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Fund Manager
Since: 01/07/2019

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 Emerging Markets Index

Inception Date: 02/04/2002

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 8*

FUND COMMENTARY – JUNE 2025

CT (Lux) Global Emerging Market Equities

Summary

- Emerging-market (EM) equities rose in June in US dollars.
- Gross of fees, the fund underperformed its benchmark.
- New positions included Amer Sports and ADNOC Drilling.

Market Background

EM equities performed well in June, with the MSCI EM Index up 6.1% in US dollars for the month. News flow was dominated by escalating geopolitical tensions in the Middle East after Israel and Iran traded fire. This triggered a short-lived bout of risk aversion and a spike in oil prices. However, markets soon recovered, and oil prices fell back, following news that Israel and Iran had agreed to a US-brokered ceasefire. EM equities were also boosted by hopes of a more dovish Federal Reserve, a weaker US dollar and optimism around US-China trade talks. This last factor also stoked expectations of easing US restrictions on advanced chip exports to China, which proved supportive for technology stocks, as did optimism surrounding increased AI spending.

Chinese stocks rose but underperformed the benchmark due to some disappointing economic data. For instance, imports fell by 3.4% year on year in May, exceeding market expectations for a 0.9% decline, due to weak domestic demand and the effects of US tariffs. The People's Bank of China held benchmark lending rates steady after cutting them in May to help stimulate growth and counter the impact of the US trade war. Towards the end of the month, Washington and Beijing reached a deal to reduce tariffs and export controls and normalise trade in rare earth minerals.

Elsewhere in Asia, Taiwanese and Korean stocks rallied and outperformed the benchmark, with the latter ending the month as the strongest performer in the benchmark. Taiwan recorded its largest trade surplus on record in May, driven by increased export of information, communication and audio-video products. In Korea, Lee Jae-myung was inaugurated as president following the impeachment of Yoon Suk Yeol in December. Later in the month, the new government proposed a supplementary budget of \$14.7 billion, which aims to boost economic growth through universal cash payments and increased funding for the construction sector and for small and medium-sized enterprises.

Indian stocks made gains but trailed the benchmark for a second consecutive month. Foreign portfolio investment was positive in June, driven by the weaker dollar. However, sentiment was dented by concerns over high valuations and slowing economic growth. Annual consumer price inflation fell more than forecast in May to the lowest rate since February 2019. Shortly before this data release, the central bank made a deeper-than-expected 50 basis-point (bp) interest-rate cut, which took the repo rate to 5.5%.

In Latin America, Brazilian stocks modestly outperformed the benchmark. The central bank raised interest rates by 25 bps to the highest level since 2006. It signalled that rates could be left at the current level for a "very prolonged" period as

*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.)

inflation remains above the bank's upper targets. The central bank also raised its GDP growth forecast for 2025.

Mexican stocks rose in June but lagged the benchmark. Despite an uptick in inflation in May, Mexico's central bank cut rates by 50 bps and indicated that further cuts of the same size may be appropriate. Still, policymakers remain cautious about the potential inflationary impact of geopolitical tensions or trade tariffs.

In EMEA, Polish stocks performed in line with the benchmark despite continued political volatility. Prime Minister Donald Tusk won a vote of confidence designed to shore up his coalition's parliamentary mandate after a narrow defeat for the government candidate in the presidential election to Karol Nawrocki. Nawrocki is expected to exercise his presidential power to hobble Tusk's government. Elsewhere, South African stocks rose but underperformed the benchmark as data showed that economic growth slowed to 0.1% in the first quarter of the year. The modest growth was driven by an expansion in agricultural activity, which offset contractions elsewhere, including in mining.

Performance

The fund underperformed its benchmark during the month, gross of fees.

The communication services sector was the biggest detractor from relative performance, due to unfavourable security selection. The overweights and stock picks in real estate and consumer discretionary also proved unhelpful. Technology and industrials were the top relative contributors, mainly due to favourable stock selection, although our overweight in the former also helped modestly.

By country, selections in China hindered relative performance, as did our off-benchmark position in Argentina. On the other side, selections in Korea, Brazil and Greece added value. The overweight in Greece was also supportive.

At the stock level, detractors included Trip.com, ICICI Bank and BYD. Shares of leading online Chinese travel agency Shares of Trip.com fell after e-commerce giant JD.com entered the sector and introduced a three-year commission-free programme for hotel operators. However, Trip.com subsequently recovered some of the lost ground. Indian private-sector lender ICICI Bank underperformed as reserve ratio cuts will boost competition by paring funding costs for smaller rivals. Chinese electric vehicle (EV) manufacturer BYD was pressured by concerns about price competition and the resulting impact on margins. The shares were also hurt by speculation of increased regulatory scrutiny of the sector.

Positive contributors included SK Hynix and HD Hyundai Electric, amid positive sentiment towards AI-related names and the wider Korean rally. SK Hynix also rallied on news that its parent company plans to build Korea's largest AI data centre. Meanwhile, power equipment maker HD Hyundai will likely benefit from the government's plans to put money into construction to boost the economy. The company also stands to gain from AI-fuelled demand for data centres worldwide. Another positive contributor was Indian wealth and asset management business 360 One Wam. The company received approval for a wealth management collaboration with UBS; this should expand 360 One's global capabilities.

Activity

New positions included Amer Sports and ADNOC Drilling.

Global sporting goods company Amer Sports has premium brand equity. We are constructive on the firm's ability to leverage this to command sustained pricing power in growing speciality markets. The company's vertically integrated direct-to-consumer strategy enables superior customer insights and margin capture, which should drive consistent outperformance versus Amer Sports' traditional wholesale-dependent competitors.

