



Your success. Our priority.

Spotlight on Global Smaller Companies

Optimism abounds

For professional investors only

6 July 2021



Your success. Our priority.

Optimism abounds in 2021

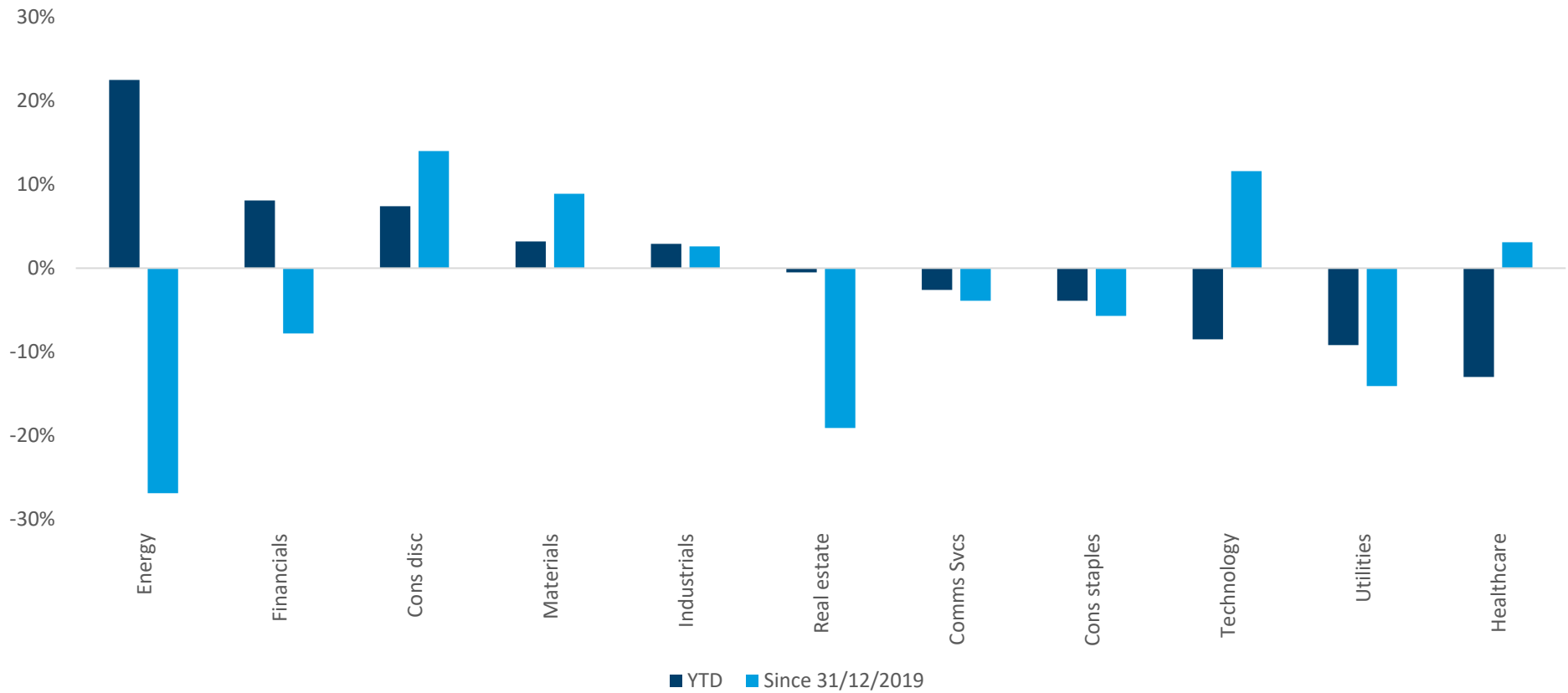
The market wants beta



Global small cap market performance

A cyclical rebound YTD

MSCI World Small Cap sector relative performance



Source: Columbia Threadneedle Investments and Bloomberg, as at 31 May 2021. Sector performance represented by the corresponding MSCI sector indices.

