

Economic Groundhog Day

Early Signs of Spring or Six More Months/Years of Economic Winter?

May 2009

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Most current available data is included.

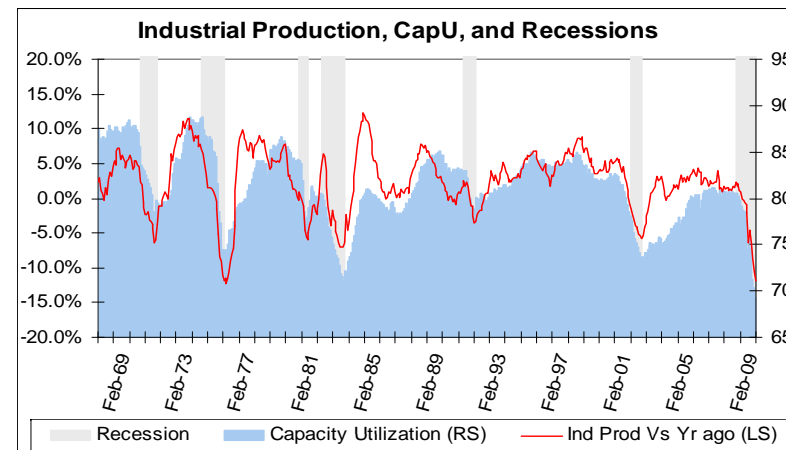
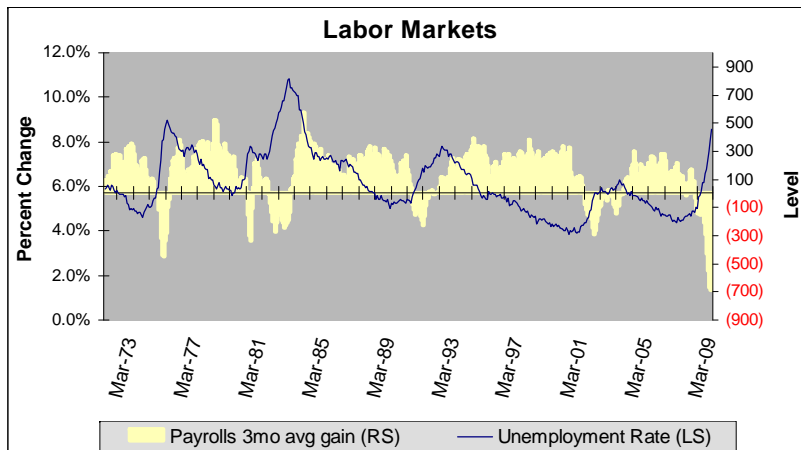
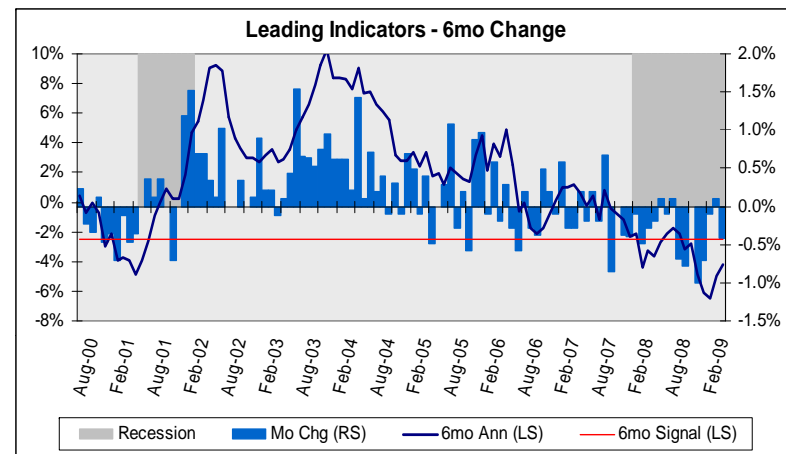
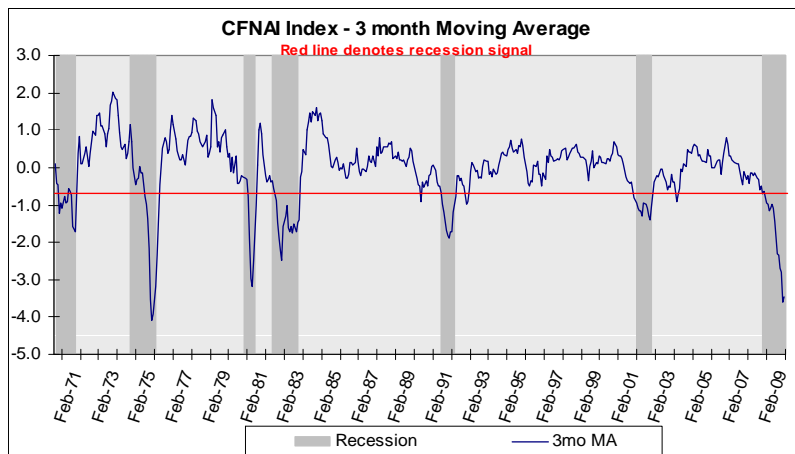
Past performance is no guarantee of future results.

The Great Recession Is Passing Its Point of Maximum Strength

- The recession is continuing
- Risk of a Great Depression has eased
- Massive monetary stimulus averted a depression
- Banks are still lending
- Will banks fail the stress test?
- Equities are reasonable value
- Corporate bond spreads will fall
- The cost may be modest growth for a long time
- We are not Japan

The Recession Is Continuing

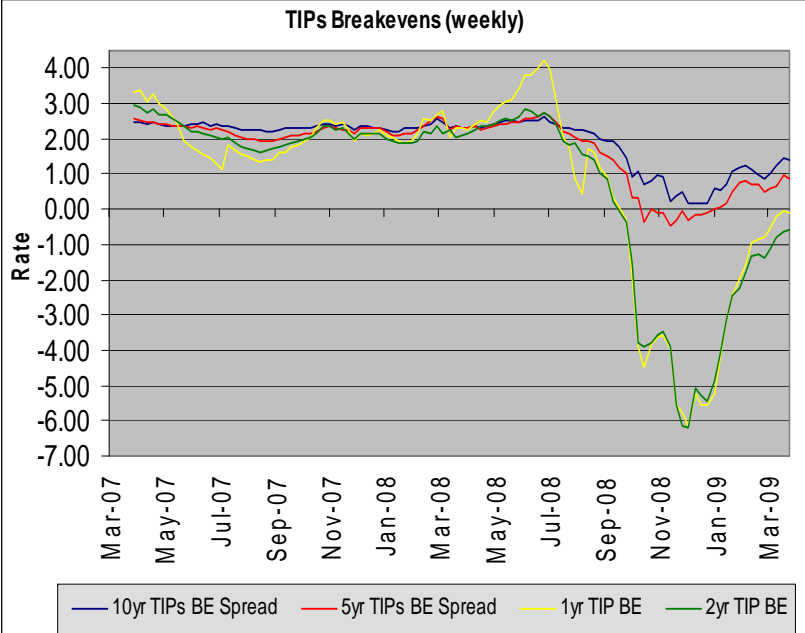
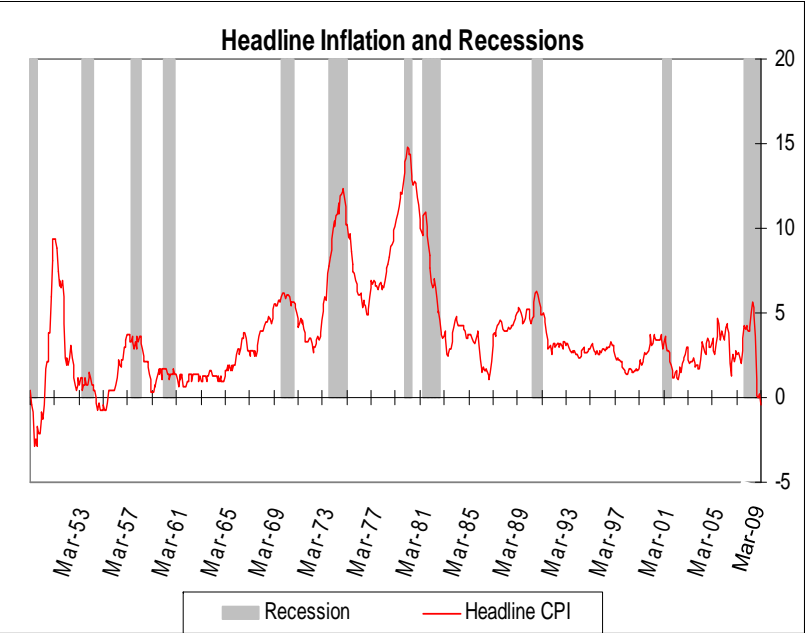
Most Indicators Are Still Significantly Negative



Sources: Bureau of Labor Statistics as of March 2009 and Bloomberg as of February 2009

The Recession Is Continuing

Deflation Remains the Bigger Concern



Sources: Bureau of Labor Statistics and Bloomberg as of March 2009

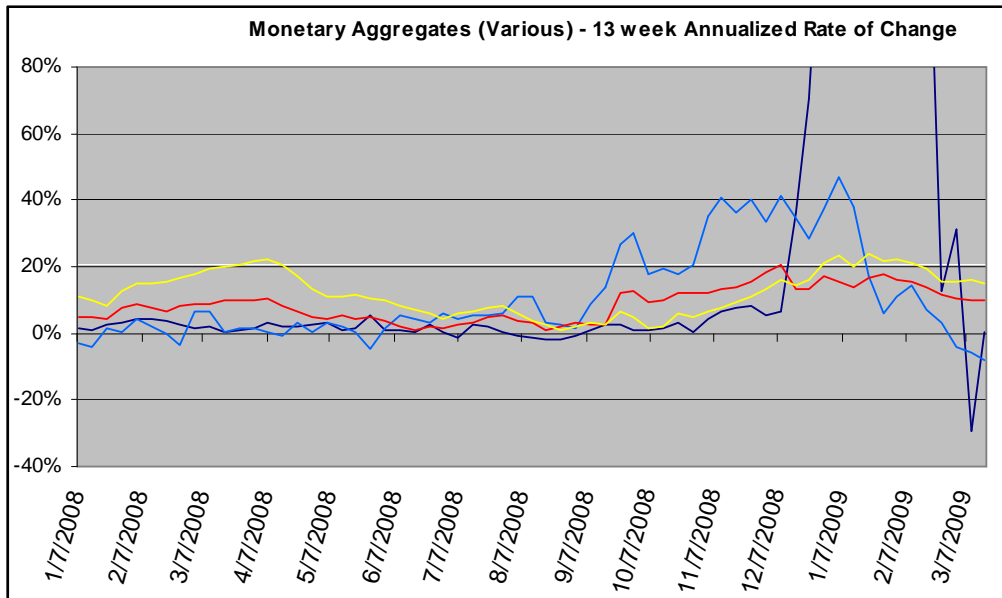
Morgan Stanley Business Conditions Index

