CREDO NEWS

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It never rains, it pours…

and pours… and pours…

I have no doubt the English cricket team, the barmy army and all the rest of English cricket supporters felt that way during their most recent Ashes tour down under, when not only did they suffer a whitewash losing all 5 test matches, but they also lost all 3 T20 games and 4 out of 5 one day internationals.

I am sure it felt much the same way to Jan Koum and Brian Acton, although in their case the deluge was of US dollars, as they became Silicon Valley's newest billionaires, after Facebook's recent $19bn dollar acquisition of their messaging app business, **WhatsApp**, which they founded in 2009 and which allows users to send messages over internet connections, avoiding text messaging fees.

This "rags to riches" story may well remind some of us of the good old 2000 tech bubble. After all, how does a 5 year old company with around 50 employees and little or no revenue, but hundreds of millions of customers, justify this kind of valuation, unless of course the currency being used for the acquisition is similarly overvalued, the purchase price is only $4bn in cash! And the rest in a very highly valued currency, Facebook stock, which trades on a PE of around 115 times.

I am reminded of another quote from legendary investor Warren Buffet "Price is what you pay, value is what you get". Those of us old enough to have been around during the dotcom boom will remember that in 2000, the number of eyeballs was often used to justify such valuations.

It has certainly also felt like this in England this past February and whilst London was not nearly as badly affected as much of the rest of Britain, could the bursting of the Thames river bank in certain parts of the country portend that perhaps we could see a different "bursting of the banks"? It feels as though the financial markets could well be approaching bubble territory once again. It is precisely at times like this, that one's portfolio needs protection - an "umbrella" within which to shelter.

Hopefully, despite all the unpredictability and uncertainties we live with in today's world, Credo's experience, expertise, care and ongoing commitment to do what is best for our clients, will afford your portfolios the security they need. With this in mind you are reminded by Kim to make sure you use your ISA allowance and by Stephen to be aware of the complexities of pension planning (see page 14).

The rain in London is often a reason why many fellow South Africans say "I could never live there", but as I complete this article in Cape Town the skies have opened up over Newlands on the second day of the cricket test, with Australia on 494 for 7, many South Africans looked up to the heavens with gratitude.

Every cloud has a silver lining – every market correction offers an opportunity.

Beauty parades, betting and bubbles

Perhaps Winston Churchill summed it up best when he said that he couldn't get his mind around economics - but he knew that shooting Montagu Norman would be a good thing. At the time, Norman was the Governor of the Bank of England and, therefore, one of the most influential economists of his generation.

At one level it seems obvious that there must be a strong connection between economics and investing. After all, if this were not the case why are there so many economists who are gainfully employed in the investments industry? Is it not true that investing simply boils down to a call on the future fortunes of businesses, as well as the economics of the industries and the regions within which they operate?

Some market participants will indeed subscribe to such a theory. However, there are many others (such as Churchill) who will no doubt beg to differ.

Perhaps that's why economist jokes abound within the world of investments.

In the words of Peter Lynch, the celebrated portfolio manager who ran the Fidelity Magellan Fund up until his retirement at the tender age of 46 in 1990: *"If all the economists of the world were laid end to end it wouldn't be a bad thing."*

If there was one economist who did more damage to the reputation of his profession than any other from the point of view of the investment world it was probably Irving Fisher. This renowned monetarist is remembered for explaining the cause of inflation by developing the elegant Fisher Equation of Exchange.

Unfortunately, his credibility suffered when, a few months before the crash of 1929, he was famously quoted as saying that stock prices have reached "a permanently high plateau". Worse still, he tried to defend this position in subsequent years, insisting throughout the Great Depression that recovery was imminent.

John Maynard Keynes was a contemporary of both Fisher and Norman.

Would his endurance as an economist (his insights are taught at universities and followed by governments to this day) have anything to do with the fact that he undoubtedly also had a better understanding of the vagaries of the market than most of his peers?

For example, it was Keynes who came up with the immortal quote: *"Markets can remain irrational longer than you can remain solvent."* Fisher should have taken heed!

It was also Keynes who likened professional investment to competitions in which newspaper readers have to pick the prettiest faces from a number of photographs, the winner being the one whose choice most accurately reflects the average preference of all competitors.

As Keynes said in his seminal work The General Theory of Employment, Interest and Money: *"... each competitor has to pick, not the faces which he himself finds prettiest, but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view."*

"It is not a case of choosing those which, to the best of one's judgement, are really the prettiest, nor even those which average opinion genuinely thinks the prettiest. We have reached the third degree, where we devote our intelligences to anticipating what average opinion expects average opinion to be." This famous analogy

can be considered a forerunner of the field of behavioural finance, popularised by Daniel Kahneman and Amos Tversky half a century later (Kahneman won the Nobel Prize for Economics for his work in this field in 2002).

