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 Focus

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Since: 01/07/2023

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Since: 01/04/2013

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 ACWI Index

Inception Date: 31/03/1993

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 8*

Summary

- Global equities advanced in the second quarter (Q2) in local-currency terms.
- Gross of fees, the fund outperformed its benchmark during the quarter.
- We opened positions in Motorola Solutions and Arch Capital.

Market Background

Global equities advanced in Q2 2025, with the MSCI All-Country World Index (AWCI) returning 9.5% in local-currency terms. 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.

US equities were impacted by concerns that the import tariffs, which were steeper than anticipated, could lead to "stagflation" (higher inflation and slower economic growth). Higher Treasury yields early in the period due to worries about rising US deficit levels also formed a headwind. However, once global trade tensions subsided, generally strong corporate earnings fuelled a rebound, led by technology and other growth stocks. Encouragingly, inflation eased more than expected. Despite Trump's public pressure on policymakers to lower interest rates, the Federal Reserve held fire during the period, as expected. Fed Chair Jerome Powell said that the central bank "can afford to be patient" and noted the potential inflationary impact of tariffs.

European equities were supported by optimism for the eurozone economy in the wake of recent defence spending packages and pro-growth reforms in Germany and other countries. Falling inflation was also helpful, with the annual reading for May dipping below the European Central Bank's (ECB's) 2% target. The ECB cut interest rates by 25 basis points (bps) in April and June, but accompanying commentary in June hinted at a potential pause to the easing cycle. This prompted some profit taking following equities' strong performance in early Q2. In addition, a short-lived spike in oil prices due to the Israel–Iran conflict moderated risk appetite late in the quarter. In the UK, the Bank of England (BoE) lowered interest rates by 25 bps in May. However, inflation remained above target, prompting investors to scale down expectations of further rate cuts this year, although the vote split at the BoE's June meeting was slightly more dovish than expected. The wider rotation to growth stocks also contributed to the more defensively orientated UK market lagging the wider rally. Slowing economic growth remained a concern; while Q1 GDP data beat forecasts, the Office for National Statistics reported in June that the UK economy contracted more than expected month on month in April.

*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.)

Following the initial US tariff shock, Japanese stocks joined the wider risk rally. However, inflation remained above the Bank of Japan's (BoJ's) target, with the core figure hitting its highest level in more than two years in May, strengthening expectations that the BoJ will increase rates in July. The threat of a trade war between the US and China hung over emerging markets (EMs), especially early in the period when US tariffs on Chinese imports rose to 145% and China retaliated with similar levies. EM stocks later benefited from a thaw in US–China trade relations, culminating in a deal being agreed late in the period. Other tailwinds came in the form of a weaker US dollar, encouraging Q1 GDP growth in China and stimulus measures from Chinese authorities to further boost economic activity.

All major equity regions in the MSCI ACWI posted positive returns in Q2 in local-currency terms. The US fared best, buoyed by its large technology sector. EMs and Japan were the next strongest but slightly lagged the index. Europe ex UK was weaker still due to the softer end to the period, while UK stocks brought up the rear.

By sector, technology stocks rode renewed enthusiasm for the AI theme to post the highest returns in the ACWI. Communication services and industrials also outpaced the index. On the other side, returns were weakest in the healthcare sector, which was impacted by Trump's plans to reduce drug prices in the US. Energy also underperformed: increased OPEC production contributed to oil prices declining over the period, despite a brief spike due to the Israel–Iran conflict.

Performance

Gross of fees, the fund outperformed its benchmark over the quarter, due to favourable sector allocation. The overweight in technology and underweight in energy (zero weight by the end of the period) proved particularly beneficial, although the underweight in communication services was unhelpful. Stock selection was modestly detrimental, largely due to choices in financials, but picks in technology made a strong positive contribution.

At the stock level, notable contributors during the quarter included Howmet Aerospace. The shares rose amid optimism about the aerospace sector as European countries have committed to higher defence spending. The firm also posted strong Q1 earnings at the beginning of May and upgraded its full-year outlook. Howmet has a strong reputation as a world-class producer of aero engine and industrial turbine components. We also see Howmet as being at the forefront of innovation and change in manufacturing components. The company's advanced manufacturing expertise and innovation is helping to improve the efficiency of equipment and driving high-performance engineered solutions. Furthermore, Howmet can provide differentiated technologies that are transforming the aerospace and commercial transportation industries. The company also benefits from strong partnerships with transportation giants such as Airbus.

