

Multi-Asset

CT Sustainable Universal
MAP Funds – Q4 2023

Quarterly investment report

Actively investing in sustainable
strategies with a capped ongoing
charges figure of 0.39%:
redefining value

Market insights

The fourth quarter of 2023 proved to be a strong period for most asset classes.



■ The fourth quarter of 2023 proved to be a strong period for most asset classes. It was not plain sailing, however. October was generally weak and volatile for safe havens and risk assets alike as surprisingly robust US economic data pushed Treasury yields to 16-year highs, dampening the relative appeal of equities. Markets were further pressured by concerns about the terrible events in Israel and Gaza.

■ Later, equities rallied, core government bond yields plunged, and credit spreads

tightened. The main drivers of these moves were slower-than-expected inflation in the US and Europe, signs of cooling in the US labour market, and a growing belief that the major central banks would start to cut interest rates sooner than previously thought.

■ The MSCI All Country World index (ACWI) of equities returned 9.5% in local-currency terms over the quarter. Growth stocks outperformed value. By sector, technology and real estate fared best, while energy fell along with oil prices. Of the major

equity regions, the US and Europe ex-UK were the strongest performers in local-currency terms. Emerging markets (EMs) and developed Asia also performed well.

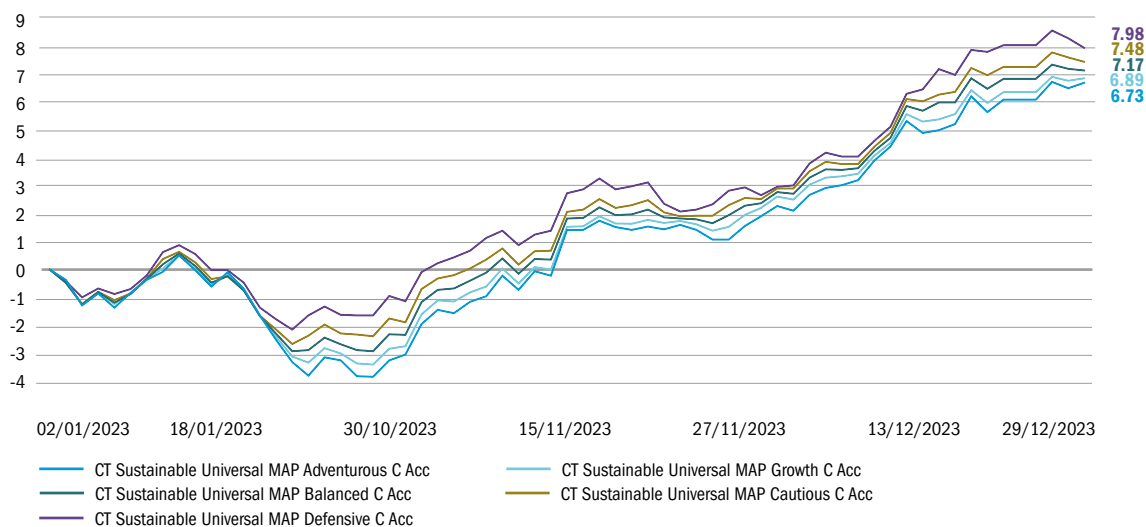
■ In fixed income, the 10-year Gilt yield fell 90 basis points (bps) to 3.54% and the Treasury yield fell 69 bps to 3.88%. Credit spreads tightened significantly across investment-grade and high yield. Interest rates were held steady by the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE).

Interest rates were held steady by all the major central banks.

Performance update

Returns from equity holdings were enhanced by the global team outperforming their benchmark.

Three month performance (%)



Source: Columbia Threadneedle Investments and Lipper, all figures net of fees, as at 29-Dec-2023

Government bonds, investment-grade and high yield all contributed to the good performance from our fixed income exposure.

Key risks

Past performance should not be seen as an indication of future performance.

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Views and opinions have been arrived at by Columbia Threadneedle Investments and should not be considered to be a recommendation or solicitation to buy or sell any products that may be mentioned.

