

Macroeconomic Commentary¹

Global markets posted strong gains in the third quarter of 2025, led by US equities which continued to outperform amid resilient economic data and growing optimism around artificial intelligence. The S&P 500 and Nasdaq surged by 8.1% and 11.4%, respectively, supported by robust corporate earnings and investor enthusiasm for Technology and Growth sectors. In Europe, equities delivered more modest returns. The Euro STOXX 50 gained 4.6%, while the FTSE 100 rose by 7.5%, supported by a weaker sterling and strong performance from globally exposed UK firms. However, Eurozone markets lagged due to subdued economic momentum and limited exposure to Growth sectors. In fixed income, the Federal Reserve Bank (Fed) cut rates by 25 basis points in September, marking its first move of the year, as inflation showed signs of easing and labour market data softened. The Fed's shift towards a more accommodative stance helped reinforce risk appetite, with markets pricing in further easing into the year-end. The US 10-year Treasury yield declined by 8 basis points, reflecting expectations of looser monetary policy. In contrast, the UK 10-year Gilt yield rose by 21 basis points, driven by persistent inflation pressures and fiscal concerns ahead of the autumn budget. The Bank of England held rates steady but struck a more hawkish tone, citing upside risks to inflation. Commodities were mixed. Gold rallied by 16.4% on safe-haven asset demand and strong central bank buying, reaching all-time highs during the quarter, while Brent Crude oil rose by 3.2% amid stable supply expectations. In currency markets, sterling weakened against major peers, falling 2.1% and 1.6% against the US dollar and euro, respectively.

Fund Commentary

During the third quarter of 2025, the Credo Global Equity Fund (CGEF) rose by 5.4%, underperforming the MSCI World Index, which gained 9.3% in GBP terms.

Q3 2025 continued to favour Growth and Technology-oriented names, with the MSCI Growth Index advancing by 10.6% compared to 7.8% for the Value Index. The Fund's more balanced positioning across styles and its limited exposure to high-multiple US Technology names weighed on relative performance.

Among the Fund's best performers were Alibaba Group Holding, Barry Callebaut AG, Alphabet Inc, ICON plc, and AutoZone Inc, all of which benefited from resilient earnings delivery and strong end-market dynamics. In contrast, notable detractors included Flutter Entertainment plc, Progressive Corp, The Cigna Group, Canadian National Railway Co, and TransUnion.

Portfolio activity was modest. The Fund initiated new positions in Advanced Micro Devices, TransUnion, Accenture, and CTS Eventim, broadening exposure to high-quality growth franchises with structural tailwinds in technology, data analytics, and entertainment. There were no outright disposals during the quarter.

Looking Forward

Investor sentiment remains broadly constructive as we enter the final quarter of 2025. The combination of moderating inflation, a more dovish Federal Reserve, and ongoing enthusiasm around artificial intelligence ("AI") and digital transformation has sustained a "risk-on" environment. However, we are increasingly

(1) Source: Bloomberg.

cautious about the valuation levels within the Growth and Technology sectors, which in some cases have reached levels reminiscent of past speculative periods.

Recent partnerships and investment flows — such as the high-profile collaborations between Nvidia, OpenAI, and Oracle — have raised some eyebrows in the market, with aspects of circular financing drawing uncomfortable comparisons to the dynamics observed during the 2000 technology bubble. While the innovation potential remains significant, we believe a degree of discipline and valuation awareness is warranted at this stage of the cycle.

As such, we continue to exercise patience and discipline, adhering to our long-standing philosophy of investing in quality companies at attractive valuations. While this approach may lag in momentum-driven markets, we believe it offers the best balance between risk and return over the long term. The portfolio remains well-diversified and resilient, positioned to benefit from opportunities that may emerge should valuations normalise or volatility return to markets.

Jarrod Cahn, Co-Portfolio Manager

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