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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: 25/01/2019

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

FUND COMMENTARY – JUNE 2025

CT (Lux) American Extended Alpha

Summary

- The S&P 500 index returned 5.1% in dollar terms in June.
- Gross of fees, the fund returned 3.9%, trailing its benchmark by 116 basis points (bps).
- The long book and the short book both detracted from relative performance.
- In the long book, key detractors included PG&E and Pilgrim's Pride. Contributors included the underweight in Tesla and the holding in Arista Networks.
- We opened positions in CME Group and Newmont.

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

*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.)

– 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 (CPI) 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 3.9% in June, trailing its benchmark by 116 bps. This reflected detraction from both the long book (where stocks are held in the expectation that they will rise in value over time) and the short book (where stocks are held in the expectation that they will fall in value over time).

Security selection drove the relative underperformance, with picks in utilities, materials and healthcare detracting most. However, our choices in industrials and financials added value. Sector allocation was broadly neutral for relative performance in June.

In the long book, key detractors included PG&E in a weak month for the utility sector. Shares in the public utility company, which serves customers in northern and central California, fell to a 52-week low in mid-June. As well as the rotation out of defensive and value names, the stock was pressured by negative regulatory developments after the California Senate approved a bill aimed at tackling the affordability of energy bills and augmenting the state’s wildfire insurance fund, to which PG&E is a contributor.

The off-benchmark exposure to chicken producer Pilgrim’s Pride detracted for a second consecutive month. The shares underperformed again in June after falling in May on the back of the firm’s weaker-than-expected Q1 results. The stock may have been further pressured by general weakness in the consumer staples sector and reports of share sales by management in June.

On the other side, key contributors included the significant underweight in Tesla. The shares fell early in the month after CEO Elon Musk exchanged barbs with President Trump on social media. The feud was prompted by Musk’s criticism of Trump’s “One Big Beautiful Bill”, which removes tax credits for electric vehicles while adding to the US deficit due to tax cuts elsewhere. This resulted in Trump threatening to cut government subsidies for Tesla. The stock partially rallied after the spat cooled and Tesla launched its ride-hailing “robotaxi” service in Austin, Texas, but the shares later declined again on news that Tesla’s sales in Europe are continuing to fall.

The exposure to Arista Networks, which supplies software-driven networking solutions for cloud service providers, was another key contributor. The shares were buoyed by positive investor sentiment toward AI-related names, well as positive analyst activity around the stock during the month.

In the short book, detractors included a battery development firm and a rare earth materials company. Contributors included a manufacturer of heating, ventilation and air conditioning equipment and a petfood company.

Activity

In the long book, we opened positions in CME Group (financial services) and Newmont (gold mining).

We also topped up the holdings in Popular, Broadridge Financial Solutions, ADT and SBA Communications.

To fund these purchases, we exited Morgan Stanley, Gap, Tenet Healthcare, Toll Brothers, Reinsurance Group of America and Reynolds Consumer Products.

Outlook

In the first half of this year, US tariff policy was the most impactful driver of the direction and volatility of capital markets. Between tariffs originally being proposed in February and their formal announcement in early April, the S&P 500 index dropped nearly 20%. The declaration of a 90-day pause to negotiate trade deals on 9 April then

catalysed a remarkable recovery. Markets gained significant momentum throughout May and June, with the S&P 500 gaining 10.6% in Q2 and eventually reaching a new all-time high. This recovery was fuelled not only by the tariff pause but also by concrete developments in trade negotiations, including an agreement with the UK and an interim deal with China that eased bilateral tensions. However, unease remains just below the surface because the 9 July deadline is fast approaching, and there are mixed signals regarding negotiations with key partners such as the EU, Japan and South Korea.

Despite worries about how tariffs might impact prices, inflation has continued to decelerate, with a string of cooler-than-expected core CPI prints during Q2. However, the Fed has maintained a cautious stance, preferring a wait-and-see approach amid trade policy uncertainty. Policymakers continue to project two cuts for the remainder of this year. President Trump has clearly indicated that he believes the Fed is dragging its feet, and, while he announced in late April that he would not fire Chairman Powell, speculation about a potential replacement has increased, with reports suggesting Trump might name a successor as early as this summer. Such a move could significantly alter market expectations for interest rates and economic policy.

Geopolitical tensions flared significantly in mid-June when Israel attacked Iran, briefly spiking oil prices by approximately \$10 per barrel. While markets stabilised following a ceasefire agreement that drove oil prices down 15% from their peaks, the situation remains precarious and could reignite volatility in energy markets and global supply chains.

Corporate earnings have significantly exceeded expectations, with S&P 500 earnings growing 12.7% year over year in Q1, well above the 7.2% projected at quarter-end. The “Magnificent 7” tech giants delivered particularly impressive results, with nearly 28% growth between them. This performance has been supported by robust consumer spending, despite some signs of moderation in the labour market, with continuing unemployment claims reaching levels not seen since 2021. While equity valuations are elevated, particularly in technology- and AI-related sectors (with the semiconductor-focused SOX index surging 29.9% in Q2), there remain opportunities among companies that are demonstrating operational discipline and the ability to adapt to trade challenges.

AI continues to be a significant market driver, with companies such as Nvidia (+45.8% in Q2) delivering strong results despite China restrictions. The technology sector was strongest, with a 23.5% gain in Q2, followed by communication services (+18.2%). Companies are beginning to demonstrate tangible AI benefits in improving productivity and revenue growth, particularly evident in Microsoft’s Azure cloud business, which accelerated to 35% year-over-year growth. While the pace of AI adoption may moderate from initial projections, companies making strategic investments with clear monetisation paths are being rewarded by investors.

In this environment, market leadership has narrowed compared to Q1, with growth significantly outperforming value stocks. Our multifactor approach of focusing on quality, valuation and catalysts should continue to serve well, particularly by identifying companies with supply chain flexibility, pricing power and operational efficiency that can navigate tariff uncertainties while maintaining strong margins and cash flow generation.

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) %	10.95	17.36	13.70	-18.18	45.89	14.59	11.27	20.27	24.60	-0.06
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.

The past performance information for the period prior to 25 January 2019 is from the American Extended Alpha Fund (a UK authorised UCITS fund launched on 22 October 2007), which merged into this Fund on 26 January 2019.

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'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 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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