insurance, guarantees issued by governmental entities, letters of credit from a bank or senior/subordinated structures, and 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. In addition, the impact of prepayments on the value of mortgage-backed securities may be difficult to predict and may result in greater volatility. 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. Municipal securities can be significantly affected by political and legislative changes at the state or federal level. Municipal securities may be fully or partially backed by the taxing authority of the local government, by the credit of a private issuer, by the current or anticipated revenues from a specific project or specific assets or by domestic or foreign entities providing credit support, such as letters of credit, guarantees or insurance, and are generally classified into general obligation bonds and special revenue obligations. General obligation bonds are backed by an issuer's taxing authority and may be vulnerable to limits on a government's power or ability to raise revenue or increase taxes. They may also depend for payment on legislative appropriation and/or funding or other support from other governmental bodies. Revenue obligations are payable from revenues generated by a particular project or other revenue source, and are typically subject to greater risk of default than general obligation bonds because investors can look only to the revenue generated by the project or other revenue source backing the project, rather than to the general taxing authority of the state or local government issuer of the obligations. Because many municipal securities are issued to finance projects in sectors such as education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. Municipal securities generally pay interest that, in the opinion of bond counsel, is free from U.S. federal income tax (and, in some cases, the federal alternative minimum tax). There is no assurance that the Internal Revenue Service (IRS) will agree with this opinion. In the event the IRS determines that the issuer does not comply with relevant tax requirements, interest payments from a security could become federally taxable, possibly retroactively to the date the security was issued, and the value of the security would likely fall. The amount of publicly available information for municipal issuers is generally less than for corporate issuers.

**Non-Diversification Risk.** A non-diversified portfolio may invest more of its assets in fewer companies than if it were a diversified portfolio. Because each investment has a greater effect on the portfolio's performance, the portfolio may be more exposed to the risks of loss and volatility than a portfolio that invests more broadly.

**Portfolio Turnover Risk.** The portfolio manager may actively and frequently trade securities in the portfolio to carry out its principal strategies. A high portfolio turnover rate increases transaction costs, which may increase the portfolio's expenses. Frequent and active trading may also cause adverse tax consequences for investors in the portfolio due to an increase in short-term capital gains.

**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. This risk is primarily associated with asset-backed securities, including mortgage-backed securities and floating rate loans. If the investment is converted, prepaid or redeemed before maturity, particularly during a time of declining interest rates or spreads, 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. Conversely, as interest rates rise or spreads widen, the likelihood of prepayment decreases and the maturity of the investment may extend. 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.

**Quantitative Model Risk.** The portfolio may use quantitative methods to select investments. Securities or other investments selected using quantitative methods may perform differently from the market as a whole or from their expected performance for many reasons, including factors used in building the quantitative analytical framework, the weights placed on each factor, and changing sources of market returns, among others. Any errors or imperfections in the portfolio manager's quantitative analyses or models, or in the data on which they are based, could adversely affect the portfolio manager's effective use of such analyses or models, which in turn could adversely affect the portfolio's performance. There can be no assurance that these methodologies will enable the portfolio to achieve its objective.

**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.

**Regulatory Risk.** A stable value strategy may not be able to be maintained if a governmental or self-regulatory authority determines that the book valuation of wrapped assets is inappropriate.

**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.

**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.** The portfolio may establish short positions which introduce more risk to the portfolio than long positions (where the portfolio owns the instrument) because the maximum sustainable loss on an instrument purchased (held long) is limited to the amount paid for the instrument plus the transaction costs, whereas there is no maximum price of the shorted instrument when purchased in the open market. Therefore, in theory, short positions have unlimited risk. The portfolio's use of short positions in effect "leverages" the portfolio. Leverage potentially exposes the

portfolio to greater risks of loss due to unanticipated market movements, which may magnify losses and increase the volatility of returns. To the extent the portfolio takes a short position in a derivative instrument, this involves the risk of a potentially unlimited increase in the value of the underlying instrument.

**Small- and Mid-Cap Company Securities Risk.** Securities of small- and mid-capitalization companies (small- and mid-cap companies) can, in certain circumstances, have a higher potential for gains than securities of larger, more established companies (larger companies) but may also have more risk. For example, small- and 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. Small- and 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 small- and mid-cap companies may trade less frequently and in smaller volumes and may be less liquid and fluctuate more sharply in value than securities of larger companies. When the portfolio takes significant positions in small- and mid-cap companies with limited trading volumes, the liquidation of those positions, particularly in a distressed market, could be prolonged and result in portfolio investment losses. In addition, some small- and mid-cap companies may not be widely followed by the investment community, which can lower the demand for their stocks.

