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**Dan Ison**  
Fund Manager  
Since: 01/09/2009

### 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 Europe Index

**Inception Date:** 31/03/1993

**Fund Currency:** EUR

**Fund Domicile:** Luxembourg

**SFDR:** Article 8\*

## FUND COMMENTARY – Q2 2025

### CT (Lux) Pan European Equities

#### Summary

- European equity markets gained over the quarter.
- The fund outperformed its benchmark index on a gross basis.
- Key relative contributors included 3i Group and the zero weight in Shell.
- Detractors included Deutsche Telekom and AstraZeneca.

#### Market Background

European equities made further gains in the second quarter (Q2) of 2025, with the fund's benchmark returning 2.9% in euro terms. Over the year to date, the index returned 9.1% and remained comfortably ahead of most developed markets.

The period started with weaker markets following President Trump's Liberation Day announcement of potential tariffs, which were more than expected in size and scope. Markets then rebounded as Trump paused the highest tariffs on trading partners other than China. Later, Washington and Beijing agreed to reduce bilateral tariffs and optimism grew that the US would negotiate trade deals with other regions, including the EU. In May, the UK and US agreed a trade deal and in June, the US and China reached a deal to reduce tariffs and export controls and normalise trade in rare-earth minerals.

European equities were also supported by better-than-expected corporate earnings and optimism about fiscal stimulus in Germany. Equity markets wobbled briefly in June, following a brief spat between Iran and Israel and the resulting surge in oil prices. The oil price later stabilised following a long-range US attack on Iran's nuclear capabilities, and a subsequent ceasefire agreement between Iran and Israel.

Eurozone GDP growth in Q1 was stronger than expected, but some other data was disappointing. Along with falling inflation, this paved the way for the European Central Bank to cut interest rates by 25 basis points (bps) in April and again in June. However, the bank's accompanying commentary in June hinted at a pause to the easing cycle, and rates now stand at 2%.

UK growth appeared to slow after a strong start to 2025. The Bank of England (BoE) lowered interest rates in May by 25 bps, though policymakers noted that inflation remained above target, so investors reduced their expectations for the number of additional cuts before the end of the year. The tide turned after the BoE's meeting in June, when the governor stated "interest rates remain on a gradual downward path", with the policymaking committee citing a cooling in the labour market.

Portugal, Austria and the Netherlands were the strongest performers in Q2; the main laggards were Denmark, Switzerland and the UK. The more domestically oriented real estate, utilities and industrials sectors fared well. Energy was weakest, hindered by lower oil prices, despite the June volatility. Healthcare and consumer discretionary also lagged.

#### Performance

\*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.)

On a gross basis, the fund outperformed its benchmark over the quarter. Stock selection was mixed, but sector positioning was advantageous, driven by underweightings in healthcare and energy (we ended the period with no exposure in the latter). Country allocation was beneficial, boosted by underweighting Switzerland and overweighting Ireland.

Top relative performers included private-equity group 3i. The shares rallied after Dutch retailer Action, in which 3i has a major stake, signalled strong growth in Germany. The lack of exposure to Shell was beneficial amid weakness in oil prices and concerns that a trade war might hit demand for oil.

Detractors included Deutsche Telekom and AstraZeneca. Deutsche Telekom underperformed as value stocks fell out of favour and investors favoured stocks with greater cyclicality. Earnings from the US subsidiary, T-Mobile, have been impacted by currency. AstraZeneca was hit by tariff concerns and Trump's plans to reduce US prescription drug prices; Q1 revenue missed forecasts, although earnings exceeded expectations.

## Activity

The fund's ESG-related exclusion criteria was changed during the quarter, when the fund was renamed in response to guidelines recently issued by the European Securities and Markets Authority (ESMA).

We therefore initiated positions in aerospace and defence names Safran, Rolls-Royce and Airbus. All three stocks are well positioned to benefit from European rearmament.

