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) American Select

Tiffany Wade
Fund Manager
Since: 02/09/2024

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: S&P 500 Index

Inception Date: 28/07/2000

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 8*

Summary

- The S&P 500 index returned 10.9% in dollar terms in the second quarter (Q2).
- Gross of fees, the fund returned 11.6%, outperforming its benchmark by 57 basis points (bps).
- Key contributors included the zero weight in UnitedHealth, along with the holdings in CrowdStrike and Microsoft. The lack of exposure to Broadcom detracted.
- New positions included AT&T, TJX Companies, Cencora, Cintas, Ameren, Synopsys, ON Semiconductor, Realty Income, Gap and EQT Corporation.

Market Background

US equities rebounded in Q2 of 2025, with the S&P 500 index returning 10.9% in US dollars, leaving year-to-date returns at 6.2%. The strong performance came as investors overcame a “wall of worry” – a combination of unpredictable and rapidly changing US tariff policy, uncertainty about the US economic outlook and elevated geopolitical risk. On the other side, risk sentiment was underpinned by a strong corporate earnings season, generally resilient economic data and ongoing expectations for Federal Reserve interest-rate cuts this year.

Risk appetite was weak at the start of the period following President Trump’s “Liberation Day” announcement of sweeping “reciprocal” tariffs, which prompted a spike in market volatility and Treasury yields. However, the US administration then 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. The rally gathered steam in May after the UK became the first country to strike a trade deal with the US, and the US and China agreed to reduce tariffs for 90 days, easing trade-war and growth worries.

Later in the quarter, geopolitics took centre stage as Israel launched a major airstrike campaign against Iran on 13 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, striking three Iranian nuclear facilities. The limited nature of Iran’s retaliation against the US and the subsequent agreement of a US-brokered ceasefire between Israel and Iran helped risk sentiment to rebound. The rally strengthened into month end after US officials confirmed that a deal had been signed with China regarding rare earth exports to the US.

On the economic front, there were signs of weakening activity. Non-farm payrolls data remained generally above forecasts, but the March and April readings were subject to downward revisions during the period. Revised US GDP figures showed the economy contracted more than previously estimated in Q1 due to a downgrade in reported consumer spending and exports. The S&P Global US composite purchasing managers’ index for June continued to indicate expansion, but growth cooled a fraction as service sector output softened slightly; manufacturing, however, hit its highest level in over three years in June. On the consumer side, retail sales in May experienced their biggest fall in four months. Meanwhile, inflation data was mostly below forecasts:

*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 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.)

the consumer price index showed annual inflation rose for the first time in four months in May, but the print was still lower than expected. Producer price inflation was also softer than expected over the quarter.

The Fed left interest rates unchanged, as expected, despite President Trump ramping up public pressure on Chair Jerome Powell to begin easing monetary policy. Policymakers at the central bank raised their inflation forecast for 2025 and downgraded growth forecasts for this year and next. In May, Moody's stripped the US of its triple-A credit rating due to the country's worsening fiscal position. The significant tax cuts in President Trump's proposed tax and spending bill, which was amended and advanced by the Senate in June, added to the worries about the US fiscal outlook.

As in Q1, there was considerable market dispersion during the period. Eight of eleven index sectors registered gains over the quarter. The market was led by technology and communication services, which delivered returns of around 24% and 18%, respectively, as optimism about AI rebounded into the end of the quarter and hopes for trade deals supported semiconductor names. Industrials and consumer discretionary also outperformed and posted double-digit returns. Meanwhile, financials, utilities and materials registered robust gains but trailed the broad index materially. At the other end, energy and healthcare were the weakest sectors, ending the quarter substantially in the red. The energy sector struggled as oil prices fell during the period, while healthcare stocks were pressured by an executive order aimed at lowering prices for prescription drugs and Medicaid funding cuts in Trump's spending bill.

Performance

In gross terms, the fund returned 11.6% over the quarter, outperforming its benchmark by 57 bps.

Favourable stock selection drove the relative outperformance, especially in financials and healthcare, although there was some detraction from choices in communication services, consumer discretionary and utilities. Sector allocation had little impact in aggregate: the underweight in energy and zero weight in materials were beneficial, but this was offset by detraction from the underweight in technology, as well as the overweights in healthcare and real estate.

At the stock level, the zero weight in health insurance company UnitedHealth was a key contributor. The shares declined after the firm unexpectedly lowered its 2025 profit guidance due to increased forecasts for medical costs. Management cited higher-than-expected demand for care under its Medicare Advantage plans as a factor. Revenue and earnings for Q1 also missed analysts' expectations. News that Medicare Advantage plans will be subject to more audits and that President Trump's proposed tax cut bill could be part funded by reductions in Medicare spending also weighed on health insurance stocks. In addition, UnitedHealth announced that CEO Andrew Witty would be stepping down for personal reasons, with chair Stephen Hemsley – who had previously held the CEO position from 2006 to 2017 – confirmed as his replacement.

