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Paul Wick
Fund Manager
Since: 14/03/2014



Vimal Patel
Fund Manager
Since: 31/01/2024

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: MSCI World Information Technology 10-40 Index

Inception Date: 31/05/1997

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

FUND COMMENTARY – MAY 2025

CT (Lux) Global Technology

Summary

- Global equities rose in May, but technology stocks outperformed with positive returns in US dollars.
- Gross of fees, the fund posted a return of 8.9% in US dollars, underperforming its benchmark.
- Stock selection within the benchmark detracted, while allocation in these industry groups added value.
- There was no significant activity during the month.

Market Background

Global equities advanced in May amid easing trade-war worries, which in turn allayed fears of a global economic downturn. Growth stocks outperformed their value counterparts, with technology stocks among the top performers, helped by some strong first-quarter (Q1) earnings. The MSCI World Information Technology 10/40 index returned 10.5%, compared to 5.8% from the MSCI All Country World Index (ACWI), in US dollar terms.

Hopes that key trading partners could broker deals with the US were bolstered as the UK became the first country to do so early in the month. Markets were further cheered by mid-month news that the US and China agreed to reduce tariffs for 90 days – faster and more substantial progress than had been expected given President Trump's earlier rhetoric. Meanwhile, the US president's tour of the Middle East resulted in the announcement of multibillion dollar contracts related to defence, aviation and AI, which helped buoy company shares in these industries. The rally faded later in the month, however, amid some mixed tariff and macroeconomic news: Moody's stripped the US of its triple-A credit rating due to the country's worsening fiscal outlook. Investors also dialled back their expectations for Federal Reserve interest-rate cuts in 2025 from three to two. The Fed left interest rates unchanged, as expected, but Chair Jerome Powell said policymakers "can afford to be patient" regarding rate cuts amid the trade-policy uncertainty.

Economic data was largely resilient; the flash S&P Global purchasing managers' index (PMI) for May topped forecasts, and the economy added more jobs than expected in April. However, continuing claims for unemployment insurance rose to highs not seen since 2021. Encouragingly, headline inflation eased slightly more than expected in April.

Technology stocks were buoyed by AI-related deals between the US and Middle East countries as well as news that President Trump has rescinded new restrictions on AI chip exports, introduced by the Biden administration, before they came into effect. Nvidia's above-consensus Q1 revenues, despite restrictions on sales to China, also reaffirmed the power of the AI theme to drive growth. This helped reignite investor

*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 for semiconductor stocks, which posted the top return by industry group in the index. Software, IT services and electronic equipment also delivered strong gains, albeit slightly behind the index, while communications equipment's rise was more moderate. Hardware was the only industry group with a negative return.

Performance

Gross of fees, the fund returned 8.9% in May, underperforming the MSCI World Information Technology 10/40 index. Stock selection within the benchmark detracted due to choices in semiconductors, software and IT services. However, picks in hardware made a positive contribution. Sector allocation in the benchmark also added value, mainly due to the underweights in hardware, software and IT services, which more than offset the detraction from the semiconductors underweight. Our off-benchmark sector exposures weighed on relative performance, especially in financials.

At the stock level, the largest detractors within semiconductors were the underweight exposures to Nvidia and Broadcom. Both benefited from a rally in chip-related stocks after the US and China agreed to reduce tariffs while Trump rescinded new restrictions on AI chip exports. Shares were also boosted as Microsoft and Meta re-affirmed their commitment to investing in AI. Towards the end of the month, Nvidia reported forecast-beating first-quarter (Q1) sales and earnings, which provided a further boost to the sector. Positive contributors included the zero weight in Qualcomm. The firm's underwhelming current-quarter guidance hindered performance over the month, as did concerns that its key client Apple is increasing production of in-house chips. Our Lam Research overweight also aided performance as the stock joined in the wider sector rally.

Within software, Microsoft's strong quarterly results, including expectation-beating revenues and earnings as well as upbeat forward guidance, paved the way for its stock to perform well in May. Consequently, our underweight exposure had a negative impact. Elsewhere, our off-benchmark holding in TeamViewer detracted. The remote connectivity and support solutions provider's Q1 results were largely positive, but some investor disappointment about its outlook prompted profit-taking after a strong run. The lack of exposure to AppLovin also detracted in a strong month for the stock. On the positive side, the zero weight in SAP (which provides end-to-end enterprise resource planning (ERP) solutions) was beneficial, as some investor uncertainty surrounding valuations and the company's ability to achieve its ambitious AI plans limited its performance. The zero weights in Cadence, MicroStrategy and Fair Isaac also added value.

Turning to IT services, our GoDaddy holding underperformed following mixed Q1 results. Despite above-expectation revenues and earnings, the company's recurring revenues figure fell short of investor expectations, causing its shares to dip. Similarly, Wix.com, which provides a cloud-based platform for website design, posted mixed Q1 results; revenues surpassed estimates but earnings disappointed and management issued conservative forward guidance. Consequently, our holding in the stock detracted. More favourably, the zero weight in Accenture made a positive contribution as its stock lagged the wider rally.

