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Fund Manager
Since: 01/11/2022

Fund Information

You are investing in a fund that is actively managed in reference to the benchmark below. Please refer to the Prospectus and KIID/KID for the Fund objective.

Fund Benchmark: US CPI Seasonally Adjusted Index

Inception Date: 30/04/1986

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

FUND COMMENTARY – JUNE 2025

CT (Lux) Global Dynamic Real Return

Summary

- Gross of fees, the fund returned 3.20%, with US equities being the largest single contributor.
- While tariff news could stoke further volatility, we remain optimistic about the eventual outcomes, especially the impact on earnings.
- Within fixed income, we are more constructive on the outlook for corporate credit than for core government bonds.

Market Background

Broadly speaking, June was a positive month for safe havens and risk assets alike. Global equity indices rose strongly, and a falling dollar boosted returns from overseas assets. US Treasury and UK gilt yields fell, outperforming their German counterparts. Corporate bonds further benefited from tightening credit spreads (the yield premium over 'risk-free' government debt). Commodity indices also rose.

Risk appetite was bolstered as the US and China worked towards a new trade deal and traders priced in faster interest-rate cuts by the Federal Reserve. Near month-end, China and the US signed a framework agreement to ease Chinese curbs on rare-earth exports to the US, and US restrictions on exports of advanced chip technology in the other direction. US rate-cut bets – and Treasury prices – took a knock on 6 June as key jobs figures came in hotter than expected. However, economic data thereafter tended to have the opposite effect, including a smaller-than-forecast rise in May consumer price inflation, weak retail sales for the same month, and a revision to first-quarter GDP showing a larger contraction.

On the monetary front, anticipation of a eurozone rate cut mounted as the flash inflation print for May undershot the European Central Bank's 2% target. The ECB duly cut rates by 25 basis points (bps) but struck a hawkish tone in saying that the easing cycle had 'nearly concluded'. German Bund yields rose in response. The Fed left interest rates unchanged. Policymakers respectively raised and lowered inflation and growth forecasts but continued to project two 25-bp cuts later this year. Frustrated by the Fed's caution, President Trump renewed his attacks on Chairman Jerome Powell, spurring anticipation that a more dovish successor might soon be appointed. The Bank of England also kept rates on hold, though three of its nine rate-setters voted for a cut – a more dovish split than expected. Before the meeting, May inflation came in higher than forecast and above target; however, April GDP had also shrunk more than forecast as tax increases took their toll.

The 10-year Treasury yield fell 17 bps to 4.23%, while the UK equivalent fell 16 bps to 4.49%. Germany's 10-year yield rose 11 bps to 2.61%. Per ICE BofAML indices, US and euro IG credit spreads narrowed by 6 bps and 7 bps, versus 10 bps in sterling IG; spreads tightened in all the sectors we monitor, led by media. In high yield (HY), US and euro spreads tightened by 36 bps and 15 bps, respectively.

The MSCI All Country World Index (ACWI) returned 4.5% in US dollars. Growth outperformed value, with technology the strongest sector amid renewed AI

*The Fund integrates sustainability risks into the investment decision making process and is categorised as Article 6 under the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). (Please refer to www.columbiathreadneedle.co.uk for further disclosures. The decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its prospectus.)

enthusiasm. The US benefited from its large exposure here, but emerging markets (EM) fared best in dollars, led by tech-heavy Korea. Europe ex UK and Japan lagged the index. The former was hit by profit-taking after a strong run, while a lack of progress on a US trade deal dampened sentiment towards Japan. The UK brought up the rear, with the market suffering from a relative lack of technology exposure and as currency moves weighed on the market's many dollar earners.

Performance

On a gross basis, the fund made a strong positive return of 3.20% for the month. In line with the market developments outlined above, almost all of the equity allocations added value. Unsurprisingly the large US allocation had by far the biggest impact, contributing 189 bps. The second largest equity allocation – EMs – added 33 bps while the Europe ex UK, UK and Japanese allocations made smaller contributions (of 7–12 bps each).

In a strong month for developed government bonds, our allocation to Treasuries (and some UK gilts) was the top contributor, adding 33 bps. Of the two corporate credit allocations, HY fared best adding 11 bps versus just 2 bps from the IG component. The two EM allocations, local and hard currency, contributed 14 bps and 9 bps, respectively.

Elsewhere, the commodity and cash, near cash and foreign-exchange allocations had little impact in June, adding 5 bps and 3 bps respectively; the latter includes the impact of currency-hedging positions related to several of the overseas allocations.