Threadneedle (Lux) Global Smaller Companies

2021 vs 2020: last year's winners, this year's laggards

Top 5 relative contributors

Stock	Sector	2021 (bps)	2020 (bps)
Fluidra	Industrials	42	7
Armstrong World	Industrials	36	-77
Adv. Drainage	Industrials	30	67
Bill.com	Technology	24	34
Hayward	Cons. Disc.	22	N/H

Bottom 5 relative contributors

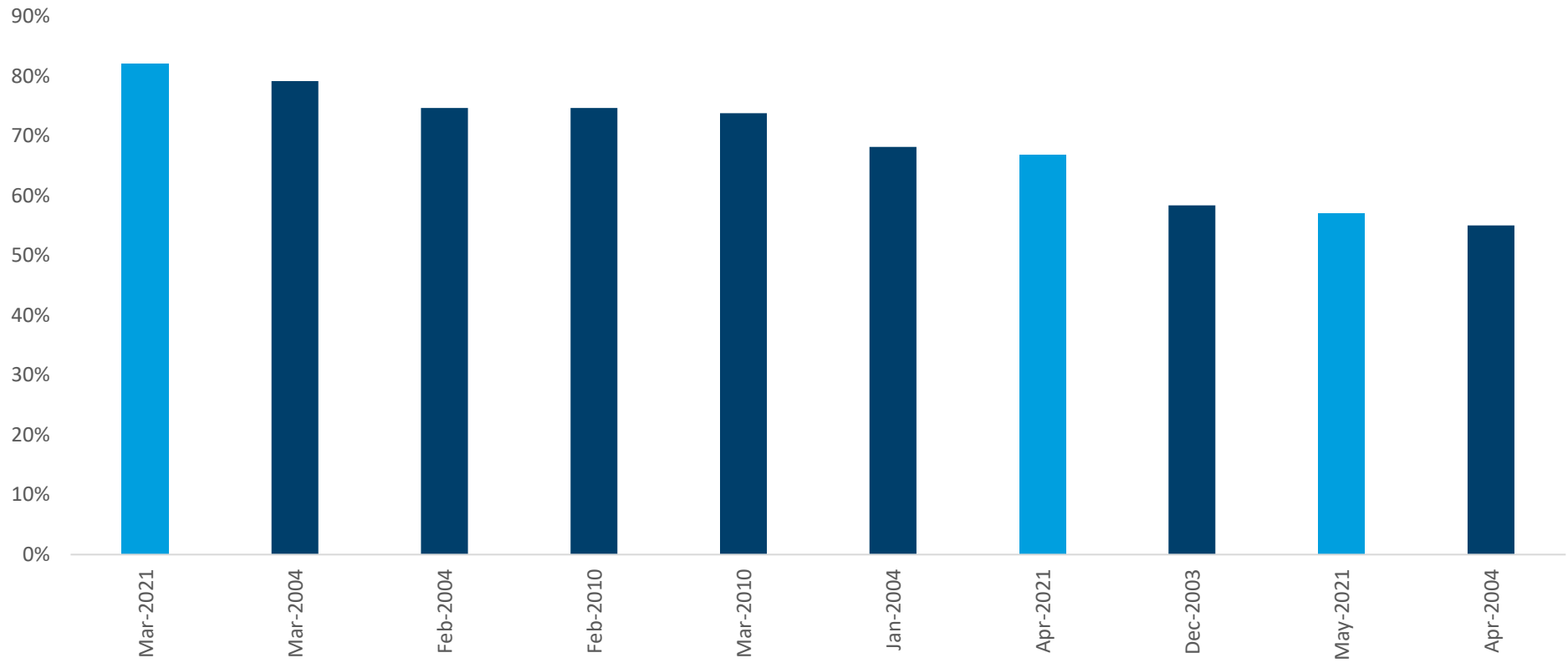
Stock	Sector	2021 (bps)	2020 (bps)
Cardlytics	Comms. Srvs.	-64	124
BlackLine	Technology	-55	97
Grace Tech.	Technology	-55	-5
Nihon M&A	Industrials	-51	78
JTOWER	Industrials	-49	N/H

Source: Columbia Threadneedle Investments. 2021: the period 31 December 2020 to 31 May 2021 in USD. the period 31 December 2019 to 31 December 2020 in USD. The mention of stocks is not a recommendation to deal. Benchmark is the MSCI World Small Cap Index. Relative returns are calculated on a geometric basis. Key: O/W = overweight; U/W = underweight; N/H = not held.

