CREDO NEWS

Issue 21 | Running the distance

The Masochistic Investor

Deon Gouws

Page 4

The Five Brothers and the Marathon of Pain

Ainsley To

Page 8

A not so random walk

Ed Fincham

Page 10

The problem of human nature in investing

John Verkroost

Page 13

And now for something completely different

Rupert Silver

Page 16

...and more

Cautiously optimistic

"all of these will have major social and economic implications for years to come"

As I sit here penning my introductory article, for this our last edition for 2015, I am acutely conscious that the tragic events that occurred in Paris on Friday 13th of November will surely have major implications for global security and may have changed our world irrevocably. No words can adequately express the horror felt towards the perpetrators, nor the sorrow for the victims, their relatives, and friends.

We are indeed living in "interesting times", times that have no precedent: interest rates at or close to all-time lows; an ever increasing gap between the have and have nots; a redrawing of the borders of the Middle East; and here in Europe, mass migration across porous borders, to name just a few of the key problems that must be addressed. **One may be certain, however, that all of these will have major social and economic implications for years to come.**

The consistent theme of this newsletter is to encourage our clients to see the events on the world stage through the lens of investment. For instance, I am certain that these terrible acts of terrorism will impact negatively on global financial markets. However, markets tend to quickly look beyond bad news and, **in hindsight, sharp corrections on the back of such events – for instance, the Ebola scare of late 2014 – are often excellent buying opportunities**.

Moreover, a central tenet of Credo's philosophy is the importance of a long-term investment horizon and having the fortitude to remain detached from daily fluctuations in one's portfolio value, which is very well illustrated by my colleague Ainsley To, in his piece on page 8.

For much of this year, investors have fixated on when the US Federal Reserve will take the first step towards normalising monetary conditions by raising interest rates. Markets have oscillated back and forth in response to the latest analysis of Fed statements, including such strange metrics as word frequencies. Janet Yellen, the current Chair of the Federal Reserve, is widely anticipated to finally take action at the forthcoming meeting in December. For many market commentators, despite how well flagged this rate rise has been, it could be the straw that breaks the bull market's back, causing the next meltdown.

Nevertheless, we remain cautiously optimistic and, as always, would urge our clients not to panic and to try and ignore the short-term noise, which is put rather more eloquently in John Verkroost's piece on the problem of human nature in investing.

In conclusion, I would like to thank all of you once again for your ongoing support and wish all of you a very good Christmas and New Year. From all of us at Credo, we look forward to continuing to serve you through 2016 and beyond. ■

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The Masochistic Investor

Those who follow me on Twitter may have noticed my short bio on this platform, describing myself inter alia as **"ultra-marathon runner, Leonard Cohen fan, cricket lover & Arsenal member (proving that investing is not the only painful activity I enjoy)"**.

My commitment to all of these painful activities dates back some thirty years or more.

I ran my first Two Oceans 56km ultra-marathon as a fresh-faced (and, more importantly, fresh-legged) 21 year old student in 1986; if all goes well, I will be lining up for my 27th such "voyage" come Easter Saturday 2016. Over this same period, I've done an average of about three marathons and ultras per annum (including the Comrades a couple of times).

Even though my formal investment career only started in 1996 when I joined Old Mutual Asset Managers as an equity analyst, I had at least 10 years of "experience" (such as it was) prior to that. In the mid-eighties, I started dabbling in the stock market with a bit of spare beer money; when the Crash of '87 happened, I happened to be pretty fully invested (and, as a result, not a lot of beer was consumed in the months that followed!).

My love for the music of Leonard Cohen (The Poet Laureate Of Pessimism) dates back to 1985, my commitment to cricket (invented by the English to give them some idea of eternity, as George Bernard Shaw famously quipped) goes back to primary school in the seventies, and I became an Arsenal fan when I was taken to Highbury the first time at the end of 1987 (yes, I know, it's now been 11 years without winning the League… and counting). But all of these are discussion points for another day.

For the purposes of this piece, let me therefore just focus on the twin topics of marathon running and investing. Given my personal history of both activities as set out above, it seemed obvious that I would write an article comparing and equating the two when this edition of CredoNews was being planned. After all, one should focus on the long-term in both instances, and everyone can be a winner, et cetera. The list of potential clichés is endless.

But then some of my colleagues picked up that baton (see SJ du Preez's article on page 18, for example), leaving me with not much else to add.
So allow me to take the other side of the debate for once, and let me point out some of

the crucial differences between marathon running and investing.

Firstly, one of the multitude of reasons why so many people love running boils down to **the instant gratification that they get from it**. As runners the world over will tell you: the only run you'll ever regret is the one you didn't do! If you're lucky enough (and provided you run far enough and fast enough), you should be able to experience the occasional "runner's high", as endorphins start circulating through your body (acting very much like their medically engineered counterpart, namely morphine) – leading to an almost invincible feeling of bliss, of moving effortlessly.

