CREDO

Macroeconomic Commentary[1]

The first quarter of 2025 saw mixed returns across global equity markets. The NASDAQ saw a decline of 10.3% due to news of tariffs and the emergence of companies like DeepSeek, which challenged the status-quo set by US technology companies. Conversely, China's Hang Seng managed to brush off worries of tariffs posting a return of 16.1% over the quarter, primarily driven by technology companies. The S&P 500 finished the quarter down 4.3%, due to geopolitical tensions, particularly those surrounding tariffs and the prospect of a trade war. European markets performed well, in part due to the pledge to increase investment in national defence. The FTSE 100 and Euro STOXX 50 finished the quarter up 6.1% and 7.7% respectively, measured in their local currencies. In fixed income, UK 10-year bond yields rose 11 basis points while US 10-year bond yields fell 36 basis points. The latter was predominantly driven by sentiment surrounding tariffs. Commodities saw a strong quarter, Brent Crude oil ended the quarter up 3.7% due to supply disruptions in Iran and Venezuela and increased demand, particularly in China. Increased geopolitical uncertainty saw the price of gold reach multiple all-time highs throughout the quarter, ending up 18.2%. The pound appreciated by 3.2% against the US dollar, partly due to positive economic data, including better-than-expected GDP figures. Against the euro, the pound depreciated by 1.2%.

Fund Commentary

The Fund posted a return of -5.1% over the quarter, compared to the IA Flexible Investment Sector's return of -0.7%. This period of weakness reflects broader volatility in global equity markets and the Fund's high exposure to quality Growth companies as well as a large US dollar weighting, both of which were particularly impacted by the changing macroeconomic environment.

Despite the recent setback, the Fund has continued to deliver strong longer-term returns, with an annualised three-year performance of 7.4% versus the comparator's 3.6%. Since inception in July 2017, the Fund has delivered an annualised return of 7.7%, materially outperforming the comparator.

The Fund remains focused on investing in high-quality, fundamentally sound businesses. As at the end of March 2025, the Fund comprised 72 holdings with a total value of £89.9 million. Our approach remains unchanged: we are committed to maintaining a globally diversified, flexible strategy with a Growth bias, avoiding the use of derivatives, gearing or hedging.

The top 10 holdings in the Fund, which represent 36.2% of the total value, as at the end of the period, included:

1. Amazon.com (Consumer Discretionary) – 4.1%
2. Uber Technologies Inc (Industrials) – 4.1%
3. Berkshire Hathaway Inc (Financials) – 3.9%
4. CrowdStrike Holdings Inc (Information Technology) – 3.8%
5. BlackRock Inc (Financials) – 3.8%
6. Palantir Technologies Inc (Information Technology) – 3.8%
7. Rheinmetall AG (Industrials) – 3.7%
8. Flutter Entertainment plc (Consumer Discretionary) – 3.3%
9. Netflix Inc (Communication Services) – 2.9%
10. BAE Systems plc (Industrials) – 2.8%

(1) Source: Bloomberg.

Portfolio Activity

Over the course of the quarter, we continued to manage the portfolio actively, taking advantage of valuation opportunities and adjusting exposures as necessary.

Some of the large purchases were:

- Rheinmetall AG – Increased exposure to European defence spending.
- Flutter Entertainment plc – Added after share price weakness created a compelling entry point.
- Netflix Inc – A new position established as improving fundamentals became evident.
- BAE Systems plc – Increased weighting given robust sector dynamics.

Whilst major sales included:

- Nvidia Corp – Partial disposal after a strong run and relative valuation concerns.
- Palo Alto Networks Inc – Trimmed exposure following significant outperformance.
- Broadcom Inc – Realised profits after sector strength.
- Costco Wholesale Corp – Reduced position size to recycle capital into higher conviction ideas.
- Palantir Technologies Inc – Managed exposure to moderate the technology sector weighting.

Looking Forward

While we expect near-term volatility to persist, we remain optimistic about the prospects for the companies within the portfolio. Innovation, particularly in technology, continues to drive significant long-term opportunities. We believe that a diversified portfolio of high-quality businesses, focused on fundamentals, offers the best path to attractive long-term returns.

We anticipate that inflation and interest rates will remain above pre-pandemic levels, but resilience in consumer spending and corporate earnings should underpin global growth. We will continue to manage the Fund prudently, balancing risk and reward, and seek to deliver strong, risk-adjusted returns for investors.
We thank you for your continued trust and look forward to the journey ahead.

Roy Ettlinger, Portfolio Manager