CREDO NEWS

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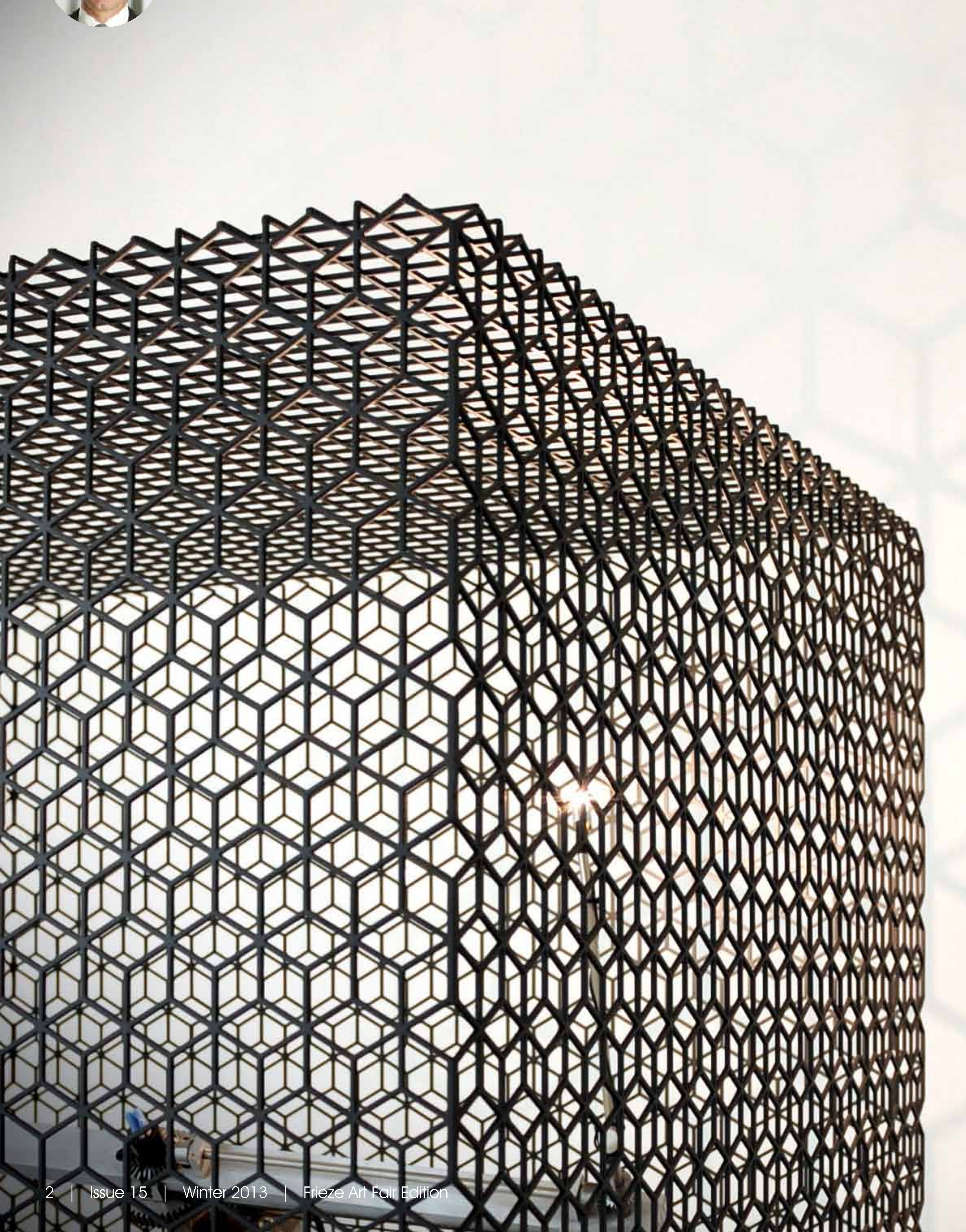


Freeze or Frieze?

Both happen in our back yard

Frieze London, one of the world's leading art fairs, took place in October in Regent's Park, our new back yard. Over 70,000 people visited Frieze over 6 days last month. Founded ten years ago Frieze represents what is cutting edge in the art world, which is why it is relevant and why we have chosen it as our theme for this newsletter.

People were talking about Frieze when we started working on this newsletter (now they have switched to talking about the "freezing" weather again.) The other topic people were talking about was The Royal Mail initial public offering "IPO" being sold off too cheaply and whether Twitter shares would be overpriced when they came to the market. We were not able to offer advice to our clients re acquiring art at Frieze as we do not have that expertise but we were able to offer advice to our investors re acquiring shares in both the Royal Mail and Twitter IPO's – if you could get them, buy them because it was easy to see that the Royal Mail offering was priced to go and that Twitter is relevant.

For an increasing number of people, but especially the younger generation, Twitter and other social media platforms are becoming the communication media of choice. It is the place they turn to, for instant news and even more importantly, provides a platform to mobilise and empower - think of the role social media played in major global events such as Obama's election, Osama's assassination and the Arab spring, to mention just a few.