Put simply, the principles of behavioural finance hold that investors in the stock market will often make decisions that are not grounded in economic principles.

The reason for this is simple:

market participants are human beings and, as such, their actions are influenced as much by emotions as they are by reason.

Behavioural finance stands in stark contrast to the efficient market hypothesis (EMH) developed in the sixties by Eugene Fama. In terms of this theory, a discounting process determines stock prices - such that they equal the present value of expected future cash flows.

Based on this, stock prices reflect all information and are, therefore, supposedly "accurate" at all times. The EMH is based on a number of simplifying assumptions: most notably, that all market participants are rational, profit-maximising individuals. And it is this very notion that is attacked by the behaviourists.

After all, human beings are normal rather than rational: they suffer from greed and fear and they sometimes get caught up in the hysteria of crowds. As a consequence, stocks will often be badly mispriced. Moreover, such overpricing or underpricing can indeed prevail for extended periods of time - resulting in an apparent breakdown in the link between economics and investing.

However, any reference to the mispricing of stocks is based on the assumption that a certain specific price level exists that can indeed be considered to be valid or accurate or fair. What would such a value be and how would it best be formulated?

For example, some people might say that a certain price:earnings ratio is "fair" for a certain stock in question, whilst others - believing in a more optimistically minded, growth-orientated approach to investing - might be prepared to pay up significantly for the same share. Yet a third group may contend that the p:e ratio is not even a valid measure to begin with, preferring to focus on cash flows or some other measure of economic success. Such is the nature of a market.

This point goes to the very heart of economics: namely, the existence of markets as clearing mechanisms. In terms of first principles and in the parlance of Adam Smith, the price of a product will be set by the "invisible hand" of the market at a level that ensures an equilibrium between supply and demand. In this case, reference to a "correct" price does indeed appear to be justified.

However, shares are not the same as goods, since shares are not consumed.

A share transaction has more in common with a bet between two punters:

where one believes that the price is likely to increase (or "outperform"), with the other taking the opposite view. In terms of this betting analogy, the share price merely acts as the odds on which they agree.

This may explain why equity markets are more volatile than the markets for most goods and services, where basic economic principles may appear to prevail to a greater extent. Stock markets are influenced by a near-infinite number of factors and many of these are probably not even

"If all the economists of the world were laid end to end it wouldn't be a bad thing."
Peter Lynch

considered (or well understood) by the vast numbers of participants.

These participants come from different parts of the world, they have very different cultural backgrounds and patterns of behaviour, they trade in different time zones and they do so for a plethora of different reasons. At the same time they all continue trying to second-guess one another (in a Keynesian, beauty contest kind of way) while forecasting nearly everything else that might or might not happen in the world.

Does all of this mean that there's no direct link between investing and economics, between the price of a share and its "real" value? No. It merely highlights the fact that the relationship between the two is not a simple, deterministic one.

In the same way that "par" suggests the most likely score when a professional plays any golf hole, the underlying economic fundamentals of a company form a basis for forecasting share price action. It's true that share prices exhibit tremendous volatility - but then so does the performance of golfers, who score considerably better than par during certain rounds of golf and much worse in others.

No discussion of the link between investing and economics can be complete without at least a brief reference to the theory of reflexivity, as explained by George Soros in The Alchemy of Finance. In simplistic terms, Soros contends that economic reality does not only influence market prices but that the relationship simultaneously also works in the opposite direction - ie, markets can in fact influence the events that they anticipate (which explains why markets may so often appear to anticipate events "correctly").

To mention but one example: cast your mind back to the height of the Internet bubble, a short four years ago.

At that time the stocks of companies in the technology sector were trading at exorbitant prices - simply because the majority of stock market participants seemed to agree that there was suddenly a different reality at work in the world and that most of these companies would succeed in a new economy.

Companies without any track record (and, with the benefit of hindsight, often even with dubious business plans) were therefore not only allowed to list successfully; in many cases they actually attracted huge amounts of capital that would "normally" not be justified. However, this capital allowed many of them to actually develop viable products and services, even if this happened sometime after the listing - clearly a reflexive situation where stock market behaviour had a constructive impact on the underlying economics of an industry (rather than the other way around).

Of course, the technology bubble did not last - once again proving the old saying that the market is always right in what it does but not always when.

Another way of saying this is that, in the longer term, the fluctuations in the investment markets will ultimately reflect underlying economic reality.

Unfortunately - to quote John Maynard Keynes one final time - *"in the long run we'll all be dead".*

Originally published in the launch edition of Collective Insight (quarterly investment supplement to South African financial magazine Finweek), dated Summer 2003 and recently referenced in the 10 year anniversary edition of the same publication.