Performance update (continued)

Performance was positive as Q4 2023 proved to be a strong period for most asset classes. Falls in the 10-year Gilt yield, by 90bps to 3.54% and the Treasury yield, by 69 bps to 3.88%, delivered good performance from the fund's government bond exposure. And as credit spreads tightened significantly across investment-grade and high yield, this further increased returns from fixed income exposure in the portfolio.

In equities, the US and Europe ex-UK were the strongest performers (among major markets) in local-currency terms. Emerging markets (EMs) and developed Asia also performed well. The UK and Japan trailed, which did not help the fund's tactical overweight to the UK. A stronger yen weighed on Japan's export-heavy market, while the UK was restrained by its relatively heavy exposure to overseas earners and energy-related companies, as sterling rose against the dollar and oil prices fell.

Returns from equity holdings were enhanced by the global team outperforming their benchmark. Gains came equally from sector positioning and stock selection. At a sector level, being overweight to technology and underweight to energy were the top contributors. At a stock level the best holdings were CrowdStrike, Vestas Wind

Systems and Xylem. Tempering gains were holdings in Aptiv, Trimble and Humana.

The global income strategy slightly underperformed due to stock selection, with sector positioning delivering good gains, in particular being underweight energy. The largest detractors were Takeda Pharmaceutical, Pfizer and Becton Dickinson.

The UK team outperformed their benchmark with gains mainly coming from sector positioning. An overweight to industrials and underweight to energy were the largest contributors. At a stock level the top holdings were OSB Group and CRH. The largest detractors were Rentokil, CAB Payments and Xaar.

As UK equities trailed, this quarter, the fund's tactical overweight here was unhelpful for performance.

Cumulative performance as at 31-Dec-2023

	3 months	1 year	3 year	Volatility*
CT Sustainable Universal MAP Adventurous Fund	6.54%	6.54%	-	13.5%
CT Sustainable Universal MAP Growth Fund	6.62%	6.30%	2.17%	12.3%
CT Sustainable Universal MAP Balanced Fund	6.87%	5.95%	-2.05%	11.6%
CT Sustainable Universal MAP Cautious Fund	7.16%	5.52%	-5.70%	10.6%
CT Sustainable Universal MAP Defensive Fund	7.86%	6.59%	-	10.3%

Discrete performance as at 31-Dec-2023

	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023
CT Sustainable Universal MAP Adventurous Fund	-	-	-	-15.30%	6.54%
CT Sustainable Universal MAP Growth Fund	-	15.06%	12.63%	-14.66%	6.30%
CT Sustainable Universal MAP Balanced Fund	-	14.81%	9.68%	-15.71%	5.95%
CT Sustainable Universal MAP Cautious Fund	-	13.10%	5.96%	-15.66%	5.52%
CT Sustainable Universal MAP Defensive Fund	-	-	-	-16.85%	6.59%

Past performance should not be seen as an indication of future performance.

Source: Columbia Threadneedle Investments and Lipper, all figures net of fees. *Volatility is based on monthly returns from the last 2 years.

Engagement Activity

Being a responsible investor lies at the heart of everything we do, which includes continually driving improvement through engagement with companies.

Humana



lundin mining



Over the quarter we engaged with 39 companies across 10 countries and 13 milestones were achieved. The most common issues that we engaged with companies on were corporate governance, labour standards, climate change and public health. Examples of milestones achieved included improvements in decarbonisation strategy disclosures, the inclusion of biodiversity in risk management, the setting of circular economy targets and the strengthening of company ethics/compliance systems.

Q4 2023 engagement

39 companies across **10** countries

Sustainability leaders

Global sustainability challenges create opportunities for long-term investors, including renewable energy technologies, products to mitigate the inefficient use of global resources, and education for financial inclusion.



Astrazeneca plc

Astrazeneca is a global pharmaceutical company developing and selling drugs with particular strengths in cancer, rare diseases and cardiovascular and respiratory diseases.