An Example of Poor But Improving Numbers

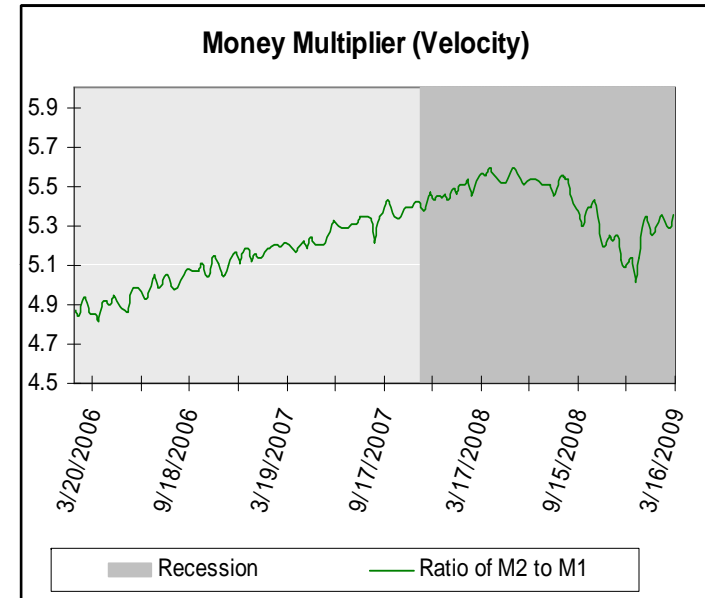
| | Oct 08 | Nov 08 | Dec 08 | Jan 09 | Feb 09 | Mar 09 | Apr 09 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Morgan Stanley Business Conditions Index (seasonally adjusted) | 11 | 11 | 12 | 26 | 24 | 37 | 45 |
| Price Index | 63 | 43 | 47 | 48 | 43 | 39 | 41 |
| Credit Conditions Index | 11 | 6 | 19 | 35 | 56 | 54 | 56 |
| Advance Bookings Index | 24 | 10 | 11 | 15 | 11 | 18 | 28 |
| Business Conditions Expectations Index | 6 | 16 | 12 | 18 | 36 | 36 | 63 |
| MSBCI (3-month moving average) | 21 | 15 | 11 | 16 | 21 | 29 | 36 |
| Hiring Plans (% of respondents reporting increase over next 3 months) | 13 | 7 | 7 | 0 | 0 | 2 | 0 |
| Capex Plans (% of respondents reporting increase over next 3 months) | 29 | 13 | 11 | 10 | 10 | 9 | 7 |

Source: Morgan Stanley Research as of April 2009

Massive Monetary Stimulus Averted a Depression



- Monetary Base
- M1 Index
- M2 Index
- MZM Index

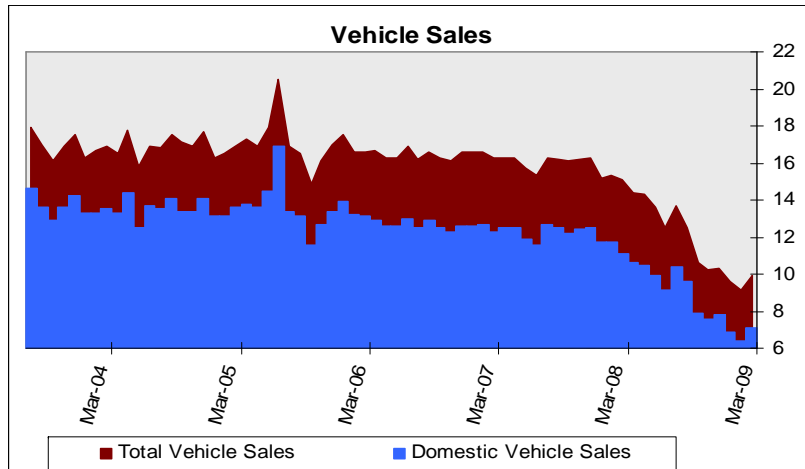


Source: Columbia Management Advisors as of March 2009

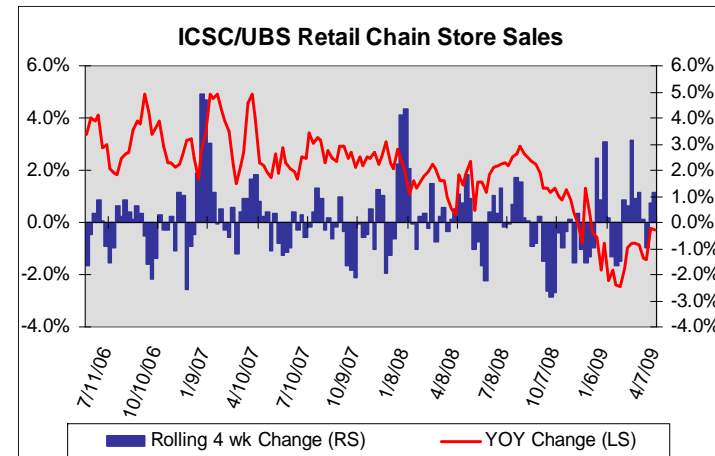
Massive Monetary Stimulus Averted a Depression

Consumer Showing Signs of Bottom

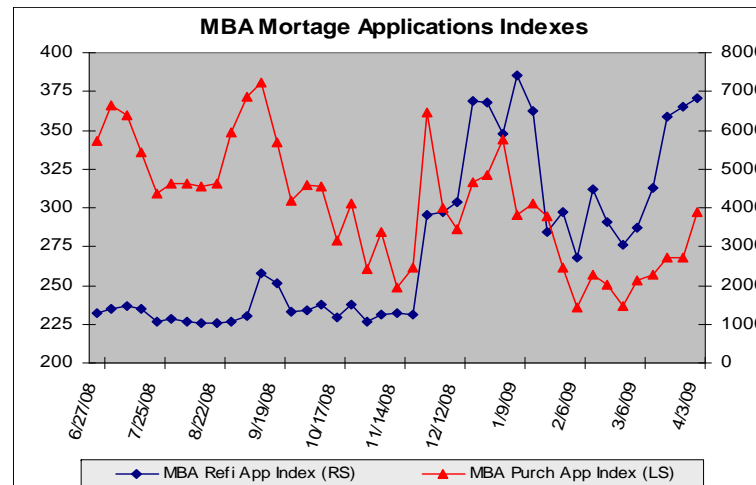
Auto Sales



Retail Sales



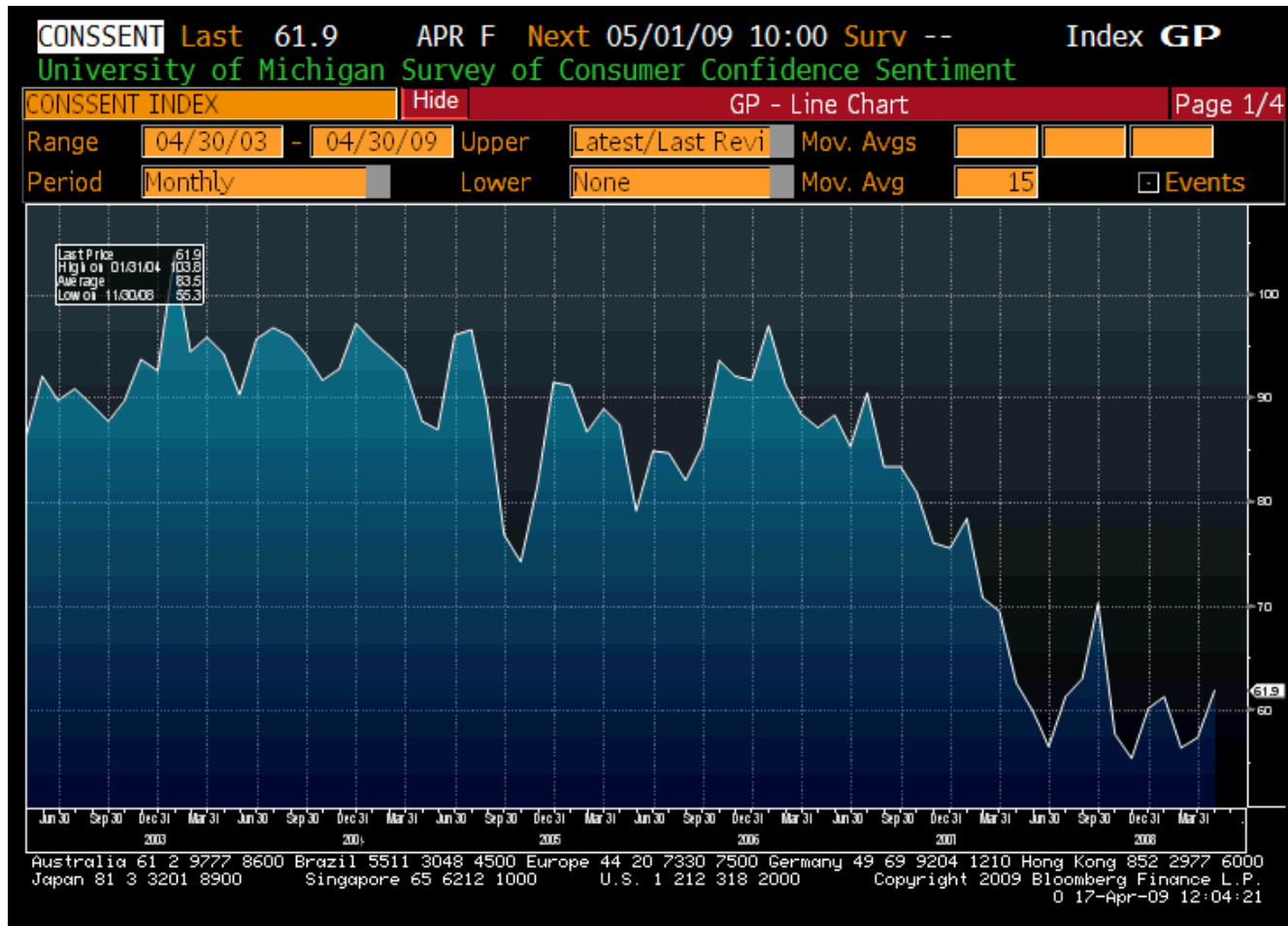
Home Sales



Sources: Bloomberg as of March 2009, ICSC–Goldman Sachs and Mortgage Bankers Association as of April 2009

Massive Monetary Stimulus Averted a Depression

Consumer Confidence Is Improving — Is It Sustainable?

