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Marc Khalamayzer
Fund Manager
Since: 01/08/2022



Matthew Ferrelli
Fund Manager
Since: 01/08/2022

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: Bloomberg Commodity Index

Inception Date: 29/06/2010

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

FUND COMMENTARY – JULY 2025

CT (Lux) Enhanced Commodities

Summary

- The Bloomberg Commodity index returned -0.5% in US dollars in July.
- Gross of fees, the fund outperformed the benchmark over the month.

Market Background

Commodity markets were broadly unchanged in July, with the Bloomberg Commodity index returning -0.5% in US dollars for the month. The index is now up 5.0% in the calendar year to date. Performance for the month diverged somewhat across sectors; energy and livestock were the only positive market segments to deliver a positive return, posting 2.1% and 2.2%, respectively. Industrial metals and grains were the primary laggards, returning -6.6% and -1.7%. Meanwhile, softs and precious metals ended the month broadly unchanged.

Tariffs were much in focus in July. President Trump pushed his deadline out to 1 August but announced that levies on trading partners who had not secured a deal by then would be even steeper. In the event, Japan and the EU both reached outline agreements with the US before the deadline. In both cases, the baseline US import tariffs will be reduced to 15%, in return for massive investments in, and purchases from, the US as well as some other concessions. Macroeconomic indicators generally showed broad strength during the month, with preliminary composite purchasing managers' indices signalling expansion across the US, the UK and the eurozone.

In the US, both houses of Congress passed Trump's fiscally expansive tax-cutting bill early in the month. The advance estimate of Q2 GDP was stronger than expected, growing at an annualised rate of 3.0% per the Bureau of Economic Analysis – though the headline figure was mainly due to a tariff-driven drop in imports, which masked a slowdown in the underlying economy. Some labour market data indicated resilience, with initial jobless claims remaining near a three-month low. Inflation data painted a mainly benign picture: annual headline inflation rose in line with expectations in June, but there were some signs of upward pressures from tariffs, with prices for household furnishings and appliances increasing. The core inflation rate (excluding food and energy) edged up less than expected, and annual producer price inflation fell faster than anticipated. However, the Fed's preferred measure of inflation, the core personal consumption expenditure index, was slightly above forecasts. Despite further pressure from Trump, the Federal Reserve maintained rates for the fifth consecutive meeting in July and continue to emphasise its data-dependant approach to future policy action.

Meanwhile, July's flash composite purchasing managers' index (PMI) for the eurozone moved further than anticipated into growth territory, driven by faster expansion in services. Inflation in the bloc rose slightly but remained at the European Central Bank's 2.0% target. At its policy meeting, the ECB bucked the recent trend by keeping interest rates unchanged, as anticipated. President Lagarde's mildly positive comments on the 'resilient' eurozone economy were taken as a hawkish signal.

*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.)

In China, GDP growth for the first half of 2025 beat expectations, as did industrial production in June. However, producer price deflation continued, due to weak domestic consumption and falling external demand. At July's Politburo meeting, policymakers did not announce any further stimulus measures but reiterated their pledge to tackle economic involution (the negative dynamics of excessive competition, overcapacity and aggressive price wars among companies).

Gross of fees, the fund returned 0.1% in US dollars, beating the benchmark Bloomberg Commodity index by 60 bps. Positioning within energy and industrial metals aided relative performance. Our exposures to agricultural commodities were unhelpful.

Energy

Energy exposures contributed the most to relative performance in July, mainly driven by the beneficial underweight in natural gas, together with the favourable overweights in gasoline and gas oil. However, gains were slightly offset by a drag from our aggregate underweight positioning in oil.

The energy sector advanced in July, led by oil, with Brent crude and West Texas Intermediate (WTI) posting 9.1% and 8.5%, respectively. Gasoline followed oil higher, returning 6.4%. Natural gas was the only commodity within the sector to end the period in the red, returning -11.0%. For crude oil, ongoing elevated geopolitical risk drove continuing supply-disruption concerns. For natural gas, following early-month tightness, a combination of robust production and easing demand weighed on prices overall.

Metals

The fund's base metal exposures added to relative performance in July, due almost entirely to the beneficial underweight positioning in copper. Positioning in precious metals had a broadly neutral impact.

The industrial metals sector was the weakest performing area of the index, returning -6.6% in July. Copper dragged the complex lower, dropping 14.3% on the month. Industrial metals had been up 3.7% for the month to date until 30 July, when US Comex copper fell 22% — the biggest one-day price move in 40 years. The crash was driven by Trump's announcement that copper tariffs would not apply to copper cathode; prior to the announcement, the front Comex copper contract had been trading at an approximate 27% premium to the global London Metal Exchange (LME) copper benchmark, given expectations of 50% tariffs. In a further twist, Trump later said he would re-evaluate in mid-2026 whether a 15% tariff will be applied by 2027; this drove US copper (held in the Bloomberg Commodity index) prices sharply lower, to end the month trading at parity with LME.