Microsoft

Microsoft is a leader in productivity and business process tools enabling improved efficiency and productivity via a centralised datacentre footprint.



GSK

GSK is a pharmaceutical company helping improve global health through the discovery, development and manufacture of medicines, vaccines and consumer healthcare products.



Linde

Linde is a leading global industrial gases and engineering company. Its products enable customers to reduce their carbon footprint/use of fossil fuels.



Relx

Provides information-based analytics and decision tools to help scientific, technical & medical researchers and healthcare professionals advance science and improve health outcomes.

Activity & positioning

We continue to believe that high-quality fixed income offers good value, whereas spreads have tightened to such an extent that excess returns from high yield and investment grade bonds appear limited.



Equities			Fixed income		
UK	▲	—	UK gilts	▲	▲
North America	—	—	UK index linked	—	—
Europe ex UK	▼	—	Global corporate bonds	—	▼
Japan	▲	—			
Pacific ex Japan	—	—			
Emerging markets	—	—			

Our view: ▼ Negative — Neutral ▲ Positive

Allocation change from previous quarter: ▼ Down — Same ▲ Up

There was no significant trading across the portfolio in the fourth quarter. Within fixed income, we reduced our exposure to investment grade and high yield bonds as valuations became a little rich. We shifted this exposure to UK and US government debt which looked to have far more upside. Over the quarter, we booked profits on our options protection position against a fall in the S&P500. When the index had recovered back to previous levels, pre sell-off, we used the profits to buy more protection maturing in March.

We continue to believe that high-quality fixed income offers good value, whereas spreads have tightened up to such an extent that there are limited excess returns available from high yield and investment grade bonds.

Within equities the UK market remains cheap and the domestic market could be in for a boost from the Conservative government giveaways in the run up to the election. Japan also continues to look attractive both from a valuation perspective and fundamentally, as corporate governance reforms continue apace. Currency strength could impact on equity returns if the Bank of Japan decide to tighten monetary policy by reducing yield curve control or zero interest rate policies. Therefore, unhedged Japanese equities will probably have a better return than hedged.

Our view

The team discuss the key drivers of recent market moves together with their view on where things are likely to head from here



It appears clear now that the rate cycle will pivot from hiking to cutting. The key question is how far the cuts will go and when each Central Bank will start. Using history as a guide and understanding where each economy is in terms of taming inflation, it would be a surprise if the Fed were not the first act. The ECB would most likely follow and then later the BoE.

UK inflation is now falling but remains noticeably above its peers and the Bank's 2% target. As such, Andrew Bailey will unlikely be the first to move. Also, at the last Monetary Policy Committee meeting there were still three votes to raise rates! European inflation is quickly heading towards its 2% target. However, historically the ECB has waited until the Fed moves before committing.

US inflation remains above target but looks likely to reduce to around 2% - 2.5% this year. Overly restrictive monetary policy is probably, therefore, no longer warranted. The market is pricing in 1.5% worth of cuts this calendar year, which translates to an unusually large number of cuts given a soft landing is the current consensus forecast.

Adding to uncertainty is the US presidential election on 5th November. In the UK we celebrate Guy Fawkes that night. In the US they may well have seen enough fireworks by then, given forecasts for one of the most acrimonious campaigns ever. The Federal Reserve, even more than normal, will try to remain out of the spotlight and appear non-political. This will make achieving the 1.5% of cuts this year very difficult. One route would be to front load the easing, however, with inflation still 1.4% above target it would be a brave Fed that starts with a 0.5% cut in March.

Normally, against the backdrop of a still growing US economy, monetary policy poised to loosen and inflation on the way down we would be expecting strong returns from equities and fixed income. However, given prevailing valuations we are a little more circumspect. If the US does manage to avoid a recession then we expect decent, rather than exceptional, returns from equities, but still above-normal returns from government debt.

