Macroeconomic Commentary[1]

Last quarter saw the MSCI World Index return 8.2% in pound sterling terms. The primary contribution towards this came from the UK, where the FTSE 100 Index returned 9.5% while Brexit negotiations remain ongoing. Elsewhere, there was contrasting fortune for US and Chinese stocks as the threat of trade tariffs was exchanged between the two countries. The S&P 500 Index gained 3.5% while the Shenzhen CSI 300 Index fell 9.0%. Another major trading partner to receive the sharp end of President Trump's tongue was the European Union, their blue-chip index, the Euro STOXX 50 Index, rose 3.4%. In fixed income, US and UK 10-year bond yields moved in opposite directions over the period, with the US rate rising to 2.9% and the UK rate falling to 1.3%.

Fund Commentary

During Q1 2018 the Fund returned 7.9% (using NAV to NAV dates)[2]. The benchmark returned 4.5% over the calendar quarter, resulting in outperformance of 3.4% for the quarter.

At the end of the period, the Fund was invested approximately 76% in equities, 19% in fixed income, and the balance of around 5% in cash.

The Fund is diversified globally with the underlying securities denominated as follows: approximately 61% in pound sterling, 36% in US dollar and 3% in other currencies.

As previously stated, the Fund does not hedge the currency exposure as the Fund Manager believes that over the long-term, well-managed companies will themselves hedge the currency risk where they believe it to be appropriate, and the Fund Manager further believes that the equities selected will have price appreciation in excess of any long-term currency fluctuation.

At the end of the period under review, the largest five equity holdings were Amazon.com, Berkshire Hathaway, Cineworld, Costco and Microsoft Corp. During the quarter we selectively increased our equity exposure from around 74% at the beginning of the quarter, as we continued adding to our most favoured securities, as well as building positions in three UK retailers. Positive performance has come from all of the above-mentioned positions.

Our philosophy remains that we will continue to add to positions already held and whilst not looking to trade unnecessarily we will exit any positions we no longer feel comfortable holding.

We are satisfied with the performance this quarter and continue to believe that the Fund is well-positioned. We expect to be long-term investors of most of the current holdings as we believe these businesses are fundamentally sound and will make good long-term investments for the Fund and thus for the underlying investors.

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(1) Source: Bloomberg.

(2) Source: Bloomberg. Performance of the Credo Growth Fund Class A Retail Shares over the period 23/03/2018 to 29/06/2018.

GROWTH FUND

Looking Forward

The Fund continues to hold circa sixty equity positions and is thus sufficiently diversified geographically as well as across industries and sectors. However, and as mentioned previously, it remains the intention of the Fund Manager to gradually reduce the number of equity holdings to between forty-five and fifty equity positions whilst increasing the Fund's exposure to several of the companies already held.

The Fund Manager remains cautiously optimistic on the global economic outlook and is confident that the Fund will benefit from its holdings in companies that will be able to prosper and make good long-term investments and believes the Fund is well-positioned to benefit from the slow but steady economic growth currently being experienced in many economies around the world.

Roy Ettlinger, Portfolio Manager