I would suggest that the exact opposite is in fact true in investing. ▶▶

"investing is better for my knees"

Yes, you may have the occasional lucky trade where a share price starts going up straight after you've bought the security, but no investor in his/her right mind (other than perhaps those with a trading mentality) will celebrate this too much, or believe it to be sustainable. On the contrary:

good investing is all about delayed gratification,

about getting rich slowly – and this kind of patience is very much what we focus on in terms of Credo's investment philosophy.

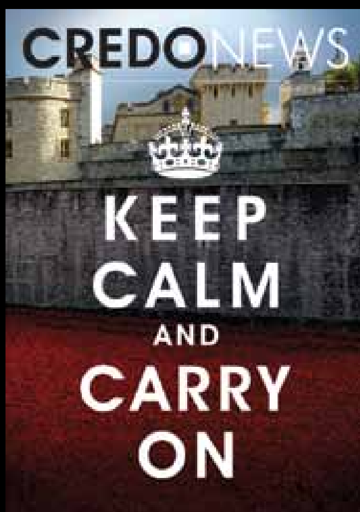
This brings me to the second difference between marathon running and investing, namely **the frequency of activity**. It seems obvious that a marathon runner should train more rather than less. This relates not only to distances covered, but also to how often one goes out for a run. Given the choice between a weekly schedule of, say, 6 runs of 10km each on the one hand, and 5 runs of 12km each on the other (both adding up to the same 60km/week total), most running gurus will probably tell you that the former is in fact preferable (i.e. more individual runs per week are better for you, even though each of them happens to be a bit shorter).

The reason for this is simple: regular exercise stimulates the production of red blood cells in the body, and red blood cells are instrumental in the transport of oxygen from the lungs to the muscles (as well as the delivery of metabolically produced carbon dioxide back to the lungs for expiration). Or, in plain English: the more often you exercise, the more red blood cells you'll end up having, and the more red blood cells you have, the better the athletic performance. A virtuous circle if ever there was one.

Contrast this with investing, where less is typically more. To be sure, Credo's investment philosophy makes mention not only of the fact that wealth is preserved and created by following a long-term, low turnover strategy (given that transaction costs have the potential to erode investment returns quickly), but also that we aim to identify matters of strategic importance when considering investments (rather than focusing on daily news-flow in financial markets).

The last important and very obvious difference between marathon running and investing, relates to **how one's ability to perform both these activities changes with age**. Looking back over 30 years of distance running, I have come to accept that I will never be able to improve my personal best time for the marathon (set in my late thirties, which now feels like a lifetime ago). These days I am simply happy and thankful that I'm still able to tackle the distance (a lot of my running buddies over the years have had to stop due to injuries) and, as long as I finish on the same day as the winner, I'm ecstatic!

As far as investing ability is concerned, however, I'd like to believe that this is likely to improve with age. There is certainly no substitute for experience, and I hope to be doing this job for many years to come. There are indeed two things in life that I enjoy more than practically anything else, namely long distance running and investing. But I can state emphatically that investing is better for my knees. ■



If it's not broke, don't fix it

We recently asked our readers for feedback on how we design this newsletter, and we are very grateful for the numerous comments we have received. Our patient readers answered a range of useful questions, such as which media they prefer, and many gave additional feedback which we have listened to, and will work on.

Thankfully, judging by your responses, we're not doing too bad a job and our readership seems quite content with much of the current format. This is excellent news but, of course, should you disagree, please do let us know. All feedback is welcome and gratefully received.

We have, however, noted a common thread running through many of your responses. While many of our respondents (80% to be precise) think we have the content about right, some readers were interested in hearing more investment ideas, or reading focused pieces on individual securities. Typically we include a few of these (for example, see Rupert's article in this issue), but we would direct any clients interested in such materials to our other publications.

For instance,the Equity Spotlight provides a monthly, in-depth report on an individual stock or macroeconomic event, while the Portfolio Pulse provides a broad market commentary and highlights the best and worst performers and their related news flow over the month. When published, these are both sent out to clients via email and can always be found on our news page (credogroup.com/blog).

As one client wittily remarked:

"I don't want to improve my reading experience. I want to improve my investment experience".

Well, we aim to achieve both for our clients. Investing is both a rational and emotional game, and we hope that our readership finds our articles in CredoNews interesting and thought-provoking. ■

Ainsley To - *Research Analyst* | @AinsleyTo_Credo

The Five Brothers and

Running, like investing, is an exercise in delayed gratification. You expose yourself to the possibility of short-term pain in exchange for satisfaction in the future. Unfortunately reaching the finish line does not come for free; it has to be earned by enduring the journey. And the pain experienced during the journey can often stir the impatience that leads many to quickly forget why they set off in the first place. **Most individuals are physically capable of running a marathon, yet it's their psychological endurance for pain which is the main barrier.** And our perception of that pain influences our ability to reach the finish more than any physical limits.