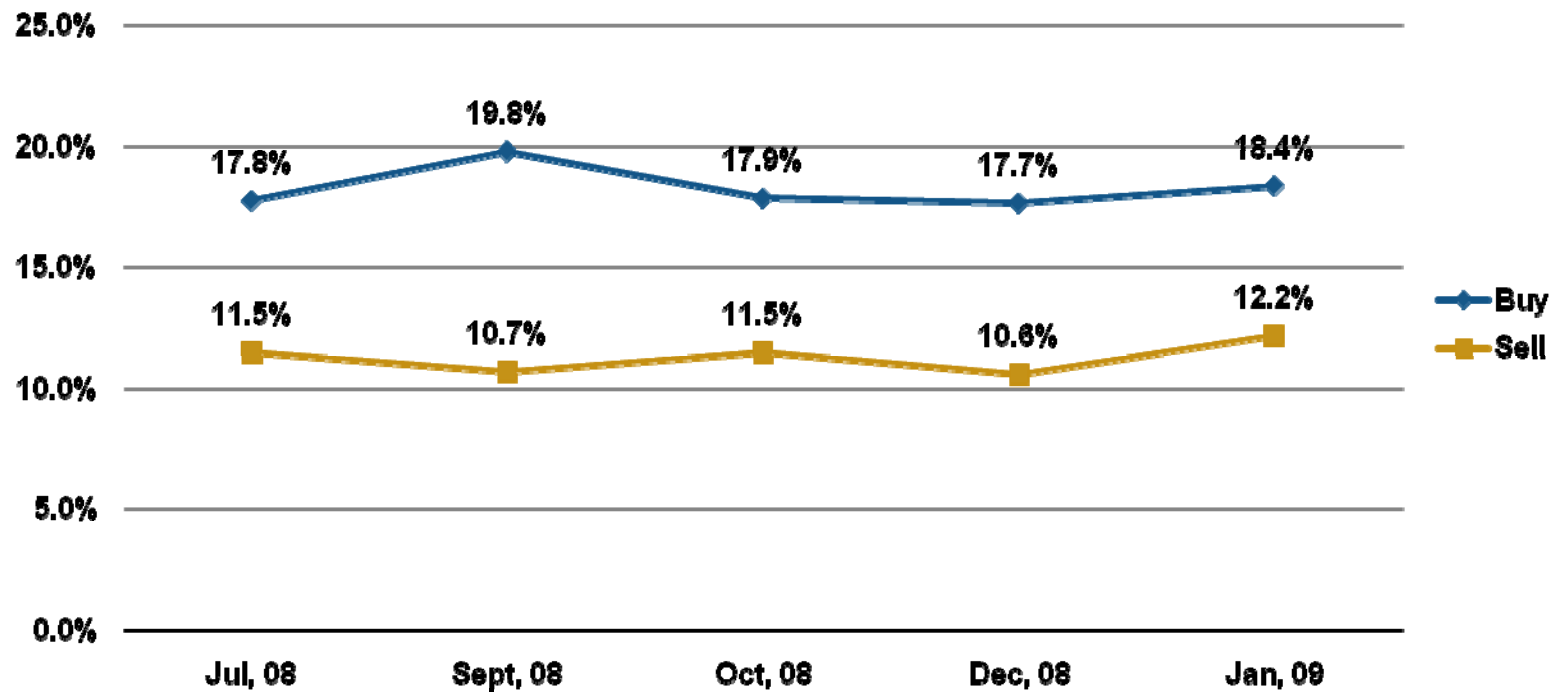


Sources: University of Michigan, Reuters and Bloomberg as of March 2009

Is Housing Bottoming? — Volume vs. Price

Housing

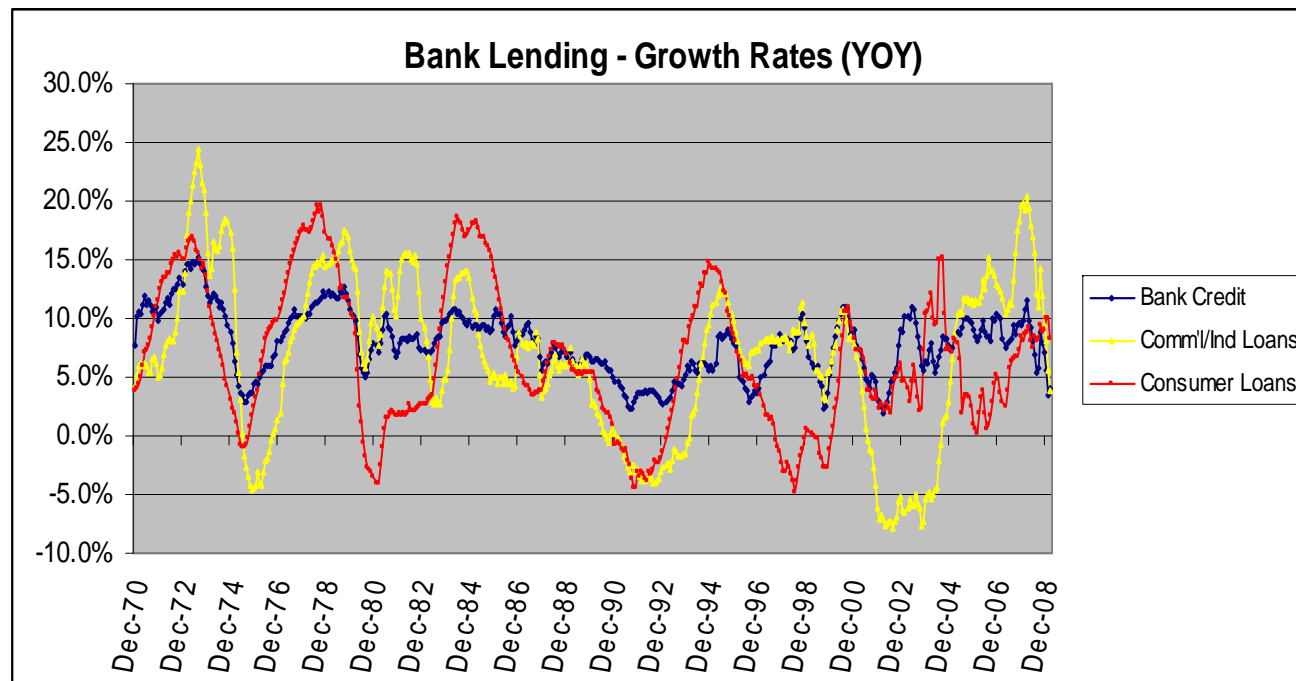
Consumer Propensity to Buy or Sell a Home



Source: MKM Partners, LLC as of January 2009

Banks Are Still Lending

- Indeed, while growth rates have slowed, they are still near 5% (annualized).
- In past recessions, bank credit slowed more than current rates and loans growth was negative.



Source: Federal Reserve as of March 2009

Will Banks Fail the Stress Test?

What If Some Don't?

| | Bank A | Bank B | Bank C | Bank D | Bank E | Bank F |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Risk Adjusted Assets / Tangible Assets | 54% | 59% | 90% | 83% | 91% | 88% |
| Market Cap / Tangible Common Equity | 42% | 177% | 273% | 49% | 367% | 481% |
| Projected 2009 Net Income Available to Common (NIAC) | | | | | | |
| “Street” Median NIAC | 377,000 | 7,277,000 | 1,331,000 | -935,600 | 2,114,850 | 6,767,000 |
| “Street” Low NIAC | -7,391,000 | 5,776,000 | 171,000 | -1,712,000 | 1,464,000 | 1,879,000 |
| CMA “Stress” NIAC — 2 Year Future Loss Periods | -32,331,922 | -8,479,055 | -3,669,067 | -2,025,515 | -1,191,224 | -6,964,633 |
| CMA “Stress” NIAC — 3 Year Future Loss Periods | -17,129,273 | 2,416,404 | -2,674,170 | -1,078,374 | 751,015 | -1,179,375 |
| Net Total Loans / Tangible Assets | 36% | 34% | 63% | 69% | 73% | 69% |
| Risky Trading, AFS and HTM Securities % Tangible Assets | 28% | 23% | 10% | 3% | 2% | 11% |
| 30–89 Days Delinquent % Loans | 2.50% | 2.22% | 1.94% | 1.93% | 1.93% | 2.57% |
| Noncurrent % Loans | 3.96% | 3.04% | 2.32% | 2.06% | 2.01% | 2.52% |
| Delinquent and Noncurrent % Loans | 6.46% | 5.25% | 4.25% | 3.99% | 3.94% | 5.09% |
| Delinquent and Noncurrent % Tangible Assets | 2.34% | 1.80% | 2.70% | 2.76% | 2.86% | 3.52% |
| Cumulative Losses % Loans | 6.6% | 4.3% | 2.6% | 3.6% | 3.1% | 3.5% |
| Future Losses % Loans | 15.3% | 13.5% | 10.5% | 8.5% | 10.4% | 11.9% |
| Total Estimated Cumulative Losses % Loans | 21.9% | 17.8% | 13.1% | 12.1% | 13.5% | 15.4% |
| Tangible Common Equity / Tangible Assets | 2.5% | 3.4% | 2.3% | 5.0% | 3.4% | 1.4% |
| Tangible Total Equity / Tangible Assets | 3.5% | 4.9% | 5.2% | 7.4% | 6.5% | 3.8% |
| Tangible Total Equity and TRUPS / Tangible Assets | 4.8% | 5.8% | 6.2% | 8.1% | 8.1% | 5.4% |
| Tier 1 RBC % | 11.8% | 10.9% | 9.7% | 10.4% | 10.6% | 7.8% |
| Total RBC % | 15.6% | 14.9% | 13.2% | 14.6% | 14.3% | 11.8% |
| Tier 1 Leverage % | 6.0% | 6.9% | 17.5% | 8.5% | 9.8% | 14.5% |
| Tangible Common Equity / Tangible Assets | -0.7% | 2.7% | 0.6% | 2.2% | 3.0% | 0.6% |
| Tangible Total Equity / Tangible Assets | 0.4% | 4.3% | 3.5% | 4.7% | 6.4% | 3.2% |
| Tangible Total Equity and TRUPS / Tangible Assets | 1.7% | 5.2% | 4.6% | 5.5% | 8.0% | 4.9% |

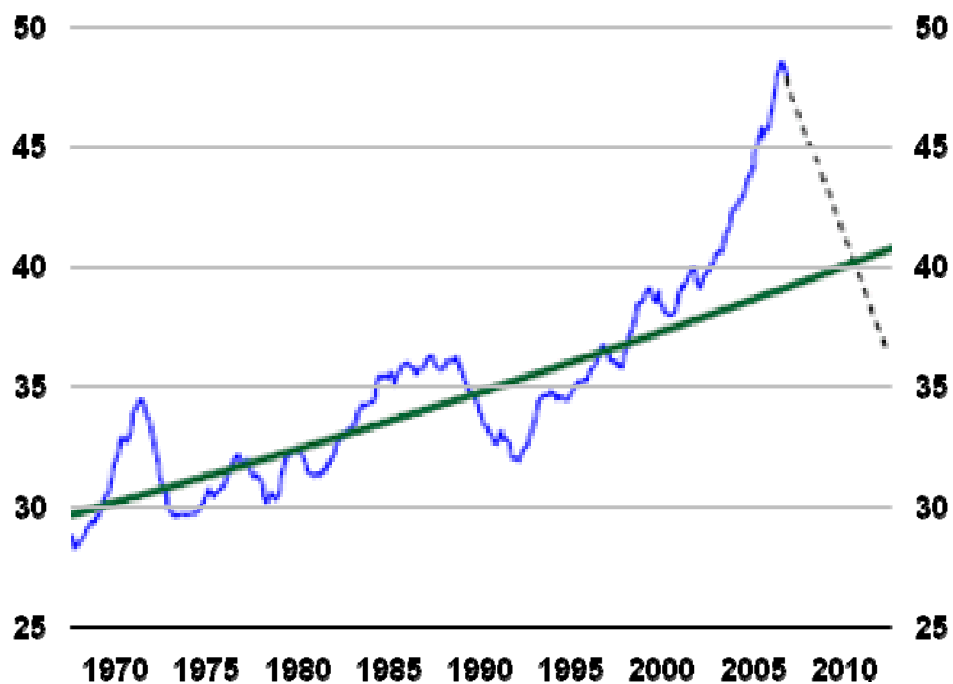
Source: Columbia Management Advisors based on balance sheet data as of December 31, 2008

But — Bank Loan Growth Had Been Too High

Chart 7: Major deleveraging cycle ahead

Bank loans as a % of GDP:

