

**Key Information**

**Portfolio Managers**

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## RiverSource Income Opportunities Fund

### Performance

RiverSource Income Opportunities Fund (the Fund) Class A shares declined 0.22% (excluding sales charge) for the three months ended June 30, 2010. The Fund underperformed its benchmark, the unmanaged Merrill Lynch U.S. High Yield Cash Pay BB-B Rated Constrained Index (Merrill Lynch Index), which rose 0.31%. The Fund outperformed its peer group, as represented by the Lipper High Current Yield Bond Funds Index, which fell 0.83% during the same period.

### Environment

The high yield bond market generated modestly positive returns during the second quarter, significantly outperforming equities but trailing U.S. Treasuries as a classic flight to quality took hold. The quarter started off strong with the continuation of the rally that had begun in early March 2009. However, investor risk-aversion heightened in late April as European sovereign debt concerns grew. After the disappointing May U.S. employment report, bearish sentiment gained momentum with additional economic indicators pointing to a slowdown in the pace of economic recovery. Financial regulation reform and slowing economic growth in China added to the list of investor concerns.

Intraday volatility ramped, as the high yield bond market generally followed equity market direction each day. However, the high yield bond market ultimately broke this trend late in June as mutual fund inflows led to a positive technical support factor given lower dealer inventories. Further, supply, via the new issue market, which was widely available until late May, was largely closed by the end of the quarter. On the fundamental side, default activity continued to subside, with only three bond defaults during the quarter.

The Fund outperformed its Lipper peer group in part because of effective issue selection and in part because the Fund does not buy bonds rated CCC by both Moody's and Standard & Poor's rating agencies. In a reversal from the prior quarter, bonds rated CCC, the riskiest issues of the high yield bond market, meaningfully underperformed higher quality bonds, including those rated BB and

Average annual total returns (%) for periods ending June 30, 2010					
Class A shares	1-year	3-year	5-year	Since inception (6/19/2003)	Total Expense ratio
With sales charge	12.97%	3.59%	4.84%	6.08%	1.19%

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](http://riversource.com/investments).*

B, during the quarter.

The primary reason for the Fund's underperformance of the Merrill Lynch Index was its underweighted exposure to financials. As these bonds, issued by banks, life insurance and other financial companies, comprise a significant portion of the Merrill Lynch Index and performed strongly during the quarter, the Fund did not fully participate in their gains. Our relative underweight to the financial sector is based on our view that the many of the bonds have unappealing characteristics such as Paid in Kind debt service whereby the debtor can pay its interest in additional bonds in lieu of cash, perpetual maturities meaning the bond has no stated maturity as well as junior subordinated positions within capitalization structure.

To a more modest degree, issue selection within electrical generation, a sub-group of the utilities industry; exploration and production, a sub-group of the energy industry; and software and services, a sub-group of the technology industry, detracted from Fund results as well.

From an individual security perspective, positions in financial services firm **Ally Financial**, previously known as GMAC (formerly the wholly owned financial services arm of General Motors), and specialty chemicals company **Hexion Finance** (a wholly owned special purpose subsidiary of Hexion Specialty Chemicals) detracted from the Fund's results during the quarter. A holding in U.S. oil and gas exploration and production company **Anadarko Petroleum** also modestly detracted from the Fund's results during the quarter. Anadarko Petroleum has a 25% non-operating working interest holder in the leaking Gulf of Mexico Macondo well. We bought Anadarko Petroleum after the oil spill had begun, believing that its price movement had been overdone. While our purchase may have proved a bit premature, we maintained the position on its compelling valuation and on the potential for its reduced reimbursement obligation given its minimal liability. Anadarko publicly commented in mid-June that it holds BP's actions responsible for the disaster.

On the positive side, strong credit selection and sizable allocations to the gaming and cable TV industries helped the Fund's performance most as did effective issue selection within the building materials industry. Among the Fund's top ten holdings, a position in independent power producer **NRG Energy** performed particularly well, boosting the Fund's results. The Fund also benefited from its position in the bond of a pharmaceutical company, whose price rose substantially upon the company's takeover during the quarter.

There were no significant changes in industry weightings during the quarter. At the end of June, the Fund had overweight positions compared to the Merrill Lynch Index in telecommunications (both wireless and wireline), media (including cable TV, broadcast and outdoor), health care providers, gaming, energy and chemicals. The Fund had more modest exposure than the Merrill Lynch Index to the financials, utilities, retail, steel, paper and forest products, and building construction/real estate industries at the end of the quarter. The Fund had virtually equal weighting to the Merrill Lynch Index in the information technology, aerospace and defense, and automotive industries at the end of June 2010.

