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Fund Commentary

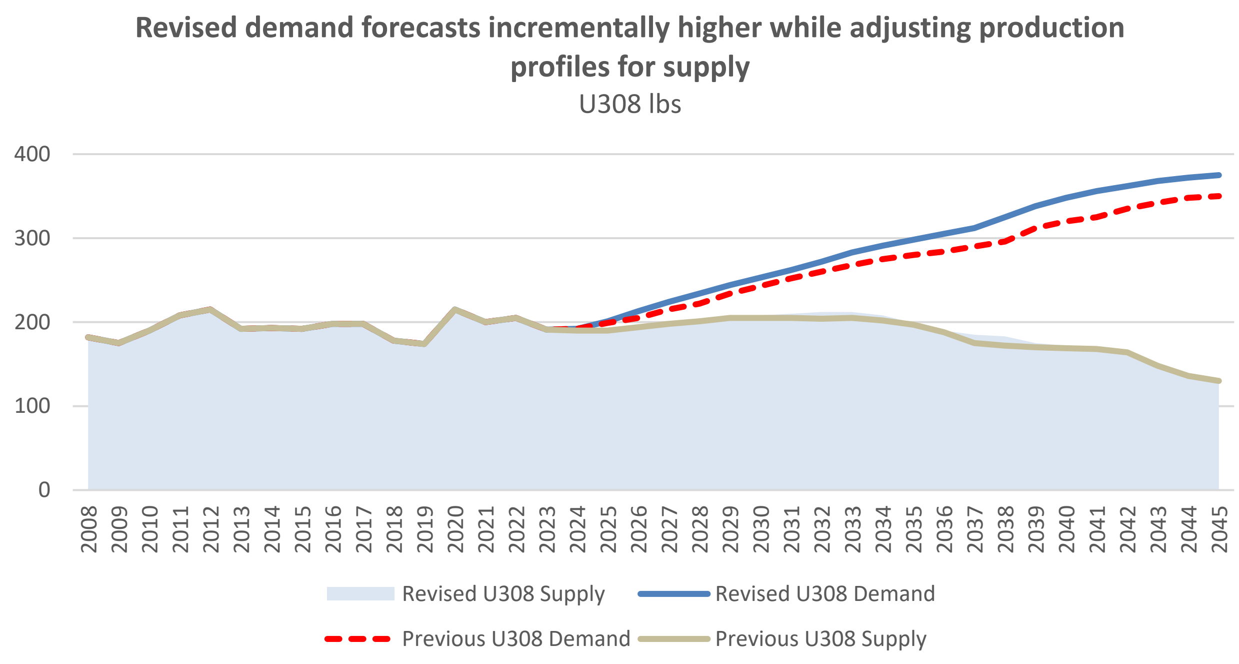
The final quarter of 2025 saw the Credo Dynamic Fund ("Dynamic" or "the Fund") return 2.6% versus the 3.3% generated from the comparator and peer group (IA Mixed Investment 40-85% Shares Sector). Whilst the quarterly outcome was marginally behind the peer group, the full-year performance was notably strong, with Dynamic achieving 13.9% versus 11.6% for the sector and securing another top-quartile year for the Fund. Dynamic continues to rank comfortably in the top quartile over three and five-year periods, as well as since inception. This consistency was further acknowledged during the quarter when FundCalibre awarded Dynamic its prestigious Elite Rating, following a thorough due diligence process that highlighted the Fund's robust performance record and its adaptable investment approach, which enables it to adjust positioning in response to prevailing market conditions.

The story of the quarter was marked by a continued moderation in inflation and inflation expectations, supported by falling energy prices, particularly oil, and easing supply chain pressures. Mixed employment data reinforced expectations of further rate cuts, adding to a backdrop of shifting monetary policy. October and November saw modest drawdowns in what proved to be a choppier environment than the preceding quarter but nevertheless, major equity markets closed the year on a positive note, buoyed by the reopening of the US government following its longest shutdown on record and reaching fresh highs by Christmas. It was healthy to see market leadership broaden beyond the familiar mega-cap technology names. Concerns around over-valuation and speculation in the rapidly evolving AI space, combined with heightened competition for leading AI agents and a move away from exclusive reliance on Nvidia chips, prompted a degree of caution among technology investors, resulting in more dispersed outcomes within the sector. In sterling terms, the Nasdaq delivered a gain of 2.5%, while European equities returned more than twice that. The FTSE 100 emerged as an unexpected leader, advancing 6.9% driven primarily by continued rotation into banking and mining stocks. Even though oil prices weakened, broader commodity baskets appreciated, supported particularly by precious metals, albeit amid heightened volatility. Fixed income markets experienced muted fluctuations but edged higher overall, with corporate bonds outperforming as spreads continued to tighten.

