

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



Tammie Tang
Fund Manager
Since: 05/12/2023

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: Bloomberg Global Aggregate Credit Index (USD Hedged)

Inception Date: 05/12/2023

Fund Currency: USD

Fund Domicile: Luxembourg

SFDR: Article 9*

FUND COMMENTARY – Q2 2025

CT (Lux) Global Social Bond

Summary

- Global investment-grade (IG) corporate credit indices advanced in the second quarter (Q2).
- Gross of fees, the fund returned 2.09% versus 1.98% from the benchmark.
- We invested in a range of new issues including a green bond from the Community of Madrid, a social bond from NRW, and a sustainability bond from NBN.
- Valuations (credit spreads) are looking expensive, but we view the current elevated yields as attractive for investors seeking income without too much risk.

Market Background

Global IG corporate bonds advanced in Q2, driven by coupon income and tightening credit spreads (the yield premium over 'risk free' government bonds). Yields on 10-year US Treasuries were little changed, though the German and UK equivalents fell, and yield curves steepened in all three markets.

US trade policy was the key focus for much of Q2. President Trump's 2 April 'Liberation Day' of reciprocal tariffs was more aggressive and wide-ranging than anticipated. Treasuries initially strengthened amid a global risk-off move but later sold off, even as equities continued to fall. This persuaded Trump to call a 90-day pause on most tariffs, sparking a recovery in equities and Treasuries alike.

Outline trade agreements with the UK and China followed, further boosting risk assets, though this came increasingly at the expense of Treasuries. Longer-dated bonds were pressured by mounting concerns about the US deficit. As Trump's fiscally expansive tax-and-spending bill made its way through Congress, credit rating agency Moody's downgraded US debt, removing its last triple-A rating.

In June, renewed conflict in the Middle East stoked volatility. Treasury yields spiked on inflation concerns as oil prices surged, but they later fell as Iran's token retaliation to US strikes and subsequent ceasefire with Israel saw oil prices decline. Treasuries were also supported late in Q2 by some softer-than-expected US inflation and GDP data, and by renewed attacks by Trump on Federal Reserve chair Jerome Powell, which spurred anticipation that a more dovish successor might soon be named.

The Fed's policymakers had angered Trump by keeping US interest rates on hold since December, while respectively lowering and raising their growth and inflation forecasts in response to his tariff plans. By contrast, the European Central Bank cut rates twice in Q2, by 50 basis points (bps) in total, as eurozone inflation returned to target levels. The Bank of England was also in action, cutting rates by 25 bps in May. Although the BoE then held fire at its June policy meeting, three of the bank's nine rate-setters voted for a cut – a more dovish vote split than had been anticipated.

Over Q2 as a whole, 10-year Treasury yields rose 2 bps to 4.23%, while the German and UK equivalents respectively fell 13 bps to 2.61% and 19 bps to 4.49%. Meanwhile, having widened amid the Liberation Day turmoil, global IG credit spreads tightened over the quarter as tariff fears eased and corporate results generally beat expectations.

*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.)

Per ICE BofAML corporate bond indices, US IG spreads narrowed by around 11% in risk-adjusted terms, versus around 10% in the sterling market and just 4% in euro IG. Spreads in all the sectors we monitor tightened, led by media, technology and capital goods; autos brought up the rear.

There was more progress on the reset in relations between the UK and the EU in Q2, this time on the ESG front. In May, the two sides committed to linking their emissions trading schemes (ETS). This should help to harmonise carbon prices, reduce volatility in ETS markets and ease trade frictions, allowing each region to avoid the other's 'carbon border adjustment mechanisms' – new taxes aimed at reducing 'carbon leakage' (which occurs, for example, when companies shift carbon-intensive production to countries with laxer emissions regulations).

Performance

The fund returned 2.09% in gross terms for the quarter versus 1.98% from the index.

Interest-rate-related factors – such as the effects of duration (sensitivity to interest rates) and yield-curve positioning – detracted modestly from relative performance, but this was more than offset by a positive contribution from credit strategies.

As regards allocation effects, a slight average overweight in IG credit risk helped performance marginally as spreads tightened. At the industry level, positioning in healthcare, telecoms and banking added value fractionally.

Credit/issuer selection effects were mildly favourable overall. Positives here included New York Life, educational publishing and services company Pearson. The fund also benefited from its lack of exposure to US entertainment company Warner Bros Discovery, which weakened amid concerns about its upcoming split. Detractors included the overweights in the Belgian region of Wallonia and Norwegian grid operator Statnett, along with the zero weight in telecoms and mass media group Charter Communications.

On the social side, the fund's average social intensity score ended Q2 at 18.3 (out of a maximum of 31), with the proportion of the fund invested in category A impact investments at 54%. The proportion of the fund in bonds of the lowest social intensity (C3 and C4) is at 6%. The fund aligns each holding with one of the 17 United Nations Sustainable Development Goals and the underlying 169 targets. The fund's largest weightings are currently allocated to Goal 3 (Good Health and Well-Being), Goal 11 (Sustainable Cities and Communities), and Goal 7 (Affordable and Clean Energy) with weightings of 24.5%, 23.9% and 15.3% respectively.

Activity

We were active in the primary market during the quarter, participating in a range of new issues. These included green bonds from the Community of Madrid, Dutch grid operator Alliander, French banking group BPCE and Dutch property developer Amvest.

The Community of Madrid is the first European region to issue a public green bond aligned with the EU Green Bond regulation. Proceeds from the €500 million, five-year bond will be used to fund low-carbon transport projects, contributing to the EU's climate change mitigation objectives and supporting Madrid's Energy, Climate and Air Strategy Horizon 2030. Alliander's offering was a €1 billion dual-tranche issue; the proceeds will be used to fund projects that will further the transition to lower-carbon energy in their respective energy networks.