This edition puts forward Credo's perspective as to the current state of the global financial markets and hence our view as to what is really happening out there. We have a number of thought-provoking articles that cover some of the major issues that Credo believe to be very significant to today's investors: Inflation, the US budget deficit, Debt, Tapering or QE as it is often called, as well as a perspective on how the trends in the technology world relate to investing.

We would suggest that the current rally in asset prices and most certainly those in equity prices could be attributed to investors buying equities due to interest rates in much of the developed world at persistent all-time lows and hence low cash and bond yields. There is therefore nowhere better to invest cash.

In mid-November, at her first public appearance as nominee to succeed Federal Reserve Chairman Ben Bernanke, Janet Yellen rejected the notion that we are seeing asset bubbles as a consequence of quantitative easing.

Yellen commented that the US stock market is not in a bubble judging by traditional valuation metrics. The S&P 500 is up 24% this year, has hit a series of record highs and has risen by more than 160% off the bear-market low in March 2009.

"Stock prices have risen pretty robustly, but looking at several valuation measures (she specifically cited equity-risk premiums) you would not see stock prices in territory that suggest…bubble-like conditions." she said

Whilst this argument may make sense, what does not make economic sense in a world where everything has a price, is why the price of money remains so cheap and how interest rates are able to stay so low. Ainsley's article on the wacky world of Credonomics should help to enlighten us all.

In contrast to Janet Yellen's views, I am of the opinion that a misquote from William Shakespeare's Macbeth may be more relevant for today's investors,

"…bubble bubble toil and trouble…".

Preparing for Elysium

How should we invest today, in order to give our great-grandchildren the best possible chance of affording a ticket to Elysium?

As attendees of the recent Credo client conference will recall, the keynote address was based on South African director Neill Blomkamp's second blockbuster science fiction movie, Elysium.

The storyline of Elysium takes place in the year 2154 and the setting fluctuates between a very over-crowded and dilapidated Los Angeles and an alternative satellite reality named Elysium where there are said to be no problems such as unemployment or illness… i.e. a place of perfect happiness (which is what the word Elysium means).

But even though it is set 140 years into the future, some things never change - money will still make the world go round: you will essentially have to buy your way into Elysium.

This begs the question: how should we invest today, in order to give our great-grandchildren the best possible chance of affording a ticket to Elysium?

Given that we are looking 140 years into the future, there is perhaps no better place to start than reflecting on what we may have learnt from the last 140 years of history. And the one measure which stands out to us as investors in public markets is Standard & Poor's share price data (which happens to be available back to 1871 - i.e. conveniently just over 140 years ago).

The one thing we all know about asset class returns, is that equities tend to beat all other investments over the very long term, as the additional risk that one takes by investing directly in the shares of companies participating in the real economy tends to get rewarded handsomely by the combination of dividends and share price rises over time. This principle was very well illustrated by the Wharton academic Jeremy Siegel in his much celebrated book, *Stocks for the Long Run* (originally published in 1994 and currently in its fourth edition).

As always, there is another side to the story. The American academic Robert Shiller (who was recently a co-recipient of the Nobel Prize in Economic Sciences) provides a rather chilling perspective based on his own interpretation of cyclically adjusted price earnings' (CAPE) ratios for the US stock market, all the way back to 1871. And as Shiller has pointed out, with a CAPE for the overall market currently at a level of approximately 24, this is one of the most expensive times in history to buy stocks - beaten only by the market highs preceding the great crash in 1929 and the bursting of the technology bubble in 2000.

The clue to interpreting the CAPE ratio lies in its name: it takes account of certain adjustments to fundamental factors that might be at cyclical extremes, but are ultimately not sustainable at present levels. Examples of this include:

- interest rates (which have been close to zero in developed markets for some time now - i.e. all-time lows);
- profit margins that are, on average, higher than ever (in part due to a survivorship bias in the numbers, following the recent global financial crisis which led to weaker banks and other businesses failing, if not being bailed out); and
- corporate tax rates that are lower than ever before, after decades of incentives and reform.

The point about tax rates deserves additional scrutiny. Much as it will pain captains of industry (and all those whose bonuses are dependent on the bottom-lines of businesses they work for), it is difficult to foresee tax rates remaining at levels around 30% or less in the developed world, with countries such as America essentially being bankrupt.

By now the recent US Government shutdown is old news, but everybody knows that the underlying problem has not been solved at all – "the can has really just been kicked down the road". Ultimately, some form of increase in fiscal discipline seems inevitable - meaning inter alia the likelihood of higher taxes at some point in the future and/or a reduction in public service delivery. This does of course boil down to a rather venomous cocktail of austerity, which is why the politicians whose job it is to make and implement such decisions are, on balance, loathe to do so.

It is not all doom and gloom, however. And it's certainly not only perma-bulls such as Jeremy Siegel who insist that equity markets are attractively valued at present. In fact, in a piece by John Authers in the Financial Times a couple of months ago, a recent study by BofA Merrill Lynch was quoted in which it was pointed out that equity markets were either relatively cheap or at worst fairly valued on practically every conceivable measure (except of course for Shiller's CAPE ratio).

