Macroeconomic Commentary[1]

Global equity markets proved resilient during the third quarter of 2026 despite elevated geopolitical tensions, rising energy prices and higher interest rates. US equities maintained their outperformance, supported by robust economic growth, resilient corporate earnings and ongoing investment in artificial intelligence and digital infrastructure. The technology-heavy Nasdaq gained 2.6% over the quarter, while the S&P 500 advanced by 2.3%, reaching new highs as earnings expectations improved. European markets delivered mixed returns. The FTSE 100 rose by 1.8%, benefiting from its exposure to energy, mining and financial companies, while the Euro STOXX 50 declined by 0.6% as investors assessed the impact of higher interest rates and a less compelling earnings outlook than in the US. Inflationary concerns intensified as Brent crude oil rose sharply, reflecting tensions in the Middle East, the risk of supply disruption and a higher geopolitical risk premium. Fixed income markets faced a more challenging environment. Strong economic activity, persistent inflation and further monetary tightening prompted investors to reassess interest-rate expectations, pushing government bond yields higher. Sterling was broadly unchanged against the US dollar and appreciated modestly against the euro.

Fund Commentary

In US dollar terms, the Credo Global Equity Fund (the "Fund") returned 0.3% during the quarter, compared to the comparator, the MSCI World Index, which returned 2.0%[2]. The quarter was characterised by a continuation of narrow market leadership in several large comparator constituents, while several of the Fund's differentiated holdings detracted. Stock selection was the principal source of relative weakness, partly offset by positive contributions from several long-standing holdings.

Performance Attribution[3]

The leading contributors to performance during the quarter were Shell, Accenture, CME Group, Microsoft and HCA Healthcare. Shell benefited from the sharp rise in energy prices, while Accenture was supported by improving sentiment towards technology services and continued enterprise investment in digital transformation. CME Group benefited from a market environment of elevated volatility and higher interest rates. Microsoft remained well supported by continued investment in artificial intelligence and cloud infrastructure, while HCA Healthcare also added positively to returns.

The principal detractors from performance were Honeywell Aerospace, Flutter Entertainment, British American Tobacco, Ryanair and IG Group. Honeywell Aerospace was the most significant detractor after issuing a profit warning during its maiden set of results as a standalone company. This was taken very badly by the markets, as they had made no mention of these six weeks prior at their capital markets day presentation. Flutter Entertainment and IG Group also came under pressure, while British American Tobacco and Ryanair weighed on returns. Relative performance was further affected by the strength of several large comparator constituents that the Fund did not own, most notably Nvidia and Apple.

(1) Source: Bloomberg.
(2) Performance figures are for the quarter ended 30 September 2026.
(3) Source: Credo Capital Ltd, Bloomberg and portfolio attribution data.

Portfolio Activity

During the quarter, the Fund initiated or added to positions in Amazon, Lennox International, Lockheed Martin and Vistra.

The Fund also exited its position in Honeywell Technologies (post-split), Mondelez International and Nike. The changes reflected the Investment Team's continuing discipline around valuation, business quality and the balance between prospective returns and downside risk. Capital was redirected towards opportunities where the risk-reward profile was considered to be more attractive.

Looking Forward

The investment backdrop remains finely balanced. Economic activity and corporate earnings have been resilient, but higher energy prices and bond yields increase the risk that inflation remains persistent and that financial conditions stay restrictive for longer. At the same time, enthusiasm around artificial intelligence continues to support a relatively narrow group of large companies, leaving parts of the global market with more reasonable valuations.

We remain focused on owning high-quality businesses with durable competitive advantages, strong balance sheets and attractive long-term return prospects. Short-term relative performance can be affected by concentrated market leadership, but we believe a disciplined and valuation-aware approach remains the most reliable way to compound capital and manage downside risk over a full market cycle.

Jarrod Cahn, Co-Portfolio Manager

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