Focusing on Dynamic, the breadth of the portfolio shone through with the vast majority of holdings once again contributing positively to performance. Concerned about concentration within stock market indices, geopolitical uncertainty and high valuations the managers focused on building a well-diversified portfolio, which was illustrated in the top ten attributors of performance over the quarter. Technology, healthcare, commodities, emerging markets and single stock names all registered notably as did a rare position in the rapidly evolving world of space technology (albeit with a value twist). We dig a little deeper into four of the largest contributors below to provide some further colour:

- Polar Capital Technology Trust plc, a familiar name for regular readers, capped off an exceptional year. The Trust outperformed its benchmark, the Dow Jones Global Technology Index, by more than 10%, delivering a return of 31.5% compared to the benchmark's 19.9%. This strong performance was driven by a significant overweight in AI-related "picks and shovels" businesses, extending well beyond Nvidia, which remains a dominant player in the space. The strategy of focusing on the broader infrastructure and enablers of AI adoption proved highly effective, reinforcing the Trust's position as a key contributor to portfolio returns.

- After fifteen years of dollar strength, 2025 marked a notable shift in direction following the Federal Reserve Bank's dovish pivot. Concerns around the US deficit and mounting debt, coupled with growing calls that the era of US exceptionalism may be ending, contributed to sustained dollar weakness. Against this backdrop, we increased exposure to emerging markets, which historically exhibit a negative correlation to the dollar and are attractively valued relative to developed markets. The Invesco RAFI Emerging Markets UCITS ETF, which weights companies based on fundamentals such as dividends and cash flow, was selected to provide a diversified and disciplined approach to this theme and performed strongly.
- Plus500 Ltd, a FTSE 250 Index constituent and global fintech firm, provides online trading services across contracts for difference, share dealing, futures trading and options on futures. The combination of market volatility across a range of asset classes and positive corporate developments supported the stock during the quarter. Notably, Plus500 announced its appointment as the clearing partner for the Chicago Mercantile Exchange (CME) and FanDuel's new event-based contracts platform in the US. This attractively valued growth stock has been a strong performer since its 2013 listing, successfully expanding its private client offering across multiple geographies. The market welcomed the strategic move into new business lines, although the potential remains early-stage and difficult to quantify at this point.
- Yellow Cake plc operates with a singular focus: acquiring and holding substantial deposits of uranium, which it stores in Canada. As a result, its share price typically trades close to the value of its underlying holdings, often at a slight discount. We have highlighted nuclear energy in previous newsletters as an increasingly compelling alternative to fossil fuels in a world that will require significant new energy capacity to support the AI revolution. Our conviction that nuclear power is at a turning point has been reinforced by notable construction programs, first in the East and now increasingly in the West. While Dynamic exited positions in companies directly involved in nuclear infrastructure on valuation grounds, we added to the holding in Yellow Cake at the end of the quarter as the share price lagged the underlying commodity holdings, which itself has significant upside in the long run. The graph below provides visualisation of the demand supply imbalance that lies ahead.



Source: Goldman Sachs

It's rarely plain sailing in a broad and diversified investment portfolio. Spire Healthcare plc (Spire), an addition to the portfolio earlier in the year, suffered a notable setback following a poorly received trading update in December. The stock was the largest detractor within Dynamic both for the quarter and the year, reducing total NAV by a little over 0.5% during the period primarily accounting for the Fund's underperformance in the quarter.

Spire was founded in 2007; it is a FTSE 250 company operating private hospitals, medical centres and clinics across the UK for both private and NHS patients. Earnings have historically been volatile, with recent trading pressured by rising staff costs and inflationary headwinds, especially in NHS work which has razor-thin margins. So, what piqued our interest? The investment case lies in Spire's property portfolio, which is estimated to be worth notably more than its entire market capitalisation net of debt. After years of weak share price performance, activist investors have appeared on the register, and Spire has appointed Rothschild to explore strategic options, including a potential sale. There are no guarantees of a transaction, and absent of updates, shares may drift, but the market appears to assign little probability to such an outcome. Healthcare properties are inherently stable, and Dynamic has seen similar situations before, such as Assura plc, which ultimately attracted competing bids and delivered strong returns for unitholders earlier in the year after underperformance the prior year. Spire might just be a comparable opportunity with investors overly focused on short term swings in earnings over the long-term prize. The managers further added to the position on weakness, believing the upside potential significantly outweighs the downside risk in this asset-backed business.

Under the Bonnet

Dynamic ended the period with a slight increase in equities at the expense of fixed income and alternatives resulting in a portfolio weighting of 52% in equities, 27% in fixed income and 20% in listed alternatives heading into the New Year.

While asset allocation hasn't moved significantly at the headline level, there is always activity under the bonnet.

From an equity perspective, the portfolio remains well-diversified, with approximately 54% of the Fund's equities allocated to the US, compared to the more concentrated 70% weighting within the MSCI World Index. Notably, around 5% of the Fund's assets incorporates structured downside protection, underscoring our commitment to the objective of equity style returns with lower risk. Alongside downside protection, the emphasis has been on continuing to broaden the portfolio's reach, illustrated by incremental additions to strategies such as the Invesco RAFI Emerging Markets UCITS ETF, as highlighted earlier.

