Macroeconomic Commentary[1]

The second quarter of 2026 marked a sharp improvement in market sentiment as easing geopolitical tensions, moderating inflation concerns, and continued resilience in economic activity supported financial markets. Investor confidence strengthened during the quarter, underpinned by growing optimism surrounding AI-related investment and a reduction in concerns over energy supply disruptions. Global equities rallied strongly, led by large-cap technology and growth companies. The S&P 500 and the Nasdaq gained 15.2% and 21.6%, respectively, supported by continued growth in hyperscaler infrastructure spending and increasing investor enthusiasm for the beneficiaries of the AI infrastructure build-out. European markets also performed strongly, with the Euro STOXX 50 increasing by 15.7% on resilient economic sentiment and improving risk appetite. The UK's FTSE 100 lagged international peers, returning 4.0%, reflecting its more defensive sector composition and a broader downturn in the energy sector following a decline in oil prices. Fixed income markets produced mixed results as investors balanced softer economic data against ongoing central bank caution regarding inflation. In the United States, the 10-year Treasury yield rose by 15 basis points over the quarter, while the UK government bond market performed more strongly, with the 10-year gilt yield falling by 16 basis points. Commodity markets experienced a notable reversal from the previous quarter, with Brent crude oil declining by 17.6% as fears of supply disruptions receded following the reopening of key shipping routes and a reduction in geopolitical risk premiums. Gold softened modestly as safe-haven demand eased and investors rotated back towards risk assets. In currency markets, sterling appreciated by 0.3% against the US dollar and by 1.4% against the euro over the period.

Fund Commentary

During the second quarter of 2026, the Credo Global Equity Fund (CGEF) increased by 7.1%, underperforming the MSCI World Index by 6.4% in GBP terms[2].

Q2 2026 represented a challenging quarter for the Fund despite a strong absolute return. Following the uncertainty experienced earlier in the year, investors rapidly embraced risk, driving a sharp rally in growth-oriented sectors, particularly semiconductors, cloud infrastructure providers and companies perceived as direct beneficiaries of the ongoing AI investment cycle. The quarter was characterised by a significant divergence between growth and value stocks, with the MSCI Growth Index returning 18.6% compared to 9.0% for the MSCI Value Index.

The strong performance of global equity markets became increasingly concentrated amongst a relatively small number of mega-cap technology companies and AI infrastructure beneficiaries. Continued announcements of substantial capital expenditure commitments by hyperscalers reinforced investor conviction that the AI infrastructure build-out remains in its early stages. This created a challenging backdrop for more valuation-conscious investment strategies, as investors focused almost exclusively on companies perceived to have direct exposure to the AI theme.

The main positive contributors to the CGEF over the period included Advanced Micro Devices, IG Group Holdings, Madison Square Garden Sports, Interactive Brokers Group, and Bayer. Advanced Micro Devices

(1) Source: Bloomberg.
(2) Performance of the Credo Global Equity Fund Class A Retail shares from 31/03/2026 to 30/06/2026.

benefited from continued investor enthusiasm surrounding AI-related semiconductor demand and increasing confidence in its competitive position within the data centre market. Interactive Brokers and IG Group performed strongly as elevated market volatility and trading activity supported earnings expectations. Madison Square Garden Sports continued to benefit from the market's growing appreciation of the scarcity value and underlying worth of professional sports franchises, while Bayer recovered following a Supreme Court judgement that went in favour of the company, and drew a line in the sand in terms of future liabilities.

The main detractors from the portfolio included Shell, Accenture, Alibaba Group, HCA Healthcare, and Honeywell International. Shell underperformed as oil prices retraced following the easing of geopolitical tensions in the Middle East and the subsequent reduction in energy-related risk premiums. Accenture continued to face investor concerns regarding the potential long-term disruption of traditional consulting and outsourcing models from AI technologies. Alibaba remained affected by subdued sentiment towards Chinese equities, whilst Honeywell and HCA Healthcare lagged despite generally resilient operating performance.

We added new positions in Mastercard and PepsiCo during the quarter. Mastercard strengthens the Fund's exposure to a high-quality global payments business with significant network effects, attractive returns on capital and long-term structural growth opportunities. PepsiCo was added as an attractively valued consumer staples company with a portfolio of leading global brands, resilient cash generation and strong defensive characteristics.

We exited our positions in Becle, Demant, ICON Plc and Kering as we identified more compelling opportunities elsewhere in the portfolio and sought to improve overall portfolio quality and risk-adjusted return potential.

Looking Forward

Thus far, Q3 has continued to be dominated by developments surrounding artificial intelligence and the ongoing build-out of global AI infrastructure. Investor enthusiasm remains elevated, supported by substantial capital expenditure commitments from the world's largest technology companies and expectations that AI adoption will accelerate across a broad range of industries. This has created an environment in which market performance has become increasingly concentrated amongst a handful of companies, whilst many sectors and businesses continue to experience a far more mixed operating environment.

Whilst we acknowledge the significant opportunities being created by AI, we remain mindful of the risks associated with elevated valuations and increasingly optimistic expectations. History has shown that periods of profound technological innovation can create substantial value for investors, but they can also lead to excessive enthusiasm and misallocation of capital. As such, we continue to focus on identifying businesses with durable competitive advantages, attractive valuations, strong balance sheets and management teams capable of compounding shareholder value over the long term.

More broadly, inflation remains above central bank targets in several regions, economic growth continues to moderate and geopolitical risks remain difficult to predict. Whilst these factors may create further volatility, they may also present attractive opportunities for long-term investors. We continue to monitor developments closely and assess potential risks and opportunities across the portfolio.

In the main, we have not made significant changes to the portfolio, as we continue to believe that we own a collection of high-quality businesses trading at attractive valuations. The companies within the Fund benefit from strong competitive moats, resilient cash generation and disciplined capital allocation. We remain comfortable with the current positioning of the portfolio and believe these characteristics should continue to provide downside protection whilst also delivering attractive long-term returns for investors.

Jarrod Cahn, Co-Portfolio Manager

Important Notice