To illustrate this in an investment context, we set out below a simple thought experiment with five identical brothers. They all have the same risk profile and investment objectives. All five chose to invest in the same portfolio of global equities at exactly the same time and have all held their investments for the last 44 years (as far back as we have daily data for the MSCI World index[1]). The only difference between them is the frequency with which each brother monitored his performance along the way; David checked the price on a daily basis, Wayne weekly, Mike monthly, Quentin quarterly, and Alex annually – the equivalent of how often a runner checks his time during the run. Since they held their portfolio for the whole period they all achieved the same results. **What is significant, however, is the difference in their experience of the journey.**

The following table highlights the different perceptions of the journeys. Out of all the times David checked his portfolio performance, it was up from the previous day only 53% of the time. Wayne, on the other hand, only checked his performance at the end of each week and would have had a more favourable experience: the level of his portfolio was above the previous level 56% of the time. This increases, the lower the frequency, all the way down to Alex who was lucky enough to see a higher portfolio value 74% of the time he chose to look. However the problem is that **our sensitivity to gains and losses is not symmetrical**. There is a large body of evidence in behavioural science that documents prospect theory: the average person experiences the pain of losses twice as potently as the pleasure from an equivalent gain. To demonstrate this we have included a simple "Kahnemann Pain Index" – we double the aggregate amount of pain each brother perceives and subtract it from their perceived amount of pleasure. So for David, we take his total observed gains of 52.9% and subtract twice the total number of observed losses (2 x 47.1% = 94.2%) to arrive at a Pain Index of -0.41. The progressive decrease in the pain index with the frequency of performance watching is quite clear. In fact, the only brother who actually has a net pleasurable experience over the 44 year journey is Alex, who only checked his performance on an annual basis.

MSCI World (1971-2015)

How often you "performance watch"	% of perceived gains	% of perceived losses	Kahnemann Pain Index
David (Daily)	52.9%	47.1%	-0.41
Wayne (Weekly)	55.8%	44.2%	-0.33
Mike (Monthly)	58.9%	41.1%	-0.23
Quentin (Quarterly)	65.7%	34.3%	-0.03
Alex (Annually)	74.4%	25.6%	0.23

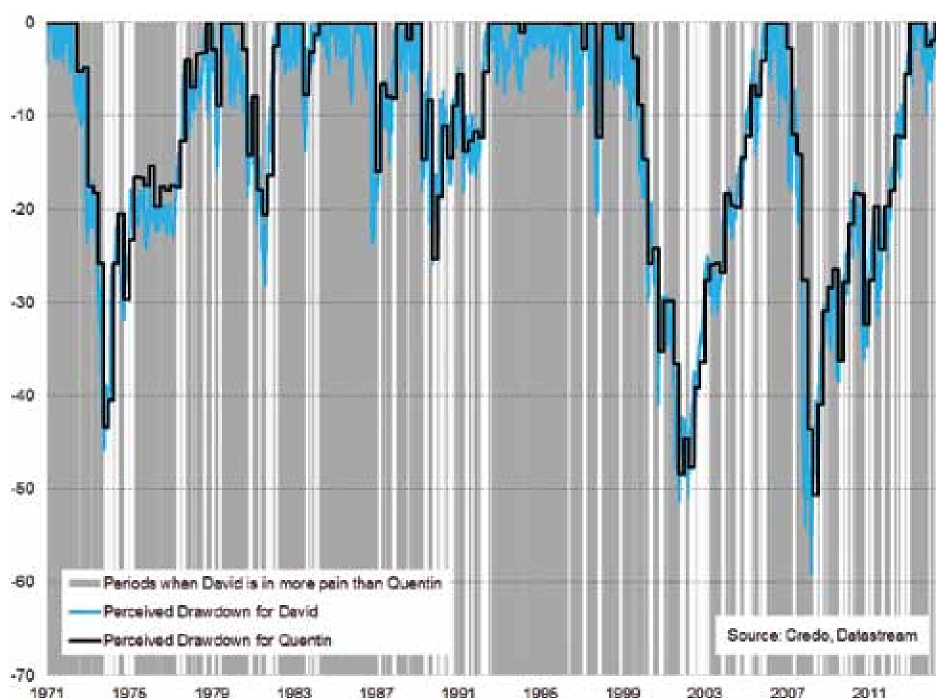
(1) Does not include dividends

the Marathon of Pain

An additional way to measure the perceived pain of investing is not just the number of times each brother saw a loss but the magnitude of their cumulative losses. The chart below illustrates the perceived maximum drawdown (cumulative moves below the previous high) for two of the brothers, David and Quentin (with similar results across combinations of each of the five). Whilst their actual returns were the same, David would have perceived his portfolio to be in deeper drawdown than Quentin 72.5% of the time.

