

Macroeconomic Commentary¹

The second quarter of 2025 was marked by notable volatility in global financial markets, primarily triggered by uncertainty surrounding US President Trump's proposed "Liberation Day" plans. Initial investor sentiment was negatively affected, but the Administration's swift decision to pause the associated tariffs helped restore stability. This shift in policy enabled equity markets to rebound, culminating in positive returns for the quarter. The S&P 500, Euro STOXX 50, and the FTSE 100 delivered local currency returns of 10.9%, 3.2%, and 3.2%, respectively. In fixed income, bond yields were relatively stable: US 10-year yields edged up by 2 basis points, while UK yields declined by 19 basis points. The rate cuts of 25 basis points each by the European Central Bank (ECB) and the Bank of England (BoE) provided further support to the markets amid ongoing fiscal policy uncertainties. Commodities displayed mixed performance, with Brent crude oil falling by 7.7% despite geopolitical tensions, including Israel's attacks on Iran. In currency markets, the pound strengthened by 6.3% against the US dollar, reflecting broad dollar weakness from a dovish Federal Reserve stance and concerns around US fiscal policy. Conversely, sterling weakened by 2.5% against the euro.

Fund Performance

The Credo Growth Fund posted a robust return of 14.2% for the second quarter, significantly outperforming the IA Flexible Investment Sector, which returned 2.3%. This positive result was achieved in a period of considerable market volatility, which particularly impacted quality Growth companies and funds with high US dollar exposure.

Over the longer term, the Fund continues to deliver compelling results. The three-year annualised return stands at 17.9%, compared to 6.6% for the comparator. Since inception in July 2017, the Fund has generated an annualised return of 9.3%, comfortably ahead of the comparator's 4.8% annualised return for the same period.

Portfolio Positioning and Strategy

The Fund's strategy remains focused on investing in high-quality, fundamentally sound businesses with a global perspective. As of 30 June 2025, the Fund comprised 73 holdings, with a total value of £101.8 million. The investment approach maintains a strong Growth bias and is committed to diversification across geographies and sectors. The Fund avoids the use of derivatives, gearing, or hedging, supporting a straightforward and transparent investment philosophy.

The top 10 holdings in the Fund, which represent 36.0% of the total value, as at the end of the period, included:

1. CrowdStrike Holdings Inc (Information Technology) – 4.1%
2. Uber Technologies Inc (Industrials) – 4.1%
3. Netflix Inc (Communication Services) – 3.9%
4. Palantir Technologies Inc (Information Technology) – 3.9%
5. Rheinmetall AG (Industrials) – 3.9%
6. Amazon.com (Consumer Discretionary) – 3.9%
7. BlackRock Inc (Financials) – 3.4%

(1) Source: Bloomberg.

8. Flutter Entertainment plc (Consumer Discretionary) – 3.2%
9. Palo Alto Networks Inc (Information Technology) – 2.8%
10. BAE Systems plc (Industrials) – 2.8%

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:

- Spotify Inc – increased exposure to leader in space.
- Netflix Inc – increased exposure to leader in space.
- Invesco Physical Gold ETC – buying some gold for defensive position.
- UnitedHealth Group – added after share price weakness created a compelling entry point.
- Fair Isaac Group – adding the market leader in this space.

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.

Outlook

Looking ahead, the Fund will continue its disciplined approach of investing in high-quality businesses with strong fundamentals and long-term growth prospects. The Manager remains vigilant to ongoing macroeconomic uncertainties but confident in the resilience and adaptability of the portfolio. The flexible, globally diversified strategy ensures the Fund is well positioned to navigate further market challenges and capitalise on opportunities for long-term value creation.

Roy Ettlinger, Portfolio Manager

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