--- 10% below time trend in 2013 — Time trend

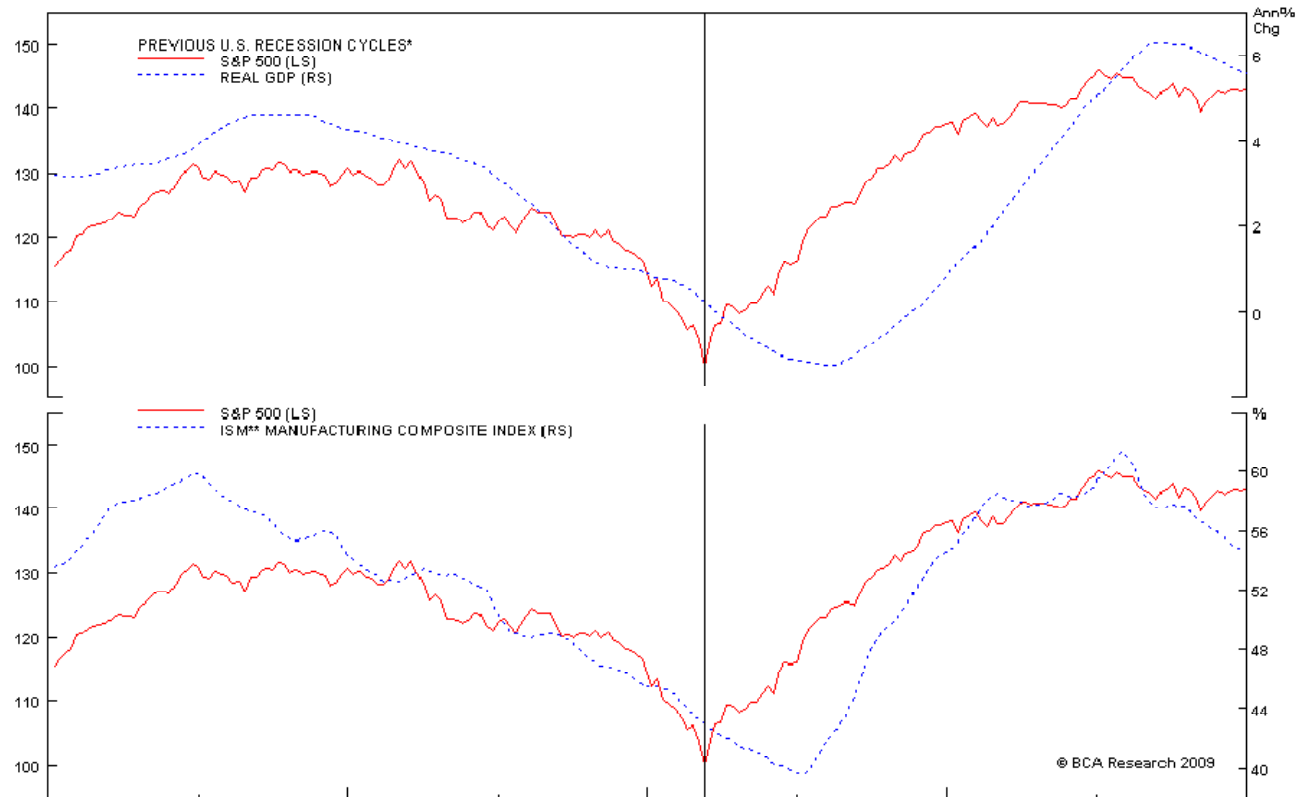


Source: BCA Research

Equities Are Reasonable Value

Equity Market Historically Leads GDP and ISM

Equities “predict” more recessions and expansions than actually occur.

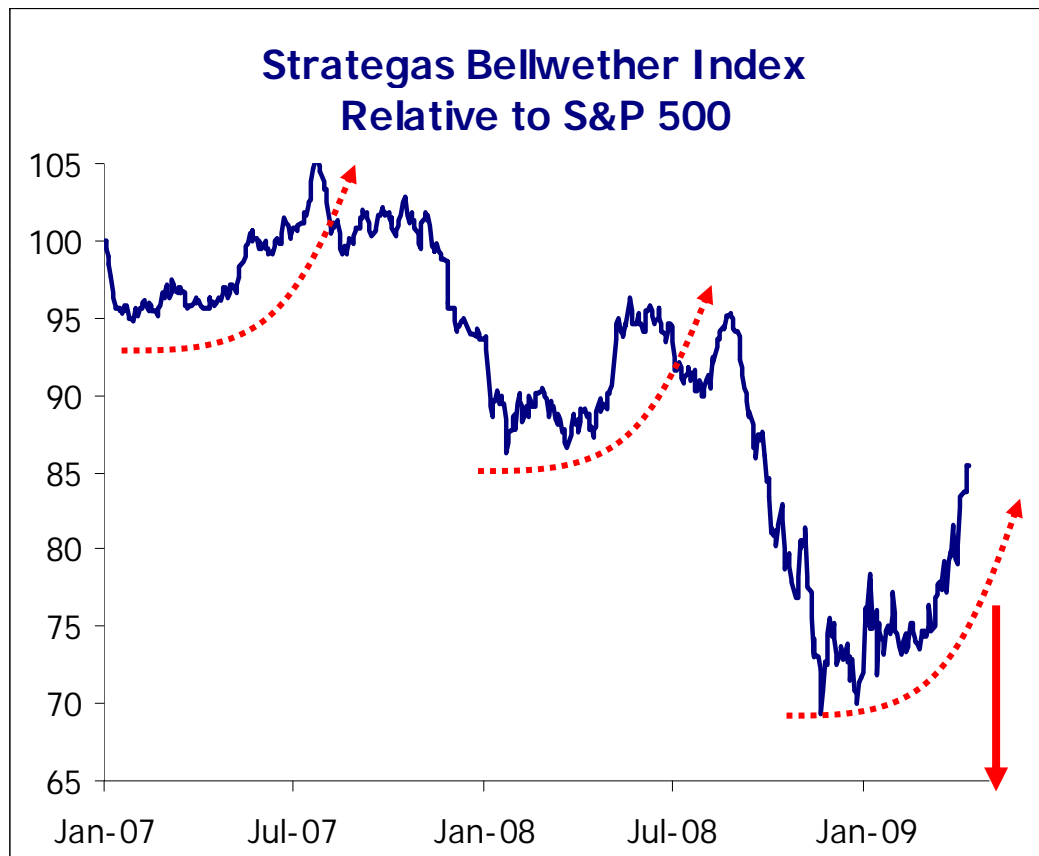


* INCLUDES BEAR MARKETS OF 1957, 1960, 1970, 1974, 1982 AND 1990. S&P 500 IS REBASED TO 100 AT BOTTOM.
** INSTITUTE FOR SUPPLY MANAGEMENT.

Source: BCA Research, graphs provided by BCA and current as of December 2008

Sustainable Recovery?

Beware of Market-Based “Predictions”



Strategas Bellwether Index is a construction of the 15 S&P 500 Index stocks with the highest correlation to nominal GDP growth over the last 10 years.

Source: Strategas: Investment Strategy Report as of Monday, April 2009

Equities Are Reasonable Value

Equity Valuation Matrix

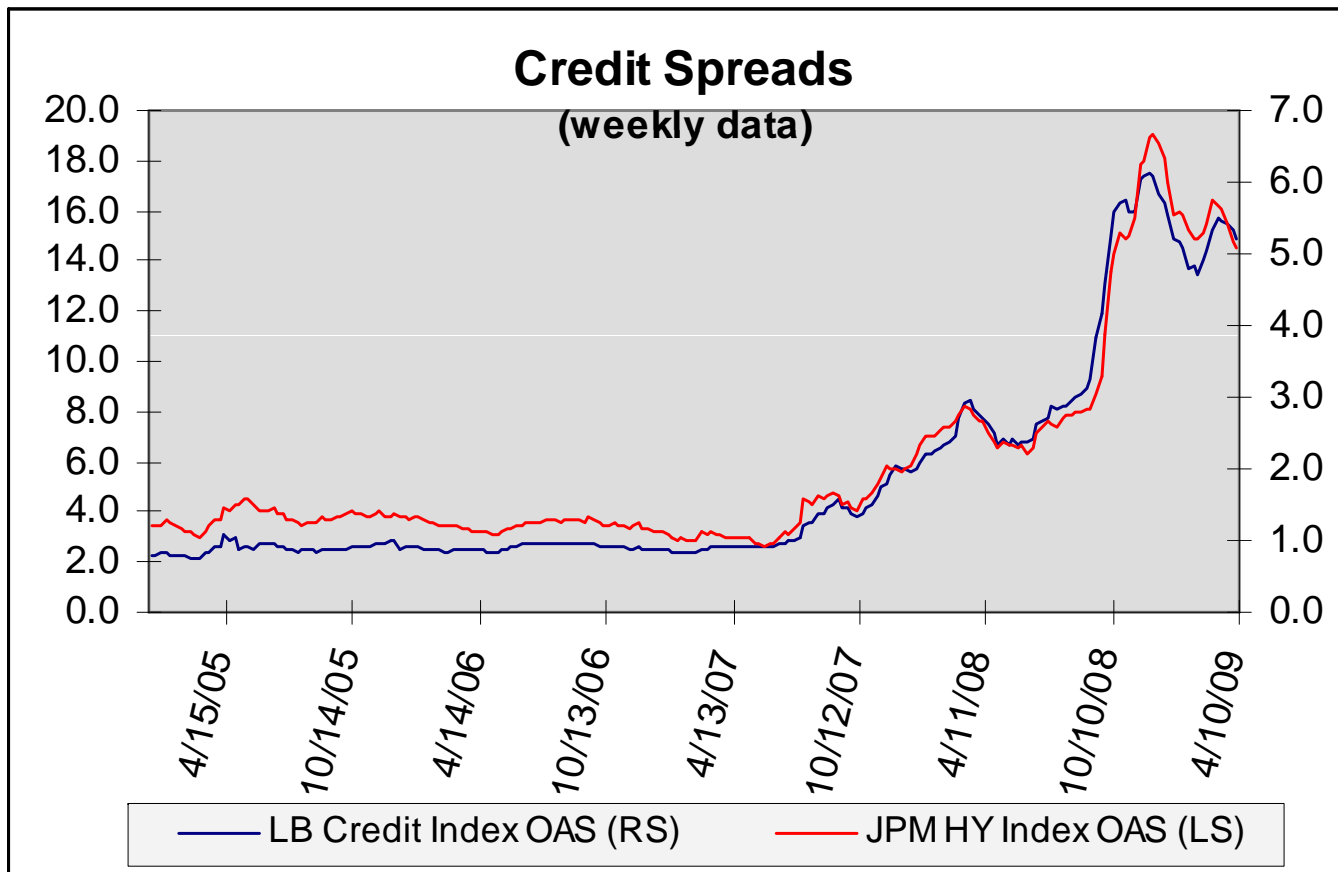
| EPS/ PER | 50 | 55 | 60 | 65 | 70 | 75 |
|----------------------------|-----|-----|-----|-------------------------------|------|------|
| "Long and Deep Recession" | | | | "Long and Shallow Recession" | | |
| 12x | 600 | 660 | 720 | 780 | 840 | 900 |
| 13x | 650 | 705 | 780 | 845 | 910 | 965 |
| 14x | 700 | 770 | 840 | 910 | 980 | 1050 |
| 15x | 750 | 825 | 900 | 975 | 1050 | 1125 |
| 16x | 800 | 880 | 960 | 1040 | 1120 | 1200 |
| "Short and Deep Recession" | | | | "Short and Shallow Recession" | | |

EPS: Estimated Aggregate Earnings per Share for S&P 500 Index Constituents

PER: Potential Multiples of Earnings per Share Used to Predict the Value of the S&P 500 Index

