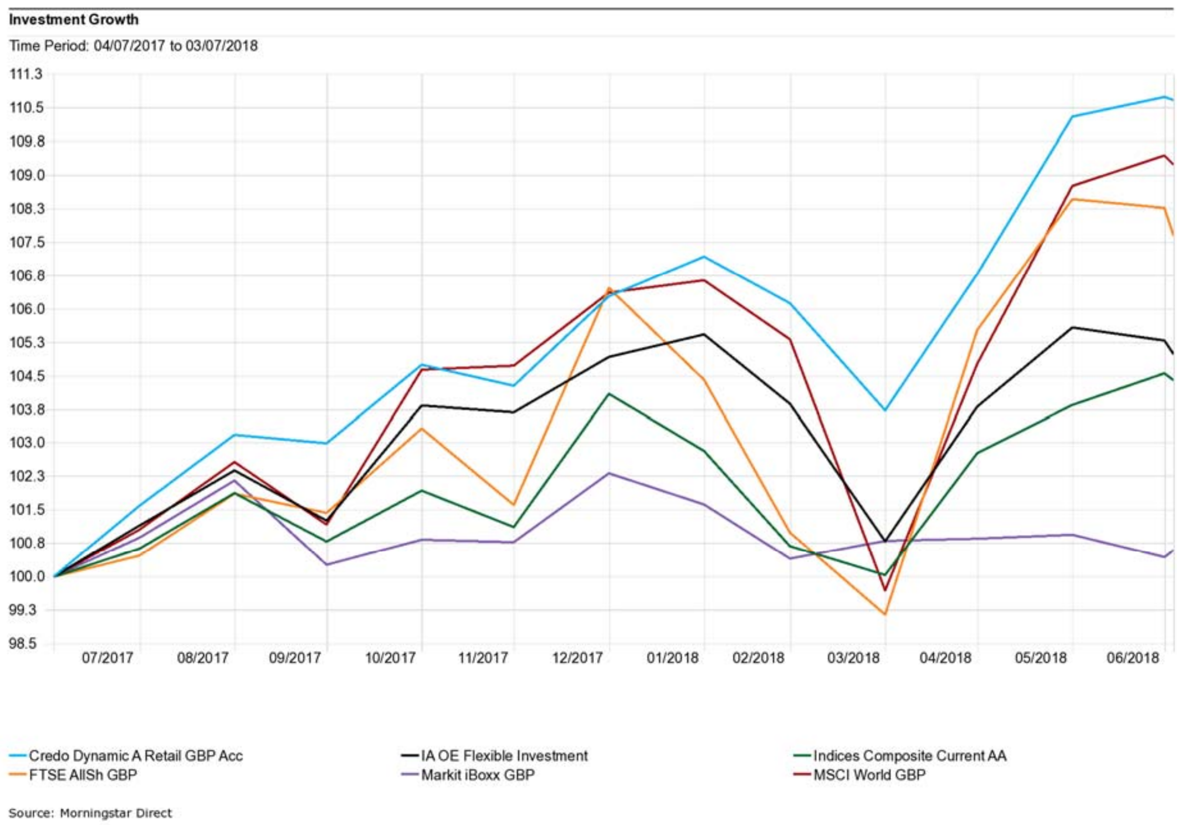
Since inception, markets have withstood the volatility of a Trump presidency, friction with North Korea, continued Brexit uncertainty, hurricanes bashing the US coast line and more recently the ugly spectre of trade wars. The Fund slowly invested in line with its mandate over its first quarter, positioning for a Christmas rally. By the turn of the year a market melt-up became consensus as participants believed there would be a rotation from bonds to equities as US Federal Reserve rate rises took hold. This optimism was reasonably short lived, as focus quickly shifted to valuations and impending regulation on the technology sector in light of the Facebook data breach scandal. During the Fund's first year, global equity indices performed well overall with the tailwind of US tax reforms. Sterling was principally flat against global currencies including the US dollar and a broad index of liquid sterling bonds was slightly negative because of concerns over rising rates.

