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) Credit Opportunities

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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: Compounded euro short-term rate (€STR) average rate, 1 month tenor

Inception Date: 29/08/2018

Fund Currency: EUR

Fund Domicile: Luxembourg

SFDR: Article 6*

Summary

- June was another positive month for corporate credit.
- Gross of fees, the fund made a positive return.
- Credit spreads are still not cheap, but outright yields are attractive in our view for those seeking income.

Market Background

Indices of global IG corporate bonds posted solid gains in June, while euro high-yield (HY) indices rose only marginally over the month. US Treasury and UK gilt yields fell, outperforming their German counterparts. Corporate bonds also benefited from a tightening in credit spreads (the yield premium over ‘risk-free’ government debt).

The 10-year Treasury yield hit its highest close of the month on 6 June as hotter-than-expected US jobs data weighed on rate-cut hopes. Economic data that emerged thereafter tended to put downward pressure on yields, 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.

The renewed conflict between Israel and Iran grabbed headlines but had little lasting market impact during the month. Treasury and Bund yields rose when Israel’s surprise attack on Iran sent oil prices higher; these moves proved short-lived, however, and were largely reversed as a ceasefire was announced.

On the policy front, anticipation of a rate cut in the eurozone mounted early in the month as the preliminary inflation print for the region came in below the European Central Bank’s 2% target. The ECB duly reduced borrowing costs by 25 basis points (bps) but the bank’s president struck an unexpectedly hawkish tone in suggesting that rate cuts had ‘nearly concluded’. Bund yields rose in response.

The Federal Reserve left interest rates unchanged, as expected. Policymakers respectively raised and lowered their inflation and growth forecasts but continued to project two more 25-bp cuts this year. Frustrated by the Fed’s caution, President Trump renewed his attacks on Chairman Jerome Powell, and Treasuries strengthened in anticipation that Trump might soon name a more dovish successor.

The Bank of England left rates on hold, though three of its nine rate-setters voted for a cut – a more dovish vote split than anticipated. Shortly before the policy meeting, May inflation came in higher than expected and well above target; however, April GDP had also shrunk more than forecast as tax increases took their toll.

Overall, 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 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.)

Performance

For the month of June, the fund made a positive return of 0.35%. Interest-rate-related strategies were positive overall, helped by roughly even contributions from our long positions in US, euro and UK duration (sensitivity to changes in interest rates).

Credit strategies also added value modestly. This was driven by the *directional* strategy (which takes positions based on our view of the likely future direction of a market or security); the other strategies – *event* (which seeks to identify the mispricing of assets associated with corporate events, such as mergers and acquisitions) and *relative value* (which aims to exploit potential mismatches in relative valuations between similar issuers or securities) – had a neutral impact in aggregate.

At the sector level, positives included core financials, industrials and real estate. Top contributors at the issuer level included House of HR, Triodos Bank and Heimstaden (real estate), partially offset by a negative contribution from Thames Water. Positions in credit default swaps (CDS) – used to hedge some of the risk in the portfolio – also proved unfavourable as spreads narrowed.

Activity

At a high level, the fund finished June broadly unchanged in terms of credit-risk positioning, though duration was increased.

As regards the former, we started and ended the month with around 45% of the combined credit risk of the global IG and euro HY markets. Nevertheless, there were some changes at the issuer and sector levels. We were active in the primary market, taking part in a range of new issues for the directional strategy. In the IG market, these included offerings from Realty Income, Supernova (real estate), Compass (food services), and European banking groups OP (Finland), Commerzbank (Germany) and CaixaBank (Spain). Among HY issuers, we took part in deals from Skechers (footwear), following its leveraged buyout, as well as Darling (food ingredients), Cheplapharm (pharmaceuticals) and autoparts suppliers Clarios, Mahle, ZF and Benteler. In the secondary market, we started a position in Vivion (real estate) for the carry strategy, and added to CPI Property in the event book.

On the sales side, we closed the directional strategy's positions in Virgin Money, taking up a tender offer following the company's acquisition, and Wepa (hygiene-paper products), while also reducing positions in Drax (power generation) and Grand City Properties. Elsewhere, we reduced the event book's position in Santander UK; in the carry strategy, we trimmed Inspired Entertainment (gaming) and Nexi (payments processing).

At the sector level, the month's activity led to increased exposure to consumer goods and services.

Duration increased from 0.7 years long to 1.3 years long as we closed our successful short position in Japanese government bonds. Yields had risen significantly since we opened the position, as the Bank of Japan raised interest rates close to our estimate of terminal levels. The trade therefore offered limited further upside in our view. We remain constructive on short-dated government bonds in the US, Germany and the UK, given current valuations.

Outlook

At present, meaningful estimates of the impact of Trump's trade tariffs are all but impossible to calculate. What seems most likely, however, is that inflation will be higher – at least in the US – and growth lower than previously envisioned. This complicates the picture for central bankers looking to support their economies by cutting interest rates. Lower growth, with the risk of recession, would be a less positive – or even negative – environment for credit spreads, especially for more levered and cyclical issuers.

While spreads (at the time of writing) are still inside (i.e. more expensive than) historic averages, outright yields are comfortably above long-run means, which should continue to attract investors seeking income.

The IG market is also supported by robust credit fundamentals, such as low leverage for corporates and high levels of capital for banks. The picture is not quite as robust in the HY market, where defaults are expected to rise.

We maintain a preference for IG over HY, and generally prefer shorter-dated HY bonds over longer-dated ones. At the sector level, key long positions in our high-conviction directional strategy are banks, utilities, industrial goods & services, autos and parts, real estate, and technology.

Our event strategy has exposure to low-coupon 'callable' HY bonds (that the issuer can redeem or 'call' before maturity). In a number of cases, these issues have a call price well above the prevailing market price. We expect some to be redeemed sooner than the market anticipates, which could drive a price jump.

12M Rolling Period Return in (EUR) - 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) %	4.80	7.21	-1.31	-3.85	3.77	-0.64	1.59	0.26	3.72	1.59
Index (Gross) %	3.01	3.81	1.41	-0.60	-0.67	-0.57	-0.48	-0.48	-0.46	-0.30

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.

The past performance information for the period prior to 29 August 2018 is from the Credit Opportunities Fund (a UK authorised UCITS fund launched on 29 April 2009), which merged into this Fund on 20 October 2018.

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.

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

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 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, and the use of short selling techniques, 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.