Global small cap market performance

Sentiment's high

MSCI World Small Cap 12 month performance Top 10 since 31 December 1998

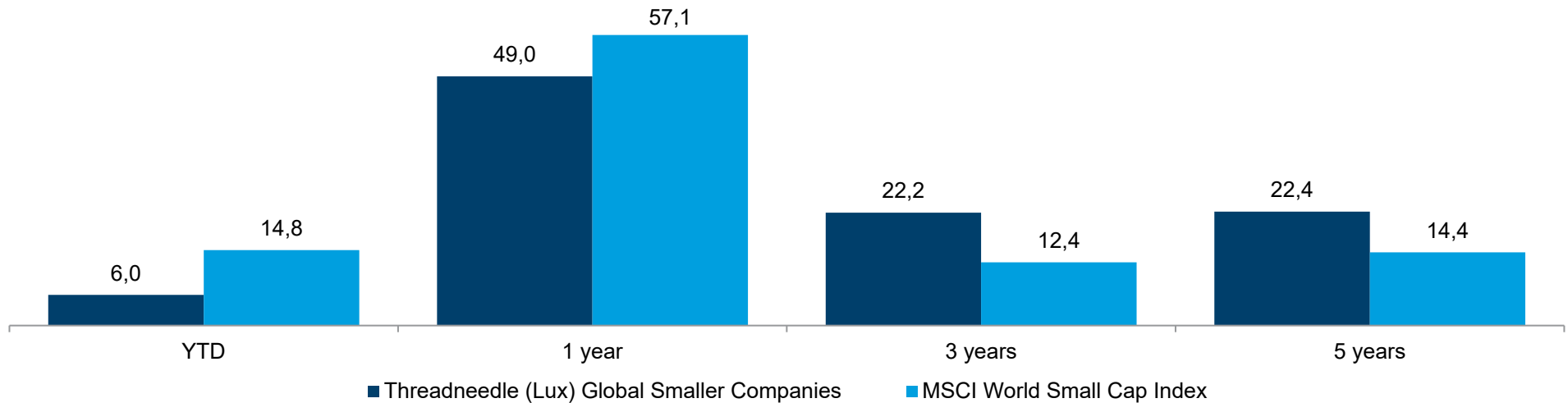


Source: Columbia Threadneedle Investments and Bloomberg, as at 31 May 2021.

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Our low beta has proved a headwind YTD...

Gross annualised performance versus benchmark in US\$ (%)



Risk-adjusted performance (USD)

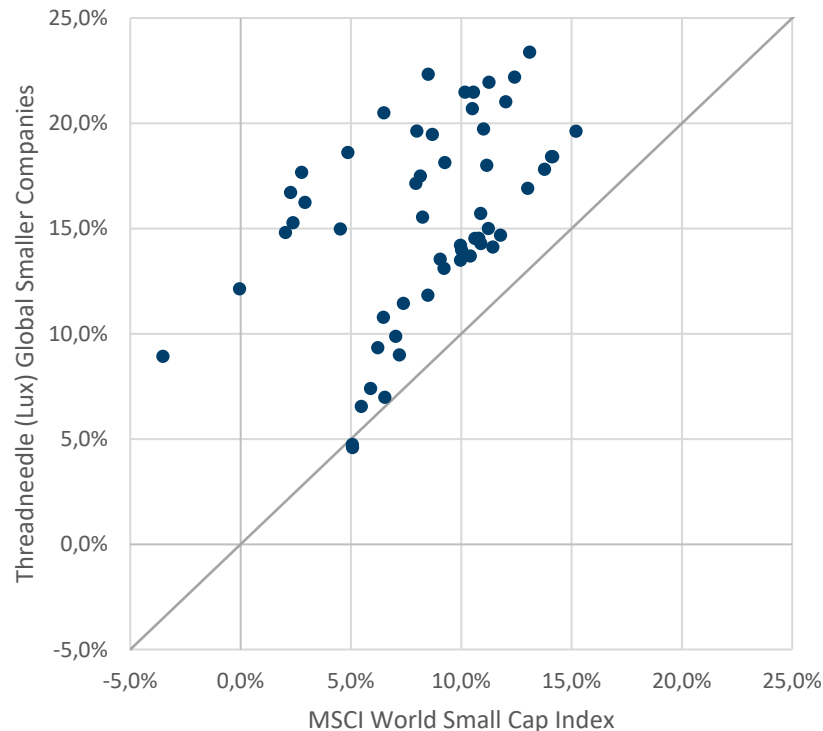
	Tracking error	Information ratio	Beta	Upside capture	Downside capture
3 years	7.5%	1.3	0.8	102.7	69.0
5 years	6.6%	1.2	0.8	108.1	72.9