Special Opportunities Portfolio

Following the successful launch of the Credo Best Ideas Portfolio (BIP) in April 2011 and the Credo Dividend Growth Portfolio (DGP) in December 2012, we are very excited about the proposed launch of the Credo Special Opportunities Portfolio (SOP) by the end of Q1 2014.

The BIP and DGP are individual, global equity portfolios, consisting of 20 high quality global equities. The portfolios have a bias towards large capitalisation, developed market equities. To date, the BIP has returned 32.7% since inception and the DGP has returned 21.2% since inception*.

In the three years that we have run the BIP and 15 months that we have run the DGP, there have been several occasions where stocks have screened very well on a number of value metrics for inclusion in these portfolios. However, given the longer term investment philosophy and time horizon for the BIP and the DGP, the proposed stocks have failed to be included in either portfolio. Although we have had excellent short term conviction, due to the mispricing, certain longer term lack of visibility, or structural concerns have caused the investment proposition to fail.

The idea behind the SOP is therefore to construct a portfolio of these types of stocks that will have a shorter term focus (less than five years) that are temporarily mispriced. We would wait for the proposed re-valuation catalyst to play out, at which stage we would look to exit.

A catalyst for this mispricing can include a company restructuring, trading update, profit warning, Initial Public Offering, private placing, take-over, or technical anomaly.

The SOP will be a concentrated, high conviction portfolio of up to 10 individual stocks. Unlike the BIP and the DGP, which are constrained by market capitalisation of $5billion minimum, the SOP can invest in any companies subject to there being sufficient liquidity, in order that we can enter and exit the investment quickly and comfortably. Holding periods will be much shorter and as such turnover in the portfolio will be higher.

The portfolio will be bottom up in nature and as it is an opportunistic portfolio, it will be currency and market agnostic and price sensitive.

We will be targeting a higher return than the BIP and the DGP, but married with that will be a portfolio with higher volatility.

We envisage that the SOP can be used as a stand-alone portfolio for more adventurous clients looking for a higher return from their equity portfolios. Alternatively, it can be used in a core/satellite investment approach, in conjunction with the BIP/DGP portfolios, where clients are looking for a more tactical allocation to increase their equity portfolio returns.

(*) Performance figures are based on a notional portfolio, denominated in pound sterling, designed to track the holdings of the BIP and DGP. All stocks are held in equal weights. Portfolio incorporates all additions and removals. Portfolio may not be fully invested at a point in time and therefore can hold a portion of assets in cash. Performance is calculated before any fees (which can vary depending on the level of service) but includes gross dividends, not reinvested.

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The can that can't be kicked

"Balance Sheet Recession", "Deleveraging", "Liquidity Trap", "the Debt Supercycle" are all phrases used to help describe the persistent economic malaise and unprecedented levels of total debt seen across developed economies. But as we've seen with the Greek default (or whatever they chose to call it), debt is a man-made creation – removed at the stroke of a pen (although ironically at the time of writing Greek sovereign debt was already back up to the pre 2012 haircut levels). Any debt that cannot be repaid will not be repaid - defaults reshuffle the balance of wealth between borrowers and savers. Our obsession with these theoretical financial wounds has masked the real problems facing global markets, those that can't be fixed at the stroke of a keyboard.

Some of the key trends to look at over the last 100 years have been exponential increases in population growth, resource consumption, levels of debt and asset prices – all exhibiting exponential growth, all inexorably linked to each other. Whilst there is no visible ceiling for debt and asset prices there are reasonable scientific estimates for the planetary limits for human population and resource consumption.

The real debt ceiling

We have 3.5bn acres which produce around 2bn tons of grains per annum. Whilst this would feed 10bn vegetarians, this could only support 2.5bn people on an American omnivorous diet given the inefficiency of converting plant energy to food energy via livestock. (Current UN statistics show population will reach 10bn by 2100, which already includes the assumption that the worldwide fertility rate is in decline).

Population is also bound by global energy capacity and ultimately the entropy law of thermodynamics, given that it takes 10 joules of gasoline via "Big Agriculture" production to produce 1 joule of food energy.

Oil has been a key driver in enabling the exponential GDP growth of the past century and oil demand has moved in lock step with growth. Is this expected to be able to continue at an exponential rate indefinitely into the future? Whilst the media have done an excellent job of hyping up the shale revolution, the key is not just a question of how much is left but how expensive it is to extract the remaining reserves as well as the Energy Return On Energy Invested (EROEI) from mining the stuff. And looking at the paradigm shift in the oil price (no longer mean reverting to $20 a barrel) and the decline of EROEI of the key energy sectors over the past few decades, the likelihood of the planet's ability to support infinite exponential growth in energy consumption is more in doubt than ever before. **(Saudi Arabia is now the world's 5th largest oil consumer and based on current trends could become a net oil importer by 2038)**.

