This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID / KID before making any final investment decisions.

# FUND COMMENTARY – JUNE 2025

## CT (Lux) Global Multi Asset Income

**Ben Rodriguez**
Fund Manager
**Since:** 20/05/2022

### 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:** 45% MSCI ACWI Index, 30% ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index (USD Hedged), 20% Bloomberg Global Aggregate Index (USD Hedged), 5% 30-day Average Secured Overnight Financing Rate (SOFR)

**Inception Date:** 18/09/2012

**Fund Currency:** USD

**Fund Domicile:** Luxembourg

**SFDR:** Article 6*

## Summary

- Gross of fees, the fund returned 2.88% for the month, with US equities adding most value.
- While tariff news could stoke further volatility, we remain optimistic about the eventual outcomes, especially the impact on corporate earnings.
- Within fixed income, we maintain significant exposure to corporate credit, which we prefer to 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, ecomomic 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 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.)

The MSCI All Country World Index (ACWI) returned 4.5% in US dollars. Growth outperformed value, with technology the strongest sector amid renewed AI 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 returned 2.88% for the month. In line with the market developments outlined above, the equity allocations all added value – albeit fractionally so in the case of the small UK and Japanese portfolios. Unsurprisingly the large US allocation had by far the biggest impact, contributing 174 bps. To avoid the overexposure to value stocks that would otherwise result from an income-focused portfolio, the allocation has a short position in value-focused index futures (Russell 1000 Value) and a similarly sized long position in growth-focused index futures (Russell 1000 Growth). As in April and May, this combination once again proved favourable as growth stocks outperformed.

The Asia ex Japan, Europe ex UK, and global equity income segments added 32 bps, 27 bps and 10 bps, respectively. The covered call overlay strategy – an equity derivative strategy designed to enhance income in the fund – proved modestly favourable in June, contributing 14 bps overall.

In fixed income, the top contributor was the large exposure to HY credit, which added 19 bps. The IG corporate credit and global aggregate allocations added 13 bps and 10 bps, while the developed government bonds (US and UK) added just 5 bps, almost all of which was attributable to long-dated UK gilts.

Lastly, the cash and foreign-currency allocation was a negative contributor in June, detracting 19 bps. This includes the effects of currency-hedging positions associated with several of the other allocations, such as Japanese equities and euro HY credit.

## Positioning and Outlook

The broad shape of the portfolio was adjusted only modestly in June. Excluding holdings related to the covered call strategy, overall exposure to equities edged down from about 57.5% of net asset value (NAV) to a little over 56%. 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. The US equity allocation (excluding covered-call-related holdings) remained little changed at 35.6% of NAV.

We further increased our allocation to Asia ex Japan equity income strategy – which is mainly invested in Asian EMs – taking it from 5.9% of NAV to 7.1%. The Chinese government is likely to continue with its programme of incremental fiscal stimulus, along with interest-rate cuts, which could soften the impact of tariffs. 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.

Conversely, we have taken European equities down to '*neutral*' from '*mildly favour*'. The macroeconomic environment points to solid but not stellar growth, and we expect a boost from fiscal stimulus, particularly in Germany. In the short term, however, although European equities had a strong first half of 2025, we are yet to see any pickup in company earnings. We are also mindful of tariff risks in the near team, with some uncertainty around agreeing a framework with the US. Our allocation here fell from 11.6% to 9.1%.

In fixed income, we maintain significant exposure to corporate credit. We think tariffs are unlikely to result in widespread defaults – especially as we still expect positive earnings growth rather than contraction this year. In addition, credit should benefit from the passage of time as tariff deals and compromises are worked out. In June, the IG allocation edged down by a few basis points to 8.9% of NAV but we increased the HY allocation from 25.6% to 28.7%. The latter was delivered by a significant addition to the short-dated strategy; this asset class offers attractive yield but with less interest-rate risk than the broader HY market.

We have limited exposure to core government bonds (2.2% of NAV at month end) given concerns about long-term issuance and fiscal sustainability; within the allocation we continue to prefer UK gilts over US Treasuries. The UK is viewed as a relatively restrained region on this front, with forced austerity measures from bodies such as the Office for Budget Responsibility, but we are aware that the gilt market could be dragged lower by Treasuries and Japanese government bonds.

## 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) % | 10.83 | 13.55 | 9.73 | -10.81 | 21.94 | -5.91 | 5.61 | 3.25 | 11.96 | 3.33 |
| Index (Gross) % | 12.25 | 13.88 | 11.57 | -14.24 | 0.21 | 1.58 | 2.54 | 1.76 | 0.99 | 0.50 |

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.

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 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 holds assets which could prove difficult to sell. The Fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

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.

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

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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