The holding in cybersecurity software firm CrowdStrike was also beneficial. Sentiment towards the cybersecurity stocks was supported by expectations that they will be relatively resilient to the impact of tariffs, given that defending against cyberattacks is an increasingly important area of focus for companies and governments. While the firm's revenue guidance for its fiscal Q2 missed expectations, its Q1 earnings beat forecasts. The company also raised its full-year earnings guidance and announced a new stock buyback. Broker positivity supported the stock later in the period, helping it to hit all-time highs.

Microsoft was another key contributor over the quarter. The software giant's shares surged after its fiscal Q3 revenue and earnings surpassed forecasts at the end of April, driven by strength in its Azure cloud computing business. The firm's forecast for revenue from cloud computing was also well ahead of analysts' estimates. A further tailwind was provided by renewed optimism over the growth potential of cloud computing and AI – with Microsoft's leading position in the market for enterprise AI tools cited as a strength by analysts – alongside hopes of easing China–US trade tensions, helping the stock to hit record highs over the period.

On the other side, the lack of exposure to chipmaker Broadcom was unhelpful for relative performance. Semiconductor-related names benefited from upbeat sentiment about AI chip demand as Microsoft and Meta reaffirmed their commitment to investing in AI during the quarter. News of President Trump rescinding incoming restrictions on AI chip exports and hopes that trade negotiations between the US and China could result in further easing provided extra tailwinds. Reports of strong Q1 results from sector peer Nvidia, which announced sales and earnings ahead of forecasts, were also supportive. Broadcom's own fiscal Q2 results were narrowly ahead of expectations.

Activity

New positions included AT&T, TJX Companies, Cencora, Cintas, Ameren, Synopsys, ON Semiconductor, Realty Income, Gap and EQT Corporation.

AT&T is a telecommunication and technology services company. After many years, the firm has shed its more complicated assets, which were dilutive to cash flow, and returned to its core-connectivity roots. This focus on its core business means AT&T is well placed to achieve strong free cash flows and offer an attractive dividend yield. The stock is a compelling option for investors seeking a mix of income and growth.

TJX is the largest, most diversified global off-price apparel and home fashion retailer. The firm is continuing to gain market share across various geographies, categories and distribution channels. Positive momentum has also led to a widening of the firm's competitive moat, which should support further growth. Additionally, in times of economic uncertainty, TJX could benefit from consumers seeking value-driven purchasing opportunities.

Cencora is a pharmaceutical distribution and contract research organisation. It has a robust reputation as a quality business due to its leadership in speciality distribution. It also has a strong customer base, helping the firm to grow sales despite poor front-of-store performance. If the company can continue to grow volumes and improve its European operations, this will support earnings going forward. A positive strategic acquisition in speciality distribution could also help the firm gain market share and provide a further opportunity for growth.

Cintas is the leading provider of uniforms in North America, offering a variety of products and services for a range of businesses. The firm's comprehensive product line, superior management and acquisition strategy should support its aim to grow revenue and expand margins within its corporate apparel business. In addition, the company has implemented systems that should result in more efficient distribution routes and support sales, which should in turn support margins over the medium term. The company is well positioned for stable growth, and its sales trends are generally resilient throughout market cycles. Cintas should also benefit from its exposure to the fast-growing healthcare, education and government markets over the longer term.

Ameren comprises fully rate-regulated utilities that serve electric and gas customers in Missouri and Illinois. The company is leading its peers in the shift to renewable generation, while improving both reliability and customer affordability. The good visibility for the firm's rate-base growth should persist for several years due to capital opportunities associated with a supportive regulatory environment. This regulatory environment may also support the increasing demand for data centre power, driven by AI, within the company's service areas. In addition, Ameren has an attractive dividend payout ratio, which could pave the way for above-average dividend growth, and the company is trading at a compelling valuation versus its peers.

Synopsys offers a range of tools and services to the semiconductor design and manufacturing industry. The stock was trading at a compelling valuation, reflecting a more negative outlook on semiconductor design than we believe is justified. Design spending is a long-term commitment, with ongoing investments that can continue to drive growth, and as a result it is less impacted by short-term demand trends. We see this as one of the most resilient and promising areas within the semiconductor industry. Furthermore, the growth of AI could lead to increased spending among customers, as well as a faster pace of chip innovation and redesign.

ON Semiconductor (also known as Onsemi) is a leading semiconductor manufacturer that offers a wide range of products. Key competitive advantages include the firm's broad and innovative technology portfolio, differentiated product lines and market leadership in a niche industry. The company also benefits from a strong international presence and a global supply chain, allowing it to serve customers across a range of markets. The automotive sector remains a particular area of focus for Onsemi; the company's cloud offerings position it well to benefit from the transition to autonomous driving.

