This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID / KID before making any final investment decisions.

FUND COMMENTARY – Q2 2025

CT (Lux) Global Technology

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Since: 14/03/2014

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Fund Manager
Since: 31/01/2024

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 World Information Technology 10-40 Index

Inception Date: 31/05/1997

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 6*

Summary

- Global equities rose in the second quarter, with technology stocks outperforming by a significant margin.
- Gross of fees, the fund posted a return of 19.4% in US dollars, underperforming its benchmark.
- Stock selection within the benchmark detracted, while sector allocation added value.
- New purchases included DoubleDown Interactive.

Market Background

Equities advanced in the second quarter (Q2) of 2025 as resilient corporate earnings helped stocks overcome bouts of volatility due to fluctuating tariff policies and geopolitical concerns. Technology stocks rebounded from a Q1 downturn to significantly outperform in Q2. The MSCI World Information Technology 10/40 index rose 24.8% in US dollar terms, compared with an 11.7% gain from the MSCI All-Country World index (ACWI).

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. Later in the quarter, geopolitics took centre stage due to the escalating Israel-Iran conflict, in which the US also became involved. Although oil prices briefly spiked, raising fears about potential for higher inflation, news that the two sides had reached a ceasefire allowed oil prices to quickly normalise, which restored risk appetite. The rally gathered steam after US officials confirmed that a deal had been signed with China regarding rare earth exports to the US.

US economic data was mixed but remained largely resilient despite the global trade uncertainty. The US Federal Reserve left interest rates unchanged, as expected, despite President Trump ramping up public pressure on Chair Jerome Powell to start cutting. Policymakers at the central bank raised their inflation forecast for 2025 and downgraded growth forecasts for this year and next. Encouragingly, inflation eased faster than expected during the quarter, and investors grew increasingly optimistic the Fed will resume its monetary policy easing cycle in the second half of the year. Elsewhere, European equities outperformed on the back of the recent defence spending packages and pro-growth reforms in Germany and other countries.

The key drivers of the technology sector's outsized gains were easing worries over tariffs alongside renewed investor enthusiasm for the AI theme. Many AI-related stocks had underperformed in Q1 amid questions about the sector's large capital spending and ability to generate revenues. However, Q1 earnings mostly beat expectations, despite the challenging environment, prompting investors to again

*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.)

favour the sector. The semiconductor industry group, which was the weakest performer in Q1, led the charge with a nearly 39% gain. Software stocks also posted strong returns. Hardware was the only industry group in the MSCI World Information Technology 10/40 index to end in negative territory, weighed down by Apple's underperformance.

Performance

Gross of fees, the fund returned 19.4% in US dollar terms, underperforming the MSCI World Information Technology 10/40 index. Stock selection within the benchmark detracted, especially in the software and semiconductor industry groups. Picks in IT services also weighed on performance, but those in hardware, electronic equipment and communications equipment added value. Sector allocation within the benchmark was helpful as the underweights in hardware and IT services more than offset detraction from the semiconductors underweight. Our off-benchmark exposures detracted, especially in financials and communication services.

At the stock level within software, the lack of exposure to Palantir Technologies was the largest detractor. Palantir was a leading performer in Q2 as the firm's contracts with the US government and defence industry helped insulate it from tariff concerns. The overweight in Check Point Software, a leading provider of cybersecurity solutions, also detracted, primarily due to a selloff amid the early-April tariff uncertainty. Check Point's stock performance later improved but lagged the wider rebound, despite the firm's Q1 results topping most expectations. The underweight in Microsoft weighed on relative performance too. After a period of underwhelming performance, Microsoft rallied in Q2 on the back of strong earnings from its cloud computing AI-driven Azure platform. On the positive side, the lack of exposure to Adobe and SAP boosted relative returns. Adobe stock weakened due to investor concerns that generative AI tools could erode the company's pricing power and growth outlook. SAP was hurt by investor uncertainty surrounding valuations and the company's ability to achieve its ambitious AI plans.

Turning to semiconductors, the underweight exposures in Broadcom and Nvidia detracted from relative performance. Both stocks benefited from positive sentiment towards chipmakers, specifically strong demand for data-centre chips, on renewed optimism over AI and hopes that trade negotiations between the US and China could result in lighter restrictions on chip exports. Nvidia's plans to produce up to $500 billion of AI infrastructure in the US over the next four years to reduce the company's exposure to potential tariffs was also well received by the market. Our Renesas Electronics overweight also weighed on performance as the company downgraded its forward guidance. Our off-benchmark Synaptics holding was another underperformer; the firm's recent changes to its business model and related acquisitions have impacted its financial results, which we believe will be a short-term headwind. On the positive side, Lam Research boosted relative returns. The stock rallied amid the renewed enthusiasm for AI, which is driving demand for Lam's deposition and etch solutions. We believe Lam's research and development investments should help it maintain its competitive edge and support ongoing growth.