Gone are the days when you could put a pin in the ground and watch the oil spew out, providing the energy to support all the population growth, technological innovation and nominal GDP growth a central banker could hope to engineer.

Whilst these themes are long term in nature a more immediate and tangible concern for investors is from one of the externalities of exponential growth in energy consumption: the inevitable transition to a low carbon economy.

Those attributing the fall in US retail sales to due current sub-zero weather or who own property in UK flood zones should read the Stern Review (2006), which covers in detail the economic and financial consequences of climate change. In reaction to the scientific evidence, the Cancun agreement 2010 was an international commitment to a maximum of 2 degrees of global warming by 2050 (which was already admitted at the time to be generous and needed to be reduced to 1.5 degrees in the coming years).

The Potsdam Climate Institute has calculated that to keep the probability of breaching the 2 degree limit to a 20% chance by 2050, we have a global carbon dioxide emissions budget of 886 $GtCO_2$. To put this into context we have already emitted one third of that budget in the first decade of this century (282 $GtCO_2$ by 2011).

Resistance comes as no surprise given that economic performance is measured in GDP which does not take into account real resources consumed and environmental damage sustained to obtain that GDP growth. (Try telling Chinese local government officials whose compensation is directly linked to GDP growth or a billion aspirational Chinese labourers that no matter how they work, they will not be able to consume like their developed market idols have done since the planet can't support it.)

But continuing the current trend (business as usual) we would have a 50% chance of exceeding 5 degrees global average temp change, with a trebling of the stock of greenhouse gasses by 2100 (global average temp change has only been 5 degrees since the last ice age over 10,000 years ago).

How "stranded" is your portfolio?

So why should the reader who is most likely to be focused on short term investment performance care about agreements and trends stretching 50-100 years from now? The slow moving nature of the impacts of CO_2 and the lagged benefits of reform mean any movement to maintain the 2050 budget will need to be taken immediately.

Stranded assets are reserves and other energy assets that won't have time to make positive return before being made illegal or uncompetitive.

Total fossil fuel reserves amount to 2,860GtCO_2, not including private equity & debt capital raised and planned CAPEX – suggesting that to avoid breaching the Cancun agreement and the remaining budget, ***80% of the declared reserves must remain in the ground***. In fact the fossil fuel reserves held by the top 200 listed coal and oil & gas companies alone exceeds the remaining carbon budget. If listed companies face pro-rata allocation of the budget then 80% of reserves are unburnable – e.g. **20-30% market cap of major equity indices are stranded assets**. Which assets are in the 20% of reserves we can afford to burn over the next 40 years? Since the large proportion of these reserves are held by state owned entities a prudent investor in the Energy sector should take a long hard look at the balance sheets of their listed investments which are exposed to significant regulatory risk. The balance of probabilities suggests a significant rise in nationalisation, regulatory interference in exploration projects and special taxes imposed in the near future.

The UK has 105.5 GtCO_2 of fossil fuel reserves listed on exchange. E.g. **the LSE has around 10 times the UK 2050 CO_2 budget of 10.5 GtCO_2**. Given the dominance of mining, oil and gas companies in the FTSE 100 this is a large source of systematic risk that investors in UK equities have not even begun to price in. Although the bulk of the assets are located and consumed outside the UK, they are listed on the London Stock Exchange, thus pension funds and retail investors with FTSE 100 exposure have inherent overweights in "stranded assets". This will have profound investment implications, including the potential erosion of margins from firm-level regulation on energy use, as well as broader economic effects such as increasing cost of capital across the supply chain and lower private sector savings through equity losses incurred by pension funds and retail investors. The UK is not alone; other highly exposed 'carbon intensive' equity markets include Russia's MICEX, Italy's FTSE MIB and also a number of emerging markets (BOVESPA, JSE, Sensex).

The rise of modern finance, subsequent ballooning of the financial sector and exponential growth of debt that comes with it, has led to an obsession with GDP growth, financial assets, derivatives and interest rates. Perhaps as we proceed through this deleveraging cycle and the issues concerning who owes how much to whom begin to subside, there will be a renewed focus on the real problems facing the global economy and the coming collision of exponential population, money supply and debt growth with the hard planetary limits that can't be papered over with paper money printing.

Potholes in the road to growth

At the turn of the year, global investors contemplated the prospect of the first major emerging market crisis since the late 90's, as developing market stocks and currencies around the world plummeted. A number of Indices fell by nearly 10% in January alone, with their currencies facing a similar fate.

