

Fund Commentary

The third quarter of 2025 saw the Credo Dynamic Fund ("Dynamic" or "the Fund") return 5.5%, outperforming the 5.3% generated from the comparator and peer group (IA Mixed Investment 40-85% Shares Sector). The Fund remains comfortably in the top quartile of its peers over 1, 3, and 5 years, as well as since inception.

Markets generally remained in robust health, with momentum from the prior quarter carrying through. Economic data continued to confound sceptics, while a more dovish stance from the US Federal Reserve further fuelled enthusiasm for equities, as markets began to price in additional interest rate cuts in the months ahead. Technology was once again a prime beneficiary, as increased capital expenditure on artificial intelligence ("AI") helped drive stronger performance in Growth focused assets compared to Value investments. Emerging markets outperformed during the quarter, and while commodity market performance was mixed, standout returns were seen across precious metals, most notably gold, which continued its ascent as both central banks and speculators continued to build positions outside of fiat currencies, as part of the so-called debasement trade. Returns in the bond market were positive, though this was very much a quarter in which fixed income played second fiddle to equities.

Focusing specifically on Dynamic, the vast majority of holdings contributed positively to performance. Pleasingly, as was the case last quarter, the impact of positions that detracted from returns was almost negligible. We do not propose to dwell on the small number of holdings that detracted from performance.

US focused funds were once again the clear winners in terms of total return for unitholders. Dynamic builds some of this exposure through ETFs such as the MSCI World Index and the S&P 500 Equally Weighted Index. These funds provide low cost and diversified access to some of the world's largest companies and never let us down in terms of relative performance. The managers typically combine index-tracking ETFs with actively managed strategies, seeking to achieve additional returns above the index. Polar Capital Technology Trust plc ("Polar") is one such fund, and this was the overall winner in the period in terms of attribution, even though its weighting was smaller than the ETFs mentioned above. Polar provides Dynamic with core exposure to the exceptional technology companies that have been the driving force behind much of the stock market's returns in recent years.

While the positions above generated the highest overall returns, it is often the smaller holdings in riskier, but potentially more lucrative, single name stocks that deliver the biggest moves in percentage terms. Elixir International plc ("Elixirr") is a prime example. Elixirr, a management consultancy with a strong presence in data analytics, technology, and AI, has been one of the UK's most successful IPOs since its listing on the Alternative Investment Market ("AIM") in 2020. The success can be attributed to robust organic growth alongside several earnings enhancing acquisitions, prompting repeated upgrades to earnings forecasts. Initially, Elixirr was too small for Dynamic to invest, but earlier this year, the company announced a move from the AIM to a full listing on the London Stock Exchange ("LSE"). Although positive for the long term, many AIM investors had to sell their shares due to the loss of tax advantages, which weighed on the share price and gave us a second bite of the cherry. We initiated a position in June. A few months later, the technical selling had subsided, Elixirr reported strong results and a well-priced acquisition, and LSE trackers began buying. The stock delivered an almost 25% return for investors over the quarter, making it the Fund's highest returning individual company. The company remains attractively valued, especially relative to its growth rate, so we remain constructive on the position.

Chesnara plc was another notable performer. This UK life insurer announced a deeply discounted rights issue to acquire HSBC Life (UK), marking a transformative step that materially enhanced the Group's scale and growth potential. Long valued for its dependable income profile, the deal delivered a one-off dividend uplift and strengthened the visibility of future payouts. The transaction, part-funded by a rights issue at attractive levels, offered a compelling entry point compared to historical valuations and peers. While the subsequent share price spike was less dramatic than Elixirr, both the initial purchase and the rights were acquired at favourable prices. Profits were taken within weeks, generating a handsome rate of return for the Fund. While long-term compounding remains the core of Dynamic, the managers are always looking for special situations like this to form part of the satellite component to complement the core, aiming to deliver alpha to investors.

The fixed income portion of the portfolio performed steadily, benefiting from investors seeking to secure fixed returns ahead of anticipated interest rate cuts. Within the alternatives allocation, PRS REIT plc rebounded strongly after news that KKR was reviewing its properties, which were already subject to a bid from Long Harbour. Private equity holding, Chrysalis, also performed well, supported by strong performance from two of its largest holdings: Klarna Group plc, which listed in the US, and Starling Bank, which continues to perform well and may list in due course.

Unusually, precious metals delivered the most significant gains. The Fund's 3% holding in gold rose by almost 18% in sterling terms, and when combined with smaller positions in uranium and especially silver (rising 32% in the quarter to become the Fund's best performing asset), the alternatives allocation, again, assisted in delivering on the Fund's aim of providing equity style returns with lower volatility. While Dynamic retains its gold exposure, we have notably reduced holdings in silver and uranium, as both metals are highly volatile and have delivered substantial returns that we have sought to protect and lock in.

Under the Bonnet

Asset allocation in the quarter remained broadly stable. Fixed income held steady at 28% and equities at 48%, both unchanged from the previous quarter. Alternatives moved higher to end the period reaching 23%, as cash was deployed with careful consideration of valuations in bonds and equities.

The top ten holdings remain broadly unchanged, with some tinkering around the edges. The managers continued to build the position in Pershing Square Holdings, the Bill Ackman hedge fund, which despite periods of volatility has delivered outstanding returns to investors of over 20% per annum since listing in 2017, and continues to trade on a notable discount. Positions in Freddie Mac and Fannie Mae could unlock further gains, as the US Government continues to pursue its aim of transferring these entities from conservatorship to private ownership. There is a strong belief that both companies could undergo a material revaluation process along the way. The Alliance Bernstein Healthcare Fund, a long-term holding due to demographic trends, was topped up as pharmaceuticals now appear to offer value in the highly priced US market. The sector has faced challenges from tariffs and notable patent expiries, but encouragingly, shorter term headwinds eased at the end of the quarter. Pfizer struck a deal to lower prices on select drugs sold in the US to avoid tariffs, providing some much-needed relief to the oversold sector.