The reason for these illustrations is that, in reality, perception stimulates action. Human beings have a finite tolerance for pain and negative feedback, before it leads them to change their behaviour. **Unfortunately in investing, many asset prices tend to display mean reversion over longer periods and if you drop out of the race by crystallising losses, your ability (both psychologically and financially) to get back in and finish can be severely impaired.**

Checking performance Daily is more painful than Quarterly for 72% of the 44 year period (MSCI World 1971-2015)



Accepting risk and controlling pain

Risk is not the chance that there might be pain – an investor accepts this possibility the moment they decide to invest. Risk is the possibility you give up before you get your return. Comparing the value of your portfolio against an arbitrary reference point (e.g. comparing the price to the last time you decided to check it) only serves to trigger behavioural biases, impacting your ability to ride out the volatility on the way to your goal. But if, like David, you just can't help worrying about the short term, then it will be less painful for you to run at a slower pace and take less risk from the outset. **The runner least likely to finish is not the one who is most unfit, it's the one who is most overconfident about his fitness.** ■

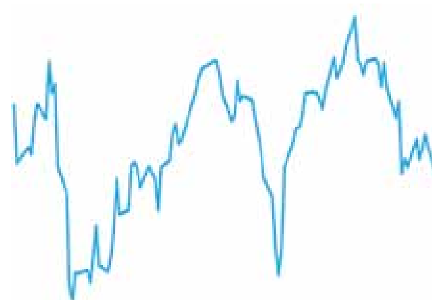
Ed Fincham - *Investment Analyst*

"to the human eye, market returns are largely indistinguishable from random processes"

A not so random walk

Burton Malkiel famously argued that asset prices follow a random walk. That is, they consist of a succession of random steps; each bearing no relation to what came before. To demonstrate this, he gave each of his students a hypothetical stock worth an initial fifty dollars. Every day the stock prices were determined by coin flips: heads and the stock price rose, tails and it fell. A simple process, yet randomness is not so intuitive; **clustering creates an illusion of cycles and trends that even professionals struggle to dispel**. Seeking the advice of a technical analyst (one who seeks to predict the future using archetypal price patterns) Malkiel was instructed to immediately buy the hypothetical stock. Of course, this was nonsense as, being randomly determined, there was no overall trend.

This effect is similar to what are known as "financial Turing tests", where market participants are asked to identify real market returns in a selection of randomised data. Consider the following charts – are you able to distinguish the real from the random?



Even to the seasoned practitioner, it is by no means easy. Yet this simple game tells us little except that, **to the human eye, market returns are largely indistinguishable from random processes:** though an interesting behavioural observation, it provides no clarity as to whether market returns are actually random.

Before delving into an exploration of randomness, it should be noted that the random walk itself suffers from numerous shortcomings. Principal among these is that it does not distinguish between local randomness and global randomness. If a given time series appears random in the long-run, it is said to exhibit global randomness, even if sub-sets of the same series may at times appear to be non-random. If local randomness were to hold, each sub-set of the series would also exhibit randomness. The random walk, however, does not distinguish between local or global randomness.

Ed Fincham - *Investment Analyst*

"The advent of "Big Data" has unleashed a Pandora's Box of investment tools"

In order for a market to be truly random, there are a few features it must possess. Firstly, and least surprisingly, it must pass statistical tests for randomness. Such tests assess the difference between the distribution of a given series of market returns and that of a random sequence. Secondly, a random data series must be incompressible. That is, there can be no way of representing the series without loss of information. While this may appear rather abstract, it is remarkably simple. For instance, the infinitely long sequence "0101010101…" can be more succinctly expressed as "01" repeated infinitely. By contrast, a sequence which is truly random and has no apparent pattern cannot be expressed as such. Finally, it must be impossible to make money out of the market. More specifically, a sequence is random if a fair game (where knowledge of past events doesn't help predict the average of future winnings) does not offer any opportunity for profit. This is largely equivalent to saying that in a simple coin toss game where a player persistently makes the same bet, he will eventually be bankrupted.

Returning to the random walk hypothesis, while global randomness is possible, there is a fly in the ointment of local randomness. Specifically, consider the sequence "0000010010110100011010101…" which seems random in so far as it is incompressible. However, if we split the sequence into four sub-sets, this axiom appears violated: "[00000][10010110100011][010101][…]". The first and third sections are easily compressible and, as such, we may argue that while in aggregate this series exhibits global randomness, it exhibits only partial local randomness. That is, a local random walk hypothesis would claim that **for some minimum time period, the market will appear to be random but for finite periods of time, this randomness may break down**.

