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

**George Gosden**
Fund Manager
**Since:** 25/01/2019

## 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:** MSCI AC Asia Pacific ex Japan Index

**Inception Date:** 25/01/2019

**Fund Currency:** USD

**Fund Domicile:** Luxembourg

**SFDR:** Article 8*

# FUND COMMENTARY – Q2 2025

## CT (Lux) Asia Equities

## Summary


- The MSCI AC Asia Pacific ex Japan index returned 13.0% in US dollar terms over the second quarter (Q2).
- The fund underperformed the index, gross of fees.
- New positions included Singtel, HD Hyundai and E.SUN.


## Market Background

In Q2, the benchmark MSCI AC Asia Pacific ex Japan index returned 13.0% in US dollar terms.

The period was initially characterised by volatility following President Trump's "Liberation Day" tariff announcements. However, this was followed by a significant recovery as Trump softened his protectionist stance and hopes grew that the US could reach trade deals with many countries, notably China. Asian equities were also supported by hopes of a more dovish Federal Reserve, a weaker US dollar and renewed optimism around AI-driven demand for semiconductors.

Chinese equities faced significant pressure initially following Trump's imposition of 145% levies on most imports, to which China retaliated with tariffs of up to 125% on US goods. Markets later recovered as both countries agreed to reduce tariffs for 90 days – faster and more substantial progress than had been expected, given Trump's earlier rhetoric. Sentiment improved further late in the quarter as Washington and Beijing reached agreements on tariff reductions and normalised trade in rare earth minerals. In May, policymakers introduced stimulus measures, including a 10 basis-point (bp) cut in the base rate and lower reserve requirements for banks. China's Q1 GDP growth exceeded expectations at 5.4%, but other economic data was mixed. Exports rose above expectations, but domestic demand remained soft.

Elsewhere, Taiwan and Korea enjoyed a strong quarter and outperformed the broader benchmark. Both tech-heavy markets benefited from renewed optimism towards semiconductors amid hopes that the US could ease restrictions on advanced chip exports to China. The quarter also saw increased positive sentiment around AI spending as major companies such as Meta and Microsoft reaffirmed their capital spending commitments. Taiwan recorded its largest trade surplus on record in May, driven by increased exports of information, communication and audio-video products. Meanwhile, the Korean market was further boosted by the election of President Lee Jae-Myung in June and resulting hopes that the new government could take steps to address the long-standing "Korea discount". Following his inauguration, the new president introduced a $14.7 billion supplementary budget targeting economic growth through universal cash payments and increased funding for construction and SMEs.

Indian equities rallied but trailed the benchmark. Investors welcomed the central bank's cash injections into commercial banks and reduction in interest rates. Sentiment was also boosted by stronger domestic demand and declining oil prices. However, the market underperformed due to concerns about high valuations,



*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.)

escalating tensions with Pakistan, disappointing corporate earnings and a rotation toward export-oriented economies.

Indonesian equities likewise rose but lagged the benchmark. In April, the Indonesian Stock Exchange announced a new trading rule to prevent excessive selloffs in the current volatile market environment. The central bank lowered interest rates by 25 bps to 5.5% in May, as expected. Nevertheless, the rupiah recovered from its Q1 lows as the US dollar weakened.

Australian equities had a strong quarter, outperforming the benchmark, helped by gains in the country's sizeable banking sector. Australia is also viewed as a safe haven relative to other equity markets that have been more severely impacted by US tariffs, including trading partners such as China, Japan and South Korea. The Reserve Bank of Australia cut interest rates by 25 bps to 3.85% in May, in line with expectations, as borrowing costs fell to their lowest levels in two years. The central bank noted that upside risks to inflation have diminished, while also emphasising a weaker outlook for growth due to uncertainty caused by US tariffs.

## Performance

Gross of fees, the fund underperformed the benchmark in Q2.

From a country perspective, stock picks in Australia were especially unhelpful. Choices in India and Indonesia also detracted. Meanwhile, stock selection in Taiwan, Korea and China added value, along with the zero weight in Thailand.

By sector, stock selection detracted, particularly in financials, consumer discretionary, industrials and real estate. Conversely, choices in technology and consumer staples boosted returns. Sector allocation added value in aggregate, with underweights in consumer discretionary and materials offsetting an unhelpful industrials overweight.

At the stock level, e-commerce giant Tencent and leading online travel agency Trip.com detracted. Both Chinese stocks sold off sharply amid the widespread declines in early April, although they later recouped some losses as Washington and Beijing watered down bilateral tariffs. However, Trip.com came under further pressure later in the period after e-commerce giant JD.com announced its entry into the tourism market. In addition, the zero weight in Commonwealth Bank of Australia hindered relative performance, given the strength of the Australian banking sector.

On the other side, positive contributors included South Korean chipmaker SK Hynix and Taiwan-based electronic testing equipment producer Chroma Ate. Both benefited from renewed optimism around AI-driven demand for semiconductors. Additionally, SK Hynix reported a positive Q1 thanks to strong sales of high-bandwidth memory products. The shares were further boosted by the rally in Korean equities in June, which also benefited banking group KB Financial. Our exposure to the latter contributed to performance, as the bank announced record net profits for Q1 in April and recently became one of Korea's five biggest companies by market capitalisation.

