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Macroeconomic Commentary[1]

Equity markets delivered mixed returns in the fourth quarter of 2024 due to an end-of-year slump, primarily driven by hawkish comments by the Federal Reserve Bank. Despite this, the S&P 500 and NASDAQ saw positive quarterly returns of 2.4% and 6.4%, respectively, while the FTSE 100 and Euro STOXX 50 finished the quarter down 1.7% and 0.2%, respectively, all measured in their local currencies. This capped off a tumultuous period for markets outside of the US with ongoing uncertainty surrounding the incoming Trump administration. In fixed income markets, yields rose, with US and UK 10-year bonds up 79 and 57 basis points, respectively. A major contributor was persistent inflationary concerns seen throughout the quarter and central banks adopting more cautious approaches to rate cuts. Brent Crude oil ended the year strong, posting a quarterly return of 6.4% due to continued supply constraints, with global oil inventories at their lowest level since the first quarter of 2017. The pound ended up 0.6% on the euro but down 6.4% on the US dollar, which saw a strong quarter buoyed by the incoming Trump administration.

Fund Commentary

During the fourth quarter of 2024, the Credo Global Equity Fund (CGEF) increased by 3.50%, underperforming the MSCI World Index by 3.39% in GBP terms[2].

The quarter was very choppy, with the main event being the results of the US General Election. Donald Trump won, with a resounding victory, which quickly changed the narrative of the market, and saw market participants changing their stance on various sectors, in anticipation of the new presidential regime. Some of the policies of the Trump campaign included deregulation, foreign tariffs, tighter borders, and a reduction of investments in green initiatives, including the tagline "drill baby drill". Sectors that originally responded positively to this included financials, and US domestic names. Technology was a net beneficiary, and as the quarter proceeded, we saw the Growth/Value trade continue to open again, with Growth significantly outperforming Value by 8.58% in GBP terms during the quarter. Most of that outperformance came in the last month of the quarter.

The main positive contributors to the CGEF included strong performances from Booking Holdings, Alphabet and Flutter Entertainment. Financials were a beneficiary of the deregulation rhetoric, and we captured some of that upside in names like Visa, and Interactive Brokers. The one sector that was negatively affected during this period was Healthcare, predominantly as a result of the creation of the new Department of Government Efficiency (DOGE), and the effect cost cutting may have on the Healthcare sector. This put pressure on both HCA Healthcare and Cigna Group during the quarter.

We added new positions in Demant and FedEx Corp, and we sold our position in Humana.

(1) Source: Bloomberg.
(2) Performance of the Credo Global Equity Fund Class A Retail Shares over the period 01/10/2024 to 31/12/2024

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Looking Forward

Markets have continued to perform well despite significant volatility and geo-political risk. The appointment of Donald Trump is bound to bring change and no doubt some surprises to the markets. Inflation has begun to become a concern again, and suddenly, the market is anticipating fewer interest rate cuts in 2025. Looking forward to 2025, the set-up between Value and Growth looks very similar to that of the same at the end of 2021. Valuation of Growth stocks look stretched, and many fund managers continue to bet that the AI trade can continue carrying the market forward. No doubt, any disappointment from the Magnificent Seven, particularly Nvidia, could see a rapid adjustment in the market.

Our portfolio is well diversified, we are invested in high quality businesses, at good valuations, and therefore believe that, irrespective of the volatility that may follow over the coming year, we are well positioned.

Jarrod Cahn, Co-Portfolio Manager