ColumbiaManagement

RiverSource Diversified Bond Fund

Key Information

Portfolio Managers

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Performance

RiverSource Diversified Bond Fund (the Fund) Class A shares gained 2.71% (excluding sales charge) for the three months ended June 30, 2010. The Fund underperformed the Barclays Capital U.S. Aggregate Bond Index (the Barclays Capital Index), which advanced 3.49%. The Fund also underperformed the Lipper Intermediate Investment Grade Index, representing the Fund's peer group, which increased 3.07%.

Environment

In a reversal from the prior quarter, higher quality fixed income sectors outperformed lower quality fixed income sectors during the three months ended June 30, 2010, as a classic flight to quality took hold on the back of sovereign debt crises in peripheral Europe, loss of stimulus-driven momentum in domestic economic data, concerns about Chinese government efforts to cool its economy, and pending financial regulatory reform.

U.S. Treasuries rallied strongly, with interest rates moving lower across the yield curve, pushing up bond prices and driving the Barclays U.S. Treasury Index to a gain of 4.69% for the quarter. Remember, there is usually an inverse relationship between bond prices and yield movements, so that bond prices rise when yields decline and vice versa. More specifically, two-year Treasury yields declined 41 basis points during the second quarter, five-year Treasury yields fell 77 basis points, 10-year Treasury yields were down 90 basis points, and 30-year Treasury yields decreased 82 basis points to end June at 3.89%. (A basis point is equal to 1/100th of a percentage point.) As yields on longer maturity bonds declined further than those on shorter maturity bonds the yield curve flattened.

Most non-Treasury sectors generated positive absolute total returns for the quarter, but lagged U.S. Treasuries, as investors demanded a higher risk premium to take on credit risk. Among the non-Treasury sectors within the Barclays Capital Index, mortgage-backed securities generated the best returns, followed by agency securities, commercial mortgage-backed securities (CMBS) and asset-backed securities. Corporate bonds, both investment grade and high yield, lagged U.S. Treasuries most. The credit markets began the second quarter

Average annual total returns (%) for periods ending June 30, 2010

Class A shares	1-year	3-year	5-year	10-year	Total Expense ratio
With sales charge	6.56%	3.88%	3.60%	4.80%	0.94%

The average annual total returns reflect the maximum initial sales charge of 4.75%.

The performance information shown represents past performance and is not a guarantee of future results. The investment return and principal value of your investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. To obtain performance information current to the most recent month-end by visiting riversource.com/investments.

of 2010 where they left off the first quarter — in rally mode. Much like the equity markets, however, the rally came to a halt in mid-to-late April. May 2010 saw CMBS post their first negative monthly total return since February 2009 and the worst performance for investment grade corporate bonds versus similar-duration U.S. Treasuries since March 2009 when the initial recovery from the 2008/early 2009 credit crisis began. For the quarter, CMBS underperformed comparable-duration Treasuries by just 0.7%. Investment grade and high yield corporate bonds underperformed comparable-duration Treasuries by 2.3% and 3.9%, respectively, for the quarter.

With inflation low and unemployment still hovering near 10%, the Federal Reserve Board (the Fed) maintained status quo throughout the quarter in its resolve to keep the targeted federal funds rate in the 0% to 0.25% range for an extended period. In its statement following its June 23 meeting, however, the Fed added a cautionary tone acknowledging that “financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad.”

Given the dramatic shift in investor risk sentiment during the quarter, sector allocation within the Fund was the primary detractor from its performance relative to the Barclays Capital Index. Significant allocations to CMBS and investment grade corporate bonds and exposures to high yield corporate bonds and emerging market debt hurt, as spreads, or the difference in yields between these sectors and duration-equivalent Treasuries, widened. Only partially offsetting these detractors were the modestly positive effects of having an underweighted exposure relative to the Barclays Capital Index in government-related agency securities, which also lagged Treasuries, and having a position in non-dollar currencies.

Duration positioning detracted from the Fund’s results as well. The Fund had a shorter duration than the Barclays Capital Index in anticipation of higher rates, but such positioning hurt as interest rates moved lower during the quarter. (Duration is a measure of the Fund’s sensitivity to changes in interest rates.)

Security selection contributed positively to the Fund’s results. Issue selection within the mortgage-backed security sector added value, with particularly positive contributions from agency mortgage-backed securities. Issue selection within CMBS and asset-backed securities notably boosted Fund results as well. Further, the Fund was positioned with a yield curve flattening bias, which proved effective as the yield curve, as mentioned, did indeed flatten during the quarter.

