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Macroeconomic Commentary[1]

Global markets ended the final quarter of 2025 on a strong note, supported by easing inflationary pressures, solid corporate earnings, and expectations of further monetary policy easing in 2026. Global equities advanced, with the S&P 500 and Nasdaq both gaining 2.7%, while the FTSE 100 and Euro STOXX 50 rose 6.9% and 5.2%, respectively. Returns in the US were supported by robust earnings and optimism following the Federal Reserve Bank's (the "Fed") December rate cut although technology stocks experienced intermittent profit taking during the quarter, whereas European markets experienced large gains in defence and mining stocks and easing inflation data. In fixed income, both the Fed and the Bank of England reduced policy rates by 25 basis points during the quarter. The US 10-year bond yield edged by 2 basis points, indicating a hawkish sentiment, whereas the yield on UK 10-year Gilts declined by 22 basis points. Gold and copper emerged as standout performers in commodities, increasing by 12.2% and 16.5%, respectively. Gold appreciated as global central banks continued to diversify reserves away from the US dollar, purchasing significant amounts of gold in 2025, while copper gained from an increased demand in green energy projects and falling inventories. Currency markets remained stable as sterling appreciated by 0.2% and 0.1% against the US dollar and euro, respectively.

Fund Commentary

During the fourth quarter of 2025, the Credo Global Equity Fund (CGEF) increased by 2.6%, underperforming the MSCI World Index by 0.6% in GBP terms[1].

Q4 2025 proved to be a period where selective stock picking was paramount amidst a backdrop of mixed signals. The quarter began with renewed apprehension over trade policy, as negotiations from US President Trump's earlier "Liberation Day" announcement saw limited breakthroughs, leading to the re-imposition of some targeted tariffs. This initially caused a slight dip in global equity markets, and the US dollar firmed as investors sought safety. However, this period of unease was relatively short-lived. Towards the end of October, a temporary de-escalation in Middle Eastern tensions, coupled with stronger-than-expected earnings reports from key stocks in technology and healthcare sectors, helped to restore investor confidence. While the market didn't experience the dramatic rebounds seen in earlier quarters, a "flight to quality" within equities became apparent. The Value index was up 3.4% during the quarter versus the Growth index, which was up 2.8%, reflecting a cautious preference for established value narratives.

The main positive contributors to the CGEF included Ryanair Holdings plc, Advanced Micro Devices, Barry Callebaut AG, HCA Healthcare Inc, and Alphabet Inc. The main detractors from the portfolio included MTU Aero Engines AG, Alibaba Group Holding-, Progressive Corp, Flutter Entertainment plc, and Admiral Group plc.

Regarding portfolio adjustments, we initiated new positions in DraftKings Inc and Honeywell International Inc. We fully exited our positions in Beazley plc, Booking Holdings Inc, CTS Eventim AG, Entain plc, and RTX Corp.

(1) Source: Bloomberg.

Looking Forward

As we move into Q1 2026, the global economic outlook remains delicately balanced. While corporate earnings continue to impress, suggesting underlying economic strength, the unresolved nuances of international trade relations, coupled with the potential for renewed inflationary pressures from rising commodity prices, dictate a cautious approach. Investor sentiment appears to remain largely bullish, but this optimism is tempered by the recognition that many equity valuations, particularly in certain growth segments, are stretched. We are also mindful of the increasing concentration risk in the broader market, with the top ten holdings in the S&P 500 now close to 40% of the index, many of which are heavily reliant on the continued momentum of AI capital expenditure. We believe there is a significant risk embedded in this dynamic and would stress the importance of diversification, particularly towards businesses that are less reliant and correlated to this specific theme. We maintain our perspective that until a more definitive and stable framework emerges in trade policy, markets could experience continued volatility. Our focus remains on fundamentally sound companies with strong balance sheets and demonstrable pricing power. As such, we continue to uphold a defensive stance, confident in the robust positioning of the portfolio and the attractive valuations of the high-quality businesses we own.

Jarrod Cahn, Co-Portfolio Manager

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