TRI-CONTINENTAL CORP
Form N-CSR
March 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-0266

Tri-Continental Corporation

(Exact name of Registrant as specified in charter)

100 Park Avenue

New York, New York 10017

(Address of principal executive offices) (Zip code)

Lawrence P. Vogel

100 Park Avenue

New York, New York 10017

(Name and address of agent for service)

Registrant s telephone number, including area code: (212) 850-1864

Date of fiscal year end: 12/31

Date of reporting period:	12/31/06

ITEM 1. REPORTS TO STOCKHOLDERS.

77th Annual Report 2006

Tri-Continental Corporation

an investment you can live with

Tri-Continental Corporation invests to produce future growth of both capital and income, while providing reasonable current income.

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February 27, 2007

To the Stockholders:

We are pleased to present your annual stockholder report for Tri-Continental Corporation. The report contains a discussion with Jack Cunningham, your Portfolio Manager, as well as the Corporation's investment results, portfolio of investments, and audited financial statements.

For the year ended December 31, 2006, Tri-Continental Corporation delivered a total return of 22.1% based on market value, and 17.4% based on net asset value. This solidly outpaced the return of the Corporation's benchmark, the Standard & Poor's 500 Composite Stock Price Index (S&P 500), of 15.8% for the same period. Also, in December 2006, the Corporation's market price per share and net asset value per share reached their highest levels in over five years.

We are also pleased to announce that in 2006 Tri-Continental realized net capital gains of $2.85, in excess of its capital loss carryforward by approximately $0.12 per Common share. As a result, a capital gain of $0.12 per Common Share will be paid to Common Stockholders in March 2007 in conjunction with Tri-Continental's first quarter dividend. The elimination of the capital loss carryforward will allow the Corporation to distribute all future net realized capital gains to Stockholders.

Tri-Continental distributed dividends in 2006 totaling $0.26 per Common share, the largest annual dividend distribution since 2001.

Thank you for your continued support of Tri-Continental Corporation. We look forward to serving your investment needs for many years to come.

By order of the Board of Directors,

William C. Morris
Chairman

Brian T. Zino
President

TY is Tri-Continental Corporation's symbol for its Common Stock on the New York Stock Exchange.

Tri-Continental Corporation

Interview With Your Portfolio Manager, John B. Cunningham

What were Tri-Continental’s investment results for the year ended December 31, 2006?

For the year ended December 31, 2006, Tri-Continental Corporation delivered a total return to Common Stockholders of 22.1% based on market value, and 17.4% based on net asset value. This solidly outpaced the return of the Corporation’s benchmark, the Standard & Poor’s 500 Composite Stock Price Index (S&P 500), of 15.8% for the same period.

What market conditions and economic factors materially affected Tri-Continental’s performance during the period?

Despite some ups and downs, the market was relatively strong overall. The year began on a strong note with the market delivering solid gains through mid-May and several of the major indices hitting five-year highs. Concerns over slowing economic growth, consumer spending, and the housing market, coupled with inflationary fears and uncertainty over further Fed action, led to a change in investors’ risk tolerance, and we saw a bout of profit taking. Oil prices hit an all-time high in mid-July as Middle East tensions flared over Lebanon’s attack on Israel and Iran’s potential nuclear ambitions, further fueling the summer sell-off.

August, however, brought a sharp retreat in oil prices as a UN-sanctioned cease-fire between Lebanon and Israel and a slowing US economy relieved some of the upward price pressure. We also saw a decrease in longer-term interest rates as the 10-Year US Treasury Bond rate declined considerably over a relatively short period of time. Inflation remained in check, and the Fed’s pause in raising the federal funds rate in August and at the subsequent Federal Open Market Committee meeting in September signaled to investors that it might be finished with its interest rate raising campaign, at least for the time being.