Source: Columbia Threadneedle Investments and FactSet, as at 31 May 2021. Performance is shown gross of management fees in USD. Periods greater than one year, data is annualised. Outperformance shown is calculated on an geometric basis. Past performance is not indicative of future results.

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... but gives an attractive return profile over the long term

36 month rolling annualised performance



- Outperformed in over 96% of rolling 36 month periods
- While low beta has proved a challenge year to date...
- ... the fund has outperformed in both rising and falling markets

Source: Columbia Threadneedle Investments and FactSet, as at 31 May 2021. Performance is shown gross of management fees in USD. Periods greater than one year, data is annualised. Outperformance shown is calculated on a geometric basis. Past performance is not indicative of future results.



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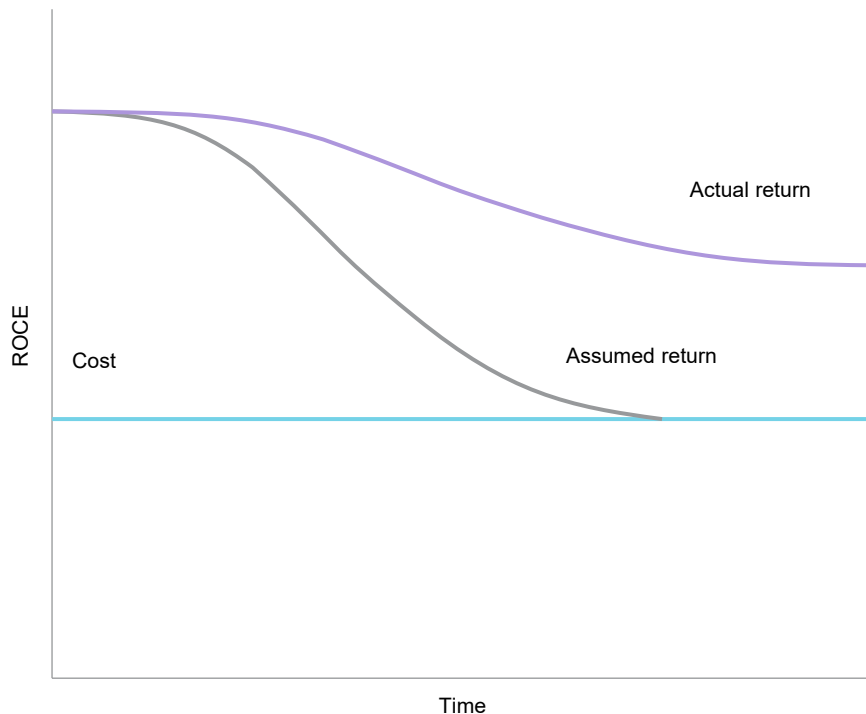
So what have we been doing?
Our focus on quality remains