While this distinction between global and local randomness may seem trivial, it is an essential nuance. It describes a market system where a fool and his money are soon parted but, for the wily empiricist, cracks in the façade of randomness may be identified and exploited. Although this article has focused on the mathematics of randomness, in the absence of context many non-random time series may appear random; to a certain extent, stock movements correlate with news flow. **The advent of "Big Data" has unleashed a Pandora's Box of investment tools, such as sentiment analysis, which can map the aggregated opinions of millions of investors to individual stock prices.** As ever, the usual caveats apply: a successful investor is one who engages in what Howard Marks describes as "second-level thinking". In other words, your neighbour no doubt has the same set of new randomness-busting toys at his disposal, so where is your edge?

John Verkroost - *Investment Analyst*

The problem of human nature in investing

As a recent addition to Credo, but not to the world of investing, I thought it might be useful, in as much as I can in an article such as this, to highlight my approach to investing; why I believe the majority get it wrong and how I intend to avoid making the same mistakes.

First and foremost, **everything I do is predicated on a belief that stock markets are inefficient** and that fundamental analysis can, over the long-term, generate significant wealth relative to a passive investment strategy. If I woke up tomorrow and thought differently I would resign and do something else with my life. Without such a belief it would be disingenuous to suggest an equity allocation is made to anything other than index trackers.

Why I believe, and have so far observed, markets to be inefficient is that investment professionals, like all humans (they really aren't anything else, despite what some might have you believe!), are affected and often dominated by emotional biases, of which I generally hold two above all others:

1. In general, people suffer from short-termism and act, consciously or otherwise, to maximise short-term gratification, with less regard to their ultimate long-term benefit.

2. Few people like to be alone or stand out from the crowd, particularly as most, quite understandably, prefer the congratulations – as opposed to the derision – of their peers.

As a consequence, **being a successful investor is not necessarily about being smarter than average**. While a degree of intelligence is clearly required, it is overwhelmingly about being able to control such biases. Some might simply lack the diligence to make optimal investment decisions and without that, any impact of emotional biases is moot, but if otherwise so simple, why do the majority of investment professionals underperform their respective benchmarks? For me, ultimately **few investors will be ignorant of emotional biases, but many will fail to control them**, whether unconsciously or heavily influenced by outside factors; sometimes even by the people they are supposed to serve. Indeed, one may argue that the pressures facing many investment professionals can compound these biases:

1. Short-termism isn't just an inbuilt human trait. It is in fact emphasised by much of the investment community, including those working at large investment banks who have the ability to affect market sentiment and move prices. Fixating on next quarter's earnings, forecasting each quarter line by line, and importantly being assessed (and rewarded) accordingly, is inevitably going to lead to a lack of focus on long-term results, which constitutes most of a company's value.

2. If a portfolio manager doesn't create value he has little or, more realistically, negative worth – not a great outlook when considering how many underperform. This leads to the acceptance of mediocrity, herding around ▶▶

John Verkroost - *Investment Analyst*

"Clients can be their own worst enemies, but it's rarely their fault"

the average and avoidance of perceived career risk. If one makes a bad decision or avoids making a good one, well, at least they are in the same boat as everyone else. In this context it's not hard to see how companies are overbought and oversold.

So, one takes a long-term view, avoids the common emotional biases, correctly differentiates themselves from the market and genuinely creates value. The Holy Grail? Well, yes if they can keep on employing it. But, even investors who are successful over the long-term go through periods of underperformance and it shouldn't be forgotten that the market can remain irrational for a very long time. Underperformance is an uncomfortable place to be for both clients and advisers and the former can often pressure the latter to depart from their long-term successful strategies at the worst of times. **Clients can be their own worst enemies, but it's rarely their fault.** All too often it is a consequence of portfolio managers seeking to grow assets under management at the expense of clients who genuinely share and understand the philosophy being employed (see short-termism above).

So, what steps have I put in place to maximise the chance of not falling into the same traps?

1. I recognise that I am a likely victim of emotional biases and review each decision I make in that context. I seek to take advantage of others' biases and pay special attention to situations where the majority of market participants hold a consensual view.

2. I rigorously apply consistent, long-term, bottom-up, fundamental analysis to stock picking and only invest with high conviction when the price and intrinsic value of a company are materially misaligned and will not swing at marginal pitches.

3. I support sufficient diversification only to the extent that it does not result in marginal low conviction ideas being held. Clients should sleep easily at night knowing that their portfolio managers do not.

4. I support the rigorous management and alignment of client expectations prior to and during any investment. Assets should not be sought to the extent that it dilutes this alignment and results in an elevated risk that clients invest and redeem at precisely the wrong times.