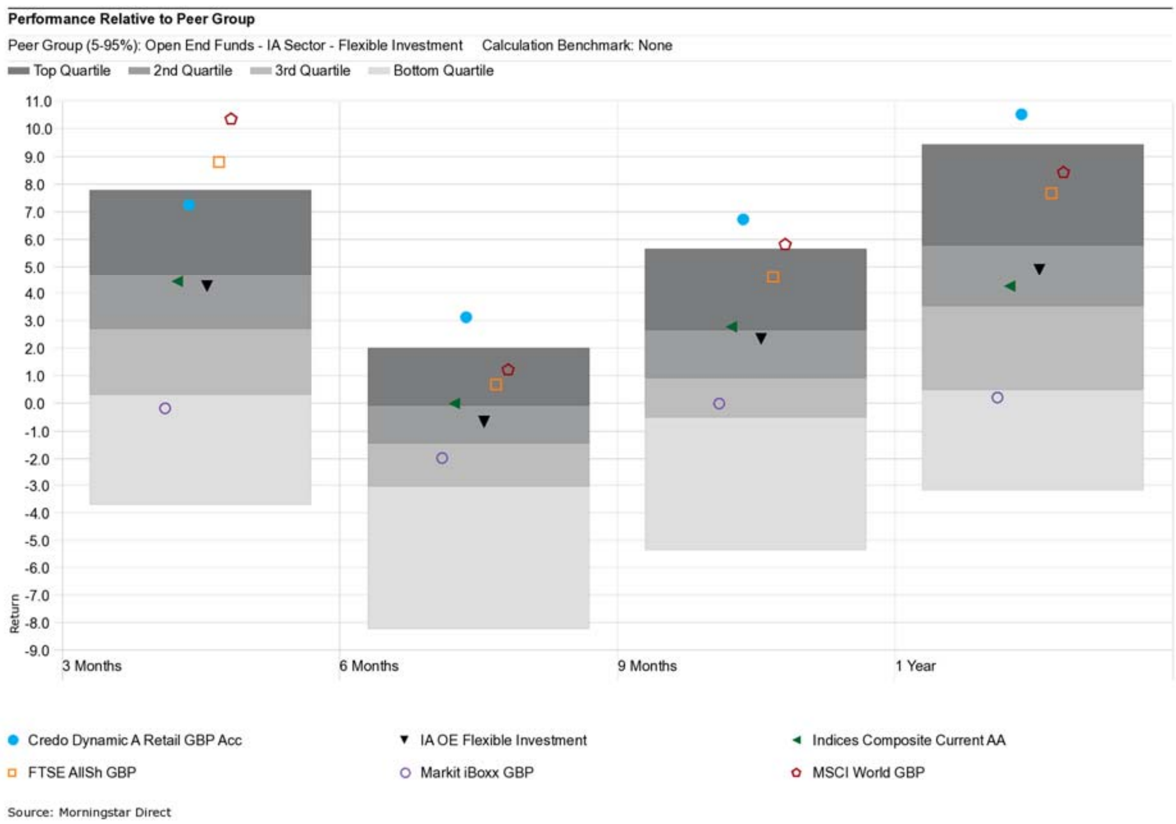
Performance Review

In the first year following launch, the Fund returned 10.7% for investors compared to a benchmark of peers (IA Flexible Sector) returning 5.0% [1]. The Fund outperformed global equity markets and UK stocks even though the total return from bonds was, at best, negligible. Thus far, we have captured the vast majority of the upside when the market ran and have protected capital in deteriorating market conditions due to the more defensive nature of the Fund's bond holdings.

To provide some context, please refer to the graph below, which depicts the Fund versus peers, a composite of indices representing the Fund's current asset allocation, FTSE All Share, Markit iBoxx Corporate Bond and the MSCI World index.