Investment philosophy

Why we like high-quality businesses

Markets underestimate the value of truly sustainable competitive advantages



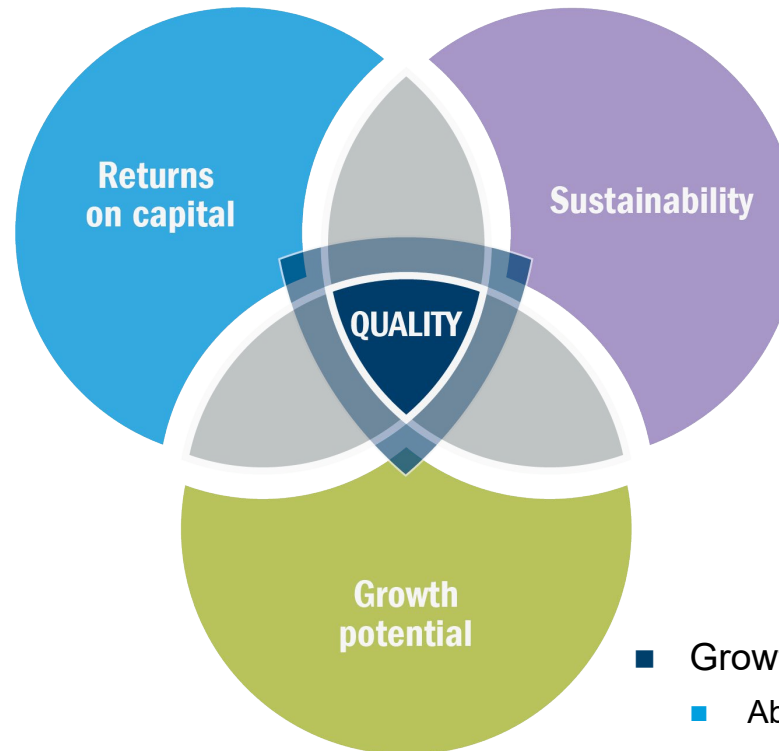
- Competitive advantage manifests itself in a company's ability to generate high returns on capital
- The market tends to assume that high returns mean-revert, causing quality companies to be undervalued
- Identifying companies with a sustainable competitive advantage exploits this inefficiency

Investment philosophy

What we mean by quality

■ Returns on invested capital

- How does business generate high returns?
- Margin profile and asset intensity
- Capital required to fund growth



■ Sustainability

- Strength of competitive position in 5-10 years
- ESG considerations
- Porter's Five Forces

■ Growth potential

- Ability to compound over long-term
- Exposure to a secular theme
- Is the market saturated / in structural decline?

Threadneedle (Lux) Global Smaller Companies

Year to date portfolio activity

New positions

Closed positions



workiva



bill.com




charles river



CRODA

Threadneedle (Lux) Global Smaller Companies

Top 10 holdings

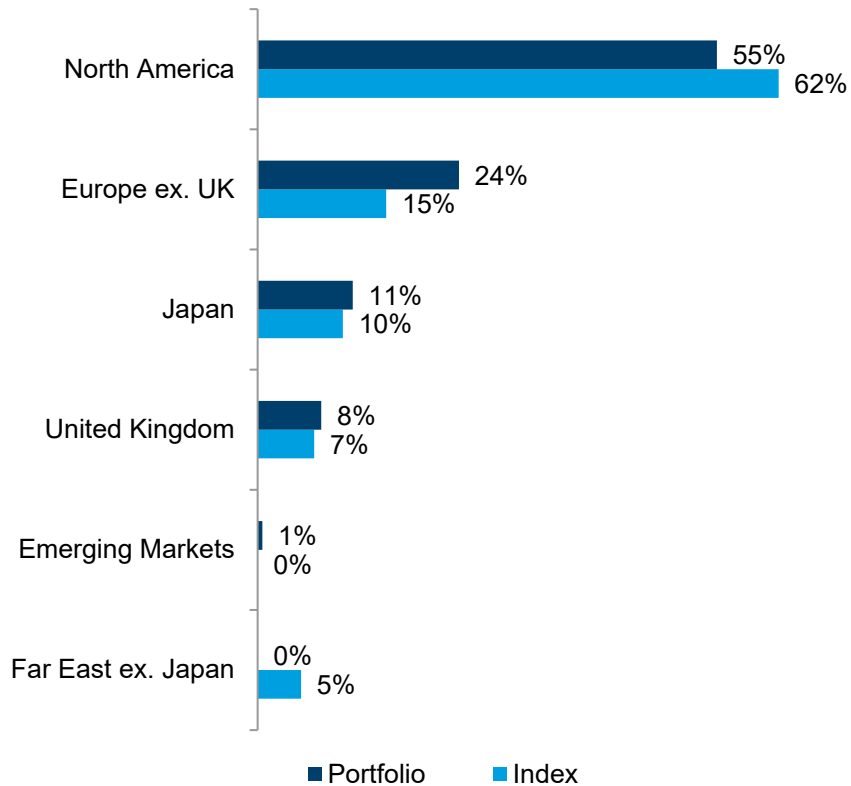
Top 10 holdings	Absolute (%)	Active (%)
Altair Engineering	2.0	1.9
Armstrong World Industries	1.9	1.9
Shift4 Payments	1.9	1.9
Advanced Drainage Systems	1.9	1.8
VAT Group	1.9	1.8
SIG Combibloc	1.8	1.7
MSA Safety	1.8	1.7
WillScot Mobile Mini	1.8	1.7
Simpson Manufacturing	1.8	1.7
Inter Parfums	1.7	1.7