Many investors have been fretting over the Federal Reserve's increasingly hawkish stance towards economic monetary policy, as it continues to wind down its record bond buying programme which until recently buoyed emerging market asset classes around the world. But the prospect of higher interest rates arguably couldn't have come at a more difficult time, as many emerging economies contend with slowing domestic growth and rampant inflation. The recent bailout of a Chinese trust product from the country's fragile shadow banking system only added to investor discontent, exemplifying the problem of moral hazard and more worryingly, the risk of a much larger scale crisis. However, the spread of contagion appears to have so far been averted and some developing countries have evidently been observed more favourably than others. The market has been particularly ruthless towards countries that are reliant on foreign debt and investment to fund their budget deficits, including India, South Africa, Brazil and Turkey, all of which have seen their currencies come under significant pressure. In fact Turkey, almost doubled its overnight lending rate to stem the decline of the Lira, which many fear may only offer short term respite as economic growth is dented and the country struggles to control its ballooning deficit.

Of late, emerging markets haven't delivered the returns many investors so very much yearned for. Until recently, growth in most developed markets had virtually stalled, leading global investors to flock to emerging market assets.

Many have placed much faith on the region's growing middle class to lift these countries into economic stardom, but unfortunately a number of countries have failed to get their houses in order.

A combination of bad policy decisions, fiscal issues and a lack of structural reforms has created headwinds to growth.

The troubles facing these markets have been echoed around the world and investors in developed markets have not been left unscathed. Companies with significant emerging market exposure have all suffered from slowing sales and weakening currencies, many of whom have traditionally relied on these faster growing regions of the world to fuel growth in their businesses. To illustrate, the CEO of Unilever Plc. (which derives around 50% of its sales from emerging markets), recently warned that the emerging market slowdown could last for years to come. Others have taken a slightly more optimistic tone. One of Unilever's closest competitors, Reckitt Benckiser, largely shrugged off fears of a slowdown, stating that the short term turbulence is overestimated. For other companies, emerging markets have brought a different set of challenges. Despite China's booming retail sector, Wal-Mart has, for example, been forced to scale back its operations in the country due to significant competition. Meanwhile in India, pharmaceutical companies are grappling with a culture where patent thefts are rife.

Admittedly, the near term outlook for many emerging markets is not the most auspicious and some countries may lack the wherewithal to navigate the challenges they currently face. Only a decade ago, investors were "dreaming with BRICs" and more recently the IMF predicted a three speed global economy, led by developing markets. Evidently the complacency of the global economic elite was somewhat misplaced. Since then, two of the four original "BRICs" are now members of the newly labelled "Fragile Five" and the IMF has slashed its growth projections for most emerging markets.

Despite some well documented challenges, most emerging markets continue to grow at a faster pace than their developed market peers.

Clearly China's growth has slowed from the double digit rates it enjoyed during the boom years, but with the IMF expecting the Middle Kingdom to grow at 7.5% in 2014, it still compares favourably with a number of developed countries, including the much beloved US. In fact China's economy is already more than half the size of the US's and at the current growth rate is effectively creating another India every two years.

More telling are the compelling valuations that can be found across the emerging world. At the time of writing, the MSCI Emerging Markets Index is trading on 11.5x trailing earnings, compared to its historical average of 14.4x. China's Shanghai Index is trading at a meagre 10 times, which is hardly demanding for a country that is expected to trump the US by 2030.

Some argue that the current valuations are merely a glimpse of events that are yet to unfold, drawing parallels with the "Tequila" crisis that crippled Mexico and the currency crisis that struck Asia in the 90's. As was the case then, the markets of today have deemed countries with the largest budget deficits most at risk. But many forget that large parts of the emerging world remain in a relatively healthy state, explaining much of the disparate performance of emerging market indices and currencies around the globe. The Mexican Peso for instance has been relatively unmoved by the recent rout.

The worst of this sell-off may not yet be over and investors would be naive not to prepare for further losses. Cheap markets can get a lot cheaper and it remains difficult to predict how recent events will unfold. As the Federal Reserve scales back its asset purchase programme and global investors begin to digest the prospect of rising rates, volatility will likely ensue.

That being said, at current levels, valuations across a number of emerging markets could be deemed attractive for longer term investors. Even in the developed world, where many markets are rich by most standards, pockets of value can still be found.

We place our trust in global companies with high quality franchises and durable economic moats that have a strong emerging market footprint.

Granted, the majority of these companies are currently experiencing a more tepid demand environment in much of the developing world. But despite the sombre mood, we still believe that emerging markets offer attractive opportunities for companies over the long term.