The bottom-line is that there will always be any number of opinions about the short term direction of markets, but history has proven that investors generally tend to get rewarded for embracing a sensible amount of risk over the longer term. This leads to a conclusion that most investors should continue to view high quality equities as a cornerstone of their portfolios, even if markets are not quite as cheap as they may have been a few years ago.

The only thing to warn against is a possible "get rich quick" mindset (especially given a somewhat over-extended CAPE ratio prevailing at present): as Warren Buffett famously said, the key to successful investing is the same as the secret of a happy marriage… i.e. low expectations.

One of the many benefits of an equity portfolio is that it's widely accepted as one of the best ways of protecting yourself against the ravaging effects of compound inflation over the longer term – which is clearly of particular importance if you are worried about your heirs being able to buy a ticket to Elysium in 140 years time. Inflation may not seem like a big issue at present, but many analysts agree that the prevalence of very low interest rates over a number of years may yet fuel a period of sustained inflation in the medium to longer term. We would thus always advise investors to "make inflation their friend" (in the form of investing in companies that should always have pricing power, e.g. food retailers – to mention an example).

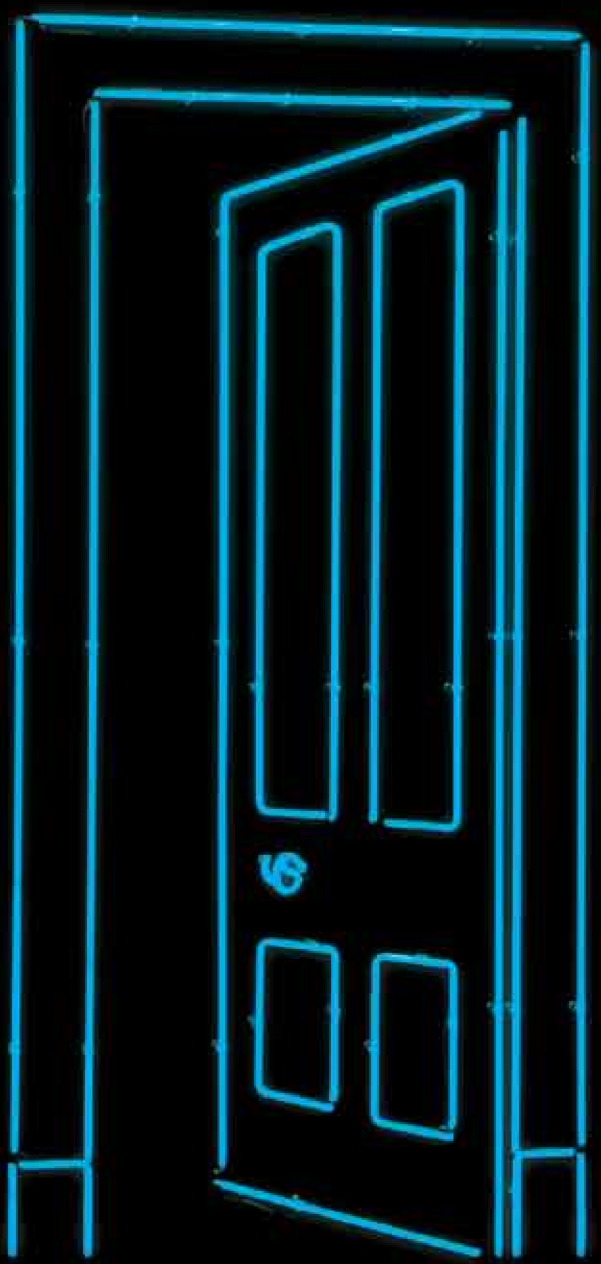
There's an old Irish saying which reads that there are fish in the sea better than have ever been caught… from an investment point of view, we would translate that into a message that there will always be profitable opportunities, no matter how much gloom and doom certain commentators might be preaching at different times in the market cycle.

You don't need to catch all these fish: all you need is a diversified portfolio of sensible investments and patience to invest for the long haul and with that a ticket to Elysium should ultimately be within reach.

Asset Management | Ainsley To - Research Analyst, Credo Capital | @AinsleyTo_Credo

The wacky fantasy world of Credonomics

The difficulty lies, not in new ideas, but in escaping from the old ones



When I was in primary school I once told a teacher that my lifelong dream (second only to my desire to conduct investment research for a leading wealth management firm) was to start my own country. Given the on-going political folly unfolding around the US Government shutdown and round two of the debt ceiling debacle, I wonder how we might have done things differently were we starting a new nation of our own… and would this thought exercise help us come up with some alternative perspectives on the macro picture?