With a favorable backdrop of lower oil prices and longer-term interest rates, we saw a renewal of investor interest, and the market began to trade up from the year’s low. Stocks continued to rally through the end of the fourth quarter, led in particular by growth stocks and technology stocks. We continued to see strong corporate profits announcements, though decelerating slightly from previous record levels. Merger and acquisitions activity continued to accelerate with the total value of deals completed in 2006 setting a record annual high at $4 trillion.

What investment strategies and techniques materially affected Tri-Continental’s performance during the period?

There were no major changes made to our investment strategy during the year. The portfolio, however, began to reap rewards from changes that had already been implemented. We think we were well positioned, as far as sector allocation, and our stock selection really began to pay off.

Tri-Continental’s largest sector allocation during the period was Information Technology, an overweight position relative to the benchmark S&P 500 Index. On the whole, the sector was one of the poorest performing sectors in the benchmark for the period; however, as the market began to rebound following the Federal Reserve’s pause in August, technology stocks took off and led the benchmark from August through year-end. Stock selection led to Tri-Continental’s relative outperformance within the sector, in particular software company Mercury Interactive, which was acquired during the period at an attractive premium, and Cisco Systems. A communications equipment company, Cisco began the year at a fairly low stock price. We added to the position and the stock soared in the second half, ending the year with a return in excess of 60%. Stock selection in Information Technology wasn’t without its disappointments, as Cogent and Intel ended the

Tri-Continental Corporation

Interview With Your Portfolio Manager (continued)

period among the top detractors from performance. A biometric company specializing in fingerprint technology, Cogent's stock price suffered following a number of earnings disappointments. Intel's stock lagged as it struggled in a price war with competitors.

The largest area of contribution came from the Consumer Staples sector. The sector delivered moderate returns for the benchmark, and though relatively underweight, the Corporation garnered returns more than double that of the benchmark due to strong stock selection. Altria Group in particular benefited investment results as an improving litigation environment and investor enthusiasm regarding the potential spin-off of Kraft Foods and subsequent restructuring drove stock performance higher.

The Corporation received a sizable contribution from the Energy sector. Despite the fall-off in energy prices during the second half of the year, Exxon Mobil had a strong year as tremendous cash flows and generous stock repurchases enabled the stock to maintain its upward momentum. The energy giant was a top ten holding in the Corporation's portfolio for much of the year and was the largest single contributor to investment results for the year.

Telecomm Services, Financials, and Consumer Discretionary also contributed to the Corporation's investment results. While the Corporation underperformed the benchmark slightly in the Financials and Telecomm Services sectors, it outperformed significantly in Consumer Discretionary, and all three sectors delivered solid returns for the year for the Corporation as well as the benchmark.

The largest area of detraction was Materials, the smallest weighting in the benchmark. The sector delivered positively for the benchmark, but stock selection, in particular Smurfit-Stone, led the Corporation's investment results into negative territory within the sector. The containerboard company has undergone a change in management and has been restructuring to cut costs and strengthen capacity. The stock disappointed in 2006, but we believe it still possesses attractive potential.

Health Care was another area that detracted from the Corporation's investment results. The sector was the bottom-performing area of the benchmark. While the portfolio was overweight, relative to the benchmark, and outperformed the benchmark, Boston Scientific's disappointing performance in 2006 negatively impacted Tri-Continental's performance. The price of this medical devices company that specializes in stents suffered downward pressure following its acquisition of Guidant earlier this year. We believe that its valuation remains attractive and that the company is positioned well for the coming year.

A Team Approach

Tri-Continental Corporation is managed by the Seligman Core Investment Team, headed by John B. Cunningham. He is assisted by a group of seasoned professionals who are responsible for research and trading consistent with Tri-Continental's investment objective. Team members include Christopher Boova, Francis Fay (trader), Christopher Kagaoan, Edward Mehalick and Brian Turner.

The views and opinions expressed are those of the Portfolio Manager(s), are provided for general information only, and do not constitute specific tax, legal, or investment advice to, or recommendations for, any person. There can be no guarantee as to the accuracy of market forecasts. Opinions, estimates, and forecasts may be changed without notice.