Source: Columbia Threadneedle Investments, as at 31 May 2021. Benchmark is the MSCI AC World Index. The mention of stocks is not a recommendation to deal.

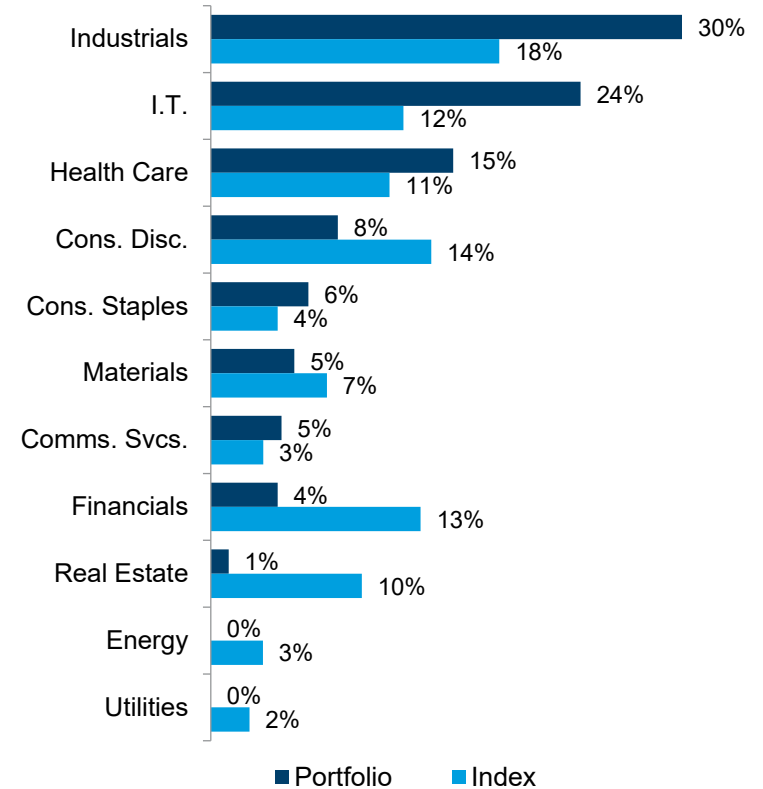
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Portfolio exposures