**Small Company Securities Risk.** Securities of small-capitalization companies (small-cap companies) can, in certain circumstances, have a higher potential for gains than securities of larger-capitalization companies (larger companies) but may also have more risk. For example, small-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. Small-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 small-cap companies may trade less frequently and in smaller volumes and may be less liquid and fluctuate more sharply in value than securities of larger companies. When the portfolio takes significant positions in small-cap companies with limited trading volumes, the liquidation of those positions, particularly in a distressed market, could be prolonged and result in portfolio investment losses. In addition, some small-cap companies may not be widely followed by the investment community, which can lower the demand for their stocks.

**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. With respect to sovereign debt of emerging market issuers, investors should be aware that certain emerging market countries are among the largest debtors to commercial banks and foreign governments. At times, certain emerging market countries have declared moratoria on the payment of principal and interest on external debt. Certain emerging market countries have experienced difficulty in servicing their sovereign debt on a timely basis and that has led to defaults and the restructuring of certain indebtedness to the detriment of debtholders.

**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.

**Tracking Error Risk.** The portfolio will not track its benchmark index perfectly and the result of this difference between the index and the portfolio can cause a difference in performance. The investment manager purchases securities and other instruments in an attempt to replicate the performance of the index. However, the tools that the investment manager uses to replicate the index are not perfect and the portfolio's performance is affected by factors such as the size of the portfolio, the effectiveness of sampling techniques, transaction costs, management fees and expenses, brokerage commissions and fees, the extent and timing of cash flows in and out of the portfolio and changes in the index.

**U.S. Government Obligations Risk.** 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. For example, securities issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Banks are neither insured nor guaranteed by the U.S. Government. These securities may be supported by the ability to borrow from the U.S. Treasury or only by the credit of the issuing agency, authority, instrumentality or enterprise and, as a result, are subject to greater credit risk than securities issued or guaranteed by the U.S. Treasury. Securities guaranteed by the Federal Deposit Insurance Corporation under its Temporary Liquidity Guarantee Program (TLGP) are subject to certain risks, including whether such securities will continue to trade in line with recent experience in relation to treasury and government agency securities in terms of yield spread and the volatility of such spread, as well as uncertainty as to how such securities will trade in the secondary market and whether that market will be liquid or illiquid. The TLGP is subject to change.

**Value Securities 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.

**Wrap Contract Risk.** Because the value of the securities in a stable value strategy will fluctuate, there is the risk that investors will lose money if the portfolio cannot enter into wrap contracts covering all the assets, or if the wrap issuers cannot meet their obligations.

**Zero-Coupon Bonds Risk.** Zero-coupon bonds are bonds that do not pay interest in cash on a current basis, but instead accrue interest over the life of the bond. As a result, these securities are issued at a discount and their values may fluctuate more than the values of similar securities that pay interest periodically. Although these securities pay no interest to holders prior to maturity, interest accrued on these securities is reported as income.

### **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 advisors 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), and 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 advisor 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.

#### **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.

#### **Investing Defensively**

When authorized by the client, Columbia Management Investment Advisers may from time to time seek to take temporary defensive investment positions that may be inconsistent with the principal investment strategy of a client account in attempting to respond to adverse market, economic, political, and social or other conditions. These temporary defensive investment positions may include, but are not limited to; (i) investing some or all of the client account assets in money market instruments or shares of affiliated or unaffiliated money market funds, (ii) holding some or all of the client account assets in cash or cash equivalents, or (iii) investing in derivatives, such as futures (e.g., index futures) or options on futures, for various purposes, including among others, investing in particular derivatives to achieve indirect investment exposures to a sector, country or region where the Columbia Management Investment Advisers believes such defensive positioning is appropriate. While a client account is so positioned defensively, derivatives could comprise a substantial portion of the account's investments.

See above for more information on the risks of investing in derivatives. A client account may not achieve its investment objective while it is investing defensively. During these times, the portfolio managers may make frequent portfolio holding changes, which could result in increased trading expenses and taxes, and decreased investment performance.

Where a client does not authorize the temporary defensive strategies described above, the client account will not achieve any potential benefits that other clients may achieve who have granted Columbia Management Investment Advisers the flexibility to employ temporary defensive strategies for their account. Further, where a client is not able to or does not authorize the use of certain derivative instruments, the temporary defensive strategies may be implemented less effectively and at greater cost to the client than if derivative instruments were employed in the account.