Within IT services, GoDaddy was the largest detractor. Despite posting above-expectation Q1 revenues and earnings, GoDaddy's recurring revenues figure fell short of investor expectations, causing shares in the internet domain registrar to dip. Similarly, Wix.com, which provides a cloud-based platform for website design, posted mixed Q1 results and issued conservative forward guidance, resulting in our holding dragging on relative returns. Conversely, the zero weight in Accenture added value; the company's consulting business was negatively impacted by the US Department for Government Efficiency slashing IT spending.

The positive impact from our hardware selections was driven by the underweight in Apple. Shares in the tech giant weakened following its mixed Q1 results, with investors reacting to the impact of tariffs on the firm's China sales. Concerns that the iPhone's growth cycle has not lived up to expectations also caused investors to grow more cautious about the firm's outlook. Our Western Digital overweight also aided relative performance as the favourable outlook for cloud-based data storage helped the company overcome the wider macroeconomic concerns.

Elsewhere, the zero weight in Keyence added most value in the electronic equipment industry group in a weak period for the stock. Our off-benchmark position in Advanced Energy Industries also boosted relative performance; the firm's revenues, earnings and current-quarter guidance all exceeded expectations, driven by the semiconductor and data-centre business segments. However, Amphenol also posted strong Q1 results, and our zero weight in the maker of interconnect systems detracted. In the communications equipment industry group, the lack of exposure to Motorola Solutions aided performance; shares fell after the firm's Q2 guidance missed analyst forecasts.

Among the fund's off-benchmark holdings, our exposure to Global Payments and Visa in the financials sector detracted the most, partly due to investor uncertainty about how the rise of stablecoins – a type of cryptocurrency pegged to currency – would impact global payments firms. Reports emerged during the period that major retailers are exploring using in-house stablecoins to avoid card payment fees. The US Senate also passed the Genius Act, which would support stablecoin issuance by creating a solid federal framework. Global Payments' acquisition of Worldpay in April further contributed to its subdued performance amid investor concerns the takeover process would negatively impact the firm's margins. Within communication services, our Alphabet exposure was unhelpful as the company lagged the wider technology rally, especially its "Magnificent 7" peers, as new AI models increase competition for the Google search engine.

Activity

We kept trading activity light during the quarter. In the benchmark segments, we sold out of Ansys, which develops engineering simulation software and services. Later, we exited our position in Alphawave IP after its share price rose following news that Qualcomm would acquire the UK-based chip designer.

In the off-benchmark segment, we initiated a position in DoubleDown Interactive, which develops games for mobile and desktop devices.

Outlook

The backdrop for risk assets improved over the course of Q2 but the outlook remains mixed, as the market navigates significant crosscurrents of positive and negative trends.

Although the US administration has tried to curb some of the market volatility linked to its tariff policies, the uncertainty around their impact on growth and inflation is not necessarily expected to abate in the near term. US economic fundamentals remained broadly strong, but real GDP growth could slow in 2025 as consumers have unwound excess savings that had been built up following the pandemic. The possibility of higher tariffs after the 90-day pause on Trump's "reciprocal" levies would further weigh on the growth outlook. Government deficit spending could potentially lead to inflationary pressures and weaken confidence in US debt. The resulting upward pressure on Treasury yields would add a headwind for equities.

On the positive side, technology stocks are well placed to benefit from several secular tailwinds. Encouragingly, capital spending from public cloud service providers, including Microsoft, Google, Amazon, Oracle and Meta, continues to grow. These hyperscalers (companies that operate massive data centres and cloud computing services on a global scale) remain committed to their capital expenditure commitments for 2025 and into 2026, which should fuel ongoing demand across a number of sectors. Demand for semiconductor equipment has been resilient, despite the concerns triggered by trade tensions and the emergence of lower-cost models. Semiconductor equipment companies are also reallocating production across geographic locations, including increasing domestic US production, to reduce their exposure to potential tariffs.

The sustained period of strong performance in recent years meant that valuations had become stretched. Looking ahead, we are still identifying several pockets of relative value, including in software, tower, storage and service providers. Select software companies should also benefit from a cyclical recovery as non-AI IT spending increases amid lower interest rates. Further opportunities can be found among non-AI semiconductor firms, with the growth of electric vehicle sales driving secular growth. The digitalisation of the global economy and the need to protect against cyber threats are also significant trends that create a favourable secular growth backdrop. In this environment, we believe that our time-tested investment process will be able to identify companies that offer the most attractive risk-reward profile for our clients.

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) %	14.39	29.94	27.97	-18.75	69.39	29.96	10.15	20.88	40.15	0.07
Index (Gross) %	17.81	36.58	37.16	-19.10	43.09	33.26	13.13	28.96	33.84	2.11

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

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 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.

CTEA6596390.1 05/2024