COLUMBIA THREADNEEDLE INVESTMENTS

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

Neil Robson
Fund Manager
Since: 25/01/2019

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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: MSCI ACWI Index

Inception Date: 25/01/2019

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

FUND COMMENTARY – JUNE 2025

CT (Lux) Global Extended Alpha

Summary

- Global equities rose in June.
- Gross of fees, the fund outperformed its benchmark over the month.
- In the long book, new positions included Disco Corporation and KKR.

Market Background

Global equities posted gains in June, with the MSCI All-Country World Index (ACWI) returning 3.9% in local-currency terms amid optimism that Washington and Beijing could reach a trade deal, which eased fears of a global recession. This came despite shares falling mid-month after conflict flared between Israel and Iran, which drove a temporary spike in oil prices before markets recovered following a US-brokered truce. Towards the end of June, investors were further cheered as Washington and Beijing reached a deal to reduce tariffs and export controls and normalise trade in rare earth minerals.

US equities had a good month, aided by gains in the sizeable technology sector and hopes that the Federal Reserve could soon resume interest-rate cuts. Economic datapoints allayed recession fears but still pointed to cooling growth. Meanwhile, consumer price inflation for May undershot forecasts. This increased expectations for Fed rate cuts, especially in the face of President Trump's calls to do so. That said, at its meeting in June, the Fed held rates, and Chairman Powell emphasised that decisions will remain data dependent due to high uncertainty and an expected "meaningful increase" in inflation from tariffs.

Europe ex UK equities dipped in June following strong year-to-date gains as tensions in the Middle East prompted profit-taking. In addition, a strong euro dented sentiment towards the region's many exporters. Expectations of further rate cuts mounted as the preliminary eurozone inflation data for May was below the European Central Bank's (ECB's) 2% target for the first time since September 2024. The bank did indeed cut rates by 25 basis points two days later, though ECB President Lagarde struck an unexpectedly hawkish tone.

UK equities declined modestly over the month, partly due to the market's relatively limited exposure to the technology sector in a very strong month for these stocks. Concerns about the UK's government debt also lingered. Prime Minister Starmer had to make concessions to Labour MPs who rebelled against planned cuts to disability support and benefits, thereby further reducing the Chancellor Reeves' already narrow fiscal headroom. Shortly thereafter, the government's spending review highlighted the limited fiscal resources available to boost growth in the near term. The Bank of England left rates on hold at its meeting, though three of the nine rate setters voted for a cut – a more dovish outcome than anticipated. This cemented hopes of further monetary easing, as did some cooling economic data, notably evidence of slowing wage growth.

*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.)

Japanese equities posted positive returns. Expectations of the pace of monetary tightening were scaled down. During its meeting in June, the Bank of Japan left rates unchanged but said that it will slow the pace at which it buys government bonds following a spike in yields on fears of sluggish demand.

Emerging-market (EM) equities also advanced over June, aided by easing trade-war jitters, with the Hong Kong market performing particularly well.

By region, US stocks fared best, closely followed by EMs, with both comfortably outperforming the MSCI ACWI. Japanese equities also posted positive returns but trailed the benchmark. The UK and Europe ex UK brought up the rear.

By sector, technology led gains as renewed optimism about AI and hopes for trade deals supported semiconductor names. Communication services and energy also outperformed, with the latter supported by a rise in oil prices in response to the conflict between Iran and Israel. At the other end, consumer staples and consumer discretionary lagged amid signs of softening consumer demand and tariff-related uncertainty.

Performance

Gross of fees, the fund outperformed its benchmark in June. This was driven by the long book, but the short book was also beneficial for relative returns. The long book is where stocks are held in the expectation that they will rise in value over time. The short book is where stocks are held in the expectation that they will fall in value over time.

Both stock selection and sector allocation added value over the month. Selection effects were most helpful in technology and energy, although picks in real estate detracted. In terms of allocation, the overweight in technology and underweights in consumer staples and consumer discretionary were especially helpful.