## Outlook

At the end of June 2010, we maintained a constructive view on the high yield bond asset class over the mid to long term given our expectations for a moderate economic growth environment, gradual improvement in the employment and housing markets, adequate levels of liquidity for corporate issuers and lower default rates. Still, broader concerns are likely to continue to pressure higher-risk assets over the near term. These include worries stemming from possible European sovereign debt contagion, the potential for moderating consumption in China and its impact on global economic growth, the uncertainties surrounding financial regulation reform both here and abroad, and a variety of geopolitical challenges. Another persistent concern is the non-farm payroll report. While the weaker payroll data during the second quarter does lead to questions regarding the health of consumer spending, we expect that corporate earnings growth will ultimately lead to much-anticipated job growth. We also believe that second quarter earnings reports will likely prove to be a positive market catalyst, as investors shift their attention away from macro-induced fears toward company-specific fundamental earnings growth as an insight into business conditions over the months ahead.

Given our view, we saw valuations within the asset class at the end of June as attractive, as the recent sell-off in the high yield bond market pushed spreads (the difference in yields between these securities and duration-equivalent Treasuries) wide to their 20-year median. We continue to believe that spread tightening (a narrowing of yields between high yield corporate bonds and Treasuries) will hinge on real demand driving organic revenue growth and improving corporate fundamentals. We expect such a rebound to be further supported by broad macroeconomic improvement that fuels job growth and subsequent increased consumer spending.

Importantly, while primary financial markets were not as available during the second quarter as they were earlier in the year, the benefits of access to capital over the past 15 months or so had allowed for the refinancing or extension of approximately 30% of the next four years' maturity schedules across high yield corporate bond issuers. We strongly believe that this bodes well for default rates to remain low over the next year or two and will be supportive of valuations as well. At the end of the quarter, defaults in the high yield sector were 2.9% per JP Morgan and are forecasted to be as low as 2% by year end, which is well below long-term historical averages of approximately 4% over the past ten years. Such forecasts also suggest a significant tightening in high yield bond spreads. We believe valuations at the end of the second quarter were already compensating for risk in the marketplace. Overall, although economic growth rates are likely to be muted relative to typical recovery periods, a 2% to 3% GDP growth rate, when combined with low interest rates and low default rates, should, we believe, be supportive of the high yield bond market going forward.

Per our long-held investment strategy, we look to be opportunistic buyers during market pullbacks. Thus, at the end of the quarter, we were finding more value and our disciplined credit selection process helped us to position the portfolio to take advantage of the increased opportunities. As we move forward, we believe the high yield bond market will increasingly be a bond-picker's market rather than one directed by more broad industry or sector bets. We thus strongly believe that the key to potential outperformance will be leveraging our strength in credit research. We employ a bottom-up approach when selecting bonds (though we also supply a top-down assessment on that approach). One of our competitive

**Top Holdings (% of net assets)  
as of June 30, 2010**

Ally Financial	1.78
Nextel Communications	1.78
CIT Group	1.63
HCA	1.30
NRG Energy	1.23
Quicksilver Resources	1.14
Anadarko Petroleum	1.07
Reynolds	1.05
CC Holdings	1.05
Hexion Finance	1.00

Top 10 holdings are shown in descending order of value and exclude short-term holdings and cash, if applicable. Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security.

advantages is that our team of analysts performs in-depth research to acquire deep knowledge and insight of the industries it covers. We also believe the management of risk and return are inseparable and maintain a diligent review of potential credit risks at individual companies. Our investment process leads us to sell bonds when we believe that risks outweigh a bond's total return potential. We intend, of course to continue to seek opportunities to capitalize on attractively valued bonds that have the potential for positive returns. As always, our disciplined credit selection, based on strong fundamental analysis and rigorous risk management, remains our guiding principle.

**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](http://riversource.com). Read the prospectus carefully before investing.**

The views expressed are as of the date given, may change as market or other conditions change, and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. This information is not intended to provide investment advice and does not account for individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon, and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that the forecasts are accurate.

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 usually more pronounced for longer-term securities. Non-investment grade securities, commonly called "high-yield" or "junk" bonds, generally have more volatile prices and carry more risk to principal and income than investment grade securities.

The **Merrill Lynch U.S. High Yield Cash Pay BB-B Rated Constrained Index** is an unmanaged index of high yield bonds. The index is subject to a 2% cap on allocation to any one issuer. The 2% cap is intended to provide broad diversification and better reflect the overall character of the high yield market. The index reflects reinvestment of all distributions and changes in market prices.

The **Lipper High Current Yield Bond Funds Index** includes the 30 largest high yield bond funds tracked by Lipper Inc. The index's returns include net reinvested dividends.

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