Fund Commentary

The first quarter of 2026 saw the Credo Dynamic Fund ("**Dynamic**" or "**the Fund**") fall by 3.0%, underperforming the comparator and peer group (IA Mixed Investment 40-85% Shares Sector), which fell by 1.7%[1]. Whilst the quarterly performance was lacklustre, the long-term track record remains solidly intact. The Fund continues to rank well into the top quartile over 3 and 5 years as well as since inception where cumulative returns of 87.9% compare very favourably to the 54.3% generated by peers[2].

The period started with positive momentum continuing from a strong 2025, only to be derailed by a combination of shocks that each, in their own way, rattled markets that were perhaps already in need of a pause for breath. The FTSE 100 Index was a stalwart yet again, especially given its oil exposure, and managed to eke out a positive return, but this isolated story didn't quite reflect the global mood. Global equity indices in US dollar terms for example, such as the MSCI World Index, fell by approximately 3.5% providing a better flavour of the stresses across the world; whilst, over the pond, the S&P 500 Index fell by 4.4%. Arguably, these indices mask some of the violence and bifurcation under the surface. The Magnificent 7 Index, for example, consisting of seven of the largest and most successful technology companies of recent history was a notable underperformer, suffering a drawdown of around 12%, as investors began seriously questioning the returns on the colossal capital being ploughed into AI infrastructure and data centres.

Compounding technology sector anxiety, a so-called "SaaS Apocalypse" swept through software, cybersecurity, consulting, and financial services stocks, as the market began pricing in the disruptive impact of AI on white-collar professional services revenue. Private credit concerns added yet a further layer of unease, and especially so when funds started closing the exit to nervous investors who decided they weren't necessarily long-term holders any more of this illiquid asset. The crescendo peaked when hostilities between the US, Israel, and Iran introduced a geopolitical dimension that markets had clearly not fully contemplated or priced in. As days went on, with no quick and easy solution, whilst global traffic through the Strait of Hormuz, which carries 20% of the world's oil, all but came to a standstill, the implications became more worrisome. All mainstream asset classes, bar oil and the US dollar, sold off aggressively. Particularly so for energy importers like Asia, the UK and much of Europe.

Inflation expectations ratcheted higher almost immediately. Markets, which had spent the better part of a year pricing in rate cuts, were forced into an uncomfortable U-turn, suddenly contemplating hikes instead, and bonds gave back ground accordingly.

Turning to Dynamic, poor markets, combined with some weakness in bonds, meant that whilst no individual position was particularly punishing, for the first time in several years the majority of the Fund's holdings were negative across the period.

Spire Healthcare Group plc (Spire) deserves an update for regular readers. As flagged last quarter, the investment case rests not on near-term earnings, which remain pressured by staff costs and thin NHS margins, but on the property portfolio, estimated to be worth materially more than the entire enterprise value. Rothschild had been appointed to explore strategic options, and we saw parallels with Assura plc, which delivered strong returns after a similar period of drift followed by competing bids. Unfortunately, the two most credible suitors, Bridgepoint and Triton, did not ultimately table an offer. Other parties are still understood to

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[1] Performance of the Credo Dynamic Fund Class A Retail Shares over the period 31/12/2025 to 31/03/2026. Source: FE Analytics.
[2] Inception: 03/07/2017.

remain interested, but the reality is that the probability of a transaction has reduced, and the price of any deal that does emerge, would likely reflect that. We are not abandoning the thesis entirely; the underlying asset value is real, and activist pressure on the board has not dissipated. That said, the shares had a notable spike when Spire confirmed it was in talks with several suitors and we were fortunate enough to sell a significant amount of the holding at a handsome profit negating virtually all the recent weakness on the smaller tail holding.

Listed Private Equity (PE) Trusts are more volatile than their underlying assets precisely because investors can sell in a downturn, often at a widening discount to NAV, unlike a traditional PE fund where capital is locked up. We house these types of investments in our alternatives sleeve but are mindful of their correlation to equities in a drawdown. Chrysalis Investments Limited illustrated this correlation acutely, and idiosyncratic factors compounded the move. Klarna, roughly 10% of the portfolio at the start of the period, has performed poorly since its US listing as investors re-rate this once hyper-growth platform as a specialised digital bank, a label that commands a very different multiple. More significantly, approximately half of Chrysalis' asset value sits in Starling Bank. Starling is a compelling UK digital banking story, but it is the "Banking-as-a-Service" model that really drives the valuation case, licensing its platform to financial institutions globally. When the so-called "SaaS Apocalypse" hit a broad and indiscriminate sell-off in anything carrying software revenue multiples, Starling was caught in the crossfire despite the underlying business continuing to perform well. By period end, Chrysalis was approaching a half-price sale, its share price sitting at almost half its estimated asset value. We retain conviction in Starling and therefore in Chrysalis. Cognisant that privately held companies offer less transparency, no liquidity and higher risk, but sized appropriately within a diversified portfolio, we believe the risk-adjusted return remains attractive.

Turning to more positive positions, Polar Capital Technology Trust plc once again demonstrated its resilience and quality. Despite the significant drawdown in the US hyperscalers, Polar's positioning well beyond the obvious mega-cap names, focusing on AI enablers and infrastructure situations further down the value chain, meant it weathered the storm incredibly well. It was the standout performer in the Fund for the quarter, adding meaningfully to relative performance at a time when most technology exposure would have been a burden. We remain committed to this core holding.

