

Macroeconomic Commentary¹

Global markets posted strong gains in the third quarter of 2025, led by US equities which continued to outperform amid resilient economic data and growing optimism around artificial intelligence. The S&P 500 and Nasdaq surged by 8.1% and 11.4%, respectively, supported by robust corporate earnings and investor enthusiasm for Technology and Growth sectors. In Europe, equities delivered more modest returns. The Euro STOXX 50 gained 4.6%, while the FTSE 100 rose by 7.5%, supported by a weaker sterling and strong performance from globally exposed UK firms. However, Eurozone markets lagged due to subdued economic momentum and limited exposure to Growth sectors. In fixed income, the Federal Reserve Bank (Fed) cut rates by 25 basis points in September, marking its first move of the year, as inflation showed signs of easing and labour market data softened. The Fed's shift towards a more accommodative stance helped reinforce risk appetite, with markets pricing in further easing into the year-end. The US 10-year Treasury yield declined by 8 basis points, reflecting expectations of looser monetary policy. In contrast, the UK 10-year Gilt yield rose by 21 basis points, driven by persistent inflation pressures and fiscal concerns ahead of the autumn budget. The Bank of England held rates steady but struck a more hawkish tone, citing upside risks to inflation. Commodities were mixed. Gold rallied by 16.4% on safe-haven asset demand and strong central bank buying, reaching all-time highs during the quarter, and Brent Crude oil rose by 3.2% amid stable supply expectations. In currency markets, sterling weakened against major peers, falling 2.1% and 1.6% against the US dollar and euro, respectively.

Fund Performance

The Credo Growth Fund posted a solid return of 7.5% for the third quarter, outperforming the comparator and peer group, the IA Flexible Investment Sector, which returned 6.4%. The Fund continues to outperform the comparator over all periods, reflecting the effectiveness of its Growth-oriented, globally diversified strategy.

The three- and five-year annualised returns to the end of September 2025 were 21.6% and 11.6%, respectively, compared to 9.1% and 7.1%, respectively for the comparator. Since inception in July 2017, the Fund has generated an annualised return of 10.0%, comfortably ahead of the comparator's 5.5% annualised return for the same period.

Portfolio Positioning and Strategy

The Fund maintains a flexible, multi-asset approach, with exposure across equities, fixed income, and collective investments. The Fund size is approximately £113.0 million, with 81 holdings. As at the end of the reporting period, equities accounted for the majority of Fund assets at 93.2%, with fixed income at 4.6%, and the remaining balance in alternatives and cash. The allocations continue to be around these percentages currently. The investment philosophy remains focused on high-quality, fundamentally sound businesses, with a bias towards developed capital markets. The Fund avoids derivatives, gearing, or hedging, and takes a long-term view.

(1) Source: Bloomberg.

The top 10 holdings in the Fund, which represent 33.0% of the total value as at the end of the period, included:

- Uber Technologies (3.8%)
- Rheinmetall (3.8%)
- Palantir Technologies (3.5%)
- Netflix (3.4%)
- Amazon.com (3.4%)
- Flutter Entertainment (3.2%)
- Blackrock (3.1%)
- Goldman Sachs Group (3.0%)
- Palo Alto Networks (2.9%)
- Broadcom (2.9%)

The portfolio remains well-diversified across sectors, with significant allocations to technology, communications, industrials, financials, and consumer cyclicals.

Portfolio Activity

The third quarter saw continued active management of the portfolio, with significant purchases and sales across a broad range of sectors.

Notable purchases over the quarter, based on net amount, were:

- Barry Callebaut – a global leader in high-quality chocolate and cocoa products. The Fund increased its position to capitalise on the company's strong fundamentals, global reach, and resilience in the consumer staples sector. The purchase also adds defensive characteristics and diversification to the portfolio, given the company's stable demand profile and pricing power.
- Snowflake – a leading cloud-based data warehousing company, benefiting from the ongoing digital transformation and the exponential growth of data. The Fund added this position to gain exposure to the secular trend of cloud adoption and data analytics, viewing Snowflake as a high-growth, innovative business with a strong competitive moat.
- QXO Inc – a technology stock, and the Fund's purchase reflects confidence in the company's growth prospects and its role in digital infrastructure. The investment aligns with the Fund's strategy of targeting companies at the forefront of technological innovation and digital transformation.
- Root Inc – a technology-driven insurance company leveraging data science and telematics. The Fund increased its position to benefit from the disruption of traditional insurance models and the company's potential for scalable growth as it expands its customer base and product offerings.
- Toast – a leading provider of cloud-based restaurant management software and hardware. The Fund increased its position to gain exposure to the digital transformation of the hospitality sector, capitalising on Toast's strong growth trajectory, innovative platform, and expanding customer base. This purchase aligns with the Fund's strategy of investing in high-growth, technology-driven businesses that are enabling operational efficiencies and new business models in traditional industries.

Whilst the top sales included:

- Eli Lilly & Co - The Fund realised gains in Eli Lilly after a period of strong performance, locking in profits as the valuation became less compelling. This sale also allowed the Fund to rebalance exposure within the healthcare sector and recycle capital into higher conviction opportunities.
- Palantir Technologies Inc - a data analytics and software company, had appreciated significantly. The Fund trimmed its position to manage risk and sector concentration, while still maintaining exposure to the company's long-term growth potential in government and commercial data solutions.
- Berkshire Hathaway B – this sale was part of a broader portfolio rebalancing, as the Fund sought to reduce exposure to large-capitalisation diversified financials and re-deploy capital into higher growth areas. The position had delivered solid returns, and the sale was timed to optimise portfolio diversification.
- CrowdStrike Holdings Inc - a leader in cybersecurity, had experienced substantial share price appreciation. The Fund took profits to manage position size and risk, while still maintaining a core holding in this high-growth sector.
- Rheinmetall AG - a defence and automotive supplier, was partially sold to lock in gains after a strong run, reflecting the Fund's disciplined approach to profit-taking and risk management. The sale also helped rebalance sector weights following outperformance.

These transactions reflect the Fund's ongoing focus on high-quality Growth companies, as well as disciplined profit-taking and portfolio rebalancing.

Outlook

Looking ahead, the Manager remains vigilant to ongoing macroeconomic uncertainties, including inflation, interest rate dynamics, and geopolitical risks. The disciplined investment approach, focused on fundamentals and long-term growth prospects, positions the Fund to navigate market challenges and capitalise on opportunities for value creation.

The Manager continues to seek investments in companies with resilient business models, strong balance sheets, and sustainable competitive advantages. The flexible, globally diversified strategy ensures the Fund is well placed to deliver attractive risk-adjusted returns for investors.

Roy Ettlinger, Portfolio Manager

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