5. I pay little attention to short-term career risk. The biggest career risk facing any investment professional, such as me, is not adding value over the long-term. Anyone who doesn't should quit long before the industry or their clients catch up with them.

Only time, and a lot of it, will demonstrate if we've outperformed, but I have a high degree of confidence that if I stick to and hold colleagues to these principles, our clients will both remain with us and be well rewarded over the long-term. ■

"Only time, and a lot of it, will demonstrate if we've outperformed"

Rupert Silver - *Director*

And now for something

In a world where different asset classes are becoming more and more correlated, our recent discovery of CATCo Reinsurance Opportunities Fund Ltd (CATCo) looks to be a breath of fresh air. CATCo is a unique opportunity which enables investors to access the reinsurance asset class through a market leading firm. The Fund provides reinsurance to reinsurance companies for tail risk events; CATCo is the last layer of the insurance chain as reinsurance companies need to minimize their exposure to significant events for solvency and credit rating purposes. Therefore in the main, **CATCo will receive a premium from reinsurance companies for events with very large excesses**. For example, $10m of insurance liability if there is more than $15bn of industry wide losses from a Gulf of Mexico windstorm.

Due to the structure of the product, if there are no pay-outs in any given year the investment trust will return 17% in US dollars. Based on industry wide assumptions, CATCo estimates there is a 60% probability of no pay-outs in any given year. Of course, at some point, a natural disaster will occur, eroding the product's return. Accordingly, over the long-term, the investment targets a return of LIBOR + 9-12%, of which it intends to distribute LIBOR + 5% by way of dividends. The track record is superb, having returned over 10% net of fees on an annualised basis since its inception (in spite of natural disasters in both Japan and New Zealand). Although past performance is no guarantee of future returns, it illustrates the level of return that can be achieved within this asset class and, **for the potential downside, we believe this provides more than adequate risk-adjusted return**.

How is this achieved?

CATCo looks to build a globally diversified product, with exposure to different regions and risks, known as pillars. For instance, one pillar might be an earthquake in the US. To ensure a broad pool of cover, CATCo insures 10 unique pillars within a single policy. Although each pillar is insured individually, the insurance company pays a premium equivalent to 9 pillars. In effect, this enhances returns for CATCo without having to employ traditional methods of leverage.

Additionally, **the Fund continually assesses market pricing to identify dislocations between premium prices and risk, based on actuarial models**. If the premium for a perceived risk falls too low, the Fund will reduce exposure, paying a premium to other counterparts for this insurance. In such a scenario, the Fund can theoretically achieve over and above the targeted 17% return.

completely different

What's the downside?

Downside occurs when any loss exceeds the insurance excess set out within each policy. In a worst case scenario, the maximum loss is currently -8% per pillar. The Fund estimates this to have an approximate 0.25% probability or, in other words, a 1 in 400 year event. To compare this with the equity markets, since available data records began for the FTSE 100 and MSCI World Index, they have returned a loss in excess of -8% in 3 out of the last 29 years (that is, 10.34% of the time) and 6 out of the last 45. However, in the context of CATCo, **the key risk to consider is multiple disasters occurring within any given year**, and we note that there are 23 listed events that may cause losses of capital of over 5% each.

Conclusion

CATCo not only offers an opportunity to achieve very attractive rates of returns, but also with very limited correlation to equity and high-yield bond markets.

We have a high degree of confidence in the management team and note that the lead manager has personally invested $15m in the strategy. We also note a blue chip investor base, including several pension funds and well known institutions such as Fidelity, M&G, and Old Mutual, some which invest in the listed Fund and some in a replicated private strategy.