Regional weighting by domicile



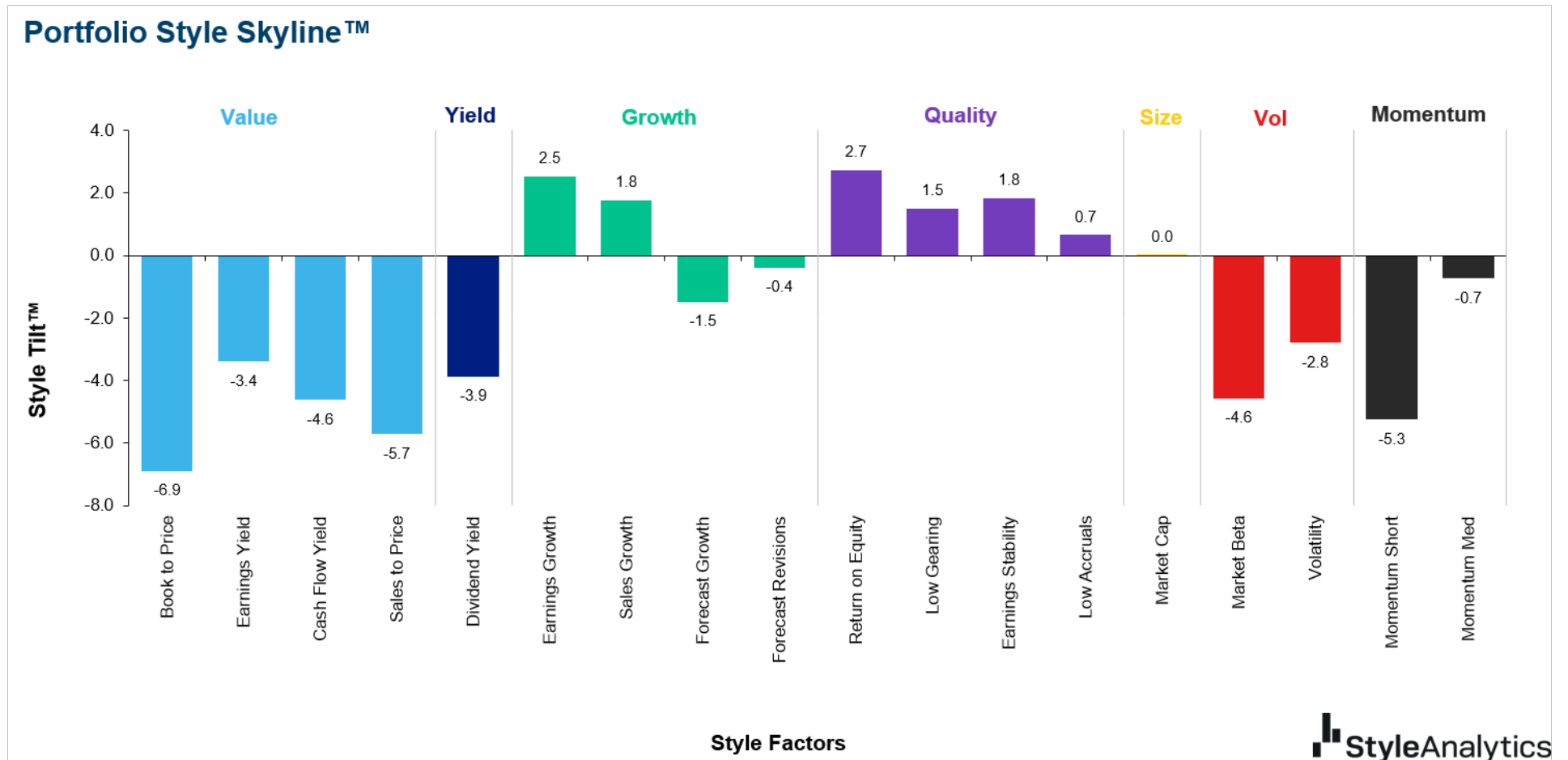
Sector weighting



Source: Columbia Threadneedle Investments, as at 31 May 2021. Benchmark is the MSCI World Small Cap Index. Cash position of 1.3% not shown.

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A strong quality growth bias



Source: Style Research, as at 31 March 2021. Style Skylines™ created with, embodies and/or executes proprietary software and/or data under license from Style Research Ltd. © Style Research Ltd. All Rights Reserved. Must not be redistributed by third parties.

Global Smaller Companies Update

Summary

- As the world moves out of COVID, some mean reversion will continue across many sectors (e.g. travel & leisure, consumer staples)
- However, there are risks to the COVID recovery trade (e.g. low vaccine uptake in some geographies, new variants etc)
- Valuations in some areas showing little fundamental support
- Many of the same structural themes continue and should benefit a quality approach



