

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



**Benjamin Moore**  
Fund Manager  
Since: 01/04/2019

### 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:** FTSE World Europe ex UK Index

**Inception Date:** 18/01/2012

**Fund Currency:** EUR

**Fund Domicile:** Luxembourg

**SFDR:** Article 8\*

## FUND COMMENTARY – Q2 2025

### CT (Lux) European Select

#### Summary

- European equity markets gained in the second quarter (Q2).
- The fund underperformed its benchmark index on a gross basis.
- Detractors included LVMH and Azelis.
- Key contributors included ASM International and Safran.

#### Market Background

European equities advanced in Q2 of 2025, with the fund's benchmark returning 3.7% in euro terms.

The period started with a sharp sell-off in equity markets following US President Trump's "Liberation Day" announcement of sweeping "reciprocal" tariffs, which were much larger than expected in size and scope. However, markets soon rebounded as Trump called a 90-day pause on many of the highest tariffs on US trading partners other than China. Later, Washington and Beijing agreed to reduce bilateral tariffs and investors grew more optimistic that the US would negotiate trade deals with other regions, including the EU. Indeed, in May, the UK and the US agreed a limited trade deal. In late 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 some better-than-expected corporate earnings and optimism about further fiscal stimulus in Germany. That said, equity markets wobbled briefly in June, following a brief spat between Iran and Israel and a resulting surge in oil prices. However, the oil price later stabilised following US intervention via a long-range attack on Iran's nuclear capabilities, and a subsequent ceasefire agreement between Iran and Israel.

In terms of the eurozone economy, 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 (ECB) to cut interest rates by 25 basis points in April and June. However, the bank's accompanying commentary in June hinted at a potential pause to the easing cycle, and rates now stand at 2%.

Greece, Portugal and Austria led the benchmark's gains in Q2. The main laggards were Turkey, Sweden and Denmark. The domestically oriented real estate, utilities and industrials sectors fared best. Energy was the weakest sector, hindered by lower oil prices. Healthcare and consumer discretionary also lagged.

For the year to date, the index returned 10.3% and remained comfortably ahead of other developed markets.

#### Performance

On a gross basis, the fund underperformed its benchmark index due to unfavourable stock selection. Sector positioning added value: the underweight in healthcare and overweights in technology and industrials proved particularly beneficial.

\*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.)

Country positioning was helpful too, especially the underweight in Switzerland.

Detractors included LVMH and Azelis. Despite maintaining strong profit margins, luxury goods company LVMH was hindered by reports of deteriorating consumer confidence in China, one of the firm's key markets. Growth in the company's fashion and leather goods division also disappointed. Speciality chemicals distributor Azelis reported weaker-than-expected Q1 results. Demand has been subdued and visibility is limited owing to the rapidly shifting tariff environment.

Top contributors included ASM International and Safran. Semiconductor equipment manufacturer ASM International benefited from improved sentiment around AI-driven demand for semiconductors and hopes that the US could ease restrictions on the export of advanced chips to China. The company's management has expressed optimism about preserving margins by passing on tariff-related cost increases to customers. Shares in Safran were boosted by expectations of higher demand from the aerospace and defence sector as NATO members committed to increase military spending at a summit in June. Additionally, the company generates reliable revenues from engine servicing.

## Activity

New positions were established in AXA, DSV and Pandora. AXA is a global composite insurer with high exposure to growth through its non-life and health insurance divisions. The position will help us diversify our insurance exposure. The business is defensive, and the stock has an attractive valuation and is highly rated by our research team. Freight and logistics firm DSV's planned takeover of Schenker should bring synergies and growth, and current trading in the existing business is proving resilient. Jeweller Pandora benefits for its scale which gives the company a cost advantage in branded jewellery. Sales momentum in the US is strong, while the market remains underpenetrated. The company has a strong market position in Europe and Australia. Q1 results also highlighted an improvement in margins and strong guidance.

We sold out of luxury carmaker Ferrari. Following a period of resilient share-price performance, the stock is now very expensive. We also wanted to reduce our exposure to the luxury goods sector.

## 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, with US support uncertain and Putin's belligerence 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 potentially 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 at a substantial discount to US peers, and the risk premium in Europe is more attractive too. Europe is not only attractive on valuation grounds; inflation has proved 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 relative to the US.

Despite the softness in the European economy, many of the businesses we own are global leaders, generating profits worldwide. As such, they are less exposed to the domestic European economy. 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 European equities, 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 high-conviction fund, our focus is on stock selection. We seek to identify high-quality companies with the pricing power to sustain strong returns.

## 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) %	0.95	15.50	26.93	-18.99	30.81	7.16	9.97	6.07	14.72	-3.97
Index (Gross) %	8.76	14.81	20.02	-10.33	30.07	-1.02	6.67	1.79	22.14	-9.60

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 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.

An investment style bias can impact a Fund's performance relative to its benchmark in a positive or negative way. No investment style performs well in all market conditions. When one style is in favour another may be out of favour. Such conditions may persist for short or long periods. A Fund exhibits a growth style bias relative to its benchmark if the majority of the Fund invests in companies with above average growth rates, or good growth potential (based on indicators such as earnings and sales growth) relative to its benchmark. However, there is no guarantee that such companies will continue to show such characteristics in the future. A Fund's investment style may also change over time.

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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The Fund is a sub-fund of Columbia Threadneedle (Lux) I, a Luxembourg domiciled investment company with variable capital ("SICAV"), managed by Threadneedle Management Luxembourg S.A..

The SICAV's current Prospectus, the Key Investor Information Document (KIID)/Key Information Document (KID) and the summary of investor rights are available in English and/ or in local languages (where applicable) from the Management Company Threadneedle Management Luxembourg S.A., International Financial Data Services (Luxembourg) S.A., your financial advisor and/or on our website [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com). Threadneedle Management Luxembourg S.A. may decide to terminate the arrangements made for the marketing of the SICAV.

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