So let's put ourselves into government of newly formed nation, the People's Republic of Credo (PRCre). Our purpose as with any other government is to reallocate resources within the nation according to our political agenda. First on the agenda, as with the US, would be national security and the need for the PRCre to raise an army. We must first create the incentives for the Credonese to sign up and join. How can our government do this given it currently has no assets? Given that our system of barter is growing a bit cumbersome we have decided to issue a new currency called Credo Dollars (CRDs) with which to pay these soldiers a salary. In accounting terms this creates a budget deficit for the PRCre government. Now we need to levy taxes in CRDs to incentivise the population to accumulate the currency to pay the taxes… and thus with demand for CRDs comes a natural supply of soldiers. Those who do not wish to join the army will have to obtain CRDs to pay their taxes in other ways, e.g. by providing services or exchanging their goods with the soldiers for the currency. How the taxes collected net off against the amount spent by PRCre on army salaries determines the budget deficit or surplus. Our taxes create demand for our currency and government spending distributes the currency, with the net result (all else being equal) a reallocation of resources according to our government's goals (an army to defend our borders and invade other countries for oil if necessary). In a similar way to how loans create deposits, government spending (aka budget deficits) creates future collectable tax revenues. Just like the People's Republic of Credo,

the US Government does not need to collect taxes beforehand in order to fund future spending. All government spending limits in a floating exchange rate system are self-imposed. The US Government cannot unwillingly go bankrupt.

Now as the PRCre economy develops, the Credonese who have contributed the most to our society have begun to accumulate a significant amount of CRDs for their input. To help them make use of this stock of CRDs the Federal Reserve Bank of Credo ("The Cred") creates a current account and begins paying an interest rate. As time goes on some people have such an excess that they have many years of savings and are willing to put away their CRDs for a longer period of time and would like a bit more interest in return. To accommodate them, The Cred creates savings accounts of various maturities called Credo bonds. Trading of these bonds between parties is allowed since from the point of view of The Cred it is not their business who is in a current account or a savings account.

Some decades later things have changed at the PRCre. The budget deficit has become a political issue and The Cred has changed its original mandate in the belief that it should be reallocating resources (a responsibility once left exclusively to government). In a desperate attempt to spur a recovery after an unprecedented real estate and stock market crash it announces a Quantitative Easing programme – it is going to buy CRD85bn of Credo bonds each month. For all the sellers of Credo Bonds, The Cred uses its computer to change the numbers in savings accounts down by CRD85bn and the numbers in current accounts up by CRD85bn.

Now in the real world, holders of US dollars have a reserve account at the Federal Reserve – similar to the current account at our fictional central bank. Holders of US Treasuries similarly have a securities account at the Federal Reserve – the equivalent of a savings account. So when the Fed buys Treasuries from bondholders and gives them US dollars in return under the guise of Quantitative Easing it is simply using a computer to switch numbers in the securities account down and move the numbers in the reserve account up. If the US economy was a football game, the Fed is not a participating team, it is the scorekeeper. It scores no goals itself, it simply operates the scoreboard for who has more goals and who has fewer. Using this framework,

is it any surprise that moving dollars between bank accounts, with no net increase, has been ineffective in stimulating the real economy?

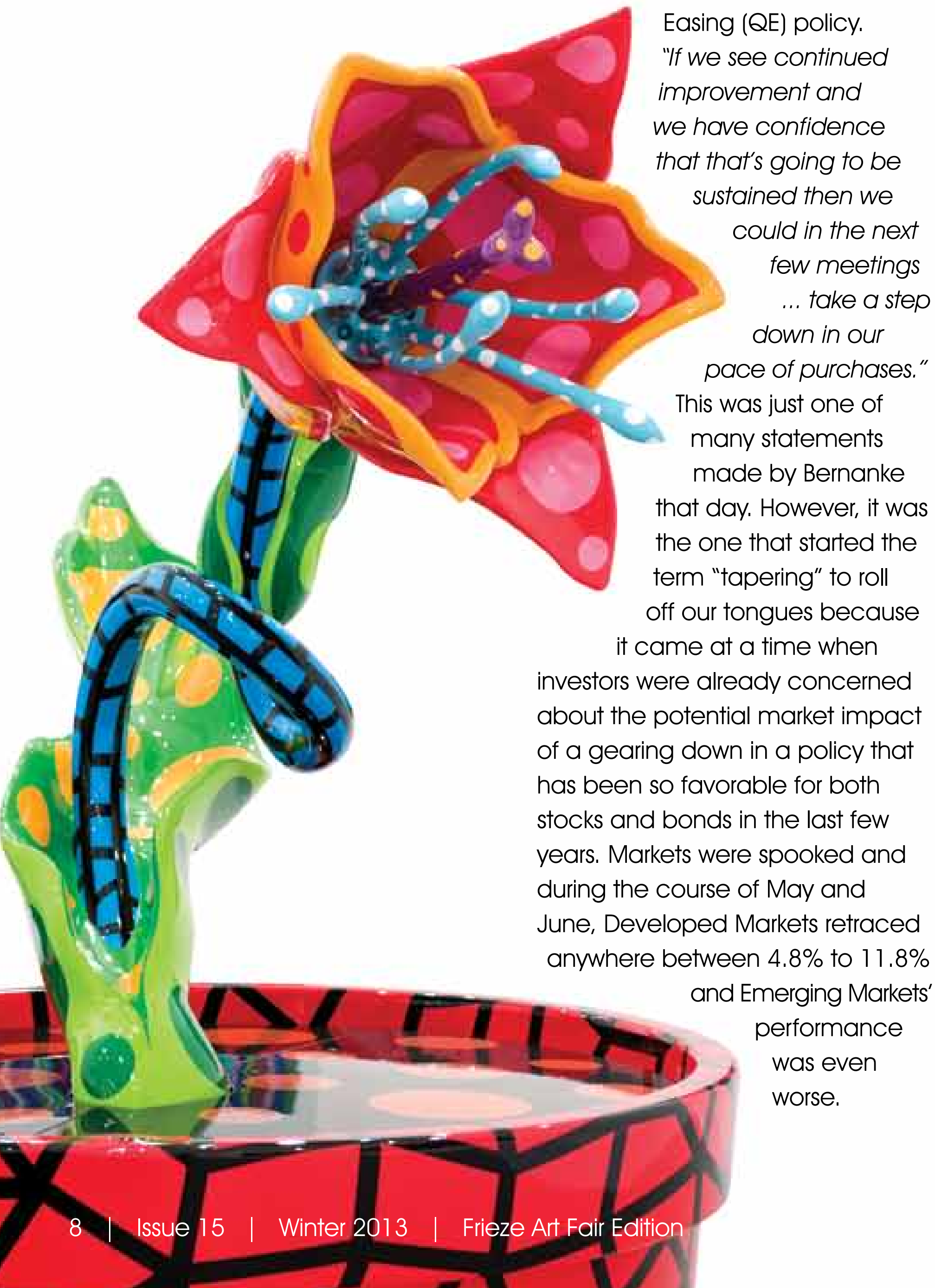
Outside of the Credo world there is the added complication of cross border capital flows. Foreign holders of Credo Bonds don't have to pay tax in CRDs, so wouldn't they just exit the currency if the budget deficit gets too high? After all we have seen during the "taper tantrum" this year that Emerging Market countries running twin deficits are feeling a much larger impact through their currencies than surplus countries. This is where the US situation differs the most from that of the People's Republic of Credo or other nations. As long as the US enjoys being the world's most liquid currency in a floating fiat system (no longer backed by gold, but by aircraft carriers) and the majority of nations settle their trade and price their oil in US dollars, the US could set their budget deficit at whatever it takes to create full employment. And being the world's reserve currency makes it increasingly important for the global economy that the US population are employed and spending on imports. For there to be more US dollars for other nations to trade with each other, mathematically the US must run a current account deficit. A US current account surplus implies dollars flowing out of the rest of the world and into the US and a shortage of dollars flowing outside the US means falling asset prices and has historically lead to global recessions. US current account deficits and budget deficits are good for the rest of the world.