Tri-Continental Corporation

Investment Results Per Common Share

TOTAL RETURNS
For Periods Ended December 31, 2006

			Average Annual			
	Three Months*	One Year	Two Years	Three Years	Five Years	Ten Years
Market Price	6.75%	22.10%	12.14%	12.41%	5.02%	6.88%
Net Asset Value	7.61	17.38	9.77	10.96	4.83	6.28
Lipper Closed-End Core Funds Average**	6.03	15.02	9.29	10.86	6.63	7.71
Lipper Large-Cap Core Funds Average**	6.33	13.52	9.13	8.88	4.83	6.86
S&P 500**	6.69	15.78	10.20	10.42	6.18	8.41

PRICE PER SHARE

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Market Price	$22.38	$21.03	$19.46	$20.24	$18.58
Net Asset Value	25.66	23.92	22.33	23.13	22.16

DIVIDEND AND CAPITAL GAIN PER SHARE AND YIELD INFORMATION
For Periods Ended December 31, 2006

	Capital Gain/Loss			
Dividends Paid□	Realized□	Unrealized Gain□□	Unrealized Loss□□	SEC 30-Day YieldØ
$0.28	$2.85	$1.41	$(0.49)	1.11%

Performance data quoted in this report represents past performance and does not guarantee or indicate future investment results. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Total returns of the Corporation as of the most recent month end will be made available at www.seligman.com[1] *by the seventh business day following that month end. J. & W Seligman & Co. Incorporated, the investment manager of the Corporation, made certain payments to the Corporation in 2004. Absent such payments, the net asset value returns that include this period would have been lower. Returns reflect changes in market price or net asset value, as applicable, and assume reinvestment of distributions. Performance data quoted does not reflect the deduction of taxes that investors may pay on distributions or the sale of shares. An investment in Tri-Continental is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation.*

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See footnotes on page 5.

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Investment Results Per Common Share (continued)

* Returns for periods of less than one year are not annualized.

** The Lipper Closed-End Core Funds Average and the Lipper Large-Cap Core Funds Average (the "Lipper Averages") and the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500") are unmanaged benchmarks that assume reinvestment of all distributions. The Lipper Averages exclude the effect of taxes and any costs associated with the purchase of shares, and the S&P 500 excludes the effect of fees, taxes, and sales charges. The Lipper Closed-End Core Funds Average measures the performance of closed-end funds. The Lipper Large-Cap Core Funds Average includes open-end funds that, by portfolio practice, invest at least 75% of their assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index ($15.7 billion as of December 31, 2006). The Lipper Large-Cap Core Funds Average is provided for comparative purposes so that the Corporation's perfomance can be measured against both closed-end and open-end funds with similar portfolio holdings as the Corporation. Lipper classifies the Corporation, based on its portfolio holdings, as a Closed-End Core Fund. The S&P 500 measures the performance of 500 of the largest US companies based on market capitalizations. Investors cannot invest directly in an index or an average.

□ Preferred Stockholders were paid dividends totaling $2.50 per share.

Information does not reflect the effect of capital loss carryforwards that were available to offset these capital gains. See Note 5 to Financial Statements.

Represents the per share amount of gross unrealized gain or loss of portfolio securities as of December 31, 2006.

Ø Current yield, representing the annualized yield for the 30-day period ended December 31, 2006, has been computed in accordance with SEC regulations and will vary.

1 The website reference is an inactive textual reference and information contained in or otherwise accessible through the website does not form a part of this report or the Corporation's prospectus or statement of additional information.

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Highlights of the Year

Net asset value of each share of Common Stock was $25.66 at December 31, 2006 compared to $22.16 at the start of the year. Assuming the reinvestment of dividends in additional shares, the total return was 17.38% . In December 2006, the Corporation's market price per share and net asset value per share reached their highest levels in over five years.