Many of the characteristics that have boosted the developing economies over the past decade remain very much in place. They still benefit from attractive demographics, a burgeoning middle class, low debt relative to most developed markets and a sound financial system. For investors who are willing to adopt a long term contrarian approach in today's challenging environment, this is where the opportunities often lie.

#What's trending? Breaking Bad

According to Alan Noik

#Breaking Bad

If you, like me, have been watching Breaking Bad series 5 then this is old news but in London, my dinner conversation is more and more about the addiction to this American television series about the story of a struggling high school chemistry teacher, diagnosed with inoperable lung cancer who turns to a life of crime, producing and selling methamphetamine. So in case you only read the opening paragraph, if you haven't started series 1 you have a long way to go so best to start off here. It's amazing TV and has nothing to do with investing.

#My Fitness Pal

If at the next dinner party you attend, all ready to discuss Breaking Bad and you happen to sit next to someone who starts off by logging their whiskey into My Fitness Pal, it's time to move as the conversation will be about calories all night.
An app to track your exercise and calorie intake that was first introduced to me by a cycling buddy a year ago, it's as addictive as Breaking Bad. Founded in 2005, the company is reported to have been profitable since then and to have over 30 million users. In 2012 it launched an API (application programming interface) so that partners can build apps on top of it for the first time. A My "Fitness Pal" addict will be wearing a FitBit to measure the calories he uses when he walks to the table. My Fitness Pal raised $18m in August last year to accelerate growth. Watch this space.

#Megashare

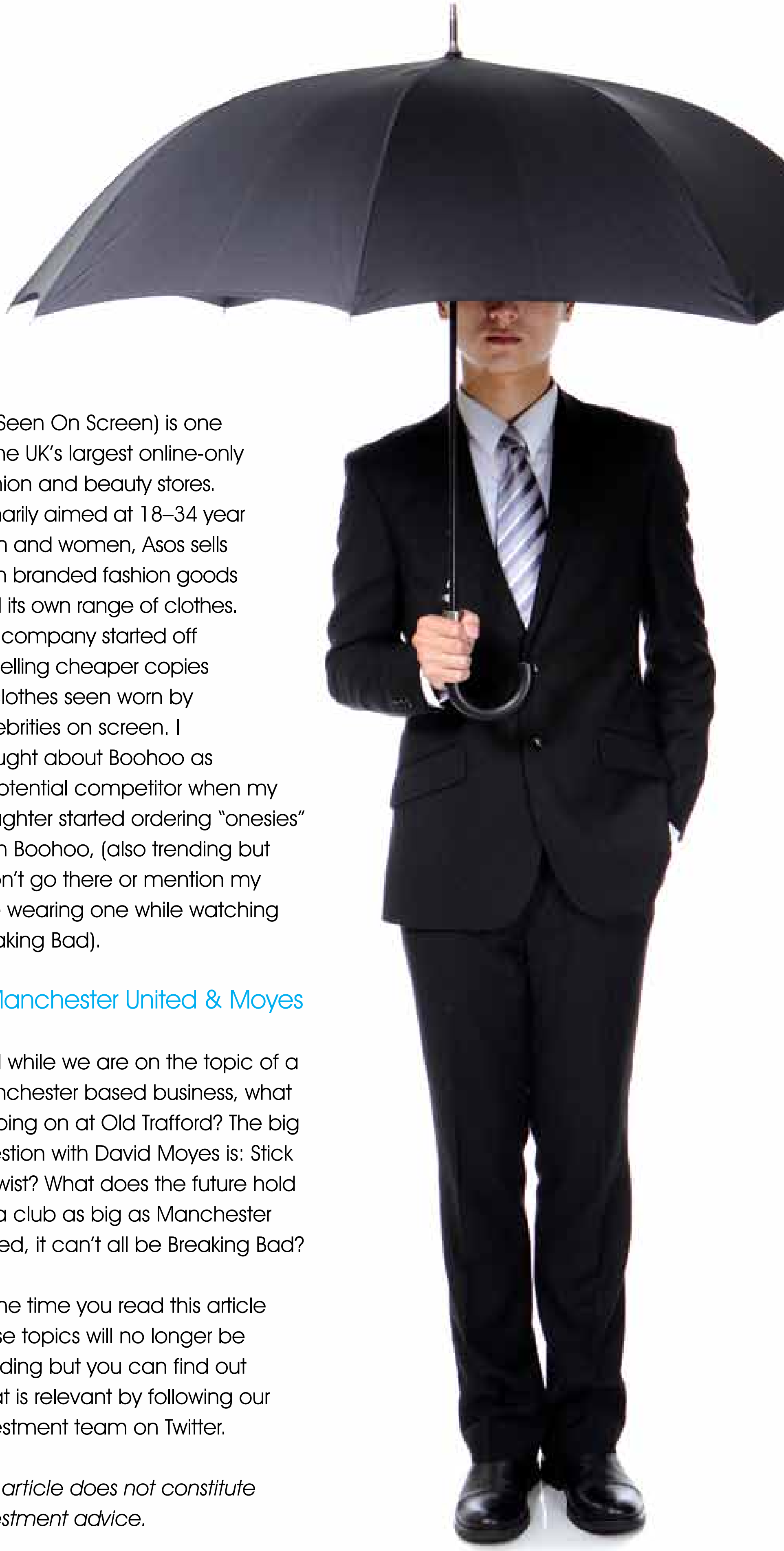
Some people who haven't bought the Box Set, are watching Breaking Bad by using Megashare. Its Facebook page has 18,196 likes and claims 417 are talking about this. Megashare is a website where people can stream through movies and TV shows for free. It may not be legal and is causing a problem for companies like Netflix or Love Film where users are asked to pay for the service. Talking about Netflix – they also screen Breaking Bad and this month, Netflix, the world's largest video on demand service, announced that it had made an undisclosed payment to Comcast for direct access to the cable company's broadband network, in order to ensure smooth delivery of its content. Netflix had previously accused Comcast of slowing its service in order to favour its own video-on-demand service. The company said Netflix would receive "no preferential network treatment" but would benefit from "a more direct connection". Terms were not disclosed. It does not bother me as I watch...the Breaking Bad box set.