The headline numbers do not necessarily paint the full picture of the portfolio's composition. The core of the fixed income allocation remains in sterling corporate bonds. However, the additional return offered by

corporate bonds over government bonds is now close to record lows, levels not seen since before the Global Financial Crisis. Additionally, longer dated bonds remain exposed to widespread market concerns about governments' ability to balance the books and manage ever growing debt, especially with the UK budget approaching later in the year. There are also concerns that any increase in inflation would have further negative consequences, particularly for longer dated bonds. Therefore, the managers do not find the returns available from the bond market compelling. As a result, the Fund holds approximately 5% less than Dynamic's average weighting in fixed income. The focus therefore remains on short term bonds to maximise yields, with over 8% of the portfolio expected to mature within the next year to minimise risk.

The last time significant returns from fixed income were unavailable, asset allocation naturally shifted towards equities. While AI has driven much of the recent market momentum, there are signs that we may be heading toward the speculative excesses of the dotcom bubble, such as the circularity of investments within the AI world (whereby Nvidia invests in OpenAI, OpenAI signs a major contract with Oracle, and Oracle uses a large portion of those funds to buy Nvidia chips). Valuations are not yet at these lofty heights, and there is much debate as to whether this is 1996, 1997 or 1998 in terms of valuation. What we can say, is that whichever way the figures are analysed, both bonds and equities appear expensively priced. Therefore, from an equity perspective, we want to capture attractive potential returns but are willing to give up some upside in exchange for downside protection. Dynamic accesses this through buffered ETFs. For a hypothetical example, a one year buffered ETF on the S&P 500 Index will cap market returns, after costs, at around 11%. Conversely, the ETF has a buffer in place which protects holders from the first 14% of the market's downside. Buffer funds do have their critics and as a rule, we believe long term investors should typically accept higher volatility and reap the reward of uncapped returns. However, as multi-asset investors, conscious of our mandate, in a highly valued equity market, we are happy to accept capped upside for some protection on part of the portfolio. Especially with the knowledge that the buffers in Dynamic have a double-digit annual upside before any cap, which is in line with long term equity returns. Under the bonnet therefore, we have amalgamated a handful of buffered ETFs focused on US markets, all with different maturity dates, price caps, and downside protection. Individual weightings are small, but when combined, these account for approximately 5% of the Fund's assets.

Looking Forward

As a sterling-focused fund, we approach the UK budget with some trepidation. The fact that it was scheduled for the very last possible day suggests the Government remains uncertain about how best to address the well-documented challenges ahead. However, because these issues are so widely discussed, any policy surprises should have less of a shock factor. Combined with the Fund's notable global exposure, which helps protect against unforeseen domestic problems, we do not fear this major event in the UK calendar.

Across the pond, the US Government is currently in shutdown. Whilst this is not comforting, history shows that the economic impact of such shutdowns has typically been minimal, and markets often react positively once a resolution is reached. A particularly prolonged impasse could have more negative consequences for the economy, but this would likely be met with easier monetary conditions, so again we are not overly concerned.

A combination of robust earnings growth, loose financial conditions, and sustained momentum, particularly as the final quarter of the year has historically delivered the strongest returns, gives us confidence in the

short term. Yet we always keep one eye on our mandate to reduce volatility relative to the wider market. Expensive assets do not typically cause downturns. In fact, the opposite often occurs, as fund managers and private investors chase returns that less cautious peers have achieved, driven by FOMO (fear of missing out). At some point, however, there will be a shock to the system. Whilst we do not claim to know how or when this might happen, we are mindful that the more expensive and widely held assets become, the greater their potential for downside when sentiment shifts. Dynamic therefore maintains its long-term exposure at the core of the portfolio, but as valuations rise, we seek greater diversity and protection. As discussed, we now include buffered ETFs alongside Dynamic's short duration bond holdings and other less or even non-correlated assets such as gold and hedge funds. We aren't predicting doom and gloom, but this diversity allows us to remain invested for the long haul whilst sleeping well at night. We hope you do too.

Rupert Silver – Lead Manager

Portfolio Top Holdings¹

UK Equities	%	Alternatives	%
Merchants Trust plc	2.1	AQR Adaptive Equity Market Neutral	2.7
Plus500 Ltd	1.5	WisdomTree Physical Gold (GBP Hedged)	1.9
Spire Healthcare Group	1.5	Literacy Capital plc	1.6
Rockwood Strategic plc	1.2	The PRS REIT Ic	1.3
Elixirr International plc	0.8	Invesco Physical Gold ETC	1.3
Total UK Equities	9.2	Total Alternatives	22.9
International Equity Funds	%	Fixed Income	%
DBX S&P 500 Equal Weighted	5.1	Heathrow plc 6.625% 01/03/2031	2.0
iShares MSCI World	4.9	Barclays plc Perpetual	1.9
Polar Capital Technology Trust plc	3.9	Co-Operative 08/07/2026	1.8
Pershing Square Holdings Ltd	2.5	iShares GBP Ultrashort UCITS	1.7
AB International Health Fund	2.4	Électricité de France Perpetual	1.6
Total International Equity Funds	38.1	Total Fixed Income	28.0
Overseas Equities	%	Cash	%
Cantor Equity Partners I Incorporation	0.4	GBP	1.1
Cantor Equity Partners II Incorporation	0.4	Total Cash	1.1
Total Overseas Equities	0.8		

¹ Portfolio positions of the Credo Dynamic Fund as at 30/09/2025.

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