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) Sustainable Outcomes Global Equity

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Fund Manager
Since: 19/05/2021

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: 19/05/2021

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 9*

Summary

- Global equities rose in the second quarter (Q2) of 2025 in local-currency terms.
- Gross of fees, the fund outperformed its benchmark during the quarter.
- New purchases included SAP and Pearson.

Market Background

Global equities advanced in the second quarter (Q2) of 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.

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

*The Fund has a sustainable investment objective and is categorised as Article 9 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.)

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 in Q2.

Sector allocation drove the relative outperformance, particularly the overweight in technology and zero weight in energy, although the underweight in communication services and overweight in healthcare were unhelpful. Stock selection detracted slightly, mainly due to unfavorable choices in healthcare and industrials. However, our picks in technology made a strong positive contribution.

At the stock level, key contributors included Microsoft. The shares rose amid renewed optimism about AI. Microsoft's fiscal Q3 revenue and earnings also surpassed forecasts, 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. Microsoft has benefited from a head start over sector peers in AI and continues to expand its capabilities. Management has emphasised that the company is well placed to help its customers – for instance, by improving productivity – amid tougher macroeconomic conditions. Microsoft also boasts large distribution channels and an installed customer base, which serve as durable advantages in the industry. The firm is well positioned to benefit from the transition to cloud technology: its cloud solutions play a key role in helping businesses improve productivity and achieve environmental targets. The firm has also made sector-leading investments in clean technology and carbon-neutral data centres, and it is ahead of its peers in the strength of its privacy and data security.

The zero weight in Apple also aided relative performance in a weak period for the stock. The shares continued to lag due to the lack of AI features on its devices, tariff/supply chain concerns, and the indirect impact of tariffs.

Detractors included life sciences company Thermo Fisher Scientific. The shares fell amid concerns over reduced National Institutes of Health research funding. However, we retain conviction in the company, which is highly innovative with favourable strong growth prospects. Thermo Fisher's Q1 results beat expectations for revenue and earnings, which reinforced our investment thesis. The firm's competitive advantages stem from its dominant scale in the industry, which should help it navigate the uncertainty caused by tariffs, as should its cost-cutting measures, effective supply-chain management and plans to relocate manufacturing. Thermo Fisher also boasts a leading brand and strong network effect. Thermo's products are helping its customers address some of society's most pressing challenges including treatment of disease, access to clean water and ensuring the safety of communities. Furthermore, Thermo is actively pursuing strategies to improve the sustainability characteristics of its products; for example, the use of lower carbon materials such as biobased plastics and the implementation of recycling solutions.

Activity

In terms of activity, new purchases included SAP and Pearson.

SAP 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. SAP's software is playing a pivotal role in supporting businesses with enhanced decision making by consolidating data on a single platform. The company is also helping businesses meet their compliance and reporting obligations. SAP's sustainability suite of products is delivering a tangible impact; not only by driving

ESG compliance but also by fostering sustainability improvements that can extend across the firm's operations and supply chains.

UK-based education platform Pearson exhibits several competitive advantages, including its strong intellectual property and brand name, as well as potential network effects and switching costs via its subscription model. We are positive on the company's plans to use AI to create improved, more personalised learning experiences for customers. While Pearson has had to deal with the print-to-digital transition within its US higher education textbook division, management has introduced a digital learning platform called Pearson+, which is aimed at winning back the secondary market for US courseware. As a leading global learning company, Pearson is clearly improving the quality of education globally and its focus on advancing equitable education is helping to improve outcomes for underserved communities. Pearson's scalable digital platforms have enabled the firm to broaden its reach to learners globally. Additionally, Pearson has a policy of engagement on education related topics – for example, via its efforts to influence government education policy to promote equity and lifelong learning.

We exited the holding in Sika due to concerns about sluggish demand in the firm's end markets, which we did not feel was reflected in valuations. We also sold out of Roper Technologies to fund the purchase of SAP.

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.

As active managers, we continue to see the importance of regularly engaging with the companies we invest in to ensure that their values remain aligned with our own. Through regular communication and close relationships, we can ensure that we maximise sustainable outcomes for this strategy. In our view, the financial return and sustainable outcomes objectives are in perfect harmony and enable clients to invest in a better future.

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
Fund (Gross) %	7.90	24.17	21.78	-20.01
Index (Gross) %	16.69	19.92	17.13	-15.37

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 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 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 aims to invest in companies which deliver sustainable outcomes and in doing so adheres to a set of Sustainable Investment Guidelines. The Guidelines will affect the Fund’s exposure to certain sectors, which 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.

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 risks currently identified as applying to the Fund are set out in the "Risk Factors" section of the prospectus.

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