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Macroeconomic Commentary[1]

The second quarter of 2026 marked a sharp improvement in global risk appetite as easing geopolitical tensions, moderating inflation concerns, and continued resilience in economic activity supported financial markets. Investor confidence strengthened during the quarter, underpinned by growing optimism surrounding AI-related investment and a reduction in concerns over energy supply disruptions. Global equities rallied, driven by large-cap technology and growth companies. The S&P 500 and the Nasdaq gained 15.2% and 21.6%, respectively, supported by continued growth in hyperscaler infrastructure spending. European markets also performed strongly, with the Euro STOXX 50 increasing by 15.7% on resilient economic sentiment. The UK's FTSE 100 lagged international peers, returning 4.0%, reflecting its more defensive sector composition and a broader downturn in the energy sector. Fixed income markets produced varied results as investors balanced softer economic data against ongoing central bank caution regarding inflation. In the US, the 10-year Treasury yield rose by 15 basis points, while the UK government bond market performed strongly, with the 10-year gilt yield falling by 16 basis points. In commodities, Brent crude oil fell by 17.6% as fears of supply disruptions receded with the reopening of key shipping routes. In currency markets, sterling appreciated by 0.3% against the US dollar and 1.4% against the euro.

Fund Performance

The Credo Growth Fund returned 12.6% during the second quarter of 2026, outperforming the comparator (IA Flexible Investment Sector), which returned 9.8% over the same period[2].

The Fund benefited significantly from the strong rebound in global equity markets following the difficult first quarter. Performance was driven primarily by the Fund's exposure to high-quality technology, communications and financial companies that participated strongly in the recovery of investor confidence and renewed enthusiasm for artificial intelligence-related investment themes. Holdings such as Palo Alto Networks, CrowdStrike, Taiwan Semiconductor Manufacturing, NVIDIA, Amazon.com and Goldman Sachs all contributed positively to performance during the quarter.

The recovery more than offset the first-quarter decline, resulting in the Fund's year-to-date return improving materially from -11.3% at the end of March to -0.2% by the end of June. Since inception, the Fund continues to generate attractive long-term returns, with the retail share class delivering an annualised return of 8.7%.

Assets under management increased from approximately £93.6 million at the end of March to £103.7 million at the end of June, reflecting a combination of strong investment performance and positive net inflows.

Portfolio Positioning and Strategy

The Fund remains globally diversified with a clear growth bias, investing predominantly in high-quality businesses with durable competitive advantages, strong balance sheets and attractive long-term growth prospects.

(1) Source: Bloomberg.
(2) Source: FE Analytics. Performance of the Credo Growth Fund Class A Retail Shares over the period 27/03/2026 to 26/06/2026.

At quarter-end, the Fund held 81 positions and maintained a high allocation to global equities, which represented approximately 93% of net assets, with smaller allocations to fixed income and collective investments. The Fund continues to avoid the use of derivatives, gearing and currency hedging.

The portfolio retained significant exposure to technology and digital infrastructure businesses that are benefiting from ongoing investment in AI, cloud computing and cybersecurity. The largest positions at the end of June included Palo Alto Networks (4.4%), CrowdStrike Holdings (4.0%), Amazon.com (3.8%), Taiwan Semiconductor Manufacturing (3.8%), NVIDIA (3.6%), Goldman Sachs (3.4%), BlackRock (3.4%), ASML Holding (3.3%), Uber Technologies (2.6%) and JPMorgan Chase (2.6%).

Relative to the end of March, the portfolio maintained its emphasis on technology and financial services while selectively increasing exposure to businesses benefiting from structural growth trends in software, semiconductors, payments, financial services and digital platforms. The Fund also expanded exposure to selected emerging market and international opportunities through additional ETF allocations.

Portfolio Activity

Portfolio activity during the quarter was elevated as the Manager repositioned the portfolio following the first-quarter market weakness and the subsequent recovery in global growth assets. Purchases were funded partly through reductions in certain defence, commodity, precious metals and mature holdings where valuations had become less compelling relative to available opportunities.