#Viber

I discovered this mobile application, which offers free calls and text messages from a mobile phone only a few months ago and just as I was falling in love with it and thinking this will compete with WhatsApp and Skype, the Japanese company Rakuten paid £540m for it. Rakuten, which also owns the Canadian e-reader, Kobo, said the purchase would allow it to expand its digital content into emerging markets. Viber is based in Cyprus, but its R&D centre is in Israel and its founder, Talmon Marco, was chief information officer of the Israel Defence Forces before moving to the US. There is a lot happening very fast in this space and the price tag for Viber now looks cheap compared to the £19billion paid by Facebook last week for the mobile messaging service WhatsApp. What has this to do with Breaking Bad? Well nothing except you can chat on both to find out who else is watching.

#Book of Mormon

Is a satire musical by Trey Parker, Robert Lopez and Matt Stone. (creators of the animated comedy South Park). The Book of Mormon tells the story of two young Mormon missionaries sent to a remote village in northern Uganda to share the Book of Mormon, but have trouble



connecting with the locals, who are more worried about war, famine, poverty and AIDS than about religion. I think President Yoweri Museveni, the Ugandan President must have secretly come to London and seen the show because why else would he today sign and approve the highly controversial anti gay legislation introduced in Uganda? The Book of Mormon won four awards at the 2014 WhatsOnStage Awards last week. Robert Lopez is also up for an Academy Award on 2 March for best song honours. Breaking Bad has no songs, so no competition from there. You can't buy the shares but go see the show as it's important to laugh.

#New Listings

Boohoo, the UK-based online fashion retailer has brought its planned listing date forward to early to mid March. The Manchester-based, family-backed firm is targeting France and Germany as it seeks to prove itself to investors as the second 'Asos'. Boohoo, set up in 2006 and run by its founders Mahmud Kamani and Carol Kane, in June 2013 hired private equity firm Zeus Capital as financial advisors for its initial public offering (IPO). Peter Williams, a retail veteran who stepped down from the Asos board last year, is to lead the listing. I first bought Asos shares a year ago and sold them too early. Asos (As Seen On Screen) is one of the UK's largest online-only fashion and beauty stores. Primarily aimed at 18–34 year men and women, Asos sells both branded fashion goods and its own range of clothes. The company started off by selling cheaper copies of clothes seen worn by celebrities on screen. I thought about Boohoo as a potential competitor when my daughter started ordering "onesies" from Boohoo, (also trending but I won't go there or mention my wife wearing one while watching Breaking Bad).

#Manchester United & Moyes

And while we are on the topic of a Manchester based business, what is going on at Old Trafford? The big question with David Moyes is: Stick or Twist? What does the future hold for a club as big as Manchester United, it can't all be Breaking Bad?

By the time you read this article these topics will no longer be trending but you can find out what is relevant by following our investment team on Twitter.

This article does not constitute investment advice.

Stephen Davis
Director

Kim Simon
Relationship Manager

Pension planning is getting more complicated... again!

For those of you who can remember that far back, a pension cap was introduced by the Labour government in 2004, effective from 6 April 2006 – "A Day". The original cap was £1.6m and this gradually increased to £1.8m from April 2010.

