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**Marc Khalamayzer**  
Fund Manager  
Since: 01/08/2022



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Fund Manager  
Since: 01/08/2022

#### 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 Commodity Index

**Inception Date:** 29/06/2010

**Fund Currency:** USD

**Fund Domicile:** Luxembourg

**SFDR:** Article 6\*

## FUND COMMENTARY – Q2 2025

### CT (Lux) Enhanced Commodities

#### Summary

- The Bloomberg Commodity index returned -3.1% in US dollars for the quarter.
- Gross of fees, the fund returned -2.3%, outperforming its benchmark.
- Positioning across all sectors was positive for relative performance in Q2, led by soft commodities and grains.

#### Market Background

The second quarter (Q2) of 2025 was a challenging period for commodities, with the Bloomberg Commodity index returning -3.1% in US dollars. Within the index, precious metals and livestock were the strongest sub-sectors, posting 3.8% and 7.4% respectively. Precious metals were supported by bouts of risk-off sentiment amid heightened trade and geopolitical uncertainty, which boosted demand for perceived 'safe haven' assets. Returns from livestock were boosted by rising prices of live cattle and lean hogs. Softs, energy grains and industrial metals all ended lower, returning -11.9%, -1.5%, -14.7% and -5.0%, respectively. The commodities complex was an outlier among risk assets in Q2, bucking the broad trend of positive performance.

Fluctuating US tariff policy and elevated geopolitical risk were the major market drivers during the period, with the majority of the index's quarterly fall occurring in April. Risk appetite plunged following US President Donald Trump's "Liberation Day" announcement of sweeping "reciprocal" tariffs in early April. However, the US administration later paused many of these 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. Later in the quarter, geopolitics took centre stage as Israel launched a major airstrike campaign against Iran in June. The attack, designed to knock out Iran's nuclear capabilities, led to a sharp rise in oil prices. Retaliatory strikes from Iran ensued, before both sides launched further attacks. The US eventually joined the conflict, attacking three Iranian nuclear facilities. Iran's token retaliation and subsequent ceasefire with Israel helped risk sentiment to rebound. However, oil gave back most of its gains. The asset class was underpinned by a materially weaker US dollar and ongoing – albeit somewhat moderated – expectations of rate cuts by the Federal Reserve. The US 10-year Treasury yield rose 2 basis points (bps) to end the quarter at 4.23%.

In the US, investors also grew more concerned about the US fiscal deficit, partly due to significant tax cuts in President Trump's proposed tax and spending bill. Rating agency Moody's downgraded the country's credit rating from Aaa to Aa1. Despite these headwinds, inflation eased more than expected over the quarter, prompting President Trump to pile public pressure on policymakers to lower interest rates. Nevertheless, 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.

\*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](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.)

In Europe, annual inflation eased over the quarter, falling below the European Central Bank's 2% target in May. This allowed the ECB to cut its key interest rate by 25 bps in both April and June. While policymakers hinted at a potential pause to the ECB's easing cycle, disappointing eurozone economic data sparked jitters that the region's economic recovery could be stalling, which supported German Bunds.

In China, the central bank lowered reserve requirements for banks and cut the benchmark lending rate in May to help stimulate growth and counter the impacts of US tariffs. China's Q1 GDP growth exceeded expectations at 5.4% but other economic data was mixed; in May, China's imports fell 3.4% year on year, far below market expectations for a 0.9% decline, due to weak domestic demand and the effects of US tariffs.

## Performance

In gross terms, the fund returned -2.3% in US dollars for the quarter, outperforming the benchmark Bloomberg Commodity index.

Positioning across all sectors was positive for relative performance in Q2, with the largest contributions coming from exposures to soft commodities and grains within the agriculture sector. The smallest contribution was from precious metals.

## Energy

The fund's energy exposures added to relative performance. Gains driven by the favourable underweight in natural gas outweighed a drag from an aggregate overweight exposure to oil-based energy – except for gasoline, where exposures were marginally helpful.

The energy sector fell in Q2, as both crude oil and natural gas prices weakened. Brent crude posted -8.7%, while natural gas returned -23.1%. Gasoline followed crude oil lower, but heating oil prices held up better, as supplies declined below expected levels.

Oil prices slumped early in the period, pressured by concerns about oversupply and expectations of a tariff-driven decrease in demand given the uptick in macroeconomic and geopolitical uncertainty. In early April, eight member countries of OPEC+ unexpectedly agreed to raise oil production by more than 400,000 barrels per day, starting in May; subsequent news that Saudi Arabia had signalled it could live with lower oil prices added further to downward price pressure ahead of May's OPEC+ meeting. However, oil prices were supported by the potential for supply disruption due to increased tensions in Gaza and Trump's imposition of sanctions targeting Chinese importers of Iranian oil. May brought a recovery in crude oil prices amid the relief rally triggered by Trump's pausing of the Liberation Day tariffs. Volatility increased again later in the period; oil prices spiked higher as escalating tensions between Israel and Iran, and the subsequent airstrikes on Iranian facilities, drove increased concerns about potential supply disruptions. However, oil gave back most of these gains as tensions eased materially into the end of the quarter.

Natural gas prices also slumped at the start of the quarter, as production and storage both increased above market expectations. Prices rallied in early May, driven by short-term weather forecasts but then prices then turned extremely volatile and ultimately weakened as the broader trend for natural gas remained bearish; significant inventories were able to meet higher-than-average seasonal demand for air conditioning amid high temperatures.