Realty Income owns and manages a portfolio of commercial properties located across the US. The company is the largest real estate investment trust to specialise in retail spaces where tenants also pay maintenance costs on the property; it has a well-diversified portfolio of open-air properties on long-term lease by single tenants in sectors that should remain essential in various market conditions. The company's industry-leading low cost of capital, scale and focus on quality, high-credit tenants provide a distinct advantage, which should support earnings and dividends throughout the market cycle.

We initiated a position in Gap, the global clothing and accessories retailer, as we see compelling evidence of a credible turnaround story. Under a new CEO with prior merchandising and brand transformation experience at Mattel, the company is executing a comprehensive revival strategy. The turnaround is gaining traction through improved merchandising and marketing initiatives. The company is also executing a cost-savings programme that should support reinvestment in growth initiatives and capital return. We feel there is scope for the combination of margin improvement and continued brand turnaround to drive positive sentiment, and the stock is trading at an attractive value.

EQT Corporation is the largest producer of natural gas in the US, with assets located in the Appalachian Basin, concentrated primarily in Pennsylvania, West Virginia and Ohio. The company's 10–15 years of "core" inventory differentiates it from exploration and production firms with shorter inventory runways, and the outlook for natural gas looks positive in 2025 due to tailwinds from the Trump administration and an oversupplied oil market.

Additionally, EQT's midstream business, Equitrans Midstream, should allow for structurally lower operating costs and further reduce volatility. Despite expected weather-related volatility in natural gas prices over the near term, the company's 2027 contracts give it premium pricing power versus its peers. EQT should also be able to deleverage via asset sales in coming years.

In addition, we added to our existing holdings in Hilton Worldwide, Charles Schwab and Tesla, among others.

We exited Burlington Stores, TransUnion, Devon Energy, Gitlab, Walt Disney, Datadog, Exact Sciences and Valero Energy. Meanwhile, trims included Bank of America, Apple and Insmed.

Outlook

The outlook for US risk assets has undeniably become more challenged in 2025. Economic fundamentals have remained firm for the year to date, despite a noticeable uptick in volatility and uncertainty around tariffs, immigration and other policies. The labour market continues to show resilience, with non-farm payrolls firmly in positive territory, unemployment remaining low, wages rising at a healthy clip and layoffs staying minimal. Consumer spending is also holding up, while inflation has plateaued close to the Fed's target.

Despite early – and broad-based – market weakness following the "Liberation Day" tariff announcements, US equity indices across the cap spectrum had fully recovered their initial losses and even rose beyond the levels seen prior to the announcement by the end of Q2. Headlines about trade negotiations – particularly with China – along with strong Q1 corporate results and robust economic data have buoyed sentiment. However, there are still many unknowns, with the ever-changing policy landscape creating heightened uncertainty and making it exceptionally difficult to forecast either corporate or economic outcomes. Investors continue to debate the extent to which recent announcements are a negotiating ploy, and thus transitory, versus an effort by President Trump to rebalance trade relationships. With the effective tariff rate still set to rise dramatically, many believe we are yet to see the full economic impact of the administration's tariff policy in hard economic indicators.

In spite of recent market turbulence, Q1 earnings results beat expectations in aggregate. The year-over-year earnings growth rate exceeded consensus expectations, marking the second straight quarter where the market achieved double-digit growth. However, while Q1 results were unexpectedly strong, forward guidance has been fraught, with companies generally deciding to either lower forecasts to account for negative trade impacts or retract guidance altogether, citing heightened uncertainty and limited visibility into future operating environments.

Companies may respond to increasing tariffs in a number of ways to maintain profit margins, including a mixture of price rises, cost reductions and, ultimately, avoidance by reshoring manufacturing to the US. In the near term, with companies expected to pass through price increases, inflation is forecast to rise, as entire supply chains will be impacted. After the initial "Liberation Day" announcements, the market quickly moved to price in more rate cuts in the expectation that the Fed would have to ease its policy rate aggressively to support a faltering economy. The market has since pared back those expectations given the administration's openness to negotiation on tariffs. Fed Chair Jerome Powell has steadfastly stated that policymakers will exercise caution and not rush to ease rates.

Against this backdrop, we remain committed to our process, with a sharp focus on fundamentals and identifying and owning companies we believe can withstand this uncertainty and weather near-term headwinds.

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) %	6.01	27.87	12.88	-18.19	44.75	14.97	9.66	16.45	23.75	-0.61
Index (Gross) %	15.16	24.56	19.59	-10.62	40.79	7.51	10.42	14.37	17.90	3.99

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 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.

CTEA6596390.1 05/2024