

Macroeconomic Commentary¹

The first quarter of 2026 saw a pronounced shift in market sentiment as early optimism faded amid rising geopolitical tensions, persistent inflation concerns, and a sharp repricing of interest-rate expectations. Global equities struggled, with the S&P 500 and the Nasdaq declining by 4.4% and 7.0%, respectively, as growth and technology stocks came under pressure from rising bond yields and heightened scrutiny over the scale and returns of ongoing AI interruption. European markets were mixed as the Euro STOXX 50 fell by 3.5%, weighed down by industrial weakness and exposure to geopolitical risk, while the FTSE 100 rose by 3.4%, benefiting from its heavy weighting towards energy and commodity producers as oil prices surged. Fixed income markets were at the centre of volatility, as central banks adopted a more cautious tone on future rate cuts in response to inflationary pressures stemming from higher energy costs brought on by the conflict in the Middle East. US 10-year Treasury yields rose by 15 basis points, while UK 10-year Gilt yields climbed sharply by 44 basis points. Commodities dominated the quarterly narrative, with Brent Crude oil surging by 75.8% as the escalation of the conflict in Iran injected a significant risk premium into energy markets, driving inflation concerns and influencing asset pricing globally. Gold rose by 7.1% over the quarter, supported by safe-haven demand and continued central bank accumulation, despite intermittent volatility linked to rising real yields. In currency markets, sterling weakened by 1.8% against the US dollar but remained broadly stable versus the euro, weakening by just 0.1%.

Fund Commentary

During the first quarter of 2026, the Credo Global Equity Fund (CGEF) decreased by 3.0%, underperforming the MSCI World Index by 1.2% in GBP terms².

Q1 2026 proved to be a volatile period for global equity markets. Although the year began with a degree of optimism, rising inflationary pressures driven in large part by the surge in oil prices following the escalation of conflict in Iran unsettled investors and pushed bond yields sharply higher. Some of the themes that played out in Q1 included the continued sell-off in the software space, as new applications by Anthropic continued to challenge the software company's moat. Closely aligned to this was a concern over private credit markets, and the structure of Business Development Companies (BDCs), which are funds that have significant exposure to software company loans, and fear of default in that sector. This environment triggered a pronounced style rotation: investors sold off high-valuation growth stocks and specialist/alternative investment financial stocks and rotated into value-oriented sectors, particularly energy, which benefited directly from surging commodity prices. The MSCI Growth Index was down 6.8% during the quarter versus the MSCI Value Index, which was up 3.0%.

The main positive contributors to the CGEF over the period included Shell plc, Equinor ASA, Madison Square Garden Sports, Honeywell International Inc, and FedEx Corp. The main detractors from the portfolio included Flutter Entertainment plc, Ryanair Holdings plc, Accenture plc, MTU Aero Engines AG, and Visa Inc.

We added new positions in Mondelez International, and S&P Global Inc, and sold out of our positions in DraftKings Inc, FedEx Corp, TotalEnergies SE, TransUnion, and Universal Music Group NV.

(1) Source: Bloomberg.

(2) Source: Bloomberg. Performance of the Credo Global Equity Fund Class A Retail Shares over the period 31/12/2025 to 31/03/2026.

Looking Forward

Thus far, Q2 has been turbulent. The lingering conflict in the Middle East and persistent inflation worries have kept global markets on edge, and there remains a significant amount of uncertainty about the trajectory of energy prices, monetary policy, and broader economic growth. It is difficult to predict how these situations will evolve in the near term. As things stand, we believe that energy markets will eventually stabilise and that central banks will remain cautious, potentially easing once inflationary pressures subside. However, these processes are likely to take time, create further volatility, and have knock-on effects on currencies, interest rates, inflation, and ultimately company earnings. More recently, the US market has shrugged off the geo-political risk posed in the Middle East and has become fixated on the AI Infrastructure build-out. This has led to a sector specific rally in the market around chips, semi-conductors, and other AI infrastructure related stocks. Alongside energy stocks, this has skewed the performance of the US market, as most other sectors struggle.

As such, we have been monitoring the situation daily, trying to understand where there are potential weaknesses in the portfolio, and adjusting accordingly. In the main, we have not made any significant changes, as we still believe that we own a portfolio of companies that are resilient, and exhibit characteristics including big moats, high margins, and management teams, that can mitigate some of these costs. We remain very comfortable with the positioning of the portfolio, particularly given the valuations of the stocks we own, and believe that this will give us further downside protection if world markets begin to capitulate.

Jarrod Cahn, Co-Portfolio Manager

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