Common Stock dividends, paid quarterly, totaled $0.28 per share on an average of 105,382,507 shares, compared to $0.24 in 2005 when, on average, there were approximately 4,866,000 fewer shares outstanding. Tri-Continental has paid dividends to Common Stockholders, uninterrupted, for 62 years.

Preferred Stock dividends, paid each quarter, completed 76 years of uninterrupted payments. Total net investment income available to cover the $2.50 Preferred Stock dividend was equivalent to $44.52 per Preferred share.

Stock Repurchase Program

For the year ended December 31, 2006, the Corporation repurchased 4,984,873 shares, representing 4.62% of outstanding shares at the beginning of the year. This compares to 5,653,088 shares repurchased in the year ended December 31, 2005, representing 5.0% of shares outstanding.

The shares acquired during the current year were repurchased at discounts that ranged from 16.14% to 11.22%. As a consequence, the repurchase program increased the Corporation's net asset value by approximately $0.16 per share, or 0.67%.

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Highlights of the Year (continued)

Assets at Year End:	2006	2005
Total assets	$ 2,698,964,372	$ 2,443,519,572
Amount owed	4,118,004	13,578,973
Net Investment Assets	2,694,846,368	2,429,940,599
Preferred Stock, at par value	37,637,000	37,637,000
Net Assets for Common Stock	$ 2,657,209,368	$ 2,392,303,599
Common shares outstanding	103,534,430	107,965,119
Net Assets Per Common Share	**$25.66**	**$22.16**
Capital Gains:		
Net capital gains realized	$ 294,943,675	$ 240,773,955
Per Common share	$2.85	$2.23
Accumulated capital gains (losses), end of year	$ 12,790,815	$ (281,129,655)
Per Common share, end of year	$0.12	$(2.60)
Unrealized capital gains, end of year	$ 146,339,068	$ 196,467,364
Per Common share, end of year	$1.41	$1.82
Unrealized capital losses, end of year	$ (51,402,101)	$ (158,809,484)
Per Common share, end of year	$(0.49)	$(1.47)
Income:		
Total investment income earned	$ 54,300,233	$ 44,163,786
Expenses	19,804,434	15,577,755
Preferred Stock dividends	1,881,850	1,881,850
Income for Common Stock	$ 32,613,949	$ 26,704,181
Expenses to average net investment assets	0.79%	0.64%
Expenses to average net assets for Common Stock	0.80%	0.65%
Dividends per Common Share	$0.28	$0.24

Tri-Continental Corporation

Stockholder Services

Tri-Continental provides a number of services to make maintaining an investment in its Common Stock more convenient.

Purchases of Common Stock. Under the Automatic Dividend Investment and Cash Purchase Plan, and other Stockholder plans, purchases of Common Stock are made by the Corporation in the open market or elsewhere to satisfy Plan requirements. Those shares are then sold to Stockholders using the Plan. During 2006, Stockholders purchased 3,346,991 shares through the Plan.

The Corporation may make additional purchases of its Common Stock in the open market at such prices and in such amounts as the Board of Directors may deem advisable. As discussed further under Stock Repurchase Program on page 11, during 2006 the Corporation purchased 1,637,882 additional shares.

Traditional Individual Retirement Account (IRA). You may contribute up to $4,000 per year to a Traditional IRA provided you have earned income and are under age 70½. A working or non-working spouse may also contribute up to $4,000 to a separate Traditional IRA. Individuals age 50 and over may contribute up to $1,000 extra as catch-up contributions. Contributions to a Traditional IRA may be deductible or non-deductible. If you are single and are *not* covered by an employers retirement plan, your contribution will always be deductible. For individuals who are covered by a plan, contributions will be fully deductible if your modified adjusted gross income (MAGI) in 2007 is less than $51,000. For spouses who are both covered by a plan, contributions will be fully deductible if your MAGI is less than $83,000. If one spouse does not work or is not covered by a retirement plan, that spouses contribution will be fully deductible provided your household MAGI does not exceed $156,000. If your contribution is not deductible, you may still take advantage of the tax-deferred accumulation of earnings in your Traditional IRA.