Macroeconomics can be as simple or as complicated as we want it to be. But sometimes the best way to get to grips with what is going on is to avoid the pitfall of accepting old rules of thumb and taking for granted the unquestioned axioms that continue to feed into the less than successful economic policies of recent years.

Further reading: • *7 Deadly Innocent Frauds of Economic Policy – Warren Mosler* / • *Triffin's Dilemma - http://www.imf.org/external/np/exr/center/mm/eng/mm_sc_03.htm*

“Tapering, so what’s the big deal?”

On the 22nd May, the Fed Chairman Ben Bernanke was asked about the potential end to the Fed’s Quantitative Easing (QE) policy. *“If we see continued improvement and we have confidence that that’s going to be sustained then we could in the next few meetings ... take a step down in our pace of purchases.”* This was just one of many statements made by Bernanke that day. However, it was the one that started the term “tapering” to roll off our tongues because it came at a time when investors were already concerned about the potential market impact of a gearing down in a policy that has been so favorable for both stocks and bonds in the last few years. Markets were spooked and during the course of May and June, Developed Markets retraced anywhere between 4.8% to 11.8% and Emerging Markets’ performance was even worse.



Quantitative Easing

In November 2008, alongside a near zero interest rate policy, the Fed announced the beginnings of its unconventional addition to Monetary policy, known as Quantitative Easing. This was a bond purchase program of up to $600bn of agency mortgage-backed securities (MBS) and agency debt, referred to as “QE1” (December 2008 to March 2010). This was followed by a further purchase of $600 billion of longer dated Treasuries, at a rate of $75 billion per month, known as “QE2” (November 2010 to June 2011). In September 2011 the FED announced the implementation of Operation Twist. This was a plan to purchase $400 billion of bonds with maturities of 6 to 30 years and to sell bonds with maturities less than 3 years, thereby extending the average maturity of the Fed’s own portfolio. In June 2012 the FOMC (Federal Open Market Committee) announced an extension to the Twist program by adding $267 billion thereby extending it throughout 2012. In September 2012, the Fed announced a third round of quantitative easing “QE3”. This new round of quantitative easing provided for an open-ended commitment to purchase $40 billion agency mortgage-backed securities per month until the labour market improves “substantially”. The FOMC voted to expand its quantitative easing program further in December 2012. This round continued to authorise up to $40 billion worth of agency mortgage-backed securities per month and added $45 billion worth of longer-term Treasury securities. This program was affectionately dubbed “QE Infinity”, due to its open ended nature.