In the long book, top relative contributors included Nvidia and our new position in Disco Corporation. Both stocks benefited from positive sentiment towards chipmakers on renewed optimism over AI-driven demand and hopes that trade negotiations between the US and China could result in lighter restrictions on chip exports. We see Nvidia as a leader in the design and development of 3D graphics processing units, which are used in data centres, gaming and automotive end markets. The firm's products are considered key to the development of AI technology. Nvidia is also well positioned to benefit from other powerful secular trends, such as the increasing demand for electric vehicles, cloud gaming and emerging omniverse opportunities.

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 expanding capacity to meet demand from AI usage. However, we continue to favour Equinix and its data centre business. The company has a superior moat via its network of data centres located at key enterprise hubs, which is difficult to replicate. Additionally, Equinix boasts a high-quality management team and conservative debt profile; the firm should benefit from its presence in less mature markets. Equinix is also benefiting from the move to cloud-based technologies and the need for businesses to connect networks and co-locate workloads.

In the short book, key contributors included an athletic apparel company and a fast fashion retailer. Detractors included a discount chain store.

Activity

As mentioned above, we opened a new position in Disco in the long book, increasing our exposure to semiconductor names. Disco has a significant market share in the cutting and grinding processes for semiconductor and electrical component production. This places the company in a strong position to benefit from the growing demand for generative AI chips. Disco's earnings momentum should further reinforce its market position, while partnerships with major semiconductor firms enhance the company's competitive edge.

We also initiated a long position in leading global investment company KKR. The well-diversified business has significant assets under management across a range of areas, including private equity, energy, infrastructure, credit and hedge funds.

We exited Japanese conglomerate Sony as we now see limited upside in the position. In addition, we sold out of Nutrien as we have some concerns around potential changes in supply and demand towards the end of the year given the change in crop conditions.

In the short book, we increased our positions in a hearing care solutions firm and the aforementioned athletic apparel company. We reduced the short positions in an aerospace company and a food retailer.

Outlook

The policies of the new US administration have created uncertainty, both geopolitically and for equity markets. This is not necessarily expected to abate in the near term, and macroeconomic headwinds have recently increased.

However, high-quality, well-managed companies should continue to perform well over the longer term. In our view, those companies with strong fundamentals that have weathered the challenging operating environment of the past few years will likely continue to outperform, and we plan to take advantage of bouts of volatility to add to high-conviction names.

We also continue to believe that, in environments like this, diversification will remain important, particularly as investment to tackle issues such as decarbonisation, deglobalisation and energy efficiency creates a broader opportunity for earnings growth. Our focus remains on building a diversified portfolio of quality businesses that are multi-year compounders, with pricing power and less gearing to the broader economy. We believe that our bottom-up approach will allow us to find such quality growth companies across a range of sectors and geographies for the long book.

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) %	16.64	28.50	19.11	-25.88	40.76	12.77	10.71	15.60	19.88	-0.52
Index (Gross) %	16.69	19.92	17.13	-15.37	39.87	2.64	6.32	11.31	19.42	-3.17

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 Global Extended Alpha Fund (a UK authorised UCITS fund launched on 09 July 2008), which merged into this Fund on 26 January 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.

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 markets where economic and regulatory risk can be significant. These factors can affect liquidity, settlement and asset values. Any such event can have a negative effect on the value of your investment.

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.

An investment style bias can impact a Fund's performance relative to its benchmark in a positive or negative way. No investment style performs well in all market conditions. When one style is in favour another may be out of favour. Such conditions may persist for short or long periods. A Fund exhibits a growth style bias relative to its benchmark if the majority of the Fund invests in companies with above average growth rates, or good growth potential (based on indicators such as earnings and sales growth) relative to its benchmark. However, there is no guarantee that such companies will continue to show such characteristics in the future. A Fund's investment style may also change over time.

The risks currently identified as applying to the Fund are set out in the "Risk Factors" section of the prospectus.

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