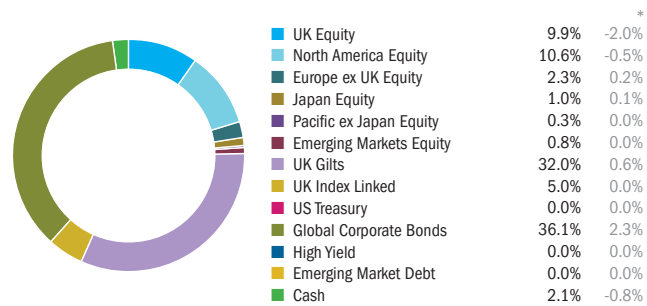
A couple of things could upset this outcome. Firstly, a recession could come through due to long and variable lags. In this case,

1.5% worth of rate cuts may be an underestimate, fixed income would be your friend and, over the short term, equities your foe. Secondly, geopolitics continue to simmer in the Middle East and Russia/Ukraine. Equity markets tend not to like armed conflicts and fixed income markets generally do. A knock-on effect to prices, and stickier inflation, could persuade central banks to keep rates elevated for a little longer than currently anticipated. An active and vigilant approach is once again merited.

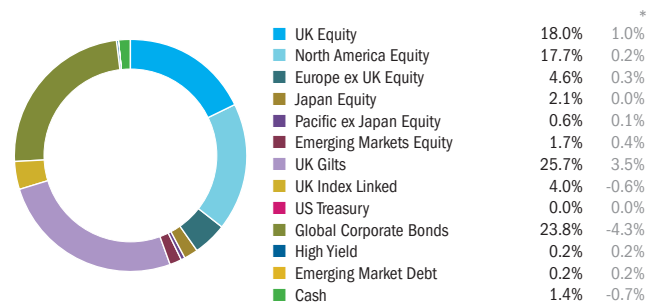
The key question this year is how far rate cuts will go and when each Central Bank will start.

Asset allocation as at 31 December 2023

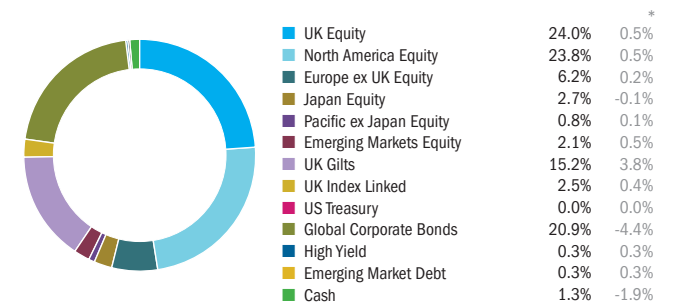
CT Sustainable Universal MAP Defensive Fund



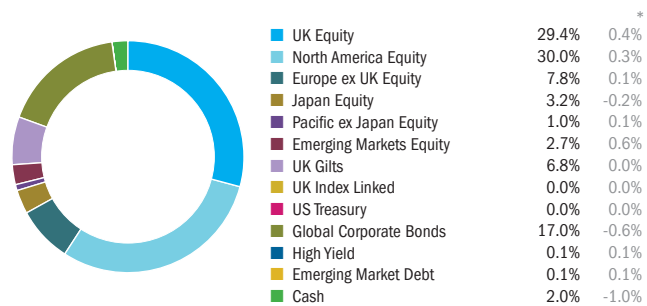
CT Sustainable Universal MAP Cautious Fund



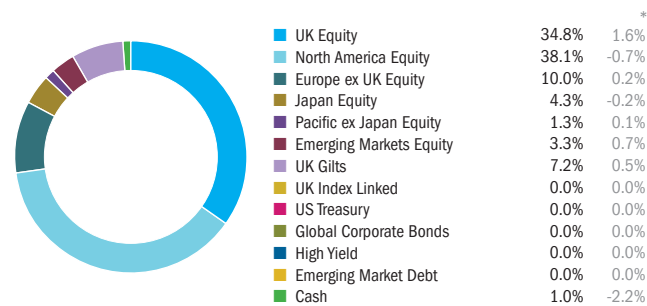
CT Sustainable Universal MAP Balanced Fund



CT Sustainable Universal MAP Growth Fund



CT Sustainable Universal MAP Adventurous Fund



Source: Columbia Threadneedle Investments. *Change from 30-Sep-2023

Designed to make investing simple

With five options ranging from Defensive to Adventurous you can choose the fund that is right for you.