The primary function of QE was to kick start the economy by providing cheap money into the system in order to stimulate growth. The byproduct of this program was to create a very supportive backdrop for both the bond and equity markets. The relationship between the debt and equity markets has become particularly interesting over the past year. As yields on bonds have dropped to record low levels, bond investors have been forced to use their non-conventional allocation of equity exposure to buy dividend yielding equities to subsidise fixed income returns. Likewise, investors who have been on the sidelines, have been frustrated by zero returns received in the bank and have also effectively been forced into the equity markets. For this reason alone it is easy to see how nervous, non-traditional equity investors who are not prepared to take capital risk are so pre-occupied with the QE program and the consequences of tapering.

While Bernanke's surprising pronouncement led to substantial turmoil in the financial markets during the summer, the Fed has not yet begun to taper QE. The decision to adjust the program is based on incoming economic data and the economy has not yet become strong enough for the Fed to feel confident in reducing the level of stimulus. As a result, the Fed's bond-buying program remains fully intact at a pace of $85 billion per month.

Bernanke learnt very quickly from his comments in May and the results that followed. Clear and unambiguous warning and communication with the markets is paramount, but sometimes that is easier said than done. Although there was an expectation that tapering would begin at the September 2013 meeting, the central bank elected to keep QE at $85 billion per month. This decision was likely caused by two factors: 1) a string of weaker economic data that had been released in the prior month and 2) the prospect of slower growth stemming from the government shutdown and debt ceiling debate.

The Bears will argue that all the performance from the debt and equity markets has come from the extensive QE program over the last 5 years – in other words, it has been "self-engineered". Once the Fed begins to pull back on its stimulus, the markets may begin to perform more in line with economic fundamentals (which in this case, means weaker performance).

Yet with all the potential negative repercussions and noise about "tapering", the US equity markets have climbed the "wall of worry" and are touching all-time highs. Perhaps the market is now better educated and better prepared and is coming to grips with the idea of tapering. With that, participants may have a better ability to price it in and might be better equipped to deal with the effects of tapering without any major market disruption. The sell-off in the summer has definitely shaken the tree and some of those who were not traditional equity investors will have exited the market.

The Bulls will argue that tapering is positive. It is part of the healing process and means that the economy is beginning to grow. They will also argue that, fundamentally, corporate America has never been in better shape: balance sheets are well funded, operating margins are excellent and valuations are not excessive.

Clearly having done all the hard work, Bernanke will not be in any hurry to kill off all of it. The balance of cutting off the stimulus whilst allowing the economy to recover is a tricky act. Tapering isn't an immediate, dramatic event: instead, it is likely to take place over an extended period of time so as to create minimal market disruption. Also, as Bernanke says, it is going to be dependent on economic conditions. The Fed may pull back slightly if the economy continues to strengthen, but it could also increase the program again if the economy slowed or the financial markets were shocked by an unforeseen crisis.

The key takeaway is that tapering doesn't represent a sudden end to QE, nor is it likely to be a steady, predictable decline. In all likelihood, it will be a longer and more drawn out process than the market is anticipating.

To try and time the tapering process may be foolish; rather embrace the concept, get used to the volatility and use any opportunity of any market selloffs to buy into weakness. Ultimately monetary policy will normalise, interest rates will rise and the markets should remain in good health.

To buy on Black Friday or Cyber Monday?

That's not the question

This edition of Credo's quarterly newsletter coincided with the beginning of the Christmas shopping season in the US. Every year on Black Friday, (the day after Thanksgiving), retailers experience a "shopping frenzy" as consumers rush to stores to take advantage of early season promotions. In fact for much of the past decade, "Black Friday" claimed to be the busiest shopping day of the year for US retailers.

However, in recent years the rise of the internet has also given birth to a new shopping craze called "Cyber Monday", which is now one of the most eagerly awaited days for online retailers. The term was first conceived during the 2005 holiday season to mark the sharp rise in online retail sales on the Monday following Black Friday and is now extensively used by marketers around the world to promote online shopping. In fact during 2012, Cyber Monday sales rose an estimated 30% to reach more than $1.5 billion. This compared favourably with the 1.8% decline in sales at physical stores on Black Friday to $11.2 billion. Even online sales on Black Friday topped $1 billion for the first time in history, a 26% year on year increase. Evidently, this is now becoming less about the battle between Black Friday and Cyber Monday and more about the growing struggle between physical and online retailers for an increasing share of the consumer wallet. It appears fair to conclude that the pendulum has firmly swung in favour of online retailers.

One of the biggest problems facing traditional retailers around the US and much of the developed world has been the practice of "showrooming". Increasingly, shoppers are using stores to view and compare products, only to later buy them elsewhere online, often cheaper. In fact a recent poll found that around 40% of US shoppers admitted to testing products in stores before buying them online.

However, many traditional retailers are fighting back with enticing models of their own and increasingly adopting a multi-channel approach. For instance Best Buy in the US recently embraced the phenomenon and launched a nationwide advertising campaign tempting customers to use its stores as "the ultimate holiday showroom." In response the company will use a combination of exceptional customer service and price matching to ensure those sales stay within its own four walls. Wal-Mart also recently claimed that it was benefiting from the practice of "reverse showrooming", where shoppers search products online before buying them in store. It is encouraging customers to use in-store Wi-Fi and a mobile app to compare prices online and qualify for discounts and promotions.