We added ADNOC Drilling as we like the energy service provider's exclusive access to Abu Dhabi's expanding oil production capacity, guaranteed utilisation rates and revenue visibility that is unmatched in the sector.

Sales included Yutong Bus, Meituan and Varun Beverages. We see less upside for Yutong Bus due to the firm's slow margin expansion in the EV segment and risks of overcapacity. For Chinese online shopping platform Meituan, we had concerns over regulatory pressures and intensifying competition, while aggressive investments in new initiatives continue to weigh on profitability. Lastly, Varun Beverages, a franchisee for bottling carbonated soft drinks in India, was trading at stretched valuations.

Outlook

EMs have shown remarkable resilience this year despite trade uncertainties, buoyed by several tailwinds: US dollar weakness (historically, a 1% decline in the dollar has correlated with an appreciation of 4% in EM equities), improving corporate discipline, robust domestic demand and policy easing. The Federal Reserve's dovish stance and potential rate cuts promise stronger capital flows, while the undervalued and under-owned status of EM equities positions the asset class favourably for regional allocation shifts.

Global trade tensions have elevated market volatility as nations navigate toward negotiated solutions or consider retaliatory measures. A new landscape of heightened protectionism appears to be forming. We view tariffs not as an end goal but as a negotiation tool to reshape economic relationships and address perceived unfair practices. While baseline tariffs may remain elevated, we expect the excesses to moderate through negotiations. Our strategy has been to avoid overreaction, instead tactically upgrading portfolio quality with the team mantra “to not fear making sales if there are better opportunities on the other side”.

Sentiment toward China continues to improve, despite the well-documented challenges of deflation, property sector struggles and geopolitical frictions. The DeepSeek launch has reminded investors of China's innovation prowess, especially given restricted GPU access. Signs of support for the private sector, including regulatory easing and the landmark Private Economy Promotion Law, have further boosted confidence. US–China trade negotiations show progress as both nations seek de-escalation. Without stimulus, we expect the broader economy to continue treading water, but the government's pro-growth pivot creates attractive investment pockets through consumption support, property sector stabilisation and capital market initiatives.

Elsewhere in Asia, the export-driven economies of Taiwan and Korea remain particularly exposed to trade risks. However, if trade negotiations make progress, strong structural demand driven by AI, smartphones and automotive technology presents compelling opportunities. Government supply-chain strengthening initiatives offer medium-term support, making the technology sector's long-term outlook promising. Korea's Value-Up programme is gaining momentum under President Lee Jae-Myung's vocal support for tackling the “Korean discount.”

Indian equities have cooled following their multi-year rally, facing questions about reform momentum, softer GDP growth, disappointing corporate earnings and stretched valuations. Despite these near-term headwinds, we maintain a positive long-term outlook based on the coalition government's ongoing reform agenda, infrastructure investment push, manufacturing expansion efforts, rising domestic consumption and an emerging property and credit cycle. These factors are all supported by favourable demographics. Targeted initiatives to address the skills gap, a key voter concern, should enhance productivity over time.

ASEAN economies have demonstrated notable strength, anchored by vigorous domestic demand, increased foreign investment and proactive government policies, though US trade and monetary decisions remain key risk factors. Indonesia's central bank has pledged aggressive intervention to stabilise its currency, while Malaysia is benefiting from continued reforms and steady investment inflows.

Poland stands out in emerging Europe, bolstered by solid fundamentals and improving investor sentiment. The broader region could benefit from improving geopolitical stability should Ukrainian tensions ease, complemented by expansionary fiscal policies and moderating inflation across the continent.

Brazil's aggressive rate hikes to combat inflation have pressured growth, especially given the prevalence of floating-rate loans. However, signals that tightening may soon conclude offer hope for equity markets. The supportive commodity environment and the government's improving fiscal discipline, particularly around spending constraints and tax reform, are alleviating sustainability concerns.

In Mexico, President Claudia Sheinbaum has skilfully addressed US concerns regarding immigration and narcotics. Challenges persist around remittance flows (vulnerable to tighter US immigration policies), trade uncertainty (delaying business investment) and evolving nearshoring trends. Progress toward a renegotiated USMCA appears increasingly possible, aligning with Trump's campaign priorities.

Middle Eastern economies are successfully diversifying beyond oil. The United Arab Emirates is seeing impressive growth in tourism, trade, logistics and financial services, mirrored in Saudi Arabia. In Saudi Arabia, corporate partnerships supporting Vision 2030 initiatives and investments in advanced manufacturing, infrastructure and healthcare provide additional momentum. More broadly, these diversification efforts create investment opportunities relatively insulated from tariff concerns. However, we remain cognisant that they tend to be dollar based.

EM stocks remain attractively undervalued, trading well below long-term averages and at a discount to global equities. With earnings recovery underway, strong domestic demand, supportive policies and dollar weakness, the outlook is promising. Most importantly, this landscape offers mispriced, high-quality, world-class companies creating substantial value.

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) %	14.38	12.65	3.13	-41.17	53.76	7.41	3.17	6.19	15.12	-6.60
Index (Gross) %	15.97	12.97	2.22	-25.00	41.36	-3.05	1.61	8.59	24.17	-11.71

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 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 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.

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 may invest through the China-Hong Kong Stock Connect programmes which have significant operational constraints including quota limits and are subject to regulatory change and increased counterparty risk.

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 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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