During the quarter, we made no major changes to the Fund’s sector allocations. However, we did modestly reduce the Fund’s position in agency mortgage-backed securities. Within the mortgage-backed securities sector, we maintained the Fund’s defensive stance, with a bias toward higher coupon mortgages. It is well worth noting that higher coupons outperformed lower coupons during the quarter as prepayments were low given the absolute level of interest rates.

We used the proceeds from the mortgage-backed security sales to incrementally add to the Fund’s investment grade and high yield corporate bond exposures on an opportunistic basis given the weakness of the credit sectors during the quarter. We added a small exposure to cyclical industries, as some of these credits seemed more appropriately priced for the prospect of uncertain near-term economic growth globally. We also increased the weighting to the banking sector, but maintained a relative underweight vs. the Barclays Capital Index.

While we remained cognizant of the headwinds facing the corporate bond sector as economic data turned less supportive, corporate fundamentals had actually improved over the past year or so and thus we believe the market may have overreacted in May and June. That said, as a result of such yield spread widening, whereby the differential in yields between corporate bonds and duration-equivalent U.S. Treasuries increased, we believe the risk/reward balance within the sector was more favorable at the end of the second quarter than it had been earlier in 2010. During the quarter, we also modestly added to the Fund's position in longer-dated AAA-rated CMBS holdings and in emerging market debt.

Outlook

At the end of the second quarter of 2010, we remained bearish on Treasury yields, believing that the absolute level of rates was too low for two primary reasons. First, we think that the heightened financial stress emanating from structural debt concerns in peripheral Europe should ease as the European Union rescue package and European Central Bank quantitative measures take effect. Second, we believe the economic recovery experienced since the middle of last year may have stalled somewhat but will likely resume over the balance of 2010. Both events will be supportive of higher long term yields going forward as investor risk appetite resumes and the flight to safety reverses.

Outside of Treasuries, we believe value remains in investment grade and high yield corporate bonds where, as indicated earlier, fundamentals have improved meaningfully in the past year. In particular, based on our research, we believe many BBB-rated issuers were attractively priced relative to higher quality issuers. Still, with renewed uncertainty around the strength of the ongoing recovery, the Fund's investment grade corporate exposure continued to be defensively positioned in non-cyclical segments such as industrials, telecommunications, electric utilities and gas pipelines. Within the high yield corporate bond market, default rates have declined dramatically, and we expect them to remain low. Indeed, JP Morgan is forecasting a 2% default rate within this segment of the fixed income market by year-end 2010, which trends well below its long-term historical averages of 4.14% over the past ten years and of 4.30% over the past 25 years. For both the investment grade and high yield corporate bond sectors, we believe second quarter 2010 corporate earnings season will be an important near-term benchmark to gauge whether or not corporate management teams are still optimistic about an ongoing recovery in end-demand from customers.

In agency mortgages, we intend to maintain the Fund's emphasis on higher coupon securities. The Fund's primary non-agency mortgage positioning continued to be in short, structured bonds that have not only historically provided attractive spreads versus Treasuries but may also provide protection against future uncertainty in housing and further government intervention, such as foreclosure moratoriums and additional large-scale modification programs. We also intend to maintain the Fund's significant exposure to CMBS, as we expect an improving economy may bode well for that sector and fundamental trends should continue to improve. All that said, we believe that security selection will remain key to Fund performance in the months ahead, and so, as always, we will maintain our disciplined focus on individual security selection.

As for the Fed, inflation data continues its downward trend given the substantial resource slack in the system and, as a result, we continue to believe that the Fed may keep rates at current levels until mid-to-late 2011. Given this view, we expect to maintain the Fund's duration shorter than the Barclays Capital Index for the near term as well as the Fund's yield curve flattening bias, as we believe that yields will rise as the market digests record Treasury supply and the recent flight to quality abates. With the rise in rates, we should see a gradual flattening bias in the Treasury yield curve, though in the near term, the yield curve may remain directional to the level of rates, market expectations of Fed policy actions, and the outcome of financial reform regulations.

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

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It is not possible to invest directly in an index.

There are risks associated with an investment in a bond fund, including credit risk, interest rate risk and prepayment and extension risk. See the Fund's prospectus for information on these and other risks associated with the Fund. In general, bonds prices rise when interest rates fall and vice versa. This effect is more pronounced for longer-term securities. Non-investment grade securities, commonly called "high-yield" or "junk" bonds, have more volatile prices and carry more risk to principal and income than investment grade securities.

The **Barclays Capital U.S. Aggregate Bond Index**, an unmanaged index, is made up of a representative list of government, corporate, asset-backed and mortgage-backed securities. The index is frequently used as a general measure of bond market performance. The index reflects reinvestment of all distributions and changes in market prices.

The **Lipper Intermediate Investment Grade Index** includes the 30 largest investment grade funds tracked by Lipper Inc. The index's returns include net reinvested dividends.

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