

FUND COMMENTARY – Q2 2025

CT GLOBAL SELECT FUND



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Summary

- Global equities rose in the second quarter (Q2).
- Gross of fees, the fund outperformed its benchmark – the MSCI All Country World Index (ACWI).¹
- New positions included SAP, Walmart and Disco Corporation.

Market Background

Global equities advanced in Q2 of 2025, with the MSCI ACWI returning 9.5% in local-currency terms. Equities sold off sharply at the start of the period following US President Trump's "Liberation Day" announcement of sweeping "reciprocal" tariffs. However, the US administration later paused many of the highest tariffs and entered into trade talks with several countries, including China, which allayed fears of a global economic downturn and paved the way for a broad-based risk rally.

US equities were impacted by concerns that the import tariffs, which were steeper than anticipated, could lead to "stagflation" (higher inflation and slower economic growth). Higher Treasury yields early in the period due to worries about rising US deficit levels also formed a headwind. However, once global trade tensions subsided, generally strong corporate earnings fuelled a rebound, led by technology and other growth stocks. Encouragingly, inflation eased more than expected. Despite Trump's public pressure on policymakers to lower interest rates, the Federal Reserve held fire during the period, as expected. Fed Chair Jerome Powell said that the central bank "can afford to be patient" and noted the potential inflationary impact of tariffs.

European equities were supported by optimism for the eurozone economy in the wake of recent defence spending packages and pro-growth reforms in Germany and other countries. Falling inflation was also helpful, with the annual reading for May dipping below the European Central Bank's (ECB) 2% target. The ECB cut interest rates by 25 basis points (bps) in April and June, but accompanying commentary in June hinted at a potential pause to the easing cycle. This prompted some profit taking following equities' strong performance in early Q2. In addition, a short-lived spike in oil prices due to the Israel–Iran conflict moderated risk appetite late in the quarter. In the UK, the Bank of England (BoE) lowered interest rates by 25 bps in May. However, inflation remained above target, prompting investors to scale down expectations of further rate cuts this year, although the vote split at the BoE's June meeting was slightly more dovish than expected. The wider rotation to growth stocks also contributed to the more defensively orientated UK market lagging the wider rally. Slowing economic growth remained a concern; while Q1 GDP data beat forecasts, the Office for National Statistics reported in June that the UK economy contracted more than expected month on month in April.

Following the initial US tariff shock, Japanese stocks joined the wider risk rally. However, inflation remained above the Bank of Japan's (BoJ) target, with the core figure hitting its highest level in more than two years in May, strengthening expectations that the BoJ will increase rates in July. The threat of a trade war between the US and China hung over emerging markets (EMs), especially early in the period when US tariffs on Chinese imports rose to 145% and China retaliated with similar levies. EM stocks later benefited from a thaw in US–China trade relations, culminating in a deal being agreed late in the period. Other tailwinds came in the form of a weaker US dollar, encouraging Q1 GDP growth in China and stimulus measures from Chinese authorities to further boost economic activity.

All major equity regions in the MSCI ACWI posted positive returns in Q2 in local-currency terms. The US fared best, buoyed by its large technology sector. EMs

and Japan were the next strongest but slightly lagged the index. Europe ex UK was weaker still due to the softer end to the period, while UK stocks brought up the rear.

By sector, technology stocks rode renewed enthusiasm for the AI theme to post the highest returns in the ACWI. Communication services and industrials also outpaced the index. On the other side, returns were weakest in the healthcare sector, which was impacted by Trump's plans to reduce drug prices in the US. Energy also underperformed: increased OPEC production contributed to oil prices declining over the period, despite a brief spike due to the Israel–Iran conflict.

Performance

Gross of fees, the fund outperformed its benchmark over the quarter due to favourable sector allocation.¹ The overweight in technology and underweight in consumer staples proved particularly beneficial, although the overweight in healthcare was unhelpful. Stock selection weighed marginally on relative returns in aggregate: picks in healthcare and consumer discretionary were notably detrimental, but much of the detractor was offset by a strongly positive contribution from choices in technology.

At the stock level, the zero weight in Apple was a key relative contributor in a weak period for the stock.

Our holding in Nvidia also added value, with the shares hitting record highs during the quarter. The chipmaking giant benefited from upbeat sentiment towards semiconductor-related names, with Microsoft and Meta reaffirming their commitment to investing in AI, while US President Donald Trump rescinded incoming restrictions on AI chip exports. Nvidia also reported forecast-beating Q1 sales and earnings in May. 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.

Detractors included life sciences companies Thermo Fisher Scientific and Bio-Techne. Both underperformed amid concerns over reduced National Institutes of Health research funding. However, we retain conviction in both companies, which are highly innovative and have favourable growth prospects. Thermo Fisher's Q1 results beat expectations for revenue and earnings, reinforcing our investment thesis. The firm's competitive advantages stem from its dominant scale in the industry, which should help it navigate the uncertainty caused by tariffs, as should its cost-cutting measures, effective supply-chain management and plans to relocate manufacturing. Thermo Fisher also boasts a leading brand and strong network effect. Key growth catalysts include its growing presence in EMs and increasing demand in biopharmaceuticals and genomics. Meanwhile, Bio-Techne boasts a leadership position in proteomics reagents. Additionally, the company has exposure to fast-expanding areas of the life sciences industry; this has the potential to drive organic growth.

Activity

New positions included SAP, Walmart and Disco Corporation.

SAP develops world-leading resource-planning software designed to support business efficiency. We believe the firm will continue to benefit from the increasing demand for cloud-based computing as it boasts several advantages over its peers, including a strong financial profile and a solid track record of exponential growth through acquisitions. SAP also benefits from high switching costs as its services and solutions have been deeply integrated into its customers' business platforms over time. The firm has a large, long-standing customer base, which it has maintained through tailoring solutions and continuous innovation, incorporating powerful analytics, AI and real-time data processing. We also think that SAP is attractively priced in comparison to global peers given the business's defensive qualities and AI growth potential.

Walmart is a leading US retailer with a nearly 25% share of the market and, in our view, is well positioned to grow this share following a period of investment in the business. Walmart is able to leverage its scale and digital expertise to offer value to consumers in times of uncertainty, which gives it a competitive advantage among its peers and should help it to gain share in the omnichannel market, offering scope for network effects going forward. With e-commerce losses stabilising and improved performance from alternative profit streams, we see strengthening fundamental drivers for Walmart in an uncertain macro environment.

We opened a position in Disco Corporation as we wanted to increase our semiconductor exposure, and we see the stock as offering attractive upside potential. We favour Disco for its strong fundamentals. The firm 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 partnerships with major semiconductor firms enhance the company's competitive edge.

¹ Past performance does not predict future returns. Please refer to the KIID document found on our website for further information on the fund performance.

We exited Shell and TotalEnergies as we wanted to reduce our exposure to oil. In addition, TotalEnergies' results highlighted some poor cashflow conversion. We also sold out of Japanese conglomerate Sony as we now see limited upside in the stock.

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.

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 has a concentrated portfolio (holds a limited number of investments and/or has a restricted investment universe) and if one or more of these investments declines or is otherwise affected, it may have a pronounced effect on the fund's value.

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 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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