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**Alasdair Ross**  
Fund Manager  
Since: 17/06/2014

### 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:** Bloomberg Global Aggregate Corporate Index (USD Hedged)

**Inception Date:** 17/06/2014

**Fund Currency:** USD

**Fund Domicile:** Luxembourg

**SFDR:** Article 8\*

## FUND COMMENTARY – JUNE 2025

### CT (Lux) Global Corporate Bond

#### Summary

- Global investment grade (IG) corporate bond indices advanced in June.
- Gross of fees, the fund outperformed its benchmark slightly.
- IG spreads are not cheap, but the yield on the market is attractive in our view for those seeking income without too much risk.

#### Market Background

Indices of global IG corporate bonds advanced in June. The benefit of falling US Treasury and UK gilt yields more than offset the impact of a rise in their German equivalents, while corporate bonds also benefited from a further tightening in credit spreads (the yield premium over risk-free government bonds).

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 conflict between Israel and Iran had little lasting market impact. Bond investors' concern appeared to flipflop between the likely hit to growth and the inflationary impact. Treasury yields rose when Israel's surprise attack on Iran sent oil prices higher but these moves 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) two days later 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 bps 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.

In the UK, GDP shrank more than forecast in April as tax increases took their toll. May inflation was higher than expected and well above the Bank of England's target. At its policy meeting the next day, the BoE left rates on hold, though three of its nine rate-setters voted for a cut – a more dovish vote split than anticipated.

Overall, 10-year Treasury yields fell 17 bps to 4.23%, while the UK equivalent fell 16 bps to 4.49%. Bunds underperformed, with the 10-year yield rising 11 bps to 2.61%. Per ICE BofAML indices, US and euro IG credit spreads each narrowed by about 7% in risk-adjusted terms, versus 11% in sterling IG. Globally, spreads tightened in all the sectors we monitor: media was at the forefront, with healthcare and energy some way behind; laggards included telecoms and utilities.

\*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](http://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

The fund returned 1.47% in gross terms for the month, versus the benchmark's return of 1.41%. Interest-rate-related factors, such as the effects of duration (sensitivity to interest rates) and yield-curve positioning, helped relative performance fractionally.

Credit strategies also added value marginally. Being overweight in credit risk helped performance modestly. Industry effects were also positive, with positioning in media, healthcare and utilities among the contributors. Credit selection effects proved unfavourable overall, though no individual issuer had a large adverse impact. Marginal detractors here included Thames Water, Southern Water and pharmaceutical company Amgen. The top contributor was Warner Bros Discovery (WBD), where spreads widened significantly (on concerns about the company's planned split) after we had exited the position.

## Activity

Credit risk (as measured by duration times spread, or 'DTS') was little changed over the month. The DTS ratio edged up from 1.12 times that of the index to 1.13 times.

There were some changes to sector exposure, however. Among increases, we extended the small overweight (measured by spread duration) in real estate; narrowed the underweights in industrial goods & services; moved towards a neutral position in travel & leisure and banks; and closed the small underweight in chemicals.

These additions were mainly through the primary market, where we took part in new offerings from issuers including Realty Income and Supernova (real estate); Siemens (industrial goods & services); Compass Group (travel & leisure); Commerzbank (banks); and Air Products (chemicals). We also added to an existing bond from BNP Paribas and started a position in FedEx (industrial goods & services) via the secondary market.

On the other side, we trimmed the large overweights in utilities and healthcare and widened the modest underweight in media. In utilities, we sold some of the holding in Duke Energy Ohio and exited Eurogrid; in healthcare, we reduced Bristol Myers Squibb and Abbvie; and in media, we exited WBD as mentioned. In chemicals and industrials, we offset some of new issues by trimming LyondellBasell and DS Smith.

As of the end of the month, the utilities and healthcare sectors were still by far our largest overweights, followed by telecoms – another defensive sector. Industrial goods & services and technology remained our largest underweights.

## Outlook

Looking ahead, meaningful estimates of the impact of Trump's 'on-again-off-again' trade tariffs remain all but impossible to calculate. What seems very likely, however, is that inflation will be higher and growth lower than previously envisioned, complicating the picture for central bankers looking to support their economies by cutting rates.

Lower growth, with the risk of recession, would also be a less positive – or even negative – environment for spreads, especially for more levered and cyclical issuers. Thankfully, credit fundamentals remain strong overall, with low leverage for corporates and high levels of capital for banks.

On the valuation front, global IG spreads remain inside (i.e. more expensive than) five- and 20-year averages. The outright yield offered by the market is more compelling. Going into the second half of 2025, ICE BofAML's main global IG corporate index offered a yield of around 4.4%, still above the 20-year average. We think this represents an attractive prospect for investors seeking income without too much risk.

The fund holds a modest overweight to credit risk as measured by relative DTS – though it is also positioned with a tilt towards more defensive industry sectors.

## 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-<br>06/25 | 06/23-<br>06/24 | 06/22-<br>06/23 | 06/21-<br>06/22 | 06/20-<br>06/21 | 06/19-<br>06/20 | 06/18-<br>06/19 | 06/17-<br>06/18 | 06/16-<br>06/17 | 06/15-<br>06/16 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fund (Gross) %  | 7.68            | 6.22            | 2.61            | -13.48          | 4.32            | 10.48           | 9.88            | 0.83            | 3.34            | 8.35            |
| Index (Gross) % | 7.30            | 6.10            | 1.78            | -12.88          | 3.71            | 7.15            | 9.60            | 0.58            | 2.84            | 7.06            |

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](http://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 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 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 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.

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