Source: Columbia Management Advisor Research

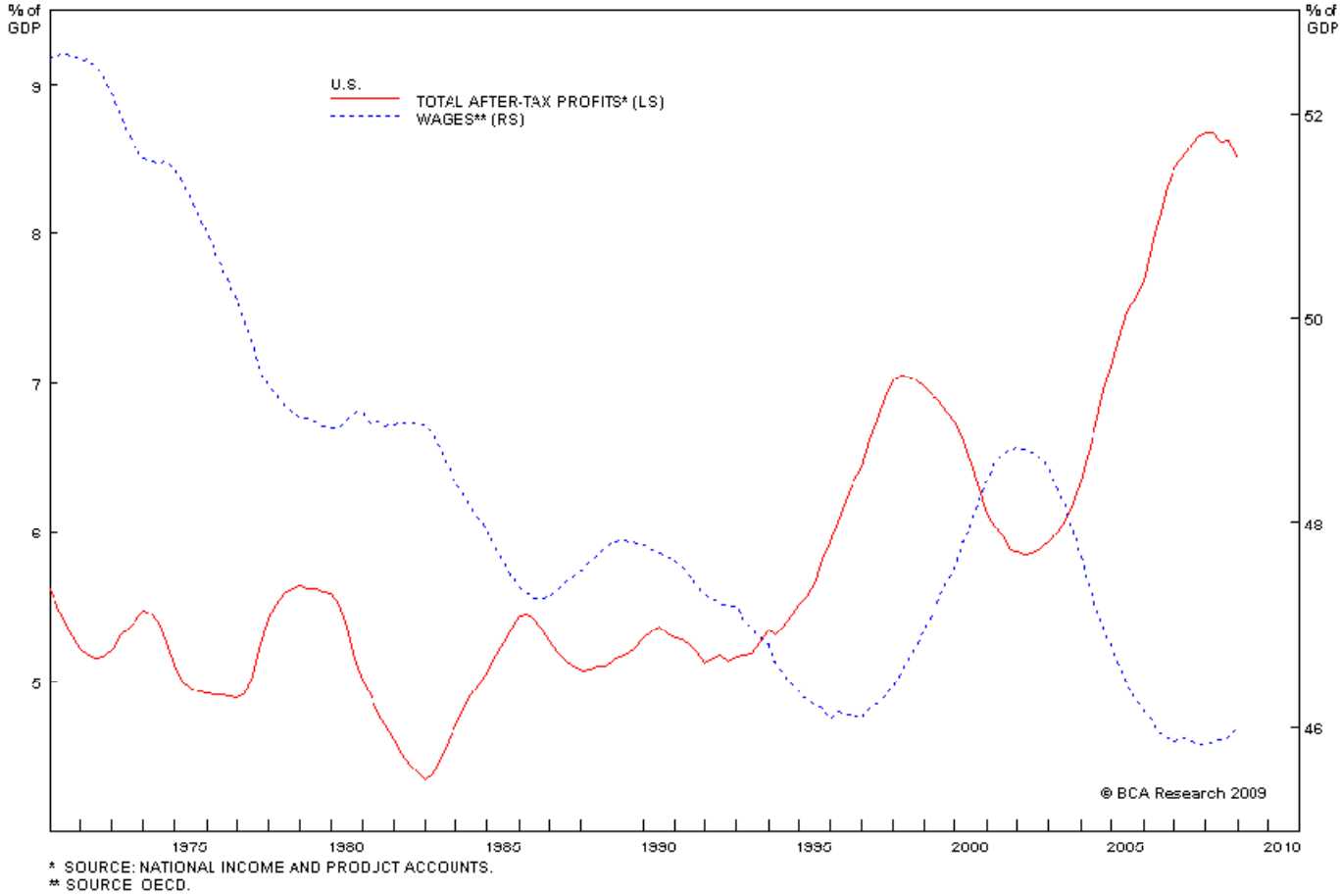
Corporate Bond Spreads Expected To Fall



Source: Columbia Management Advisor Research as of April 2009

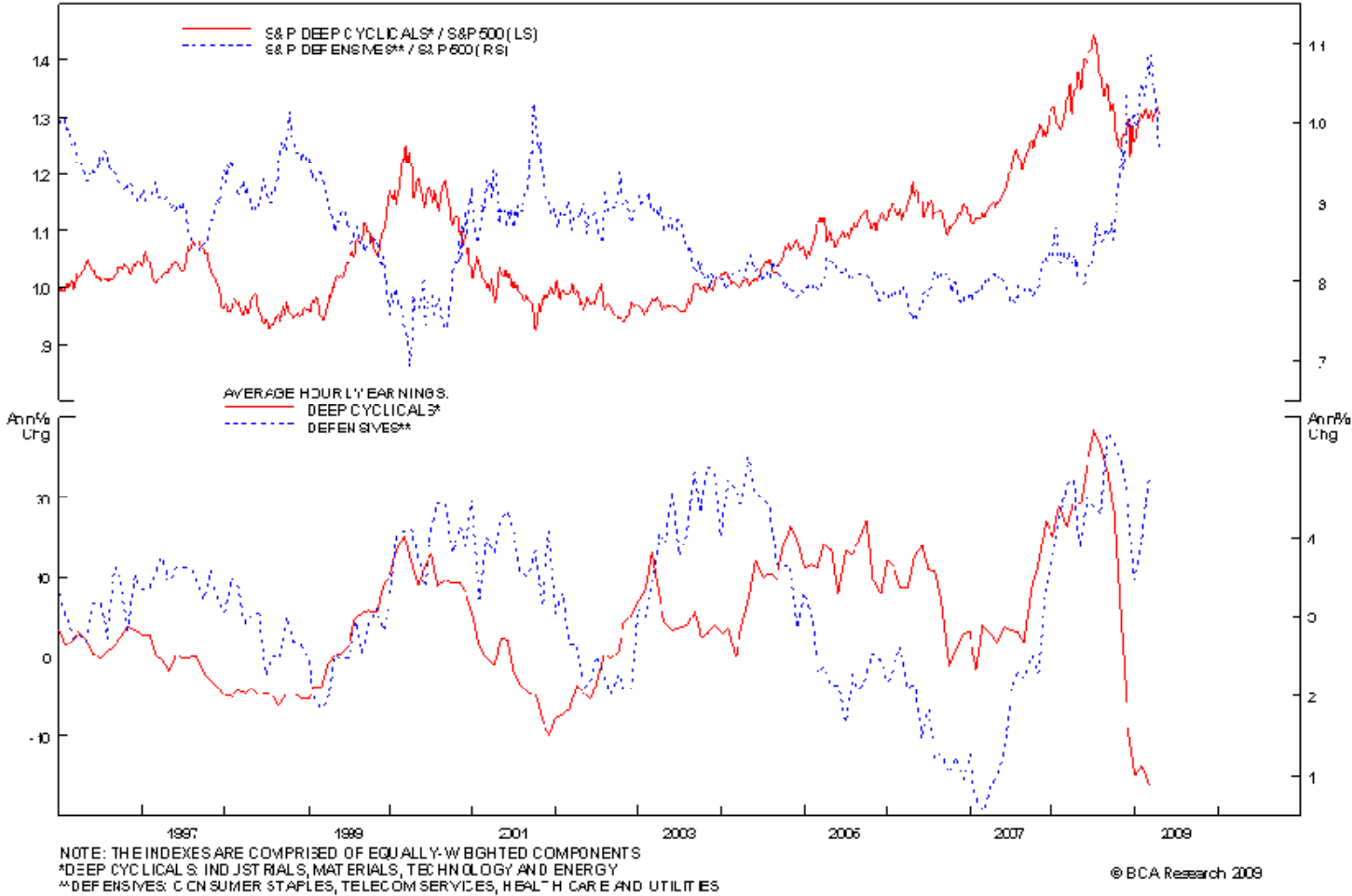
Corporate Compensation Versus Profits

Will Government Policy Force a Reversal of This Trend?



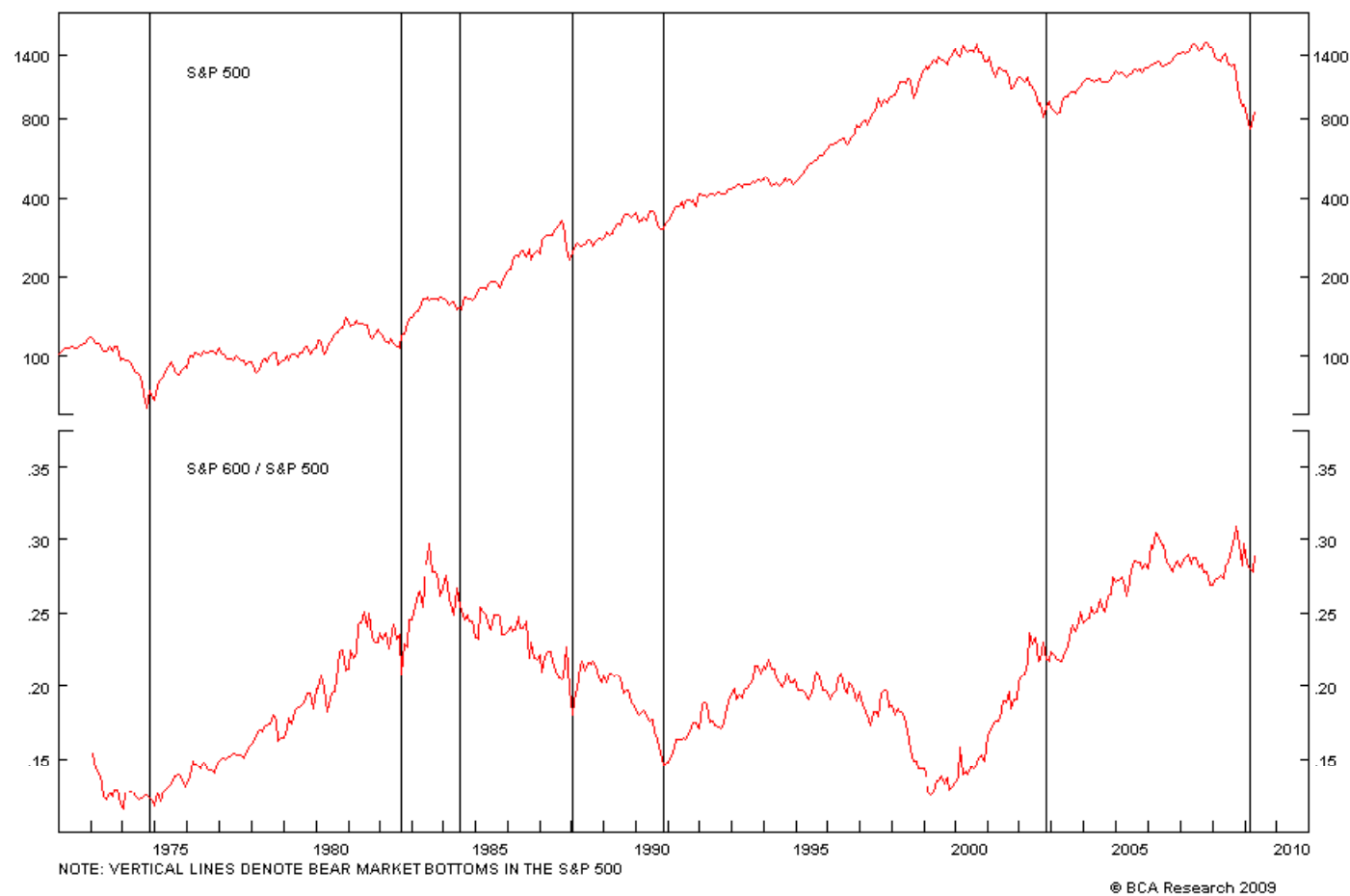
Source: BCA Research, graphs provided by BCA