The zero weight in Apple was a key contributor to relative performance in a weak period for the stock.

On the other side, key detractors included Mastercard. The shares fell on reports that major retailers are exploring using in-house stablecoins – a type of cryptocurrency pegged to currency – to avoid card payment fees. The US Senate also passed the Genius Act, which would support stablecoin issuance by creating a solid federal framework. However, we retain conviction in the stock. Leading global payments firm Mastercard benefits from several advantages, including its dominance in an oligopolistic industry, strong brand and global reach. With these competitive edges, Mastercard has a powerful network effect. The firm is also ahead of its peers in terms of penetration and its superior offering of value-added services. In our view, Mastercard is well placed to benefit from key structural themes, such as the shift from cash to card and the expansion of e-commerce.

Shares in Linde fell amid concerns that an escalation of conflict in the Middle East could push up oil prices and therefore dent demand for green energy, such as hydrogen. There were also concerns that the Trump administration might scrap hydrogen tax credits, though these proved unfounded. We favour the world's largest industrial gas company for its scale, widespread consumer base, strong brand value and its solid track record and reputation.

Activity

We opened positions in Motorola Solutions and Arch Capital.

Motorola boasts recurring revenues, ring-fenced end markets and improving margins: important attributes in the current uncertain macroeconomic environment. The company focuses on selling reliable mission-critical radio solutions for emergency services, with 75% of sales generated from communications technology for public safety services such as police and fire departments. The firm benefits from the megatrend of the digital transformation of public safety providers, while enjoying a strong competitive moat with 70% market share in public safety radio.

Arch Capital is a leading global insurance, reinsurance and mortgage insurance writer. The business offers property and casualty insurance and reinsurance, while its subsidiaries focus on marine and aviation, professional liability, healthcare liability and other speciality coverage lines. We like the business for its superior management and smart capital allocation, as well as its diverse range of solutions and services.

We also added to our existing holding in SAP. The company develops world-leading resource-planning software designed to support business efficiency. We believe the firm will continue to benefit from the increasing demand for cloud-based computing as it boasts several advantages over its peers, including a strong financial profile and a solid track record of exponential growth through acquisitions. SAP also benefits from high switching costs as its services and solutions have been deeply integrated into its customers' business platforms over time. The firm has a large, long-standing customer base, which it has maintained through tailoring solutions and continuous innovation, incorporating powerful analytics, AI and real-time data processing. We also think that SAP is attractively priced in comparison to global peers given the business's defensive qualities and AI growth potential.

We exited Munich Re to reallocate funds to other higher conviction names and to reduce the number of stocks held in the fund. Munich Re had performed well over the holding period, and we opted to take profits as we wanted to lower our overweight position in insurers and reinsurers. Other sales included TechnipFMC; we exited the position on valuation grounds and reallocated the capital elsewhere.

Outlook

The policies of the new US administration have created uncertainty, both geopolitically and for equity markets. This is not necessarily expected to abate in the near term, and macroeconomic headwinds have recently increased.

However, high-quality, well-managed companies should continue to perform well over the longer term. In our view, those companies with strong fundamentals that have weathered the challenging operating environment of the past few years will likely continue to outperform, and we plan to take advantage of bouts of volatility to add to high-conviction names.

We also continue to believe that, in environments like this, diversification will remain important, particularly as investment to tackle issues such as decarbonisation, deglobalisation and energy efficiency creates a broader opportunity for earnings growth. Our focus remains on building a diversified portfolio of quality businesses that are multi-year compounders, with pricing power and less gearing to the broader economy. We believe that our bottom-up approach will allow us to find such quality growth companies across a range of sectors and geographies.

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) %	14.65	26.08	20.68	-20.53	40.20	14.85	15.58	15.97	18.17	3.97
Index (Gross) %	16.69	19.92	17.13	-15.37	39.87	2.64	6.32	11.31	19.42	-3.17

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.

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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