Rollover IRA. You may be eligible to roll over a distribution of assets received from another IRA, a qualified employee benefit plan, or a tax-deferred annuity into a Rollover IRA with Tri-Continental. To avoid a tax penalty, the transfer to a Rollover IRA generally must occur within 60 days of receipt of the qualifying distribution. If you do not make a direct transfer of a distribution from a qualified employee benefit plan or a tax-deferred annuity to a Rollover IRA, the payor of the distribution must withhold 20% of the distribution.

Roth IRA. You (and a working or non-working spouse) may each make an after-tax contribution of up to $4,000 per year to a Roth IRA provided you have earned income and meet the eligibility requirements. Your MAGI must be less than $95,000 (individuals) or $150,000 (married couples) to be eligible to make a full contribution to a Roth IRA. You are eligible to make a partial Roth IRA contribution if your MAGI is below $110,000 (individuals) or $160,000 (married couples). Total contributions to a Roth IRA and a Traditional IRA cannot exceed $4,000 in any year. Individuals age 50 and over may contribute up to $1,000 extra as catch-up contributions. Earnings grow tax-free and will be distributed to you tax-free and penalty-free provided that you hold your account for at least five years **and** you take the distribution either after age 59½, for disability, upon death, or to make a first-time home purchase (up to $10,000). Unlike a Traditional IRA, you may contribute to a Roth IRA even if you are over age 70½ (if you have earned income), and you are not required to take minimum distributions at age 70½. You may convert an existing Traditional IRA to a Roth IRA to take advantage of tax-free distributions. You must pay taxes on any earnings and deductible contributions in your Traditional IRA before converting it to a Roth IRA. Talk to your financial advisor for more details on converting your Traditional IRA.

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Stockholder Services (continued)

Retirement Planning Qualified Plans. Unincorporated businesses and the self-employed may take advantage of the same benefits in their retirement plans that are available to corporations. Contribution levels can go as high as 100% of earned income, to a maximum of $45,000 per participant. For retirement plan purposes, no more than $225,000 may be taken into account as earned income under the plan in 2007 and future years (subject to adjustments to reflect cost of living increases). Social Security integration and employee vesting schedules are also available as options in the Tri-Continental prototype retirement plans. Although you already may be participating in an employers retirement plan, you may be eligible to establish another plan based upon income from other sources, such as directors fees.

Retirement Plan Services provides information about our prototype retirement plans. The toll-free telephone number is (800) 445-1777 in the Continental US and (212) 682-7600 outside the US. **Gifts Free of Federal Tax** are often made using Tri-Continental Common Stock. You may give as much as $12,000 a year to as many individuals as desired free of federal gift tax; married couples may give up to $24,000 a year.

The Automatic Cash Withdrawal Plan enables owners of Common stock with a market value of $5,000 or more to receive a fixed amount from their investment at regular intervals. Investors use the plan to supplement current or retirement income, for educational expenses, or for other purposes.

Federal Taxes

Quarterly dividends paid on both the Preferred and Common Stocks for 2006 are subject to federal income tax as ordinary income. Under the Internal Revenue Code, 100% of the 2006 quarterly dividends paid to Common and Preferred Stockholders qualifies for the dividends received deduction available to corporate Stockholders. In order to claim the dividends received deduction for these distributions, corporate Stockholders must have held their shares for 46 days or more during the 90-day period beginning 45 days before each ex-dividend date.

For the year ended December 31, 2006, the Corporation designates 100%, or the maximum allowable, of its dividend distributions paid to Common and Preferred Stockholders as qualified dividend income. In order for an individual to claim dividends received as qualified dividends, individual Common Stockholders must have held their shares for more than 60 days during the 121-day period beginning 60 days before each ex-dividend date, while Preferred Stockholders must have held their shares for more than 90 days during the 181-day period beginning 90 days before each ex-dividend date.