The positive impact from our hardware exposures was led by our underweight in Apple. Shares in the tech giant weakened following its mixed Q1 results, with investors reacting to concerns about the impact of tariffs on the firm's China sales. Our Western Digital overweight also boosted relative performance. The hard disk-drive storage firm's first full-quarter results since the spin-off of flash-disk business Sandisk earlier this year featured strong revenue and earnings growth alongside higher-than-forecast current-quarter guidance.

Elsewhere, the lack of exposure to Motorola Solutions made a favourable contribution in the communications equipment industry group. The firm reported higher-than-expected Q1 earnings and revenues, but shares fell after the firm's Q2 guidance missed analyst forecasts. In the electronic equipment industry group, our off-benchmark position in Advanced Energy Industries was the biggest contributor, thanks to strong Q1 results, reported on the final day of April. The firm's revenues, earnings and current-quarter guidance all exceeded expectations, driven by the semiconductor and data-centre business segments. The zero weight in Keyence also proved helpful, but gains were offset by the lack of exposure to Amphenol.

In the off-benchmark industry sectors, detractors included Bloom Energy, Global Payments and Match Group. Bloom, which manufactures solid oxide fuel cells, was impacted by the Trump administration's "One Big Beautiful Bill" receiving congressional approval; the bill proposes to significantly scale back many of the subsidies and tax breaks for the renewable energy industry. Global Payments posted mostly positive Q1 results early in the month, but investors later dialled back their optimism about the company's earnings potential going forward. Meanwhile, Match Group shares fell following disappointing quarterly results. On the positive side, Meta had a favourable impact, helped by strong Q1 earnings and higher-than-forecast Q2 guidance. The firm is also viewed as relatively immune to trade concerns compared to some other technology companies. Our holding in Lyft also boosted relative performance, as investors cheered the ride-sharing company's Q1 profitability and strong free cash flows. The firm also announced an expanded share buyback programme.

Activity

During a light month in terms of trading activity, we sold out of Ansys, which develops engineering simulation software and services.

Outlook

The outlook for risk assets has undeniably become more challenged in 2025. The uncertainty surrounding the US administration's trade policies and their impact on growth and inflation are not necessarily expected to abate in the near term. US economic fundamentals remained broadly strong despite weakening of some indicators. However, the largest tariff increase since 1930 and perhaps the largest single tax increase of any kind in recent history are enough to sharply lower the growth outlook, significantly increase the odds of a recession and, from a revenue perspective, to make a major dent in the deficit.

Companies may respond in a number of ways to maintain profit margins, including a mixture of price rises, cost reductions and, ultimately, avoidance by reshoring manufacturing to the US. In the near term, with companies expected to pass through price increases, inflation is forecast to rise in lockstep as entire supply chains will be impacted. Consequently, the market has quickly increased its expectations for interest-rate cuts this year, although Fed Chair Jerome Powell has steadfastly stated that policymakers will exercise caution and not rush to ease rates. Should tariffs remain at these levels, we expect business and consumer confidence to stay low, earnings estimates to be reduced further and the market to continue to grind lower.

Even in this uncertain environment, we believe AI adoption will remain an important theme due to its potential to drive revolutionary productivity gains. Encouragingly, capital spending from public cloud service providers, including Microsoft, Google, Amazon, Oracle and Meta, continues to grow. Demand for semiconductor equipment has also remained steady so far, despite the concerns triggered by the emergence of lower-cost models. The complexity around AI-related processors is continuing to drive robust activity for advanced packaging and backside power.

The sustained period of strong performance in recent years meant that valuations had become stretched, which contributed to the sharp sell-offs in Q1. Looking ahead, we are identifying several pockets of relative value where individual stocks appear attractively priced, including software, tower, storage and service providers. Select software companies should also benefit from a cyclical recovery as non-AI IT spending increases amid lower interest rates. Further opportunities can be found among non-AI semiconductor firms, with the growth of electric vehicle sales driving secular growth. The digitalisation of the global economy and the need to protect against cyber threats are also significant trends that create a favourable secular growth backdrop. In this environment, we believe that our time-tested investment process will be able to identify companies that offer the most attractive risk-reward profile for our clients.

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

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

	05/24- 05/25	05/23- 05/24	05/22- 05/23	05/21- 05/22	05/20- 05/21	05/19- 05/20	05/18- 05/19	05/17- 05/18	05/16- 05/17	05/15- 05/16
Fund (Gross) %	7.58	33.55	4.54	-2.03	71.54	32.31	-1.40	18.89	43.23	-1.32
Index (Gross) %	16.66	34.10	16.44	-4.08	43.61	35.03	3.59	26.58	33.25	0.62

Source: Columbia Threadneedle Investments as at 31/05/2025. 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 has a concentrated portfolio (holds a limited number of investments and/or has a restricted investment universe) and if one or more of these investments declines or is otherwise affected, it may have a pronounced effect on the Fund's value.

The Fund may invest in derivatives (complex instruments linked to the rise and fall of the value of other assets) with the aim of reducing risk or minimising the cost of transactions. Such derivative transactions may benefit or negatively affect the performance of the Fund. The Manager does not intend that such use of derivatives will affect the overall risk profile of the Fund.

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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CTEA6596390.1 05/2024