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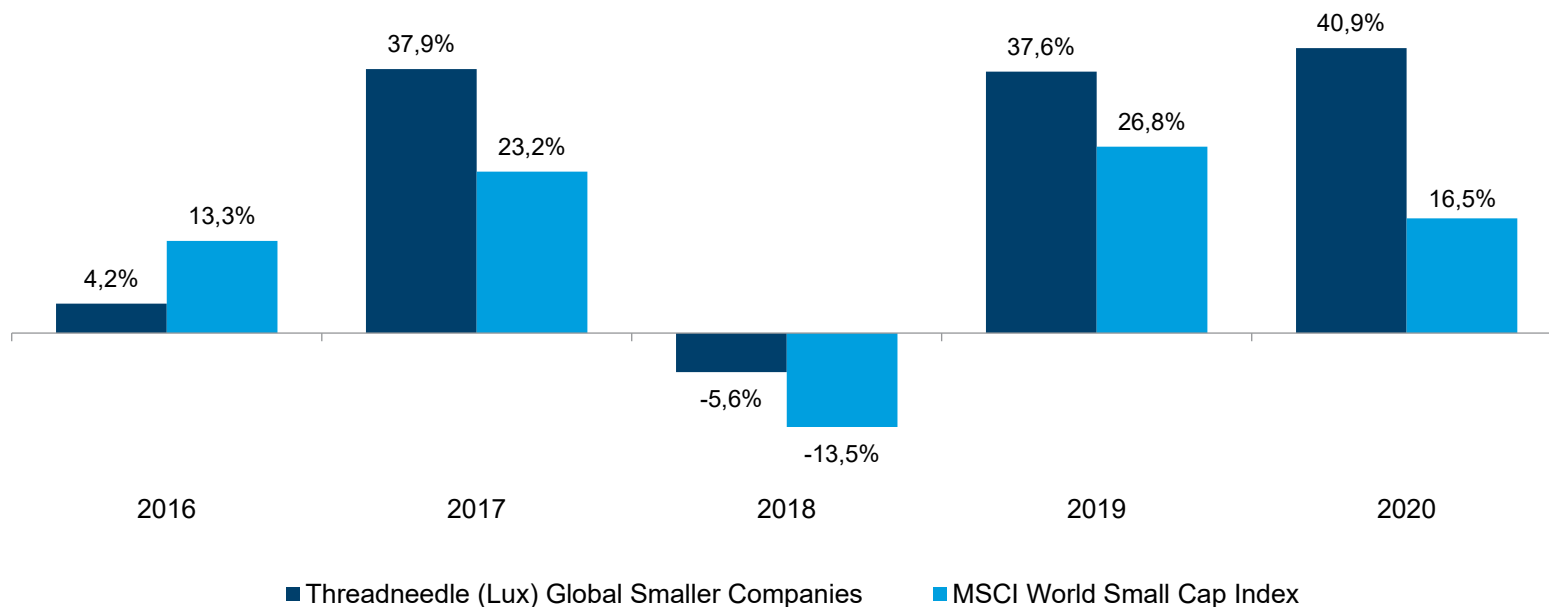
Appendix



Threadneedle (Lux) Global Smaller Companies

Calendar year performance

Performance versus benchmark



Outperformance	2016	2017	2018	2019	2020
	-8.0%	+12.0%	+9.1%	+8.5%	+21.0%

Source: Factset, as at 31 December 2020, gross of fees in USD. Past performance is not a guide to future returns.

Outperformance shown is calculated on an geometric basis. From 01.01.2013 fund gross returns are calculated in Factset using daily official Global Close valuations and daily cash flows. Prior to 31.12.2012 fund gross performance is based on official Global Close prices. All returns include gross reinvested income and fund returns are gross of TER.

Threadneedle (Lux) Global Smaller Companies

Objective and key risks

Objective – The aim of the Fund is to grow the amount you invested. The Fund invests at least two-thirds of its assets in shares of smaller companies worldwide. The smaller companies that the Fund invests in will typically be companies no bigger than the largest company included in the MSCI World Smaller Companies Index.

Investment Risk – The value of investments can fall as well as rise and investors might not get back the sum originally invested.

Currency Risk – 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.

Liquidity Risk – 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.

Derivatives for EPM / Hedging – The fund may invest in derivatives 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.

Volatility Risk -The fund may exhibit significant price volatility.

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Please read the Prospectus before investing.

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