Key Purchases

- Alphabet, Microsoft, Amazon.com and Netflix

The Fund significantly increased exposure to several large-cap technology and platform businesses. The additions reflected the Manager's conviction that market leadership in AI, cloud infrastructure and digital advertising would continue to drive long-term earnings growth. Alphabet and Microsoft remain central beneficiaries of enterprise AI adoption, while Amazon continued to benefit from strong cloud demand and operational efficiency improvements. Netflix was accumulated on share-price weakness despite a favourable long-term outlook for subscriber monetisation and content economics.

- Oracle, Marvell Technology and Taiwan Semiconductor Manufacturing

The Fund added exposure to businesses directly benefiting from AI infrastructure spending. Oracle continues to expand its cloud and AI offering, while Marvell and Taiwan Semiconductor are key enablers of next-generation semiconductor demand. These purchases increased the Fund's participation in the broadening AI investment cycle beyond the hyperscalers.

- GE Vernova

A new position was established in GE Vernova, reflecting confidence in long-term global investment in electricity generation, grid infrastructure and energy transmission. The growing power requirements associated with data centres and AI-related infrastructure further strengthened the investment case.

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- Apollo Global Management, Blackstone, Morgan Stanley and Additional Financial Holdings

The Fund increased exposure to alternative asset managers and capital market businesses. These companies are well-positioned to benefit from rising private market activity, resilient asset-gathering trends and higher levels of market participation.

- Phoenix Holdings, Bank Hapoalim and Selected Israeli Holdings

The Fund continued to build exposure to selected Israeli financial companies where valuations remained attractive despite regional uncertainty and where underlying operating performance remained robust.

- Emerging Market Equity ETF Exposure

The Fund materially increased its investment in the iShares MSCI Emerging Markets ETF whilst reducing exposure to certain narrower regional positions. The Manager believes emerging market valuations remain attractive relative to developed markets and offer attractive long-term growth opportunities.

Key Sales and Reductions

- Palo Alto Networks, CrowdStrike, NVIDIA and Palantir Technologies

While these remain key holdings, the Fund undertook partial profit-taking following exceptionally strong share-price appreciation. These reductions reflected disciplined portfolio management and position sizing rather than any deterioration in underlying fundamentals. The capital realised was redeployed into other opportunities with attractive risk-adjusted return potential.

- ASML Holding

The Fund reduced ASML after a period of strong performance. Despite continuing to regard ASML as a strategically important holding within the semiconductor ecosystem, the Manager elected to crystallise a portion of gains and rebalance exposure.

- Exxon Mobil and Precious Metals Exposure

The Fund significantly reduced exposure to Exxon Mobil and trimmed holdings in physical gold-related investments. These sales reflected easing geopolitical concerns, declining energy prices during the quarter and a preference to redeploy capital towards higher-growth opportunities benefiting from improving risk appetite.

- Ryanair, BAE Systems, Cohort and Certain Defence Holdings

Following strong performance from several defence-related positions during the geopolitical uncertainty of the previous quarter, the Fund selectively reduced exposure and reallocated capital toward technology, financials and digital infrastructure opportunities. While the long-term outlook for defence spending remains supportive, relative valuation opportunities appeared more attractive elsewhere.

- India ETF, Coinbase, Ares Management and Other Underperforming Positions

The Fund exited or reduced a number of holdings where either valuation disciplines, relative opportunity costs or investment theses had weakened. In particular, reductions in India ETF exposure and selected alternative asset managers allowed capital to be redeployed into higher-conviction opportunities identified during the quarter.

Outlook

The investment environment has improved meaningfully since the start of the year, supported by resilient economic growth, continued corporate earnings momentum and renewed investor confidence. Nevertheless, uncertainties remain around inflation, central bank policy and geopolitical developments.

The Manager believes the powerful structural themes supporting the portfolio, including AI adoption, cloud computing, cybersecurity spending, digital payments and modernisation of global infrastructure, remain in their early stages. As a result, the Fund continues to focus on businesses capable of generating sustainable earnings growth and compounding shareholder value over the long term.

While periods of volatility should be expected, the Manager believes the Fund is well-positioned to benefit from long-term growth opportunities through its diversified exposure to high-quality global businesses. Maintaining investment discipline, focusing on fundamentals and selectively deploying capital into attractive opportunities will remain central to the strategy going forward.

Roy Ettlinger, Portfolio Manager

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