Each portfolio invests across a range of asset classes – the type and proportion of each asset class is tailored in each fund with a view to delivering defined investment outcomes. That means target volatility bands (volatility is a commonly used measure of risk) and long-term return expectations relative to inflation.

For those comfortable with higher levels of risk, a growth portfolio with higher equity exposure may be appropriate. Why? Because equities can offer scope for higher returns, but that potential comes with greater risk of loss. More cautiously minded investors meanwhile, can select a portfolio with a higher allocation to fixed income assets. The likes of government and high-quality corporate bonds tend to be less volatile in their performance than equities.

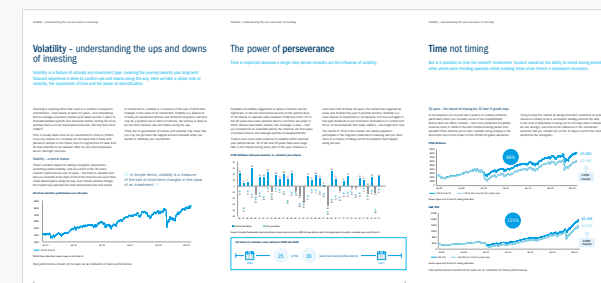
Your adviser can help you decide which portfolio is the right option for you, usually by using a 'risk profiling' questionnaire alongside consideration of your objectives.

Things to remember when considering investing

The value of investments and any income derived from them can go down as well as up as a result of market movements. You may not get back the original amount invested.

Understanding volatility

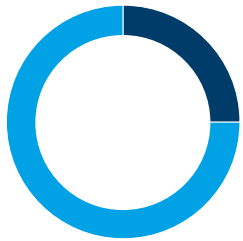
If you want to know more speak to your financial adviser. They'll be able to provide you with a copy of our guide to 'Volatility – understanding the ups and downs of investing'.



Typical portfolio asset allocations

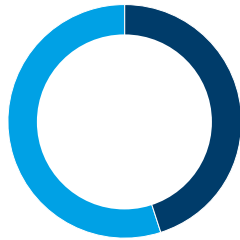
Lower risk/return potential
Higher allocation to fixed income

Higher risk/return potential
Greater emphasis on equities



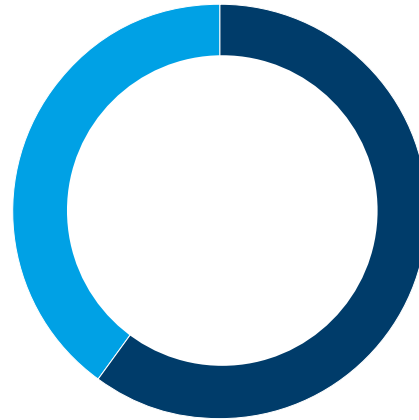
Defensive Fund

■ Equities	25%
■ Fixed income	75%



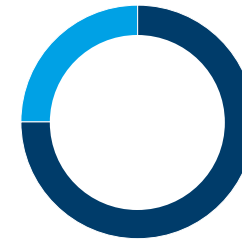
Cautious Fund

■ Equities	45%
■ Fixed income	55%



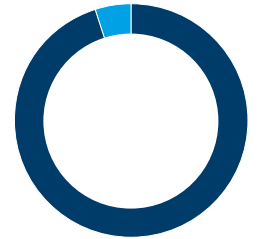
Balanced Fund

■ Equities	60%
■ Fixed income	40%



Growth Fund

■ Equities	75%
■ Fixed income	25%



Adventurous Fund

■ Equities	95%
■ Fixed income	5%

Source: Columbia Threadneedle Investments, for illustrative purposes only.

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