## Activity

We purchased several new holdings over the quarter, including Singtel, HD Hyundai and E.SUN.

Singtel is Singapore's largest fixed-line and mobile operator, with leading broadband and digital services. The company is expanding into digital infrastructure, such as AI data centres, cloud and managed IT services. Its strong incumbency in core markets, prudent capital management and pivot to digital infrastructure provide a stable income base, with upside from enterprise IT growth and regional transformation tailwinds.

E.SUN is a leading Taiwanese commercial bank offering retail and corporate banking, insurance, wealth management and digital financial services. Its digital-first model, derived from robust fintech partnerships and the company's advanced digital strategy, enhances customer engagement and lowers costs. E.SUN also demonstrates standout profitability and growth, with its strategy supporting sustained margin and earnings upside, making it a compelling regional play.

HD Hyundai is one of Korea's largest conglomerates and focuses on heavy industries such as shipbuilding, construction equipment, industrial machinery, robotics and energy. Its unmatched scale, tech-forward integration across shipbuilding and equipment, consolidation-driven efficiencies and strategic moves into green energy position it well for durable industry leadership and diversified growth amid global decarbonisation demand.

We exited Taiwan-based CTBC Financial, Australian banking group Macquarie and Hong Kong-based electronics firm Techtronic. CTBC's return on equity (RoE) and net interest margin trajectory have lagged peers, so we sold it to fund E.SUN which has superior loan growth, higher-quality digital banking operations and stronger RoE. Macquarie is a well-managed firm, but its profit mix is increasingly market-linked and is sensitive to asset management performance fees. As a result, we exited the position to fund higher-conviction ideas elsewhere.

Techtronic's stock has re-rated on post-covid DIY demand, but we are concerned over normalisation of demand, the impact of tariffs and promotional intensity affecting margins.

## Outlook

Asian equities have shown remarkable resilience this year despite trade uncertainties, buoyed by several tailwinds: US dollar weakness, improving corporate discipline, robust domestic demand and policy easing. The Fed's dovish stance and potential rate cuts promise stronger capital flows, while the undervalued and under-owned status of Asian equities positions the asset class favourably for regional allocation shifts.

Global trade tensions have elevated market volatility as nations navigate toward negotiated solutions or consider retaliatory measures. A new landscape of heightened protectionism appears to be forming. We view tariffs not as an end goal but as a negotiation tool to reshape economic relationships and address perceived unfair practices. While baseline tariffs may remain elevated, we expect the excesses to moderate through negotiations. Our strategy has been to avoid overreaction, instead tactically upgrading portfolio quality with the team mantra "to not fear making sales if there are better opportunities on the other side".

Sentiment toward China continues to improve, despite the well-documented challenges of deflation, property sector struggles and geopolitical frictions. The DeepSeek launch reminded investors of China's innovation prowess, especially given restricted graphics processing unit access. Signs of support for the private sector, including regulatory easing and the landmark Private Economy Promotion Law, have further boosted confidence. US–China trade negotiations show progress as both nations seek de-escalation. Without stimulus, we expect the broader economy to continue treading water, but the government's pro-growth pivot creates attractive investment pockets through consumption support, property sector stabilisation and capital market initiatives.

Elsewhere in Asia, the export-driven economies of Taiwan and Korea remain particularly exposed to trade risks. However, if trade negotiations make progress, strong structural demand driven by AI, smartphones and automotive technology presents compelling opportunities. Government supply-chain strengthening initiatives offer medium-term support, making the technology sector's long-term outlook promising. Korea's Value-Up programme is gaining momentum under President Lee Jae-Myung's vocal support for tackling the "Korean discount".

Indian equities have cooled following their multi-year rally, facing questions about reform momentum, softer GDP growth, disappointing corporate earnings and stretched valuations. Despite these near-term headwinds, we maintain a positive long-term outlook based on the coalition government's ongoing reform agenda, infrastructure investment push, manufacturing expansion efforts, rising domestic consumption and an emerging property and credit cycle. These factors are all supported by favourable demographics. Targeted initiatives to address the skills gap, a key voter concern, should enhance productivity over time.

ASEAN economies have demonstrated notable strength, anchored by vigorous domestic demand, increased foreign investment and proactive government policies, though US trade and monetary decisions remain key risk factors. Indonesia's central bank has pledged aggressive intervention to stabilise its currency, while Malaysia is benefiting from continued reforms and steady investment inflows.

## 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) % | 14.92 | 10.90 | -3.59 | -27.08 | 43.38 | 6.34 | 1.99 | 14.82 | 26.68 | -10.31 |
| Index (Gross) % | 16.43 | 13.38 | 1.15 | -23.11 | 39.69 | -0.07 | 1.09 | 9.86 | 25.27 | -10.00 |

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 25 January 2019 is from the Asia Fund (a UK authorised UCITS fund launched on 31 October 1990), which merged into this Fund on 26 January 2019.

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 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 holds assets which could prove difficult to sell. The Fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

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 may invest through the China-Hong Kong Stock Connect programmes which have significant operational constraints including quota limits and are subject to regulatory change and increased counterparty risk.

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.