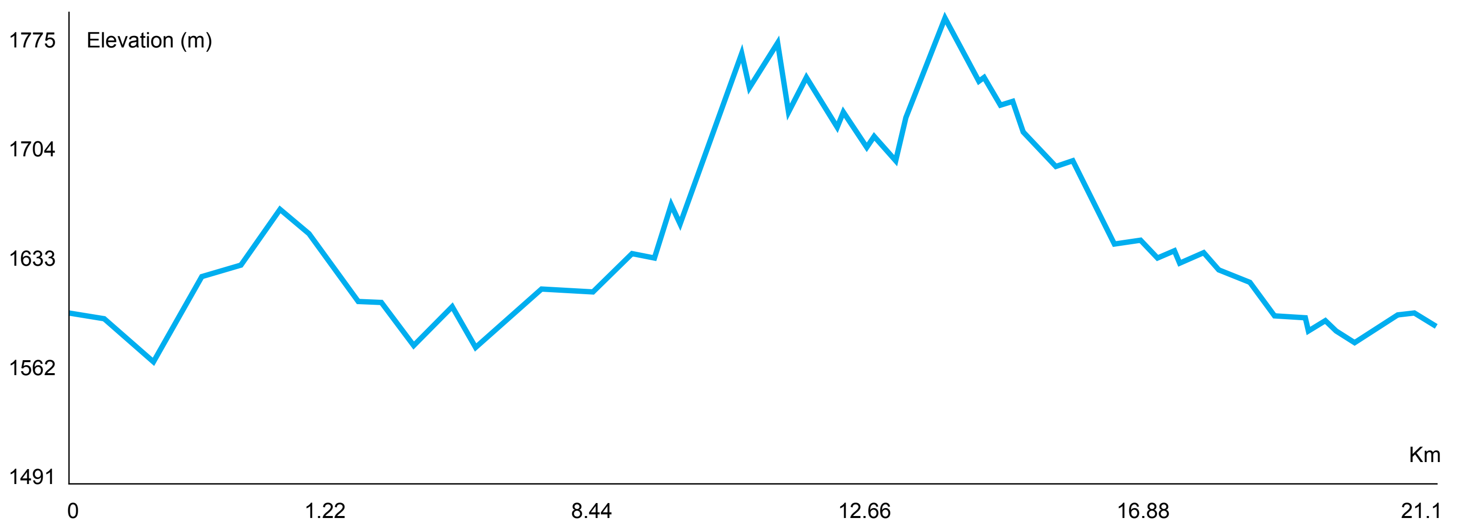
When compared to peers, the return of this Fund is unparalleled, and the typical fund competing with CATCo is often exposed to more downside and has less international diversification. We also stress that the best time to invest in the sector is after periods of catastrophic events as these times will be characterised by high insurance premiums and insurers taking a higher level of protection. However, timing one's investment following such events is largely impossible so we would recommend that for those clients who are interested (and for whom such an investment would be suitable) they stagger their investment, adding to the position in the aftermath of any incident.

For more information on this investment opportunity, please contact your Relationship Manager. ■

"for the potential downside, we believe this provides more than adequate risk-adjusted return"

SJ du Preez - *MD, South Africa*

Is this a road race or the stock market?



Start elevation 1596 m | Max elevation 1784 m | Gain 370 m

Source: Credo, Pirates 21

By the time you read this we will have experienced an interesting, albeit volatile, year in international investment markets. As you can see from the graph the market gave back all the gains made earlier in the year. No, wait, this chart is not the stock market, it is actually a road race! And it is none other than the toughest half marathon Gauteng has to offer: the Pirates 21.1km road race.

Credo Wealth is sponsoring the 2016 Pirates race, to be held on the 21st February 2016 and I have signed up to run it. Despite being one of the toughest half marathons on offer, it will be my first attempt at road running! Obviously, that means I have a lot of training ahead of me. Fortunately, I have a few friends with vast running experience, not least our very own CIO, Deon Gouws, who has over three decades of long distance running experience. To my surprise, I didn't really need much road running advice. Rather, all I need to do is apply some of Credo's principles of investing to my road running preparation.

Principles of Road Running and Investing:

1. Start early

The first thing Deon (and others) told me is that I have more than enough time to get fit for the race as I signed up early and I have already started training. The same applies to investing. The earlier you can start investing the better. Investing is a long-term game and there is nothing more frustrating than looking for (or concentrating on) short-term gains when one should have a long-term outlook. There is, however, still hope if you haven't started investing. Always remember the ancient African proverb: "The best time to plant a tree was 20 years ago, the second best time is now."

2. Proceed with caution

I was advised that I shouldn't try to do too much too quickly. Having already applied Principle 1, the next step was to make sure I took it very slowly to avoid injury. One can get "injured" very quickly with one's investments if you get caught up in the short-term market noise and the daily news flow. Just like I should take it slow and build my fitness levels in small increments, an investor should expect slow incremental increases in their investment portfolio over a long period of time.

3. Keep going

Numerous South African friends with running experience have warned me about a mythical beast, the "Festive Season Bear" that jumps out – usually between 15th December and 15th January each year – ready to devour one's will power to maintain a fitness regime over the period. Apparently the only weapon against this beast is to "up your game". Strangely the Festive Season Bear has a remarkable resemblance to the "Bear of the Bear Market" that jumps out to devour your confidence and resolve in periods when investment markets go down. The best weapon against this beast is to increase your exposure by adding additional capital to your investment portfolio when markets are down: that is, to "up your game". To paraphrase Warren Buffett: despite the varied traumas of the 20th Century – from World Wars to deep recessions – the Dow rose from 66 to 11,497.