A key development this quarter was the introduction of the AQR Fusion Fund within the equities allocation. This strategy builds on the approach previously employed in the AQR Equity Market Neutral Fund from the alternatives sleeve, which targeted high-single-digit returns with no correlation to broader equity markets. This is delivered through a highly diversified portfolio of more than 1,500 positions (long and short) informed by hundreds of market signals. The AQR Fusion Fund takes this concept further by combining the alpha component with S&P 500 exposure, allowing the managers to deploy capital more efficiently. As part of this transition, the Fund trimmed a portion of its S&P 500 allocation within the MSCI World sleeve and exited the AQR Equity Market Neutral Fund. This adjustment amplifies potential returns while freeing up capital for other opportunities and reflects our commitment to working the portfolio as hard as possible.

Fixed income continues to play an important role in the portfolio, with more than 15% of exposure in securities with less than three years' duration, providing resilience against market volatility. In contrast, 11% is allocated to longer-duration instruments where we see highly attractive total return potential. During the period, the Fund added to a subordinated Nationwide perpetual bond at yields just below 8%, a standout level in a market where spreads remain tight. While the subordinated nature of the bond carries risk, the UK economy does not appear to be approaching a precipice despite softer sentiment. Taken together, this represents an opportunity offering a compelling risk-adjusted return, particularly in an environment where rate cuts are anticipated.

From an alternative's perspective, approximately one third of the allocation retains some correlation to equity markets, primarily through private equity positions held for specific idiosyncratic reasons. The remaining two thirds deliver genuine diversification and are expected to exhibit low or zero correlation to traditional markets. A notable addition during the quarter was HICL Infrastructure plc, which offers a high-quality portfolio of core infrastructure assets. These real assets provide diversification and inflation protection alongside an attractive yield and feel preferable to bonds in the current environment. The position was initiated at a compelling discount to underlying asset value and the managers were subsequently surprised by a proposed merger with a renewable investment trust. We found little strategic rationale for the transaction and were sufficiently disappointed to join an activist group writing to the board to express our view that the merger lacked merit. Fortunately, market sentiment aligned with our perspective, and the merger was ultimately called off. This outcome allowed Dynamic to take advantage of volatility surrounding the proposal and continue building the position at even more attractive levels. Dynamic also continued to build exposure to its preferred catastrophe bond strategy managed by Twelve Capital, taking advantage of its attractive yield once the risk associated with the US hurricane season had subsided.

Looking Forward

Several major economies continue to experience muted growth, yet the US remains resilient and is invariably the primary engine of global returns. As we enter 2026, the backdrop is more constructive than much of last year. Lower (but not low) inflation, falling interest rates and oil prices, combined with a softer dollar and a steadily growing US economy all provide grounds for optimism. Additionally, there appears to be a lack of enthusiasm from central bankers worldwide to kill off inflation with certainty as this could rock the boat of the economy too much. The backdrop favours a continuation of last year's momentum whereby risk assets such as equities and real assets are favoured over bonds and explains our continued rotation away from fixed income over the course of this last quarter and year.

Nevertheless, valuations across most asset classes remain elevated, leaving markets more vulnerable to downside risks should unexpected shocks occur, and whilst geopolitical tensions persist at heightened levels an increase in volatility is likely, meaning balance, diversity and some defensive plays are warranted within the Fund.

We remain confident in the current mix and believe that Dynamic's highly diversified portfolio (both sectoral and geographically), spanning a wide array of assets including equities, fixed income, and alternatives, is well positioned to deliver strong relative performance across a wide range of scenarios.

We wish all our investors a happy, healthy, and prosperous 2026.

Rupert Silver – Lead Manager

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Portfolio Top Holdings[1]

UK Equities	%
Herald Investment Trust	1.8
Merchants Trust Plc	1.6
Spire Healthcare Grp	1.5
Rockwood Strategic Plc	1.1
Plus500 Ltd	0.9
Total UK Equities	**9.4**

International Equity Funds	%
Polar Capital Technology Trust Plc	4.5
DBX S&P 500 Equal Weighted	3.8
SPRD MSCI All Country World	3.2
AQR Fusion	2.3
iShares MSCI World Ex-USA	2.2
Total International Equity Funds	**42.3**

Overseas Equities	%
Duolingo Inc	0.6
Total Overseas Equities	**0.6**

Alternatives	%
Twelve Catastrophe Bond Fund	2.4
HICL Infrastructure	1.9
Chrysalis Investments Limited	1.7
AQR Alternative Trends	1.6
Yellow Cake Plc	1.5
Total Alternatives	**19.9**

Fixed Income	%
Nationwide Building Society Perpetual	2.4
Coventry Building Society Perpetual	1.8
Heathrow Plc 6.625% 01/03/2031	1.7
iShares Ultrashort Bond ETF	1.6
EDF Perpetual	1.4
Total Fixed Income	**26.5**

Cash	%
GBP	1.2
Total Cash	**1.2**

[1] *Portfolio positions of the Credo Dynamic Fund as at 30/09/2025.*

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