RiverSource Floating Rate Fund

Key Information

Portfolio Managers

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Performance

RiverSource Floating Rate Fund (the Fund) Class A shares declined 1.33% (excluding sales charge) for the three months ended June 30, 2010. The Fund underperformed the Credit Suisse Leveraged Loan Index (the CSLL Index), which fell 1.04% during the same time period.

Environment

The leveraged bank loan market generally performed well in April, with the rally that had started in late December 2008 continuing. However, the asset class experienced a dramatic reversal in May and June that pushed the CSLL Index into negative territory for the second quarter overall. The leveraged bank loan market was pulled down during the last two months of the quarter primarily by technical factors. In stark contrast, credit fundamentals for most issuers in the Fund's portfolio were stable to improving.

From a technical standpoint, it was both the declining equity market and moribund high yield corporate bond market that weighed on the leveraged bank loan market most, as concerns about the global economic recovery gained traction. Issuance in the high yield corporate bond market came to a virtual halt in early May and then remained weak in comparison to the last half of 2009 and first quarter of 2010. The lack of bond market refinancing led to a material drop in the amount of cash that loan managers had to redeploy, resulting in downward pressure on secondary loan prices.

On the positive side, new issue activity within the leveraged bank loan market also ground to a halt by mid-May and remained muted through the end of the second quarter. Therefore, we anticipate there will be less supply to be absorbed in the leveraged bank loan market over the next few months. We expect this reduced supply to begin helping secondary loan prices as fewer new deals are closed and funded. Mergers and acquisitions, as well as sponsor-led buyout activity, also remained extremely light during the second quarter, with most new

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

Class A shares	1-year	3-year	Since inception (2/16/2006)	Total Expense ratio
With sales charge	12.29%	-1.04%	1.46%	1.16%

The average annual total returns reflect the maximum initial sales charge of 3.00%.

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.

issue volume continuing to be driven by refinancing activity.

From a fundamental perspective, corporate earnings continued to improve across a wide variety of industries during the second quarter. The lagging 12-month default rate for loans rated less than investment grade continued to drop, reaching an 18-month low of 4.02% in June 2010 compared to double-digit rates at the end of 2009 and 5.8% at the end of March 2010. Independent rating agency upgrades of credit across a wide swath of industries continued, sustaining a trend that began surfacing during the fourth quarter of 2009.

Maintaining a somewhat longer-term perspective, it is worth noting that while May and June were challenging, the leveraged bank loan market, as measured by the CSLL Index, advanced 3.25% for the year-to-date ended June 30, 2010.

The Fund modestly underperformed the CSLL Index during the second quarter due to a combination of industry allocation and individual credit selection decisions. More specifically, the Fund was hurt by having sizable exposures to the broadcasting and chemicals industries, each of which underperformed the broader loan market, as measured by the CSLL Index. Individual credit selection within each of these areas also eroded performance, after being some of the Fund's best performers in the prior quarter. We continued to hold the majority of these positions based on our confidence both in the underlying fundamentals for these industries and in the prospects ahead for the specific credits.

Further, in general, the lower quality segments of the leveraged loan market, i.e. those rated B and CCC, underperformed higher quality credits, i.e. those rated BB and above, during the second quarter, a trend widely considered typical in a declining market. While we continue to believe the Fund's positions in these lower quality segments are good long-term holdings, particularly at valuations seen at the end of June 2010, they did modestly detract from the Fund's quarterly results.

Conversely, Fund holdings within the consumer products, manufacturing and telecommunications industries outpaced the broader CSLL Index overall, boosting the Fund's results. Individual credit selection within the utilities industry also proved effective. During the second quarter, we reduced the Fund's allocation to the health care industry, bringing it from a greater than CSLL Index position to a less than benchmark index exposure. As health care overall lagged the broader leveraged loan market for the quarter, such re-positioning helped the Fund's performance.

Outlook

We believe the technical scenario during the third quarter of 2010 is likely to stabilize as available supply shrinks to meet the reduced demand for leveraged loans. That said, we believe the high yield corporate bond market, and as a result the leveraged bank loan market, will likely remain weak as concerns regarding the strength of the global economic recovery negatively impact the broader capital markets. In such a near-term scenario, we expect inflows into retail loan mutual funds to be flat to slightly positive. Further depressing investor demand for floating rate asset classes may be the unlikelihood, in our view, of the Federal Reserve (the Fed) raising interest rates any time soon,

Meanwhile, we are encouraged by the strong performance of many issuers in the Fund's portfolio, especially compared to one year ago. How much these issuers may be impacted by a moderate slowdown in the global economic recovery is still unknown, but we believe the impact is likely to be minimal given the relative strength of their balance sheets at this point in the cycle.

Given the technical backdrop and prospects for a slowing recovery, we intend to increase the Fund's cash balances modestly over the near term to take advantage both of what we believe will be better market conditions in the future and of potential select opportunistic purchases on weakness over the months ahead. In our view, the recent back-up in the leveraged loan market has resulted in some interesting opportunities to purchase names that were previously fully valued or, in some cases, overvalued. As for the few new deals that will be brought to market over the next few months amid these uncertain market conditions, we expect them to be extremely well priced and featuring strong capital structures and dominant market positions. These are clearly the type of issues we want to add to the Fund's portfolio should the current market scenario persist.

Regardless of economic or market conditions, we will continue to invest in a diversified portfolio of senior secured floating rate loans and bonds, as we seek to provide a high level of current income and, as a secondary objective, preserve capital.

The Floating Rate Fund is designed for investors with an above average risk tolerance. The Fund invests primarily in floating rate loans, the market value of which may fluctuate, sometimes rapidly and unpredictably. The principal risks of investing in the fund include liquidity risk, interest rate risk, credit risk, counterparty risk, highly leveraged transactions risk, derivatives risk, confidential information access risk, and impairment of collateral risk. Generally, when interest rates rise, the price of fixed income securities fall, however, securities or loans with floating interest rates do not rise as much as interest rates in general. Limited liquidity may affect the ability of the fund to purchase or sell floating rate loans and have a negative impact on fund performance. The floating rate loans and securities in which the fund invests are lower-rated (non-investment grade) and are more likely to experience a default, which results in more volatile prices and more risk to principal and income than investment grade loans or securities. See the Fund's prospectus for information on these and other risks associated with the Fund.

The Credit Suisse (CSLL) Leveraged Loan Index is an unmanaged market value-weighted index designed to represent the investable universe of the U.S. dollar-denominated leveraged loan market. The index reflects reinvestment of all distributions and changes in market prices.

RiverSource® mutual funds are distributed by Columbia Management Investment Distributors, Inc. (formerly known as RiverSource Fund Distributors, Inc.), Member FINRA and managed by Columbia Management Investment Advisers, LLC (formerly known as RiverSource Investments, LLC).