Cyclicals Have Adjusted Costs Faster Than Staples



Source: BCA Research, graphs provided by BCA

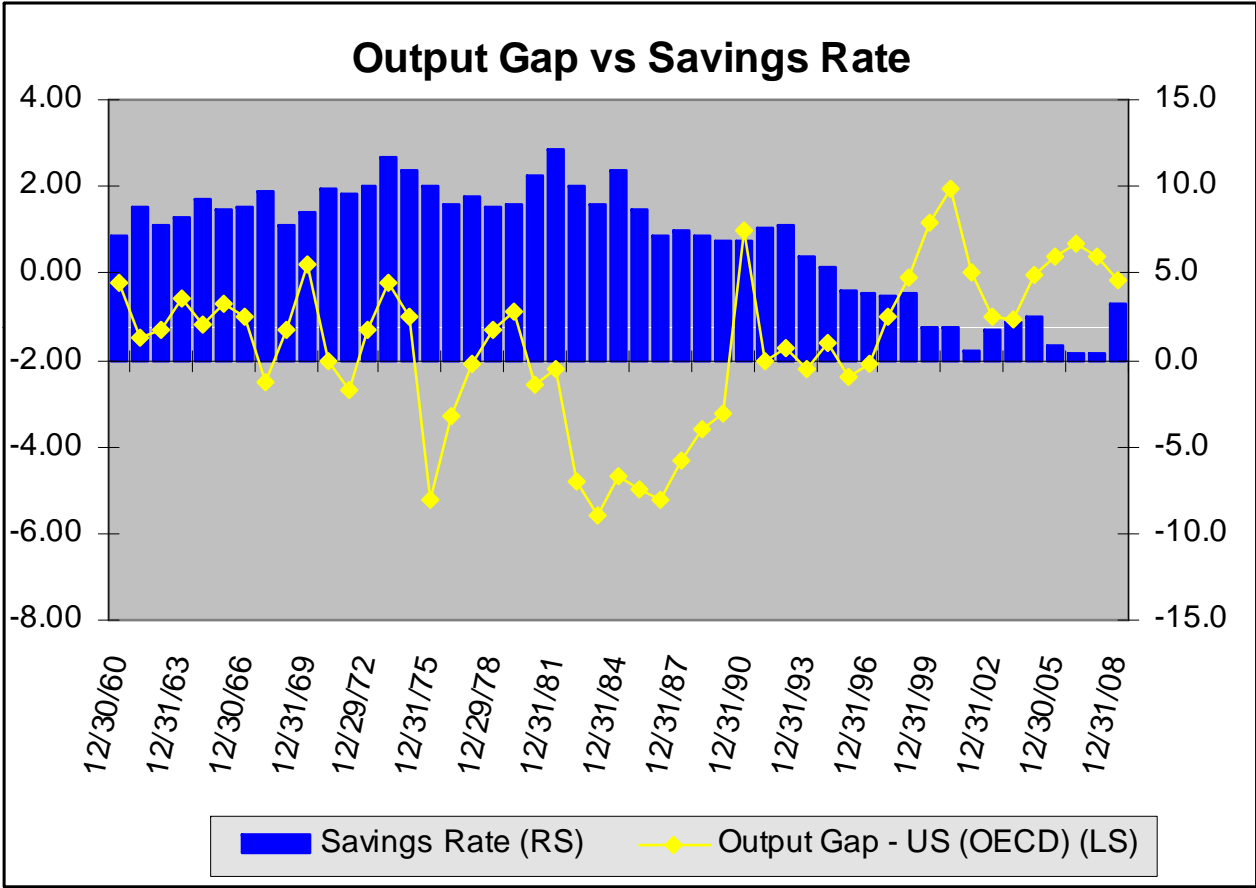
Small Caps Typically Lead Large



Source: BCA Research, graphs provided by BCA

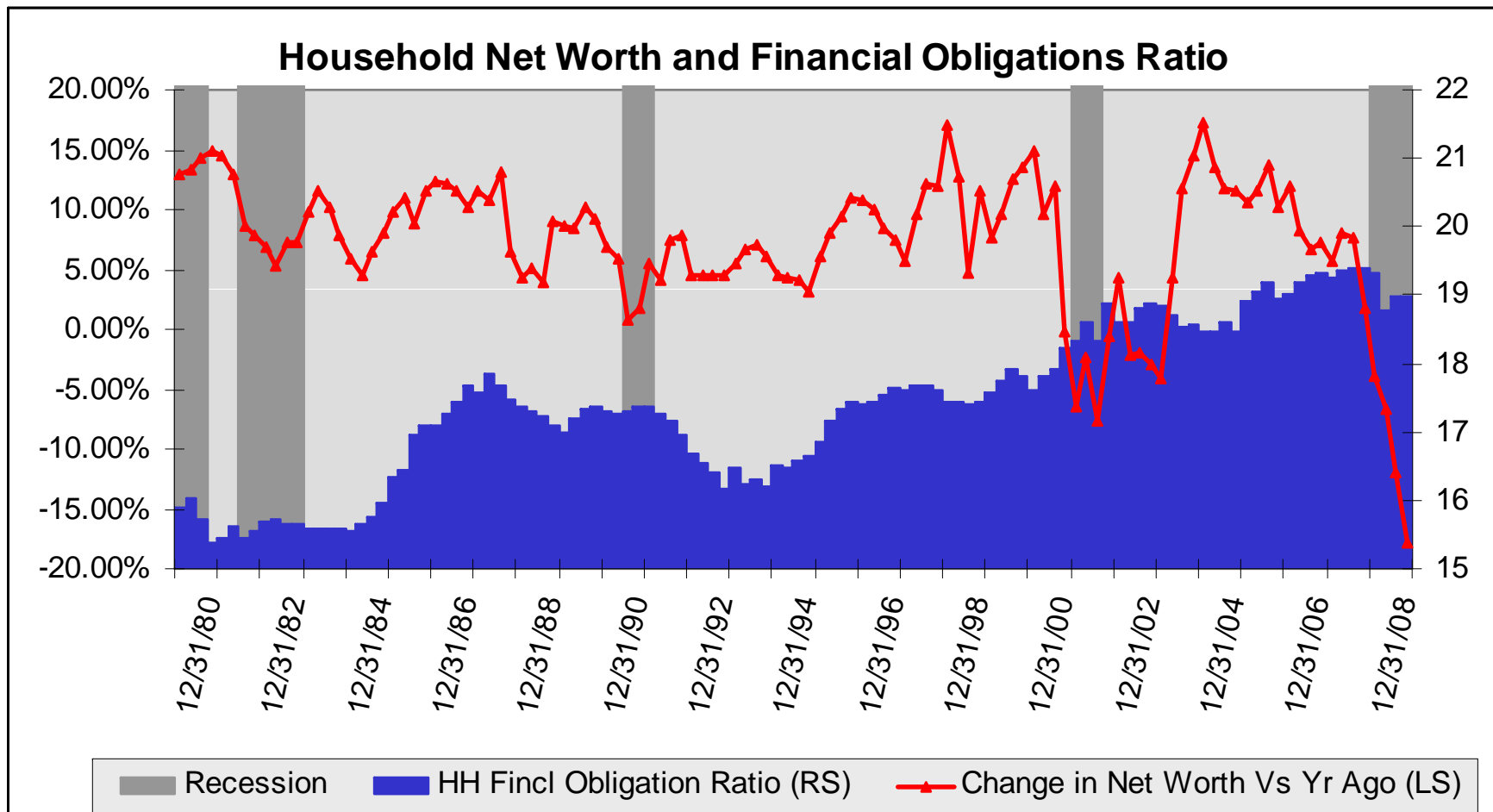
The Cost May Be Modest Growth for a Long Time