Against the disappointing backdrop of Chrysalis, it was gratifying to see another of Dynamic's PE holdings receive a takeover approach, which the board duly recommended to shareholders. Augmentum Fintech plc focusses primarily on small and mid-cap fintech plays. The price achieved was, we would concede, something of a middle ground, settling between the deeply discounted share price and the full underlying NAV, but it crystallised value that the market had persistently refused to acknowledge, and we were content to exit at a meaningful premium to purchase price and at a time of increasing uncertainty where new bargains are likely to be found.

Under the Bonnet

Asset allocation ended the quarter at approximately half in equities, and a quarter in each of alternatives and fixed income. There wasn't significant activity within the quarter as the situation in the Middle East was both unpredictable and binary. In times of such uncertainty not doing too much can be as good a tactic as any. The most significant activity occurred within the alternative's allocation, which increased by approximately 5%. We also continued to add to equities on any weakness, ensuring the weighting held firm rather than drifting lower as markets pulled back.

The increase in alternatives was deliberate and driven primarily by our low correlation and commodity bucket. With geopolitical uncertainty elevated sharply by the Iran situation, we wanted to ensure the portfolio was broadly diversified. We added a small amount of direct oil exposure, that provides a natural hedge against the inflationary consequences of conflict in the Middle East. We also added exposure to agricultural commodities, specifically corn, where the combination of high fertiliser prices and reduced northern hemisphere spring planting pointed to a medium-term supply constraint and price uplift. Additionally, we added to managed futures strategies, which are explicitly designed to perform in either strongly positive or strongly negative momentum environments. In times of genuine uncertainty, where the distribution of outcomes is wider than normal, these strategies earn their place in a diversified portfolio.

A key longer-term conclusion from this conflict is that energy security will remain top of the agenda for many countries, especially given the energy demands of AI. For those not blessed with hydrocarbons, the only credible path runs through a blend of renewables, batteries and nuclear. We continued to add to our holdings in all and envisage this to be a theme on which we will continue to build.

Currency positioning also received attention. Even before the geopolitical escalation, we had been mindful of sterling risk. We remain committed to keeping approximately half of the portfolio in sterling-denominated assets. Rather than simply rotating into US dollars or euros, we introduced a position of around 3% in Australian dollar assets. The rationale was threefold: Australian interest rate policy has been diverging from the UK, with the prospect of rate rises rather than cuts; the local index carries a heavy weighting to commodities and financials, both of which stand to benefit from the inflationary backdrop; and Australian assets provide genuine geographic diversification in a world where European and US assets are moving in increasingly correlated fashion.

On fixed income, we moved early in the quarter to reduce credit risk. Corporate spreads, on average, were offering less compensation over government bonds than at any time since the financial crisis. We felt that was insufficient compensation for the risks we were seeing build and so reduced many of our riskier bonds right at their highs. More recently, as rate expectations have flipped from cuts to hikes, coupled with some spread widening, this has enabled us to pick up some notably more attractive yields once again on high-quality yet short-dated paper.

Looking Forward

Domestically, the UK local elections in May are a likely headwind for the UK that could create uncertainty and at worst could result in a leadership challenge. For this reason, the Fund's exposure to sterling is near its low barrier of 50% set by the Portfolio Managers, and the UK stock exposure is more focussed than at any time on international earners over domestic plays, which would of course benefit from earnings based in other currencies than sterling, if this risk materialises.

The global backdrop is clearly even less certain than usual. We write this quarterly update less than a day before US President Trump's "deal or no deal" offer with Iran supposedly expires and have no inkling which way things might turn. At times such as this, grabbing specific opportunities with conviction can be fruitless and we simply trust in our diversified asset allocation knowing that opportunities will lie ahead as they always have done before.

Rupert Silver – Lead Manager

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Portfolio Top Holdings[3]

UK Equities	%
Merchants Trust plc	1.9
FRP Advisory Group Limited	1.4
International Consolidated Airlines Group	1.4
Herald Investment Trust plc	0.9
Elixirr	0.7
Total UK Equities	**9.2**

International Equity Funds	%
SPRD MSCI All Country World	4.3
Polar Capital Technology Trust plc	3.8
Pershing Square Holdings Ltd	2.4
DBX S&P 500 Equal Weighted	2.3
Invesco FTSE RAFI Emerging Market	2.2
Total International Equity Funds	**37.9**

Overseas Equities	%
Warner Bros Discovery Inc	1.0
Strategy Incorporation	0.8
Uber Technologies Inc	0.8
Valero Energy Corporation	0.3
Total Overseas Equities	**2.8**

Alternatives	%
Twelve Catastrophe Bond Fund	2.8
Yellow Cake plc	2.1
AQR Alternative Trends	2.0
HICL Infrastructure	1.6
Argonaut Absolute Return Fund	1.5
Total Alternatives	**25.2**

Fixed Income	%
BP Capital Markets plc Perpetual	2.6
Electricite De France SA Perpetual	2.1
Nationwide Building Societe Perpetual	2.0
Heathrow Finance plc 6.625% 01/03/2031	1.9
Co-Operative Wholesale Ltd 08/07/2026	1.7
Total Fixed Income	**25.1**

Cash	%
GBP	-0.4
Total Cash	**-0.4**

[3] *Portfolio positions of the Credo Dynamic Fund as at 31/03/2026.*

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