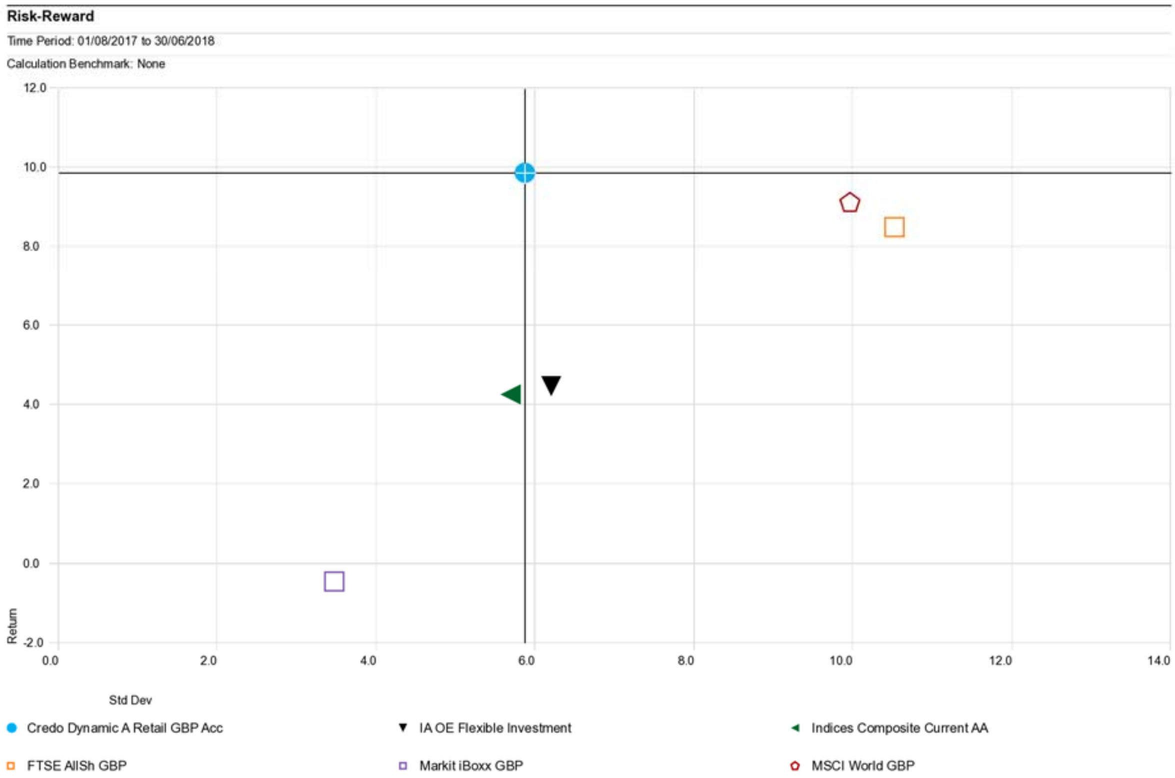


In terms of benchmarking we turn to the Morningstar GBP flexible allocation, comparing ourselves to a group of 243 funds all of which have a similar mandate but utilise different investment methodologies. The performance against the peer group was impressive with the Fund appearing in the top quartile over 3, 6 and 12 months and finishing the year in the top 2% (please refer to the graphic below) [1].



We are particularly pleased to report that performance was driven from a wide breadth of winners rather than any spectacular single stock returns. Looking over the whole year at positions which caused a greater than 10bps change to the end of year Net Asset Value (**NAV**), 75% were positive and 25% were negative. No single stock caused a movement of more than 1% of the end of year NAV. For specific stock examples, please refer to our quarterly commentary[2].

The performance, thus far has also illustrated that we have delivered the returns by taking no more risk than our peers and indices. Further illustrating that the Fund's diversified portfolio is delivering an attractive risk-adjusted return to investors.



Source: Morningstar Direct

Strategy

We thought we would also use this opportunity to provide a quick reminder of the Fund's strategy and idiosyncrasies.

One differentiator of the Fund is that we invest in both bonds and equities, enabling us to allocate capital where we see the best risk-adjusted returns and to be malleable to market conditions. Over the years we have invested and benefited greatly from both asset classes. Therefore, we thought it was important to run a fund under the same mandate. Unlike a balanced fund, which tends to hold an equal amount of bonds and equities, we have the flexibility to allocate capital depending on our view of the world and markets. We can take up to 90% exposure in either asset class although it is important to note that in practice this will only occur in very rare market conditions, if at all. Another differentiator is our ability and preference to invest across the spectrum of market capitalisations. Big, of course, can be beautiful, and typically contains less surprises if things turn nasty. The large-capitalisation universe is highly analysed and meticulously covered so when we judge conditions to be appropriate we look at the mid and even small-capitalisation stocks for special situations and undiscovered jewels; and we leave the large-capitalisation stock picking to other teams. Within smaller companies, we also have access to management and we believe looking into the white of their eyes helps us gauge their tone and potential prospects. We are cognisant that being relatively size agnostic can cause periods of increased volatility; we believe, however, that over the long-term this will add significant value and the bonds should aid in dampening any volatility.

Furthermore, we run a core and satellite approach within the fund, where we consider roughly 75% of the Fund assets as core holdings. These investments are in the main akin to Credo's core investment philosophy which is long term and value orientated. We aren't slaves however to a value model and do have a healthy dose of growth especially when we feel the valuation is appropriate. We believe the core will stand the test of time and we would envision adding to on weakness. There is minimal turnover in these investments. Even though trading costs are low, we recognise overtrading can hurt performance in the long-term. The core holdings consist of bonds that we will buy and hold until maturity, solid equities that we trust to deliver over time and exposure to low cost tracker funds. In the satellite portion of 25% we somewhat relax the core philosophy and tactically add more transient positions. Rationale for the satellite varies; it could be a short-term pricing situation, an attractive new issue, a catalyst specific to a stock or a sector or it might just be a case of momentum. Predicting more challenging market conditions is notoriously difficult if even possible but we have experienced bear markets before and will most certainly know when we are in its grip. In this scenario we intend on rotating the satellite portions into more defensive investments such as high quality short-dated bonds.

Outlook & Conclusion

Looking forward, the period of synchronised global growth is appearing to stutter or at the very least become more uncertain. As the earnings boost from tax reforms begins to fade moving into the last quarter of 2018, the market may begin to focus on President Trump's erratic nature, unpredictable tweets on trade wars and the slow unwind of the global monetary expansion. As a result, we have increased our allocation to bonds to around 38% especially as returns have become more attractive.

We continue to believe that after 9 years of a bull market, one must be cognisant of the risks, but also note that this has been the most reluctant bull market for many years and subsequently it is very difficult to call. We believe the Fund is well-positioned to deliver strong relative return across different market environments and, over the long-term, we continue to believe we can adapt to deliver attractive returns for investors.

We would like to thank the Fund's early investors for backing the Credo Dynamic Fund team from inception. We are pleased with our first year of performance and hope this will be the first of many.

Kind regards,

Team Dynamic

(1) Source of performance is Bloomberg and Morningstar
(2) Quarterly commentaries are available here: http://www.credogroup.com/credofunds/dynamic.html