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George Gosden
Fund Manager
Since: 01/01/2013

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 AC Asia Pacific ex Japan Index

Inception Date: 02/04/1999

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

FUND COMMENTARY – JULY 2025

CT (Lux) Asian Equity Income

Summary

- Asia ex Japan equities rose in July.
- Gross of fees, the fund underperformed its benchmark.
- We opened a position in Ping An Insurance.

Market Background

Asia ex Japan equities performed well in July, with the MSCI AC Asia Pacific Ex Japan index up by 2.3% in US dollars.

Early in the month, some stronger-than-expected US economic data pushed up the dollar and Treasury yields which dented sentiment towards EM equities. However, stocks subsequently rebounded as yields fell back and as earnings from major technology firms beat forecasts. Investors were also encouraged as the US signed trade deals with several countries, including South Korea, Indonesia, the Philippines and Vietnam, though India and Brazil were notable exceptions.

Chinese shares rose and outperformed the benchmark as Washington and Beijing agreed to extend their previous tariff truce while negotiations continue. In addition, the Trump administration lifted a ban on the export of advanced US chip design software to China, partly driven by the desire to restart Chinese rare earth exports to US manufacturers. In terms of economic data, GDP growth for the first half of 2025 beat expectations, as did industrial production in June. However, producer price deflation continued, due to weak domestic consumption and falling external demand. At July's Politburo meeting, policymakers did not announce further stimulus measures but reiterated their pledge to tackle economic involution (the negative dynamics of excessive competition, overcapacity and aggressive price wars among companies).

Elsewhere in Asia, Taiwanese and Korean stocks made gains and outperformed the benchmark. Both technology-heavy markets benefited as major US companies released better-than-expected earnings and reaffirmed their commitments to AI capital spending. Less positively, the US imposed levies of 20% on Taiwanese exports. In terms of economic data, Taiwan's trade surplus widened again in June, driven by semiconductor and computer exports. Meanwhile, in Korea, the legislature passed a stimulus programme designed to promote domestic consumption and invest in AI infrastructure. The Bank of Korea kept rates steady in its July meeting, but four of the seven board members signalled that interest rates could be cut within the next three months.

Indian shares declined and trailed the benchmark. The market was impacted by some disappointing corporate earnings, higher oil prices, the rupee's weakness against the dollar and outflows from foreign institutional investors. Tariff-related uncertainty was also a factor as India was unexpectedly hit by a 25% levy on exports to the US. President Trump threatened even steeper measures should India continue trading energy goods with Russia.

*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.)

Indonesian stocks fell and underperformed the benchmark. The US and Indonesia agreed to a tariff deal to decrease the tariff rate to 19% from 32%, in exchange for a lower Indonesian levy on American exports and the purchase of American energy, agricultural and aviation goods. Furthermore, the central bank lowered rates by 25 basis points (bps) to 5.25%, as expected.

Australian markets were flat and trailed the benchmark. The Reserve Bank of Australia held rates steady in a split decision by the board. The move surprised investors, who expected an interest-rate cut. Towards the end of the month, a sell-off in the banking sector was detrimental for returns.

Performance

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

By sector, our lack of exposure to health care and security selection in utilities, technology and consumer staples hindered relative returns. Meanwhile, choices in energy, real estate and materials proved beneficial.

On a geographical basis, stock selection in China and Taiwan detracted. Our overweight positioning and picks in the Philippines also weighed on returns. Conversely, security selection in Australia and Singapore contributed to performance, along with our underweight to India.

At the stock level, key detractors included GAIL (India), HCL and BDO Unibank. Natural gas company GAIL India recorded a bigger-than-expected decline in quarterly net profit, due to increased raw material costs which dampened demand. Shares in Indian software company HCL Technologies fell as even though its revenue for the June quarter beat expectations, the company also reduced its annual profitability by 100 bps. Philippines-based BDO Unibank also detracted from performance. The governor of the Philippine central bank reiterated its easing stance, stating that the bank is likely to cut rates two more times in 2025. Lower rates could negatively impact the margins of BDO.

On the other side, our lack of exposure to Xiaomi boosted returns. The Chinese consumer electronics company delivered fewer electric vehicles in June than it did in May, while it also experienced profit-taking after reaching a record high early in the month. Our zero weight in the Commonwealth Bank of Australia also contributed to performance, as its shares underperformed amid the aforementioned sell off in the Australian banking sector. The Chinese state-owned oil and gas company PetroChina also added to returns, as operating rates rose in June due to increased demand for oil.

Activity

We initiated a position in Ping An Insurance. China's Ping An Insurance has experienced strong growth in its life and health insurance business, which has been driven by resurgent demand and government reforms.

We exited Australian banking and financial services company Westpac, as the prospect of further interest-rate cuts in Australia poses a risk for margins.

Outlook

Asian equities have shown remarkable resilience this year despite trade uncertainties, buoyed by several tailwinds: US dollar weakness, 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 Asian 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 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 stand to benefit from strong structural demand driven by AI, smartphones and automotive technology. Korea has now reached a trade deal with the US but Taiwan is vulnerable to levies on its US exports. Meanwhile, in both Taiwan and Korea, governments are strengthening supply chains, which should offer medium-term support and make 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.

12M Rolling Period Return in (USD) - as at 31 July 2025

Past performance does not predict future returns and future returns are not guaranteed.

	07/24- 07/25	07/23- 07/24	07/22- 07/23	07/21- 07/22	07/20- 07/21	07/19- 07/20	07/18- 07/19	07/17- 07/18	07/16- 07/17	07/15- 07/16
Fund (Gross) %	13.75	6.78	4.34	-13.66	32.03	11.62	2.20	8.76	21.17	6.01
Index (Gross) %	18.78	7.38	6.95	-17.64	20.89	9.27	-1.31	5.59	24.81	0.04

Source: Columbia Threadneedle Investments as at 31/07/2025. 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.

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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