## Metals

The fund's metals exposures contributed to relative performance in aggregate, driven by favourable positioning in copper and aluminium. This offset a detractor from the fund's overweight in zinc.

Industrial metals mostly fell in Q2. The sector got off to a weak start in April, as tariff announcements and concerns about a potential economic slowdown outweighed hopes of greater stimulus measures in China. Sentiment improved in May as recession risks were seen to recede and trade concessions were agreed between the US and China. The positive mood continued in June, amid positive trade-talk news flow, particularly reported progress in China-US trade negotiations.

Aluminium and lead posted positive returns of 1.6% and 0.6%, respectively. Aluminium prices rose as consumers bought dips in price and Chinese imports hit an all-time high. Later in the quarter, they were supported by the doubling of US tariffs on the metal from 25% to 50% against a backdrop of low inventories.

Copper fell 1.2% but outperformed the broad index; after experiencing a sharp fall on worries about economic growth early in the period, prices recovered amid higher trading volumes in the options market, suggesting renewed market interest and tactical positioning around potential supply disruptions and encouraging Chinese manufacturing data.

Zinc and nickel returned -4.3 and -5.7%, respectively. Nickel was hurt by ongoing ample supply, with only limited scope to fall further before reaching the 'floor' – the point below which producers can no longer operate profitably.

Within precious metals, the fund's modest overweight positioning in deferred gold contracts contributed to relative returns.

Precious metals rose in Q2, with gold posting 4.1% and silver 2.6%. Gold gained due to its appeal as a safe-haven asset amid a deterioration in sentiment towards US Treasuries and a weakening of the US dollar. However, these supportive factors faded as the quarter wore on, as macroeconomic and geopolitical risks were seen to be de-escalating following encouraging trade-talk news, abating US recession fears and – towards quarter end – an easing in US-Iran tensions. After falling early in the quarter on slowing demand, silver prices later rallied, supported by ongoing supply shortages, the US Commodity Futures Trading Commission building its position and strong industrial demand.

## Agricultural Products

The fund's agricultural exposures made the largest positive contribution to relative performance, particularly positioning in softs. Within this, the off-benchmark exposure to cocoa added the most value, easily offsetting a detraction from positioning in coffee. Within grains, the underweight in corn added most value, followed by positioning in wheat, though the exposures to soybeans and soybean oil detracted slightly. In livestock, the above-benchmark stance in lean hogs was advantageous, outweighing the drag from the underweight in live cattle.

Agriculture was mixed in Q2. Soft commodities and grains weakened, while livestock advanced. The best-performing agricultural commodity in the benchmark was soybean oil, which posted over 15%. The worst performing was coffee, which fell almost 20%.

In grains, corn prices fell 9.3%. Corn prices came under pressure due to favourable weather that facilitated rapid planting in the US, together with improved weather forecasts that raised expectations of a bumper crop. Kansas Wheat fell almost 10%, as the supply outlook picked up due to more favourable weather patterns.

Soybeans and soybean oil rose in Q2, posting 2.2% and 15.1%, respectively. Soybean meal retreated, returning -7.1%. After a weak start to the quarter, soybean and soybean oil prices rebounded as drier-than-expected weather impacted production. After experiencing volatility in May, soybean prices rallied to an 18-month high in June, following the US Environmental Protection Agency's announcement of increased biodiesel blending mandates. Soybean oil rallied in tandem with soybeans, but soymeal prices moved in the opposite direction, hitting new multi-year lows amid high inventories resulting from increased crush rates. Market analysts suggested that soymeal prices need to fall to stimulate demand for the increased supply.

In softs, coffee prices fell almost 20%. After rallying strongly in April due to expected damage to Brazil's harvest from drought and heat, robusta coffee prices declined sharply due to a combination of ample supply and minimal speculative positioning. In June, both robusta and arabica prices weakened in response to the US Department of Agriculture's biannual report, which projected record world coffee production for 2025 and 2026. The off-benchmark position in cocoa returned 16.0% on supply worries amid poor weather and a heightened disease environment. Sugar prices fell 15.2%, while cotton prices eased 2.8% – underweight positioning in both was beneficial.

In livestock, live cattle and lean hogs both returned 7.4%. Prices were supported early on by a bullish hogs and pigs report from the US Department of Agriculture. Live cattle prices were also buoyed by constrained supplies, as farmers opted to continue feeding cattle to achieve higher weights before bringing them to market. Live cattle prices were later buoyed further by screwworm infestations, which further restricted supply amid ongoing strong demand.

## Outlook

Will insert from the June monthly

## 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) %	6.29	8.93	-8.31	23.13	47.77	-15.04	-7.71	7.45	-6.17	-11.47
Index (Gross) %	5.77	5.00	-9.61	24.27	45.61	-17.38	-6.75	7.35	-6.50	-13.32

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 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 invests in derivatives rather than physical securities. Therefore there is a risk that the price of the instrument does not accurately reflect the price of the underlying security/commodity.

As the Fund gains exposure to Commodities, it is exposed to factors affecting a particular industry or commodity for example, weather, embargoes, tariffs and international economic, political and regulatory developments and trading activities in commodities and related contracts.

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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