The not unreasonable expectation at that time was the allowance would continue to increase, possibly in line with inflation and at that level, a reasonable pension pot would be available on retirement. However, what started as a socialist attack on the "wealthy", has been taken up by the present government and the current Lifetime Allowance of £1.5m will reduce to £1.25m from 6 April 2014.

Alongside this reduction, the Annual Allowance, the amount one can put into pensions each tax year and obtain full income tax relief, is reducing from £50,000 to £40,000. There are few ways to manage one's wealth tax efficiently in the UK, so the reduction in both the Lifetime and Annual Allowances is particularly unwelcome.

For those with a significant pension fund, say circa £1m plus, if you have not previously obtained Primary/Enhanced/Fixed Protection, you are likely to be eligible for Fixed Protection 2014, whereby your Lifetime Allowance will remain at £1.5m. A useful tool to assist you with this can be found on the HMRC website: http://www.hmrc.gov.uk/news/fixed-protection.htm. You must apply before the end of the current tax year!

The main disadvantage of applying for Fixed Protection, is one will no longer be able to make contributions to a pension fund.

So how might one grow the family's pension savings beyond the relevant lifetime limit in the future?

One structure which might assist in mitigating this issue is the Axa Family Suntrust. It enables family members to pool their pension investments and allocate the investment gains each year to any member of the scheme. For instance, one might allocate the gain to one's spouse in order to remain below the lifetime limit or allocate to the children, if a primary consideration is transferring wealth to the next generation outside the Inheritance Tax net.

These issues are complicated, so if you are minded to action any of the points above, please seek professional advice.

ISA, just do it

It's that time of the year when everyone is advising clients to utilise their Individual Savings Account (ISA) allowance, which is the one remaining tax relief easily available to most UK residents. Many Credo clients used their 2013/14 allowance of £11,520 in April last year and are now considering how to utilise the 2014/15 allowance of £11,880.

With the 5 April 2014 deadline looming, if you have not yet done so, there is still time to invest up to £11,520 into an ISA this tax year and at the same time, get ahead of the game and commit the £11,880 for the coming tax year.

An ISA enables adults in the UK to invest in stocks and shares, with zero tax on any income or gains. It is important that you endeavour to utilise each year's allowance, as the annual ISA allowance cannot be carried forward to future years.

Sara Ettlinger
Communications Officer

Using your allowance adds up. If you had used the full ISA allowance since ISAs were first introduced in 1999, you would have built up circa £170,000 in savings, totally tax free, assuming 5% per annum growth.

Even if you have never taken advantage of your ISA allowance, it's not too late to start. If you need time to consider how you want to invest the monies, you can pay cash into your Stocks & Shares ISA to secure your allowance and invest when you are ready.

There are no setup costs to open an ISA with Credo. Our client services team is available to process the paperwork as painlessly as possible and your Relationship Manager can help you choose which investments would best suit your circumstances.

So no excuses. Just do it.

Maccabi GB and Credo

Long-term partnership

Credo is proud and delighted to announce that it has become a sponsor of Maccabi GB for the next four years (*maccabigb.org*).

The partnership, which begins immediately, will see Credo support our Community's key sports charity and establish an even stronger link with Team Maccabi GB, having previously been one of the sponsors for the 19th Maccabiah Games in 2013.

Speaking about the partnership Maccabi GB's Chief Executive, Martin Berliner, said, "We are extremely pleased to create a partnership with Credo and for their generous sponsorship. Maccabi GB is committed to providing sporting opportunities to the whole Community and we are very grateful for their continued support."

Commenting on the partnership agreement, Roy Ettlinger, CEO of Credo, said, "Following on from the success of our partnership in the past Maccabiah Games (in July 2013), we have agreed to sponsor all Maccabi GB events. We were impressed by the fantastic spirit and enthusiasm we saw displayed by Team Maccabi GB in Israel. Credo aims to add value for our clients and we believe that, by supporting an organisation like Maccabi GB, we can contribute to our Community in a positive and meaningful way."

New member to Team Credo

Thomas Barber

Thomas Barber joins us from Neptune Investment Management as an equity analyst. Educated at Imperial College and Cambridge University, he attained a selection of awards and scholarships on his way to a first class Biology BSc and MPhil in Development Economics. As a born and bred Brit, Thomas further brings some diversification to our team at Credo and with a background in global healthcare and Chinese equities, he also extends our equity research coverage further.

Despite narrowly missing representing Team GB at the 2012 Olympics in Modern Pentathlon, Tom remains a keen sportsman and can frequently be seen high tailing it around Regent's park on a lunch time run. Thomas is a CFA level 3 candidate, having successfully sat the Level 1 and 2 exams.

CREDO WEALTH

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