Despite recent efforts to thwart the ambitions of single channel online retailers, e-commerce still remains a credible threat to traditional bricks and mortar and at only 5% of total US retail sales, scope remains for further disruption. Moreover, as companies such as Amazon expand their distribution, price more competitively and increase speed of delivery, consumers are only set to continue being tempted away from physical retail outlets.

However, the speed of adoption has also been driven by a number of factors that remain outside the control of most retailers, including but not limited to the vast improvements in technology and generational shifts in the world's population. For instance, the advent of mobile computing and improvements in fulfilment has made shopping online far more convenient, not to mention that they have vastly improved price transparency. Furthermore, almost a third of the world's population is now represented by "Generation Y" (and of course this proportion is constantly growing), who are the first generation to grow up with computers in their households. As a consequence their behaviours, values and attitudes have been more heavily influenced by the advancements in technology and the rise of the internet than previous generations.

This therefore raises a question that is occupying the minds of most investors: how to benefit from this opportunity?

The simplest option would be to invest in the online retailers themselves by purchasing shares in a company such as Amazon. But a forward P/E multiple of more than 70x can be difficult for some investors to stomach. Whilst many online retailers are evidently high quality companies and clearly the best positioned to benefit from this trend, their shares may not represent the most compelling value at current levels.

Therefore, a more prudent approach could be to combine a value-based investment philosophy with identifying companies that indirectly benefit from the growth in e-commerce. For instance, an increasing amount of commerce is now being transacted using mobile computing devices such as tablets and smartphones as opposed to traditional PCs and notebooks, directly benefiting companies such as Apple and Samsung. Another beneficiary in the value chain has been the process of fulfilment. With UPS and FedEx effectively operating a duopoly in US packaged deliveries, both are set to benefit from the growth in online retail transactions. FedEx for instance recently predicted that Cyber Monday this year would be its busiest shipping day ever.

A less conventional approach would be to invest in companies that are challenged by this trend, but have demonstrated the potential to embrace the digital age. In this regard a traditional bricks and mortar retailer such as Tesco has invested significantly in building its multi-channel presence and the supporting infrastructure. In fact Tesco's online sales are fast approaching 10% of the overall group revenues and the company boasts almost 50% share of the online grocery market in the UK.

However, the challenges created by advancements in technology and generational changes are not specific to retail alone. They have overwhelmed a number of established industries all around the world. Other examples include the way in which we consume information. People are increasingly shunning print and physical media in favour of online channels. As in retail, few have been able to successfully navigate these secular changes and there have been a number of victims in the process. But why have some succeeded where others have fallen? Companies may attribute their successes to a variety of factors, be it the skill of management, first mover advantage or less often to pure pot luck. But what the winners all have in common is their ability to adapt to change. As Charles Darwin stated a number of years ago, "it is not the strongest of species that survive nor the most intelligent…but the one that is most adaptable to change".

Make the Tax man your friend!

EIS Update

A stronger economy has seen many investors saddled with large capital gains tax bills, which has renewed interest in the tax efficient Enterprise Investment Scheme (EIS). We believe it is opportune to remind Credo's clients of the advantages of EIS investing and look at our recent performance.

What is EIS?

EIS is a government scheme to promote investing in smaller UK companies. The scheme helps companies raise finance by offering a range of tax incentives to UK investors.

What are the benefits to investors?

- Tax relief of 30% of the cost of the shares will be offset against the individual's income tax liability for the tax year in which the investment is made, up to a maximum of £1m, effectively reducing the cost price of the investment by 30% immediately-assuming the investment is held for three years.
- Any capital gain made on disposal is free of capital gains tax assuming the investment is held for three years and any loss made can still be offset.
- EIS stocks are exempt from inheritance tax after a two year holding period.

You may be able to delay paying capital gains tax on a realised investment if you invest the gain in EIS shares. You can receive relief in respect of gains equal to the amount you invest. To receive this relief you must invest in EIS shares between one year before and three years after selling or disposing of your original assets. On the disposal of the EIS shares, the original gain will become taxable.

Is EIS for everyone?

No. EIS companies are by definition small, often with a very limited track record. They are at the highest risk end of the spectrum for listed equities and can often be very illiquid.

Performance Review

Whilst EIS can be granted on private companies, the vast majority of investments made on behalf of Credo clients has been in listed companies. The following is a review of all EIS listed investments made in the last 5 years on behalf of Credo clients:

Company	Sector	Entry date	Cost price (p)	Current price (p)*	Change (%)
Applied Graphene Materials	Materials	20/11/2013	155	216	39%
Everyman Media	Entertainment	04/11/2013	83	88	6%
Synety	Software	04/09/2013	150	188	25%
Transense Technology	Auto Parts	01/07/2013	7.5	6.75	-10%
Blur	E-commerce	13/06/2013	150	427.5	185%
AB Dynamics	Auto Parts	20/05/2013	86	175.5	104%
Porta Communications	Marketing	14/03/2013	10	14	40%
Blur	E-commerce	02/10/2012	82	426.5	420%
Hardide	Spec. Chemicals	23/11/2011	0.6	1.125	88%
Cyan	Communications	17/09/2010	0.75	0.29	-61%
Bango	Software	07/01/2010	43	144	235%
Average					**97%**

(*) Current price is closing mid price as at COB on 20/11/2013

The EIS portfolio below has increased by 97% in aggregate. Adding back 20% income tax relief (the 30% rebate is a recent increase) the net return would have been 117% free of capital gains tax.

