

Macroeconomic Commentary¹

Global markets ended the final quarter of 2025 on a strong note, supported by easing inflationary pressures, solid corporate earnings, and expectations of further monetary policy easing in 2026. Global equities advanced, with the S&P 500 and Nasdaq both gaining 2.7%, while the FTSE 100 and Euro STOXX 50 rose 6.9% and 5.2%, respectively. Returns in the US were supported by robust earnings and optimism following the Federal Reserve Bank's (the "Fed") December rate cut although technology stocks experienced intermittent profit taking during the quarter, whereas European markets experienced large gains in defence and mining stocks and easing inflation data. In fixed income, both the Fed and the Bank of England reduced policy rates by 25 basis points during the quarter. The US 10-year bond yield edged by 2 basis points, indicating a hawkish sentiment, whereas the yield on UK 10-year Gilts declined by 22 basis points. Gold and copper emerged as standout performers in commodities, increasing by 12.2% and 16.5%, respectively. Gold appreciated as global central banks continued to diversify reserves away from the US dollar, purchasing significant amounts of gold in 2025, while copper gained from an increased demand in green energy projects and falling inventories. Currency markets remained stable as sterling appreciated by 0.2% and 0.1% against the US dollar and euro, respectively.

Fund Performance

The Credo Growth Fund returned -3.3% in the final quarter of 2025, underperforming the comparator (IA Flexible Investment Sector), which gained 3.6%. Despite the weaker quarter, the Fund delivered a strong return of 12.7% for 2025, ahead of the comparator's 12.0%. The Fund's longer-term performance remains robust: three-year annualised returns were 20.4%, and five-year annualised returns were 9.3%.

Portfolio Positioning and Strategy

The Fund remains globally diversified with a strong Growth bias. The top ten holdings comprised 30.5% of the Fund at year-end, with exposures to Goldman Sachs (3.5%), Amazon.com (3.1%), Nvidia Corp (3.1%), BlackRock (3.1%), Palantir Technologies (3.0%), CrowdStrike Holdings (3.0%), Meta Platforms (3.0%), ASML Holding (2.9%), Palo Alto Networks (2.9%), and Flutter Entertainment (2.9%). The Fund continues to avoid derivatives, gearing or hedging, and maintains a long-term, bottom-up approach focused on high-quality companies with durable competitive advantages.

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

Portfolio Activity

Global markets experienced heightened volatility throughout the final quarter of the year, driven by a combination of geopolitical strains, uncertainty around central bank policy paths, data disruptions from the prolonged US government shutdown, and sector-specific shocks. As a result, cash allocations were made into liquidity funds, providing the Fund with enhanced flexibility, reduced drawdown risk, and the ability to deploy capital opportunistically when appropriate. At the end of the period, the allocation was c. 3% of the Fund.

(1) Source: Bloomberg.

The significant equity purchases and sales made during the quarter were as follows:

Top equity purchases:

- Barry Callebaut – Added exposure to a global leader in chocolate and cocoa products, offering strong defensive characteristics and pricing power. The company supplies industrial food producers and artisanal chocolatiers globally.
- Elbit Systems – Increased the position in a defence technology leading company amid heightened geopolitical tensions and robust global defence spending.
- Meta Platforms – Additional purchases were made in this global technology and social media company, reflecting confidence in the firm's strong cash generation and continued advertising recovery.
- Goldman Sachs – Increased exposure to this global investment banking and financial services firm on expectations of improving capital markets activity.
- Netflix – Purchases driven by stable subscriber growth and strengthening free cash flow metrics for this global streaming entertainment company.

Top equity sales:

- Dr Martens plc – A UK-based footwear and accessories company, known for its iconic boots and shoes. Multiple disposals were made during the quarter due to operational challenges and weaker-than-expected demand.
- SAAB AB – A Swedish aerospace and defence manufacturer. Partial profit-taking was made following strong defence sector performance.
- Ondas Holdings Inc – A provider of industrial wireless connectivity and autonomous drone solutions. The position was trimmed due to volatility and redeployment to higher-conviction ideas.
- Planet Labs – This company designs, operates and deploys Earth-observation satellite constellations. The position was sold following slower-than-expected commercial traction.
- Oracle Corp – A global enterprise software and cloud computing company. Selective trimming was made during the quarter to rebalance sector exposures.

By the end of the quarter, positions in Dr Martens plc, Planet Labs and Oracle Corporation had been fully exited.

Outlook

Looking into 2026, the Manager remains vigilant of macroeconomic uncertainties including global interest rate paths, geopolitical tensions and elevated valuations in certain high-growth sectors. The Fund continues to focus on resilient, high-quality growth companies capable of compounding value over the long term.

Roy Ettlinger, Portfolio Manager

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