We also added new social bonds from German development bank NRW and France's Crédit Agricole. NRW's bond was its 11th such issue and the first under the bank's new 2025 social bond framework. Among other projects, proceeds will be invested in schemes to support the healthcare sector, promote affordable home ownership in the region and to create education and employment opportunities. Crédit Agricole's bond issue primarily aims to refinance existing initiatives while supporting the expansion of the strategic loan portfolio. The bond's proceeds will target key social impact areas, including affordable housing initiatives, assistance for SMEs in disadvantaged regions, funding for public healthcare facilities, and infrastructure development focusing on telecommunications and cultural projects.

New sustainability issues added to the portfolio in Q2 included bonds from Australian state-owned broadband network operator NBN, the Japan International Cooperation Agency (JICA) and the International Development Association. While NBN is Australia's largest issuer of ESG bonds, this was the firm's inaugural sustainability issue. Around 80% of the proceeds is expected to be channelled towards the increasing use of fibre – which is more energy efficient than copper – in NBN's network, which includes rural communities. The remaining 20% will go to eligible social projects, for example, helping socio-economic advancement by improving digital access for remote communities.

Trades in the secondary market included starting a position in UK disability vehicle leasing provider Motability and increasing exposure to Northwestern Mutual Life.

We exited UnitedHealth Group, medical research charity Wellcome Trust and grid operator Enexis, while reducing positions in a number of issuers including chipmaker NXP, healthcare real estate group Welltower, managed

healthcare provider Centene, medical device manufacturer Becton Dickinson, and utilities Ausgrid, Oncor and Consolidated Edison. We also swapped out of existing bonds from the JICA, NBN and the Community of Madrid to take advantage of their new issues.

Outlook

At present, meaningful estimates of the impact of Trump's trade tariffs are all but impossible to calculate. What seems most likely, however, is that inflation will be higher, at least in the US, and growth lower than previously envisioned. This complicates the picture for central bankers looking to support their economies by cutting interest rates. Lower growth, with the risk of recession, would be a less positive – or even negative – environment for spreads, especially for more levered and cyclical issuers.

While credit spreads (at the time of writing) are still inside (i.e. more expensive than) historic averages, the outright yield offered by the market is comfortably above its long-run mean, which should continue to attract investors seeking income without too much risk.

The market is also supported by robust credit fundamentals, such as low leverage for corporates and high levels of capital for banks. All things considered, the rewards for taking credit risk appear relatively low at present; rather, sources of performance such as issuer and security selection – our traditional focus – are more likely to yield results in our view.

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
Fund (Gross) %	7.26
Index (Gross) %	7.01

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 securities whose value would be significantly affected if the issuer refused, was unable to or was perceived to be unable to pay.

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.

Changes in interest rates are likely to affect the Fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

The Fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

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 exhibit significant price volatility.

The Fund aims to invest in assets that are deemed to be supporting and funding socially beneficial activities and development and utilises a Social Rating Methodology. This will influence the Fund's exposure to certain issuers, industries, sectors and regions, and may affect the relative performance of the Fund positively or negatively.

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

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 securities whose value would be significantly affected if the issuer refused, was unable to or was perceived to be unable to pay.

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.

Changes in interest rates are likely to affect the Fund's value. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

The Fund's assets may sometimes be difficult to value objectively and the actual value may not be recognised until assets are sold.

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 exhibit significant price volatility.

The Fund aims to invest in assets that are deemed to be supporting and funding socially beneficial activities and development and utilises a Social Rating Methodology. This will influence the Fund's exposure to certain issuers, industries, sectors and regions, and may affect the relative performance of the Fund positively or negatively.

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

IMPORTANT INFORMATION. FOR PROFESSIONAL INVESTORS ONLY. For marketing purposes. Your capital is at risk.

This financial promotion is issued for marketing and information purposes only by Columbia Threadneedle Investments in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Middle East, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

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. Threadneedle Management Luxembourg S.A. may decide to terminate the arrangements made for the marketing of the SICAV.

These documents are available in Switzerland from the Swiss Representative and Paying Agent CACEIS Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH 8027 Zurich.

This material should not be considered as an offer, solicitation, advice or an investment recommendation. This communication is valid at the date of publication and may be subject to change without notice. Information from external sources is considered reliable but there is no guarantee as to its accuracy or completeness.

In Spain, Columbia Threadneedle (Lux) I is registered with the CNMV under No. 177. The Fund is a non-Spanish collective investment scheme duly registered with the CNMV for marketing in Spain. The fund should be subscribed to through locally authorised appointed distributors. Investors must read the relevant Prospectus and KID for each fund they want to invest before subscribing. All other statutory documentation, as well as the NAV can be obtained from www.columbiathreadneedle.com.

In the EEA and Switzerland: Issued by Threadneedle Management Luxembourg S.A. registered with the Registre de Commerce et des Sociétés (Luxembourg), Registered No. B 110242, 44 rue de la Vallée, L-2661 Luxembourg, Grand Duchy of Luxembourg. In the UK: Issued by Threadneedle Asset Management Limited. Registered in England and Wales, No. 573204. Registered Office: 78 Cannon Street, London EC4N 6AG, United Kingdom. Authorised and regulated in the UK by the Financial Conduct Authority.

In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it.

This document may be made available to you by an affiliated company which is part of the Columbia Threadneedle Investments group of companies: Columbia Threadneedle Management Limited in the UK; Columbia Threadneedle Netherlands B.V. in the EEA; Columbia Threadneedle Investments (Swiss) GmbH in Switzerland, acting as representative office of Columbia Threadneedle Management Limited. Certain funds and/or share classes may not be available in all jurisdictions.

© 2023 Columbia Threadneedle Investments. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

CTEA6596390.1 05/2024