The past performance of this portfolio has benefited both from a couple of big success stories and a strong market in general for smaller companies. Past performance is therefore not an indicator of future performance. This article is intended however to provide a reminder of the merits of investing using one of the most tax efficient reliefs available and to illustrate that performance can be good in an area that has been much maligned.

Interested parties should contact their relationship manager to discuss further or email rsilver@credogroup.com.

Please note, EIS investing can be a complicated area of tax and investors should seek independent tax advice.

Partner Business Model for Wealth Managers

Credo's Wealth Outsourcing Solutions division has launched a new support model for Wealth Management professionals who want to run their own business.

Credo's 'Partner' model allows Wealth Management firms flexibility on their investment proposition and management, whilst enjoying the benefit of FCA authorisation and supervision being provided by Credo. Further support for Wealth Management firms is provided by Credo's platform, MyCredo, which incorporates whole of market, multi-asset class trading, onshore and offshore custody, 'white labelled' on-demand reporting and an on-line investor portal. Credo's own Model Portfolios are also available through the platform.

"We believe that this solution is ideal for teams of Wealth Managers who want to establish their own business with lower risk and where the 'white-label' service supports the growth of their brand in the market. We have seen significant interest in the market for the Partner model, primarily driven by teams who desire more flexibility on how to deliver best value to their clients" said Charles van der Merwe, Managing Director, Credo Wealth Outsourcing Solutions.

Azpur LLP Managing Partner Dr Hardeep Tamana commented:

"Azpur selected Credo's Partner model to benefit from the regulatory support service, which leaves us free to focus on servicing our clients. We were also convinced by Credo's flexible approach and that the MyCredo platform provides notable benefits when compared to others in the market."

The Partner model is a logical extension of Credo's existing Independent Contracting and Outsource business models, which already provide Wealth Managers with a choice of solutions depending on the maturity of their business, whilst also providing an interchangeable option as their business grows.

Credo provides global wealth management services to 22 Financial Institutions and over 3,000 investors who have £1.3bn of assets under custody. Located in 6 global locations, Credo provides private wealth, wealth outsourcing, trading, investment and fiduciary services.

AZPUR

In conversation with SJ du Preez

SJ joined Credo as a relationship manager on 1 November 2013 and will be based in our Johannesburg office.

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What is your career background?

Prior to joining Credo, I worked at the boutique investment management firm Truffle Asset Management and before that at Old Mutual where I was Head of Institutional Sales and with RMB Asset Management as part of the institutional business development team. I have a B.Com (Financial Management).

When you are not working how do you spend your time?

I am a keen golfer (although you wouldn't say so when you see me play, but I love the game!) I'm a passionate Springbok rugby supporter and locally I support the Lions during the Super Rugby and Currie Cup seasons. Mostly I spend time with my wife Alsue and my 26 month old son John-Daniel.

What are you reading?

I read a wide variety of (mostly) non-fiction, currently busy with "The Greatest Hoax on Earth" by Dr. Jonathan Sarfati

Favourite quote?

"There are two rules to success:
1.Don't tell other people everything you know…"

Kim Simon - Relationship Manager, Credo Capital.

Credo Investment Conference 2013

Credo Capital hosted its second annual international investment conference in South Africa during October. Presentations were made in Cape Town, Johannesburg and Pretoria. The conference was inspired by Neil Blomkamp's second blockbuster science fiction movie "Elysium".

Credo's CEO, Roy Ettlinger opened the conference, *"Credo has grown from 6 employees at inception in 1998 to 60 in 2013, it has current assets under administration of £1,25bn across 3,500 client accounts and offices in 6 cities around the world.*" he said.

Alan Noik, MD of Credo Capital, then introduced Credo Connect highlighting the strength of Credo's technology as a tool for growth.

Deon Gouws presented the main theme of the conference: how to invest so that one's heirs can afford to buy a ticket to Elysium in 140 years. His keynote address is summarised on page 4. Deon made the case that equities should form the cornerstone of any longer term portfolio, even if most assets' prices might appear to be somewhat expensive at present levels.

To illustrate the compound effect of inflation over time, Deon used a real life South African example, the Original Spur Burger, which cost 40 cents in 1968 and now costs ZAR52. That is a compounded annual rate of inflation of 11.5%.

If price inflation continues at the same rate for the next 140 years the Original Spur Burger will cost a staggering ZAR243,000,000 by the time we reach Elysium in the year 2154.

Rikky Shoker spoke on investing in the digital age and how Credo has taken advantage of the opportunities by investing in companies that are most adaptable to change.

Jarrod Cahn ended off the conference by unveiling the soon-to-be-launched Credo Special Opportunities Portfolio.

As a result of the interest in the Conference, and the very positive feedback received, it was decided to host a similar conference in November in London. If you missed either conference, watch out for highlights on our website *credogroup.com*.

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CREDO
WEALTH

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