Precious metals were broadly unchanged on the month in aggregate, with gold and silver returning -0.4% and 1.5%, respectively. Gold prices were pressured by softer central-bank buying during the month. After initially rising, gold prices trended lower as news of Europe's trade deal with the US emerged. Silver advanced due to strong industrial demand for renewable energy products and ongoing supply shortages.

Agriculture

The agriculture sector retreated in July, returning -1.1% in aggregate. Within this, grains posted a negative performance for the month, dragged down by soymeal and corn, which returned -4.6% and -3.7%, respectively. Marginally offsetting these results was a positive performance from soybean oil, which rose 3.8%. Prices of corn, soybean and soymeal fell amid due to an improved supply outlook due to ideal growing conditions, as well as lower demand. Soybean oil continued to be the only commodity to deliver a gain within the grains complex, supported by the US Environmental Protection Agency's renewable volume obligation (RVO) announcement pending an update regarding exemptions for small refineries, which could lead to a substantial increase in demand.

Within agriculture, the fund's grains exposures were neutral for relative performance, as beneficial underweights in corn and soybeans were offset by the detrimental underweight in soybean oil.

Softs edged lower in July; both coffee and cotton fell, returning -1.4% and -1.3%, respectively. Sugar was the only commodity to deliver gains within the sub-sector, posting 0.9%. Cotton prices were pressured by above-expectation production in Brazil and India. For coffee, production in Brazil was brought forward to take advantage of the improved weather conditions. Meanwhile, sugar prices rose as demand in China was higher than expected and on hopes of stronger US demand, following news that Coca-Cola plans to issue a version of its signature beverage sweetened with cane sugar instead of high-fructose corn syrup later in 2025, which will be sold alongside its existing product range.

The fund's softs exposures detracted from relative performance, due to the unfavourable off-benchmark exposure to cocoa, which posted -5.7% in July.

Livestock prices rose in July, led by live cattle, which posted 5.6% on continued low supply and high demand. Supply remained constrained due to the impact of the screwworm disease. Lean Hogs returned -3.7%, despite lower slaughter rates year over year.

Positioning in livestock was the biggest relative detractor in July due to a drag from the underweight in live cattle.

Outlook

We expect the outlook for commodities to remain solid over the remainder of 2025. Consensus forecasts continue to suggest growth rates will remain modestly positive in most key regions, with the risk of a growth slowdown in the US potentially overestimated to a degree. We continue to believe that inflation expectations will be supported, given tariffs, thus positioning commodities as a favourable asset class through the rest of 2025. We are starting to see marginal tariff impacts feed through into hard data, but continued progress in trade negotiations and timing and extent of tariff pass-throughs may mitigate the impact.

Looking ahead, tensions in the Ukraine-Russia conflict, the path of US trade policy and the as-yet-unseen potential impacts of tariffs on global growth have increased the range of outlooks for various commodities. We remain underweight agricultural commodities, as supply is plentiful and these are expected to be most impacted by US-China tariffs. Within energy, our positioning has become more tactical, with frequent rotations to take advantage of sell-offs. Softs will continue to be driven by weather and should be more insulated from tariff news. We continue to hold selective overweights where supply impacts from weather are greatest.

Overall, we believe commodities are likely to move higher in the remainder of 2025, albeit with heightened volatility. A slowdown in global growth due to tariff impacts is the biggest risk to this view.

12M Rolling Period Return in (USD) - as at 31 July 2025

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

	07/24- 07/25	07/23- 07/24	07/22- 07/23	07/21- 07/22	07/20- 07/21	07/19- 07/20	07/18- 07/19	07/17- 07/18	07/16- 07/17	07/15- 07/16
Fund (Gross) %	9.97	-1.48	-5.58	26.02	40.57	-8.82	-6.21	2.12	1.65	-6.53
Index (Gross) %	9.71	-5.17	-7.88	27.23	40.28	-12.07	-5.36	2.73	0.77	-7.98

Source: Columbia Threadneedle Investments as at 31/07/2025. 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.

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.

The Fund may enter into financial transactions with selected counterparties. Any financial difficulties arising at these counterparties could significantly affect the availability and the value of Fund assets.

The Fund invests in markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

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.

Leverage occurs when economic exposure through derivatives is greater than the amount invested. Such exposure, and the use of short selling techniques, may lead to the Fund suffering losses in excess of the amount it initially invested.

The Fund invests in derivatives rather than physical securities. Therefore there is a risk that the price of the instrument does not accurately reflect the price of the underlying security/commodity.

As the Fund gains exposure to Commodities, it is exposed to factors affecting a particular industry or commodity for example, weather, embargoes, tariffs and international economic, political and regulatory developments and trading activities in commodities and related contracts.

The fund typically carries a risk of high volatility due to its portfolio composition or the portfolio management techniques used. This means that the fund's value is likely to fall and rise more frequently and this could be more pronounced than with other funds.

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

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