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Fund Manager
Since: 02/09/2024

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: S&P 500 Index

Inception Date: 28/07/2000

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 8*

FUND COMMENTARY – JUNE 2025

CT (Lux) American Select

Summary

- The S&P 500 index returned 5.1% in dollar terms in June.
- Gross of fees, the fund rose 5.2%, outperforming its benchmark by 10 basis points (bps).
- Stock selection drove the outperformance, while sector allocation detracted.
- Contributors included Insmet and ON Semiconductor, along with the zero weight in Berkshire Hathaway. Equinix detracted.
- We opened a position in Gap.

Market Background

US equities extended their winning streak in June, with the S&P 500 index posting 5.1% and registering new all-time highs along the way. This left returns for the year to date at 6.2%.

The positive performance came as investors remained sanguine in the face of escalating geopolitical tensions, persistent tariff uncertainty and some softer economic data. Early in the month, sentiment was supported by ongoing resilient jobs figures and the resumption of trade talks between the US and China, even as President Trump doubled levies on steel and aluminium imports from 25% to 50%. Later, geopolitics took centre stage as Israel carried out a major airstrike campaign against Iran, designed to knock out the country's nuclear capabilities. US stocks fell on risk-off sentiment as retaliatory strikes from Iran ensued, before both sides launched further attacks. The US eventually joined the conflict, attacking three Iranian nuclear facilities; Iran's limited response – firing missiles at a US military base in Qatar – was viewed as a de-escalatory move, helping risk sentiment to recover. The rally gathered steam into month end after Israel and Iran agreed to a US-brokered ceasefire and as news on tariffs turned increasingly positive, with talks set to resume between the US and Canada after the latter revoked its digital services tax, the EU signalling a readiness to negotiate and US officials confirming that a deal had been signed with China regarding rare earth exports to the US.

Early in the month, some hotter-than-expected US jobs data weighed on rate-cut hopes, with non-farm payrolls in May slightly above expectations. However, the numbers fell from April, while March and April's figures were revised down. Initial jobless claims remained above average for the year to date, while continuing jobless claims rose above expectations to their highest level since November 2021. Other data also pointed to cooling activity. Revised US GDP figures showed the economy contracted more than previously estimated in the first quarter (Q1) due to a downgrade in reported consumer spending and exports. The S&P Global US composite purchasing managers' index for June continued to indicate expansion, but growth cooled a fraction as service sector output softened slightly; manufacturing was unchanged at a 15-month high according to a preliminary reading. On the consumer side, retail sales in May were weaker than expected – the biggest fall in four months – and factory orders in April declined sharply. More positively, consumer confidence rose for the first time in six months in June, rebounding from a near-record low. The recent streak of below-forecast inflation data continued: the consumer price index

*The Fund promotes environmental or social characteristics and is categorised as Article 8 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.)

showed annual inflation rose for the first time in four months in May, but the print was lower than expected. Producer price inflation also rose less than expected, after declining in April.

Emboldened by the below-expectation inflation data, President Trump renewed his calls for the Federal Reserve to slash interest rates by one percent – or 100 bps – and branded Fed Chair Jerome Powell a “stupid person”. Nevertheless, policymakers voted to hold rates steady for a fourth consecutive meeting in June, with Powell emphasising that decisions will remain data dependent due to high levels of uncertainty and an expected “meaningful increase” in inflation from tariffs. After the meeting, markets were pricing in two 25-bp cuts this year: one in September and one in December.

Ten out of the eleven benchmark sectors posted gains in June, led by technology as renewed optimism about AI and hopes for trade deals supported semiconductor names, with Nvidia hitting new all-time highs along the way. Communication services also outperformed. All other sectors trailed the wider benchmark, though energy was only slightly behind, posting a strong return as fears of supply disruption due to the Israel–Iran conflict drove oil prices higher. At the other end, consumer staples fell amid signs of softening consumer demand and tariff-related uncertainty. The interest-rate sensitive real estate and utilities sectors were also weak, though both eked out a marginal gain during the month.

Performance

In gross terms, the fund returned 5.2% in June, outperforming its benchmark by 10 bps.

Stock selection drove the relative outperformance, particularly in financials and healthcare, although picks in real estate and consumer staples detracted. Sector allocation weighed on relative returns in aggregate, primarily due to the underweight in technology and overweights in real estate and consumer discretionary. However, there was a modestly positive contribution from the zero weight in materials.

At the stock level, biopharmaceutical firm Insmed was the top contributor. The shares surged on news of positive results for a phase 2 trial of treprostinil palmitil inhalation powder (TPIP), an experimental treatment for the rare lung disease known as pulmonary arterial hypertension (PAH). Insmed reported that the trial showed TPIP to be 35% more effective than a placebo for reducing blood pressure in the lungs of PAH patients, as well as helping recipients to walk further. Insmed now plans to proceed with a phase 3 trial.