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A History of Building Long-Term Wealth and Income

Tri-Continental invests primarily to produce long-term growth of both capital and income, while providing reasonable current income. The chart below shows the growth of Tri-Continental Stockholders capital over the past 20 years. The total cost of 1,000 shares of Tri-Continental Common Stock purchased on December 31, 1986, was $28,625. Stockholders who took capital gain distributions in shares would have realized more than a two-fold increase in the market value of these 1,000 shares to $94,203 by year-end 2006. For those who chose to take their dividends as well as capital gains in additional shares, the value of their investment in Tri-Continental Corporation would have grown to a market value of $151,596 at the end of 2006.

* Assumes the Stockholder did not exercise or sell the transferable rights distributed in connection with the 1993 rights offering. Either the exercise or sale of the rights would improve the above results.

For the 20-year period ended December 31, 2006. The information provided above is based on past performance, which is no guarantee of future results, and excludes any commissions or sales charges associated with the purchase of Tri-Continental shares. The rate of return will vary, and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. If commissions or sales charges had been included, performance would have been lower. In addition, capital gain and dividend distributions taken in additional shares are subject to personal income tax in the year earned. The examples shown do not reflect the effect of such taxes.

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Stock Repurchase Program

In November 2006, the Board of Directors authorized the renewal of Tri-Continental’s ongoing share repurchase program, which began in November 1998. The program authorizes the Corporation to repurchase up to 5.0% of the Corporation’s shares for the period January 1, 2007 through December 31, 2007, provided that the discount remains wider than 10%. The Board’s decision benefits all Stockholders, allowing them to continue to enjoy the advantages of Tri-Continental’s closed-end structure, while seeking, among other things, to increase the NAV of the Corporation’s outstanding shares.

For the year ended December 31, 2006, the Corporation repurchased 5.0 million shares, 4.6% of stock outstanding at the beginning of the year. Since January 1, 1999, the first full year of the share repurchases in the open market, the Corporation has repurchased 51.8 million shares, which has increased Tri-Continental’s total return by approximately 7%.

Introduce Tri-Continental to a Friend

“Introduce Tri-Continental to a Friend” is a program designed to help encourage potential investors to consider investing in Tri-Continental. The initiative targets the more than 44,000 current Stockholders of record, individual investors, Wall Street analysts, and financial consultants through a comprehensive effort including advertising, direct mail, and one-on-one meetings. Tri-Continental has also published a brochure that traces its history since its launch in 1929.

Reply cards allowing Stockholders to request a copy of “The Story of Tri-Continental” brochure and the “Introduce Tri-Continental to a Friend” investor package have been inserted in the Mid-Year and Annual Reports since the program’s inception. Response has been excellent, with several thousand copies of the brochure and the investor package distributed to date. A new reply card is inserted in this Annual Report.

Stockholders are invited to request that an investor package be sent to one or more family members, friends, or associates. This package includes a letter from Mr. William C. Morris, Tri-Continental’s Chairman, a copy of the most recent Stockholder Report, a Prospectus, “The Story of Tri-Continental” brochure, and a pamphlet explaining the attributes of closed-end funds.

www.tricontinental.com*

Stockholders can get the latest Tri-Continental information — including daily net asset values, monthly fact sheets, portfolio manager commentary, recent reports, and more — over the Internet, 24 hours a day, seven days a week.

Tri-Continental’s website has been developed for the convenience of current Stockholders and to let the world know about Tri-Continental. In addition to up-to-date practical information, the site contains interesting facts about Tri-Continental, including a complete history.

Please visit *www.tricontinental.com*.* We hope you find the site a useful one that you will want to visit often.