Positioning and Outlook

We kept the shape of the portfolio broadly unchanged in June, though we did allow the strong performance of US equities to increase their weighting in the fund from 31.2% of net asset value (NAV) to 32.4%.

We continue to have a 'glass half full' view on equities as a whole, though our enthusiasm is tempered by the strong recovery seen since the pause or reversal on many of the US Liberation Day levies. The worst-case scenarios for earnings can likely be dismissed. When worked through the typical S&P 500 company, for example, we calculate that the earnings impact is roughly half the tariff rate. Based on our expectations for earnings in 2025, this would leave positive – albeit slower – growth this year. In addition, the White House has now shifted its focus towards tax cuts – the more equity-market-friendly element of Trump's election platform.

As mentioned in our May report, we have upgraded our view on EMs to '*mildly positive*'. The Chinese government is likely to continue with its programme of incremental fiscal stimulus, along with interest-rate cuts. This will likely be used to soften the impact of tariffs once their ultimate level is known. We expect demand for goods to come back as the tariff story settles down. EMs typically benefit from lower debt levels than many of their developed market counterparts, and falling inflation gives many central banks scope to cut interest rates. The cheaper US dollar – and possible further weakness ahead – should also be supportive.

EM equities now represent our second-largest equity exposure, taking over from Japan, which we have downgraded to '*mildly negative*'. Japan faces a more uncertain inflation outlook. This means the BoJ will probably be raising interest rates, strengthening the yen. As a stronger yen is typically a headwind for the Japanese equity market, we have become less constructive on the asset class. At the end of June EMs accounted for 6.8% of NAV and Japanese equities just 3.1%.

In fixed income, we continue to favour corporate credit over core government bonds. We think tariffs are unlikely to result in widespread defaults – especially as we still expect positive earnings growth rather than contraction this year. While we have significant exposure to US IG credit, the euro HY allocation remains the larger of the two. The latter market offers elevated yield levels and relatively low duration, which means that returns should be more stable if we were to see another sharp rise in underlying government bond yields. Euro HY also benefits from two notable tailwinds: lower interest rates and the anticipated increase in German fiscal spending. In June, the IG allocation edged down from 8.3% of NAV to 8.1%, while the euro HY allocation crept up by 15 bps to 11.1%.

12M Rolling Period Return in (USD) - as at 30 June 2025

Past performance does not predict future returns and future returns are not guaranteed.

	06/24- 06/25	06/23- 06/24	06/22- 06/23	06/21- 06/22	06/20- 06/21	06/19- 06/20	06/18- 06/19	06/17- 06/18	06/16- 06/17	06/15- 06/16
Fund (Gross) %	9.75	13.41	6.50	-14.49	16.78	5.18	2.89	6.81	7.65	-1.13
Index (Gross) %	2.73	3.07	2.58	9.01	5.44	0.77	1.78	2.92	1.65	1.02

Source: Columbia Threadneedle Investments as at 30/06/2025. Gross of fee fund returns are time-weighted rates of return net of commissions transactions costs and non-reclaimable taxes on dividends interest and capital gains using pricing of investments which is either the last traded price or a bid basis. Cash flows are factored as of the end of the day and exclude entry and exit charges. Index returns include capital gains and assume reinvestment of any income. The index does not include fees or charges and you cannot invest directly in it. The return of your investment may change as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation.

For detailed information on Fund Changes please see Significant Events - Threadneedle (Lux) Funds PDF available on www.columbiathreadneedle.com/en/changes

Key Risks

The value of investments can fall as well as rise and investors might not get back the sum originally invested.

As this Fund invests into other funds you should consider the underlying investments and overall risks.

Where investments are in assets that are denominated in multiple currencies, or currencies other than your own, changes in exchange rates may affect the value of the investments.

Positive returns are not guaranteed and no form of capital protection applies.

The Fund invests in securities whose value would be significantly affected if the issuer refused, was unable to or was perceived to be unable to pay.

The Fund targets returns in excess of inflation. In times of heightened inflation this may not be possible to achieve.

Changes in interest rates are likely to affect the Fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

The Fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

The Fund may invest materially in derivatives (complex instruments linked to the rise and fall of the value of other assets). A relatively small change in the value of the underlying investment may have a much larger positive or negative impact on the value of the derivative.

The fund may exhibit significant price volatility.

The risks currently identified as applying to the Fund are set out in the "Risk Factors" section of the prospectus.

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CTEA6596390.1 05/2024