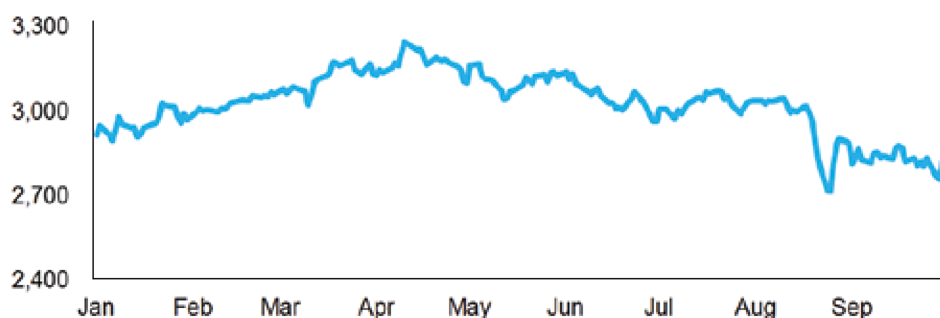
4. It will be tough, but worth it

Even if I train consistently and manage to beat the Festive Season Bear, the race will still be tough. I have been told, however, that the elation of completing such a challenge makes all the hard work worthwhile. The same holds true for investing. The following graph plots the performance of the MSCI World Index (in pounds sterling) since the beginning of 2015.

It continues to be a tough investment environment and the wounds from the most recent Bear are still raw, but we believe we will receive just reward so long as we stick to our principles over the long-term and complete the challenge.

Please join us for the Pirates 21.1km road race on 21st February 2016. More information about the race can be found at pirates21.co.za. You are most welcome as a competitor or a supporter!

Just like a road running regime, keeping to an investment plan is beset by challenges. Let's tackle the challenge of preserving and growing your wealth together. ■

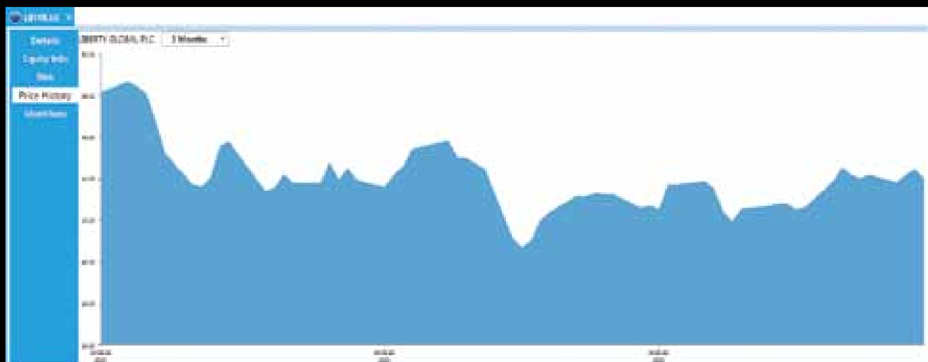


Source: Credo, Bloomberg

Christelle Coetzee - *MyCredo Specialist*

Viewing Security Information

Security Details, Equity Information, Risk Information and Identifiers



Price History

This MyCredo insert will soon have its own place in the form of regular MyCredo Tips which will be sent electronically to relevant MyCredo users. Here is a sneak preview:

The information on all securities available on MyCredo has been sourced from Bloomberg and is available at the touch of a button.

Right clicking on any listed security will expand a selection of security details.

For more information, support, or training requirements please contact Christelle Coetzee (MyCredo Specialist) or MyCredo Support.

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CREDO
LUNCH WITH
BOB SKINSTAD

Credo recently hosted a luncheon with former Springbok captain, Bob Skinstad, as special guest, coinciding with the Rugby World Cup tournament which was being held in the UK at the time. Skinstad shared his views about the tournament and had the audience in stitches with his many anecdotes and impersonations. The event was a great success and was attended by some 30 clients as well as a few senior Credo staff.

Ready... Set... Go...

New Starters on the Credo Team:

Gabriella Mimran
Relationship Manager

Gabriella joins Credo having completed the Graduate Program at Julius Baer, working in both Portfolio Management and with a Relationship Manager focusing on international clients. Previously, she interned with private banks in Tel Aviv, Paris, and London.
She holds a BA in French and Middle Eastern Studies from the University of Cambridge and remains a keen linguist. Gabriella also enjoys skiing, Zumba, and going to the ballet.

Grant Daly
Corporate Actions Administrator

With over 18 years' experience in the financial sector, spanning asset management, stockbroking, and custody, Grant brings a wealth of knowledge to Credo's back office operations. Outside the office, Grant enjoys golf, wakeboarding when the weather is nice, and other forms of exercise.

Lola Paul-Enahoro
Client Services Administrator

Lola studied Business and Management at Brunel University in London. Since graduating, her focus has been on gaining experience in the financial services industry. Prior to joining Credo, she worked for the Financial Ombudsman Services as an adjudicator. In her spare time, she runs a hairdressing service as well as studying for the CISI Introduction to Securities and Investment exam.

presents

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