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* The reference to Tri-Continental’s website is an inactive textual reference and information contained in or otherwise accessible through Tri-Continental’s website does not form a part of this report or Tri-Continental’s prospectus or Statement of Additional Information.

Tri-Continental Corporation

Diversification of Net Investment Assets

The diversification of portfolio holdings by industry on December 31, 2006, was as follows. Individual securities owned are listed on pages 15 to 20.

				Percent of Net Investment Assets December 31,	
	Issues	**Cost**	**Value**	**2006**	**2005**
Common Stocks and Warrants:					
Aerospace and Defense	3	$ 81,138,948	$ 97,230,354	3.6	1.5
Air Freight and Logistics	1	14,660,308	15,554,384	0.6	0.4
Beverages	2	33,016,631	33,319,855	1.2	2.0
Biotechnology	3	82,194,142	77,471,397	2.9	1.7
Building Products	—	—	—	—	0.5
Capital Markets	4	56,963,660	67,517,750	2.5	2.6
Chemicals	1	21,875,236	22,367,632	0.8	2.5
Commercial Banks	2	89,807,572	93,087,220	3.5	3.4
Commercial Services and Supplies	1	18,261,022	20,028,619	0.7	1.8
Communications Equipment	8	172,697,508	167,908,850	6.2	5.7
Computers and Peripherals	5	92,682,946	92,341,873	3.4	3.9
Consumer Finance	1	60,626,753	59,018,348	2.2	1.2
Containers and Packaging	1	33,826,828	25,344,000	0.9	0.4
Diversified Consumer Services	—	—	—	—	5.3
Diversified Financial Services	3	143,971,315	155,116,995	5.8	2.4
Diversified Telecommunication Services	2	40,504,151	42,627,258	1.6	—
Energy Equipment and Services	3	40,129,670	40,555,170	1.5	—
Food and Staples Retailing	4	100,392,324	109,286,371	4.1	3.6
Food Products	—	—	—	—	0.4
Health Care Equipment and Supplies	2	51,788,669	48,414,955	1.8	1.2
Health Care Providers and Services	3	90,006,901	96,232,386	3.6	1.3
Hotels, Restaurants and Leisure	—	—	—	—	1.1
Household Products	—	—	—	—	0.5
Independent Power Producers and Energy Traders	1	17,870,211	16,843,047	0.6	5.0
Industrial Conglomerates	2	136,442,274	133,192,064	4.9	3.1
Insurance	2	61,435,365	71,090,284	2.6	1.5
Internet Software and Services	3	41,817,810	43,968,046	1.6	1.5
IT Services	2	22,902,953	25,692,346	1.0	5.1
Machinery	1	18,874,003	18,325,404	0.7	0.5
Media	2	39,419,330	50,220,150	1.9	0.3
Metals and Mining	2	37,238,278	34,097,160	1.3	1.5
Multi-Utilities	—	—	—	—	4.5
Multiline Retail	1	23,520,406	18,973,284	0.7	0.5
Oil, Gas and Consumable Fuels	5	182,449,507	213,335,592	7.9	10.0

Personal Products					2.2
Pharmaceuticals	3	81,227,210	80,227,540	3.0	6.0
Road and Rail	1	23,169,852	23,859,434	0.9	1.9

(continued on page 13)

Tri-Continental Corporation

Diversification of Net Investment Assets (continued)

				Percent of Net Investment Assets December 31,	
	Issues	**Cost**	**Value**	**2006**	**2005**
Common Stocks and Warrants: (continued)					
Semiconductors and Semiconductor Equipment	2	$ 25,971,412	$ 23,274,982	0.9	1.2
Software	2	57,295,878	62,013,694	2.3	3.3
Specialty Retail	4	95,414,191	98,012,012	3.6	2.5
Thrifts and Mortgage Finance	1	26,319,255	28,026,389	1.0	—
Tobacco	1	82,286,686	89,929,062	3.3	—
Wireless Telecommunication Services	1	32,762,677			