Safran makes engines for civilian aircraft and also for fighter jets and missiles. Despite logistical issues owing to tariffs, the exposure to the defence sector is attractive. Safran also generates reliable revenues from aftermarket servicing and maintenance, while its customers face high switching costs. Rolls-Royce has delivered impressive results, with operating margin expansion in civil aerospace, defence and power systems. The company is winning contracts for small modular nuclear reactors (SMRs). Airbus's supply chain issues appear to be easing. Europe needs to develop spacecraft, drones and fighter planes, where Airbus is involved.

Other new holdings included Iberdrola, Enel and Siemens Energy. Iberdrola and Enel were bought to reduce the underweight in utilities and increase our exposure to high quality, domestically-oriented defensive stocks amid the market uncertainty.

Siemens Energy manufactures gas turbines used for power generation. The company has a three-year order backlog; its products are key to Europe's efforts to modernise its power grid. Siemens Energy is expected to benefit from growing energy demand related to AI data centres.

We sold TotalEnergies to reduce exposure to the oil sector. Recent results highlighted poor cashflow conversion. Other sales included BASF and Atlas Copco. We sold BASF to fund other purchases; the likelihood of a ceasefire in Ukraine has faded, which is likely to impact the outlook for the business. We exited Atlas Copco to reduce cyclical exposure; the stock's valuation looked expensive.

## Outlook

Inflation, interest rates, growth and tariffs continue to dominate markets. Tariffs could restrict global growth, but Trump's volatile dealmaking makes this unpredictable. A solution to the Ukraine war seems no closer, and Putin's belligerence is on the increase. This means higher defence expenditure in Europe is likely in order to support Ukraine and bolster defences for others. Germany is relaxing the debt brake on infrastructure and defence, which could encourage other European governments to increase capital expenditure.

In the US, the Republican majority in Congress, combined with use of presidential decrees, is enabling Trump to push through controversial policies on immigration, taxation, energy prices, trade tariffs and global conflict. All of these have an element of unpredictability as Trump deal-makes to cement his legacy. Negotiations regarding tariffs continue.

European stocks are still trading on a discount to US peers, and the risk premium in Europe is more attractive too. Europe is not only attractive on valuation grounds; inflation has proven to be less sticky, and, as a result, there is now wider dispersion in rate-cut expectations, with Europe better placed than the US. Falling interest rates stand to benefit the longer-term, high-quality business models we own. The European consumer is in a stronger position too, with more excess savings than US counterparts. The first half of 2025 may show slow growth, but the second half should be better. Trump's proposed tariffs have caused some short-term turmoil in markets, but they have brought a lower oil price, which reduces costs and inflationary pressures in Europe – supporting the case for lower interest rates both in absolute terms, and also relative to the US.

Despite the softness in the European economy, many of the businesses we own are global leaders, generating profits worldwide. Longer term, the NextGenerationEU plan, the use of AI to boost productivity and increased capital expenditure may reinvigorate European growth. Banks and European corporates have strong balance

sheets, which supports capital expenditure and renewed lending. As always, there are risks – notably geopolitical tensions, tariffs, a weak economic outlook and a fragmented European marketplace – but there are still a number of reasons to invest in Europe.

In summary, there are reasons to remain optimistic. Earnings have been resilient, and, over the longer term, share prices tend to follow earnings. Good companies continue to grow, and we are still seeing opportunities in the current market. In managing this fund, our focus is on stock selection. We favour companies that have competitive advantages and pricing power generated by brands, patented processes, regulatory barriers to entry and strong market positions.

## 12M Rolling Period Return in (EUR) - 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) %	5.37	15.46	21.80	-12.33	33.56	2.80	4.27	5.93	15.59	-10.76
Index (Gross) %	8.77	14.38	17.48	-5.91	28.63	-5.01	5.14	3.49	18.65	-10.41

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.

The past performance information for the period prior to 31 March 1993 is from the (a UK authorised UCITS fund launched on 31 May 2002), which merged into this Fund on .

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 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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