Savings Rate and Output Gap



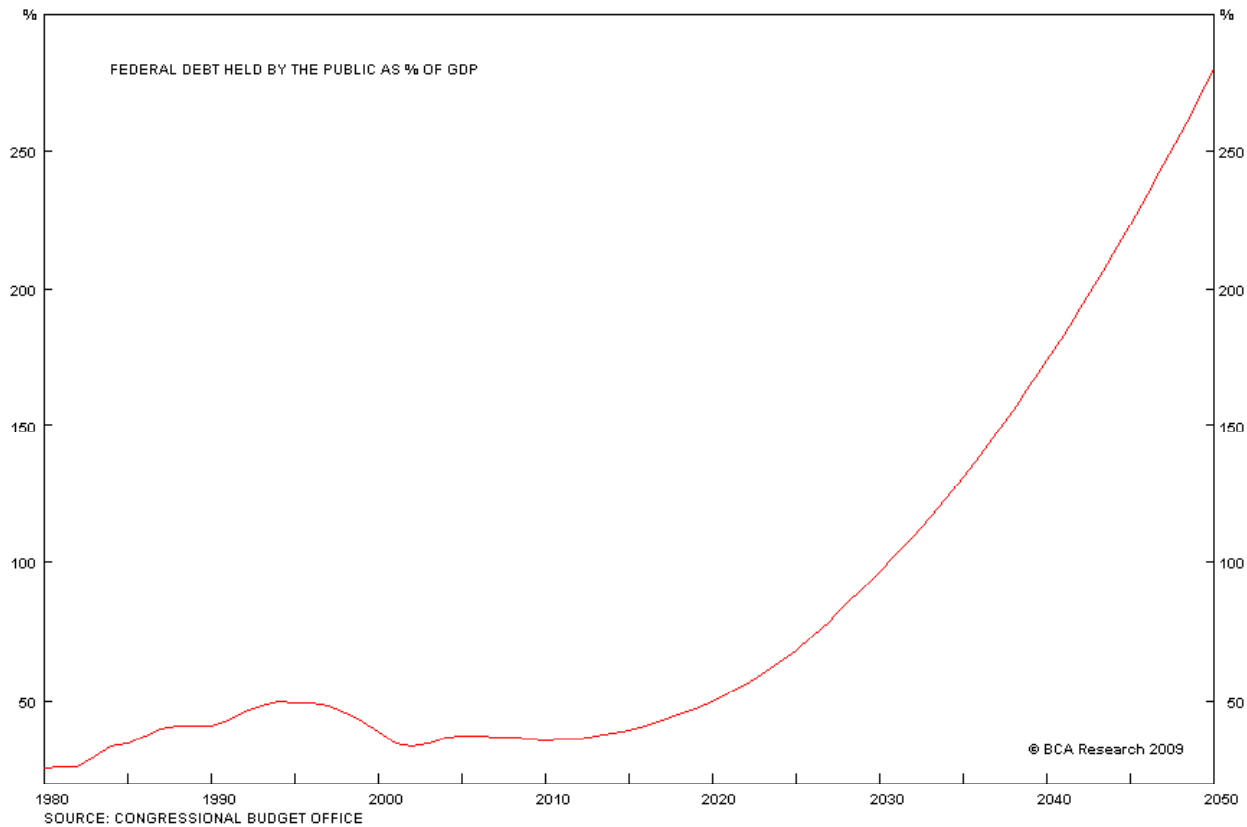
Source: Federal Reserve

The Cost May Be Modest Growth for a Long Time



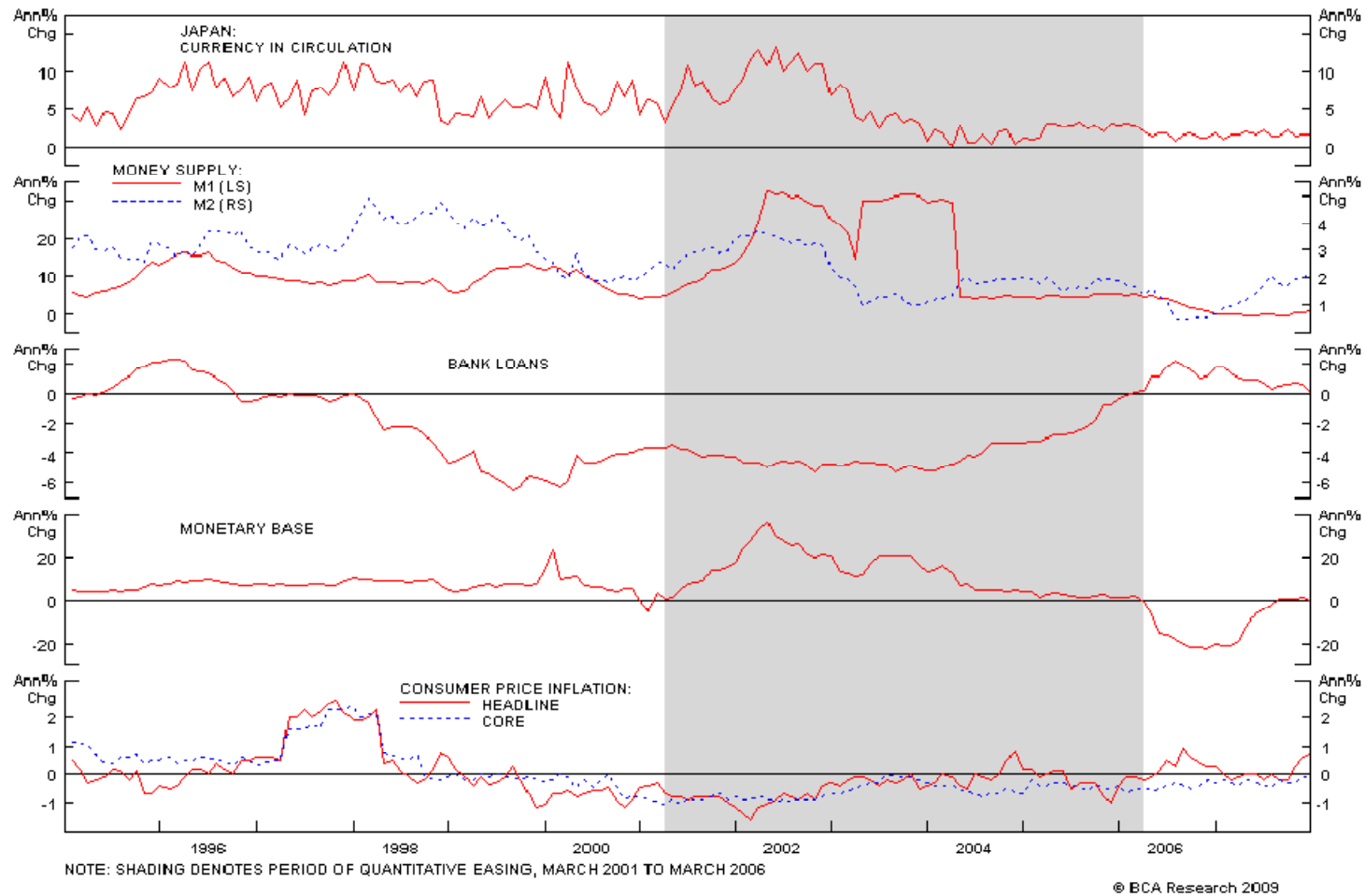
Source: Bank Credit Analyst as of December 2008

The Cost May Be Modest Growth for a Long Time Burden of Debt and Lower Leverage



Source: Congressional Budget Office as of December 2008

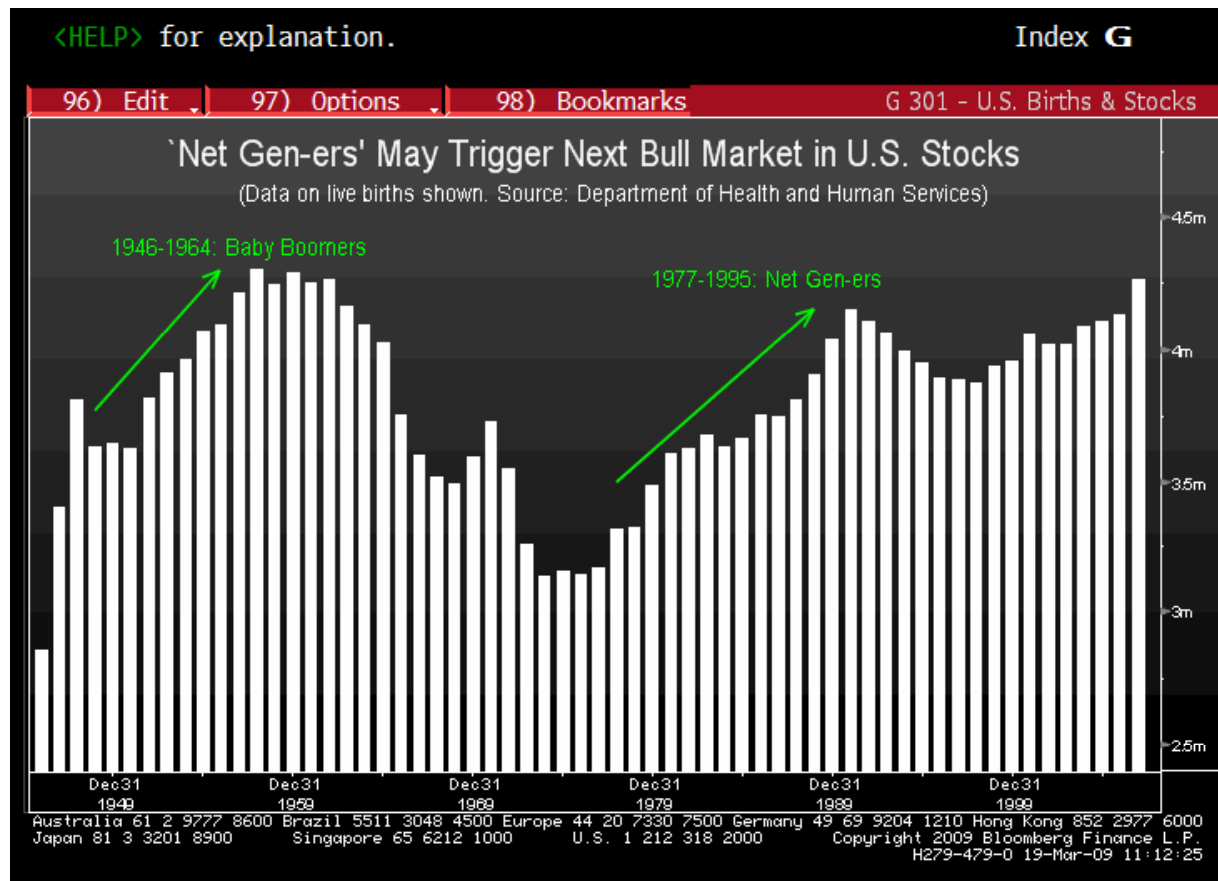
We Are Not Japan



Source: BCA Research, graphs provided by BCA as of December 2007

We Are Not Japan

Gen X and Y to Replace Boomers



Source: Bloomberg as of March 2009

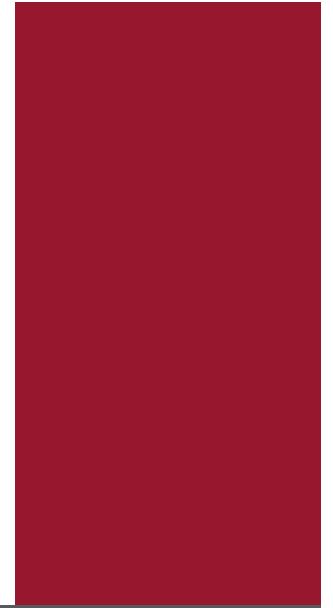
Stress Correlations

- Crisis Period Correlations (period 1987–2008) are significantly different from Normal Period Correlations.

| Weekly Correlation to S&P 500 | Treasury Index | Corporate Investment Grade Index | ML US HIGH YIELD MASTER II. | US TIPS Index | US Securitized Index | S&P 600 | MSCI EAFE U\$ | MSCI EM U\$ | S&P GSCI Commodity |
|--|----------------|----------------------------------|-----------------------------|---------------|----------------------|---------|---------------|-------------|--------------------|
| Non-Crisis (0) | 0.14 | 0.10 | 0.32 | (0.03) | (0.03) | 0.82 | 0.14 | 0.14 | (0.09) |
| 1987 Stock Market Crash | (0.21) | 0.02 | 0.30 | n/a | n/a | 0.93 | (0.02) | 0.17 | (0.05) |
| Tech Bubble | (0.32) | (0.04) | 0.37 | (0.33) | 0.06 | 0.89 | 0.76 | 0.61 | 0.04 |
| Current Credit Crisis / Housing Bubble | (0.29) | 0.36 | 0.49 | (0.21) | 0.36 | 0.94 | 0.77 | 0.70 | 0.43 |
| Crisis (1,2,3) | (0.32) | 0.13 | 0.39 | (0.26) | 0.21 | 0.91 | 0.67 | 0.57 | 0.19 |

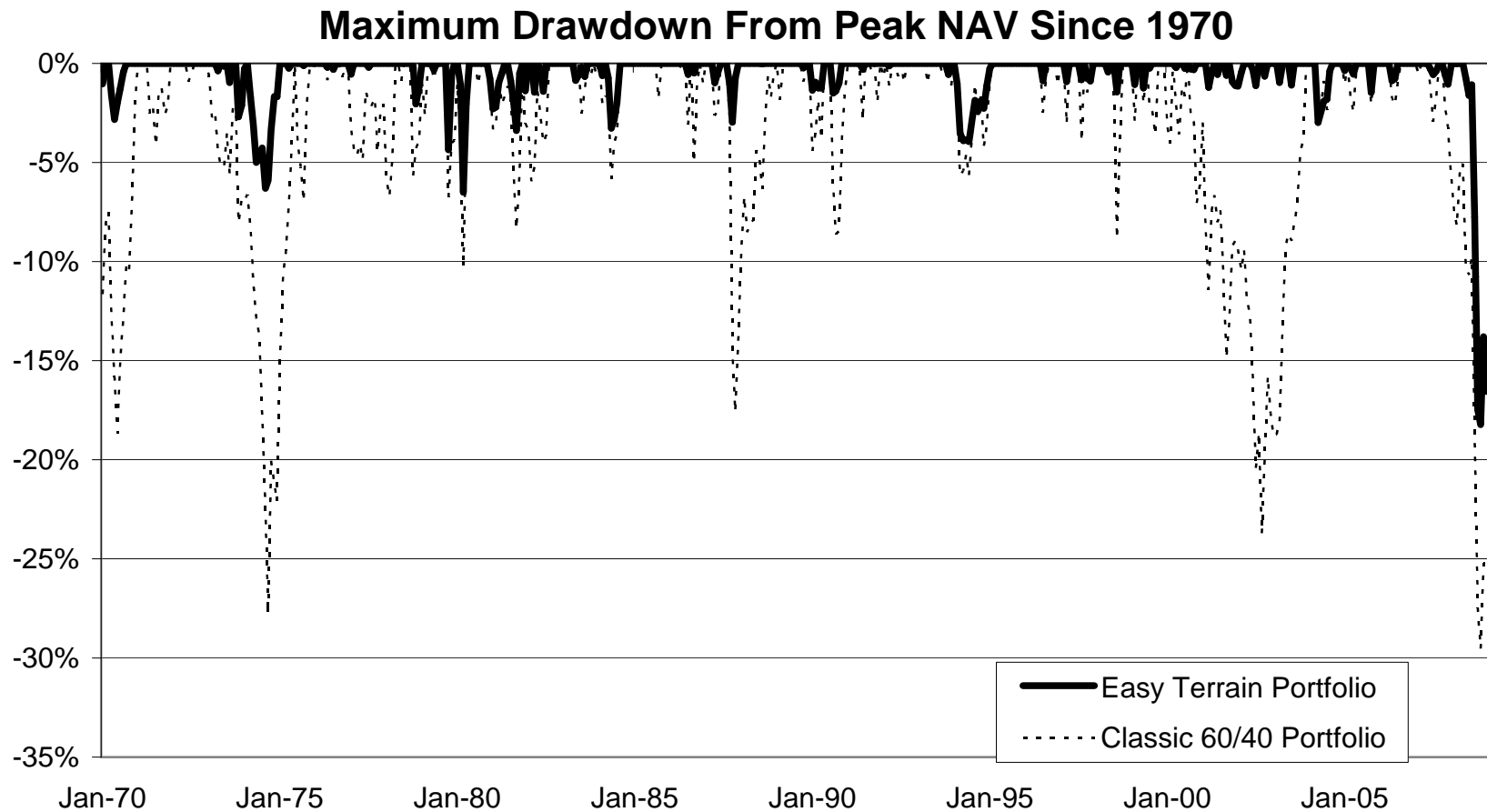
- Only Treasuries and TIPS remain negatively correlated to S&P 500 during crisis periods. Correlation with all other asset classes increases considerably.

