

Macroeconomic Commentary¹

The first quarter of 2026 saw a pronounced shift in market sentiment as early optimism faded amid rising geopolitical tensions, persistent inflation concerns, and a sharp repricing of interest-rate expectations. Global equities struggled, with the S&P 500 and the Nasdaq declining by 4.4% and 7.0%, respectively, as growth and technology stocks came under pressure from rising bond yields and heightened scrutiny over the scale and returns of ongoing AI interruption. European markets were mixed as the Euro STOXX 50 fell by 3.5%, weighed down by industrial weakness and exposure to geopolitical risk, while the FTSE 100 rose by 3.4%, benefiting from its heavy weighting towards energy and commodity producers as oil prices surged. Fixed income markets were at the centre of volatility, as central banks adopted a more cautious tone on future rate cuts in response to inflationary pressures stemming from higher energy costs brought on by the conflict in the Middle East. US 10-year Treasury yields rose by 15 basis points, while UK 10-year Gilt yields climbed sharply by 44 basis points. Commodities dominated the quarterly narrative, with Brent Crude oil surging by 75.8% as the escalation of the conflict in Iran injected a significant risk premium into energy markets, driving inflation concerns and influencing asset pricing globally. Gold rose by 7.1% over the quarter, supported by safe-haven demand and continued central bank accumulation, despite intermittent volatility linked to rising real yields. In currency markets, sterling weakened by 1.8% against the US dollar but remained broadly stable versus the euro weakening by 0.1%.

Fund Performance

The Credo Growth Fund returned -11.3% in the first quarter of 2026, underperforming the comparator (IA Flexible Investment Sector), which returned -1.7%². Market conditions during the quarter were particularly challenging for Growth-oriented strategies, as higher bond yields and increased risk aversion weighed heavily on equity valuations, especially within technology and higher-duration sectors.

Despite the weak start to the year, the Fund generated a 7.5% annualised return since inception to the end of the quarter, ahead of the comparator's 5.4% over the same period. The Manager remains focused on long-term capital growth through disciplined stock selection and portfolio construction, recognising that short-term volatility is an inherent component of investing in high-quality growth assets.

Portfolio Positioning and Strategy

The Fund remains globally diversified with a clear growth bias, investing primarily in high-quality businesses with durable competitive advantages, strong balance sheets, and attractive long-term growth prospects. As at the end of March 2026, the Fund held 82 positions and had assets under management of approximately £93.6 million.

The top ten holdings represented approximately 32% of the Fund, reflecting a balanced approach that avoids excessive concentration while allowing high-conviction positions to contribute meaningfully to returns. The largest holdings at quarter-end included Goldman Sachs (3.6%), Amazon.com (3.6%), ASML Holding (3.5%), NVIDIA (3.4%), BlackRock (3.4%), Taiwan Semiconductor Manufacturing (3.3%), Barry Callebaut (3.0%), CrowdStrike Holdings (3.0%), Palo Alto Networks (2.9%), and JPMorgan Chase & Co (2.5%).

(1) Source: Bloomberg.

(2) Source: FE Analytics. Performance of the Credo Growth Fund Class A Retail Shares over the period 31/12/2025 to 27/03/2026.

Sector exposure remained well diversified, with meaningful allocations to technology, financials, industrials, communications, and consumer sectors. The Fund continues to avoid the use of derivatives, gearing or currency hedging, and maintains a long-term, bottom-up investment philosophy focused on fundamental company analysis rather than short-term market timing.

Portfolio Activity

Market volatility increased significantly during the quarter, driven by geopolitical developments, changing expectations around interest-rate policy, and heightened dispersion across sectors and regions. In particular, the escalation of hostilities between the United States and Iran contributed to heightened uncertainty across global markets, placing upward pressure on energy prices, increasing volatility across risk assets, and reinforcing investor caution during the period. Against this backdrop, portfolio activity was focused on rebalancing exposures, selectively adding to high-conviction holdings, and crystallising gains or reducing exposure where risk-reward profiles had become less attractive.

Key equity purchases during the period included:

- Flutter Entertainment – The Fund added significantly to this position during the quarter. The position was increased against a backdrop of broader market weakness and volatility within consumer and leisure stocks, despite Flutter continuing to demonstrate strong underlying trading momentum, market-leading positions across key regulated gambling markets, and attractive long-term growth prospects driven by its US business and disciplined capital allocation.
- Elbit Systems – The position was increased amid heightened geopolitical tensions and sustained global defence-spending programmes, reinforcing the Fund's exposure to high-quality defence technology.
- Technology and data-driven franchises – Select additions were made to existing holdings within technology and digital infrastructure where long-term growth prospects remain attractive despite near-term valuation pressure.

Key equity sales and reductions included:

- Partial profit-taking in selected defence and industrial holdings, following strong prior performance within these sectors.
- Reductions in more volatile or cyclical positions, where capital was redeployed into higher-conviction opportunities with more favourable long-term risk-adjusted return profiles.

The Fund also utilised liquid cash and money-market investments opportunistically to manage portfolio risk and maintain flexibility during periods of heightened market uncertainty.

In addition to the activity noted above, the Fund undertook a number of further selective portfolio adjustments during the quarter. Additional purchases included NVIDIA, where weakness across growth and semiconductor stocks provided an opportunity to add to a high-quality franchise benefiting from long-term demand for advanced computing and AI-related infrastructure; Amazon.com, following market volatility that weighed on consumer and technology stocks despite continued evidence of margin improvement and strong cloud-services momentum; and Goldman Sachs, where increased market volatility and expectations of higher-for-longer interest rates supported the earnings outlook for global investment banks.

On the disposal side, the Fund reduced exposure to Palantir Technologies after a period of strong share-price performance, crystallising gains amid elevated valuation levels; trimmed Netflix, as increased competition and near-term uncertainty around subscriber growth warranted a more balanced position size; and sold Planet Labs, where slower-than-expected commercial execution and funding concerns led the Manager to redeploy capital into higher-conviction opportunities.

Outlook

Looking ahead, the investment environment remains characterised by elevated uncertainty, driven by geopolitical developments, inflation dynamics, and the evolving path of global monetary policy. While higher interest rates and tighter financial conditions may continue to generate volatility in the near term, the Manager believes these conditions also create attractive opportunities to invest in high-quality growth companies at more compelling valuations.

The Fund remains focused on businesses with strong competitive positions, resilient cash-flow generation, and the ability to compound value over the long term. Maintaining discipline, diversification and a long-term perspective remains central to the investment strategy as markets navigate the next phase of the economic cycle.

Roy Ettlinger, Portfolio Manager

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