Another key contributor was ON Semiconductor (also known as Onsemi) in a strong month for chipmakers, which were boosted by upbeat sentiment about AI-related demand. The shares were also supported by Onsemi’s CEO expressing confidence about key end markets recovering in the second half of 2025 at a technology conference during the month. In addition, management highlighted changes to the firm’s pricing structure intended to improve market share and gross profit margins, as well as measures to protect the company from geopolitical uncertainty, with primary and secondary manufacturing locations in the US and overseas.

In addition, the lack of exposure to Berkshire Hathaway was beneficial. The shares continued to fall after Warren Buffett surprised investors in May by announcing plans to step down as CEO by the end of the year. The stock was also pressured by broker downgrades in June.

On the other side, the holding in Equinix detracted. Shares in the digital infrastructure company fell after its investor day in June, where management revealed a lower-than-expected outlook for near-term growth, primarily due to the need to invest in AI infrastructure to meet growing demand. Equinix is looking to double the capacity of its data centre network by the end of 2029 to support long-term growth, which it forecasts will require raising annual capital expenditure from \$3.3 billion in 2025 to \$5 billion in 2029.

Activity

We initiated a position in Gap, the global clothing and accessories retailer, as we see compelling evidence of a credible turnaround story. Under a new CEO with prior merchandising and brand transformation experience at Mattel, the company is executing a comprehensive revival strategy. The turnaround is gaining traction through improved merchandising and marketing initiatives. The company is also executing a cost-savings programme that should support reinvestment in growth initiatives and capital return. We feel there is scope for the combination of margin improvement and continued brand turnaround to drive positive sentiment, and the stock is trading at an attractive value.

We also added to existing positions in JPMorgan Chase, Charles Schwab and the aforementioned Onsemi, among others.

In terms of sales, we exited Nike and Gitlab, while trims included Bank of America, General Motors and Apple.

Outlook

The outlook for US risk assets has undeniably become more challenged in 2025. Economic fundamentals have remained firm for the year to date, despite a noticeable uptick in volatility and uncertainty around tariffs, immigration

and other policies. The labour market continues to show resilience, with non-farm payrolls firmly in positive territory, unemployment remaining low, wages rising at a healthy clip and layoffs staying minimal. Consumer spending is also holding up, while inflation has plateaued close to the Fed's target.

Despite early – and broad-based – market weakness following the “Liberation Day” tariff announcements, US equity indices across the cap spectrum had fully recovered their initial losses and even rose beyond the levels seen prior to the announcement by the end of Q2. Headlines about trade negotiations – particularly with China – along with strong Q1 corporate results and robust economic data have buoyed sentiment. However, there are still many unknowns, with the ever-changing policy landscape creating heightened uncertainty and making it exceptionally difficult to forecast either corporate or economic outcomes. Investors continue to debate the extent to which recent announcements are a negotiating ploy, and thus transitory, versus an effort by President Trump to rebalance trade relationships. With the effective tariff rate still set to rise dramatically, many believe we are yet to see the full economic impact of the administration's tariff policy in hard economic indicators.

In spite of recent market turbulence, Q1 earnings results beat expectations in aggregate. The year-over-year earnings growth rate exceeded consensus expectations, marking the second straight quarter where the market achieved double-digit growth. However, while Q1 results were unexpectedly strong, forward guidance has been fraught, with companies generally deciding to either lower forecasts to account for negative trade impacts or retract guidance altogether, citing heightened uncertainty and limited visibility into future operating environments.

Companies may respond to increasing tariffs 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, as entire supply chains will be impacted. After the initial “Liberation Day” announcements, the market quickly moved to price in more rate cuts in the expectation that the Fed would have to ease its policy rate aggressively to support a faltering economy. The market has since pared back those expectations given the administration's openness to negotiation on tariffs. Fed Chair Jerome Powell has steadfastly stated that policymakers will exercise caution and not rush to ease rates.

Against this backdrop, we remain committed to our process, with a sharp focus on fundamentals and identifying and owning companies we believe can withstand this uncertainty and weather near-term headwinds.

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) %	6.01	27.87	12.88	-18.19	44.75	14.97	9.66	16.45	23.75	-0.61
Index (Gross) %	15.16	24.56	19.59	-10.62	40.79	7.51	10.42	14.37	17.90	3.99

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 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 applies a range of measures as part of its consideration of ESG factors, including the exclusion of investments involved in certain industries and/or activities. This reduces the investable universe, and may impact the performance of the Fund positively or negatively relative to a benchmark or other funds without such restrictions.

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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