Source: Columbia Management Advisor Research. Analysis based on weekly returns data on various indices through December 2008.



Easy Terrain: A New (Old?) Asset Allocation Approach for a New Reality

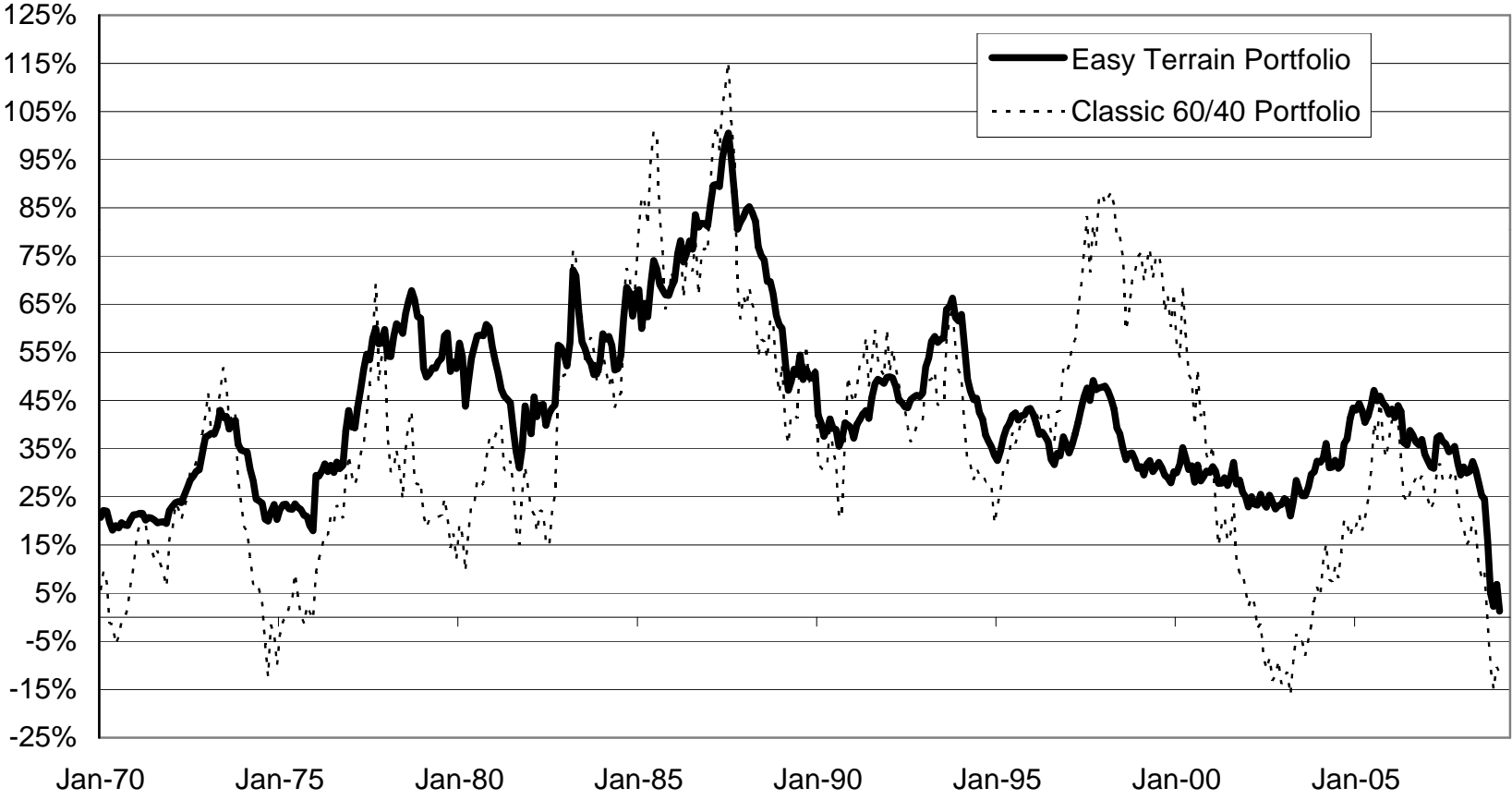
Easy Terrain Has Been Much Less Painful Drawdowns



Source: Columbia Management Advisors as of January 2009

More Reliably Positive Returns vs. Conventional Funds

Rolling 3 Year Returns Since 1970



Source: Columbia Management Advisors as of January 2009

How This Portfolio Is Built: Strategic Asset Allocation

- At its core is a simple strategic asset allocation (SAA) with a fixed risk budget.
- 30% is invested in stocks, bonds and commodities, respectively, and 10% in alternatives.

| Portfolio Statistics Since 1970 | | | |
|--|----------------------------------|--------------------------|--------------------------|
| | Easy Terrain SAA Only | Classic 60/40 | Classic 30/70 |
| Average Annual % Return | 11.9% | 11.4% | 10.7% |
| Annual % Volatility | 5.7% | 10.2% | 7.3% |
| <i>Information Ratio</i> | 2.07 | 1.12 | 1.46 |
| <i>Max Drawdown from Peak NAV</i> | -20.4% | -27.8% | -15.6% |

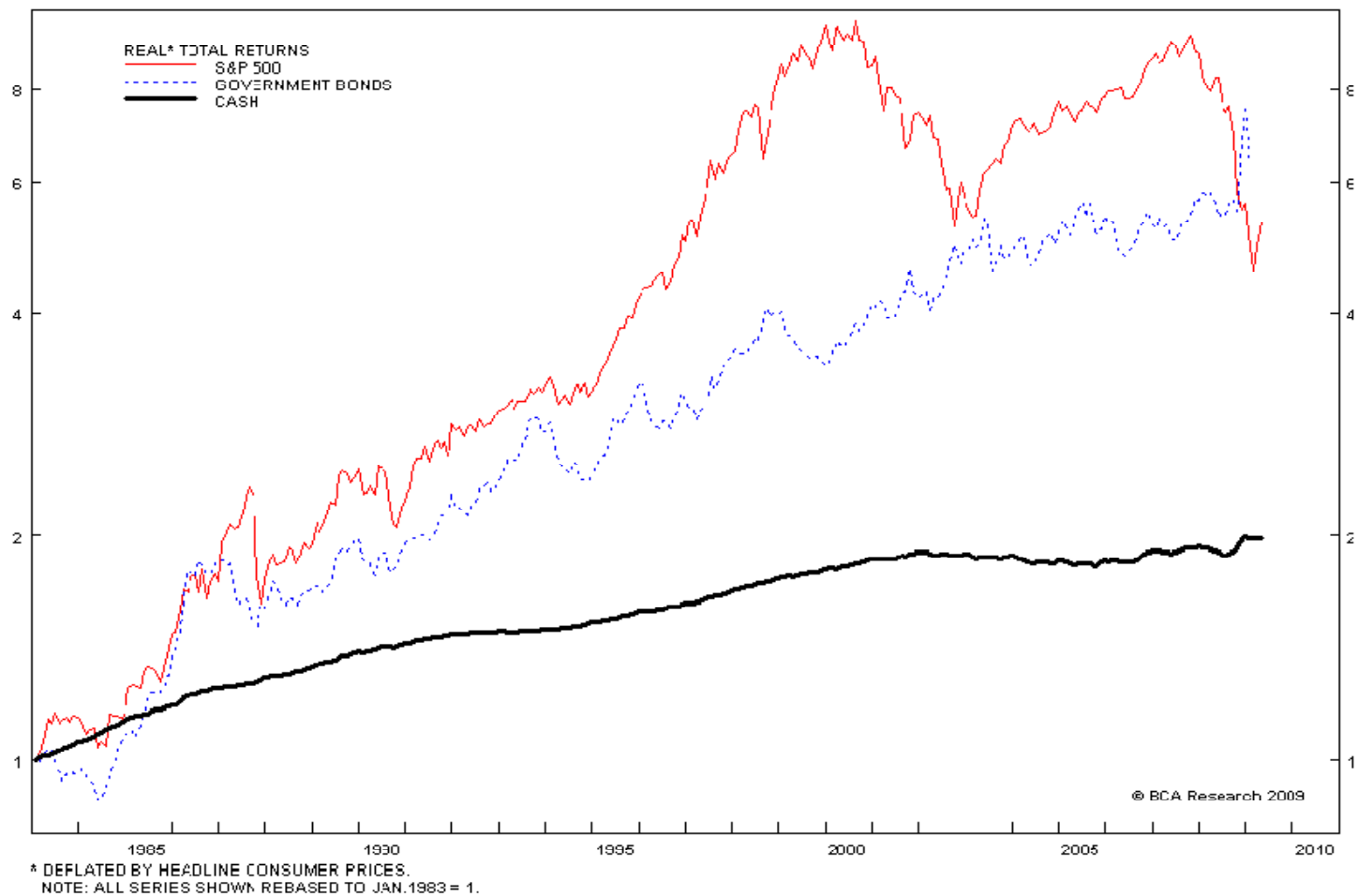
Source: Columbia Management Advisors as of January 2009

Portfolio Composition

| Category | Asset | Strategic Asset Alloc (Risk Alloc) | Expected Portfolio Weight |
|------------------------|---------------|------------------------------------|---------------------------|
| Stocks | | 30% | 9% to 20% |
| | MSCI EM | | |
| | MSCI EAFE | | |
| | S&P 500 | | |
| Fixed Income | | 30% | 46% to 62% |
| | Global Govts | | |
| | US Govt | | |
| | US Corporates | | |
| | US High Yld | | |
| | US Converts | | |
| Inflation Hedge | | 30% | 8% to 20% |
| | US TIPS | | |
| | Gold | | |
| | GSCI | | |
| Alternatives | | 10% | 10% to 18% |
| | GTAA | | |
| | PE/HF Index | | |

Source: Columbia Management Advisors as of January 2009

Performance of Bonds vs. Equities



Source: Ned Davis Research as of March 2009

Portfolios Compared

| Portfolio Statistics Since 1970 | | | |
|--|-------------------------|------------------|------------------|
| | Easy Terrain | Classic 60/40 | Classic 30/70 |
| Average Annual % Return | 12.1% | 10.4% | 10.7% |
| Annual % Volatility | 5.5% | 10.5% | 7.3% |
| <i>Information Ratio</i> | 2.19 | 0.99 | 1.46 |
| <i>Max Drawdown from Peak NAV</i> | -18.2% | -29.5% | -15.6% |

Source: Columbia Management Advisors as of January 2009

Corporate Biography

Colin Moore, AIIMR

Colin Moore is the chief investment officer for Columbia Management. His responsibilities include ensuring that a disciplined investment process is in place across all asset classes, including equity, fixed income and cash. He is also responsible for spearheading the development and implementation of Columbia Management's proprietary alternative investment product offering, a key component of the company's long-term growth strategy. Mr. Moore joined Columbia Management in 2002 as head of equity and has been a member of the investment community since 1983.

Prior to joining Columbia Management, Mr. Moore was chief investment officer of global and international value equities and associate director of research at Putnam Investments. While serving in this role, he personally managed \$3 billion in addition to overseeing a team of 29 analysts and five portfolio managers. Previously, Mr. Moore was director of research and chief investment officer for Rockefeller & Co. in New York and London. Throughout his career in the investment industry, he has held portfolio management positions with three London-based asset management firms, as well as a role in product development.

Mr. Moore attended the London Business School where he completed its Investment Management Program, and he is an associate by examination of the Institute of Investment Management and Research.¹

¹ AIIMR merged with the London Society of Investment Professionals, and was renamed the CFA Society of the U.K. in November 2007.