

STOCK TAKE



PUTTING CREDO'S PERFORMANCE UNDER THE SPOTLIGHT

Credit card providers and luxury goods are the ones to watch, says Credo Group director Jarrod Cahn

POSITIONING

Credo's Best Ideas Portfolio has been focused on large cap, defensive names over the past year with the aim of buying 'value at growth', Jarrod Cahn explained. No stocks have been sold over the past year, with only one addition to the portfolio, in the form of Vodafone, which has been a strong performer.

'The catalyst for that [purchase] was the strong growth and potential dividend which has actually materialised,' he said.

The star performer over the past year has been a holding in burger chain McDonald's.

'We like McDonald's because we thought that their business model was extremely compelling,' he said. 'They have been through a massive restructuring over the past couple of years in terms of getting the demographic right and winning market share in the US, while competitors were decelerating.'

PERFORMANCE

Only two financial stocks are present in the portfolio, HSBC and Prudential, and they have been slight dampeners on performance.

'We think, in retrospect, we may not have chosen financials, but we felt we must have some exposure to the financial services sector. We did actually anticipate a recovery to the sector and although we were not sure when and how it would come, we thought the safest way to play it would be HSBC, with its strong covering of Asia, which was showing signs of life.

'HSBC still ticks most of the boxes and, relative to Standard Chartered, we have found it to be well valued.'

While Prudential is priced at a premium to the sector, Cahn said he was happy to pay the premium for a well-managed business.

OUTLOOK

Cahn is now looking at buying into US-based credit card companies such as Visa or MasterCard. 'We like the business models - they are effectively monopoly businesses - but we are waiting to time our entry. Valuation is the problem.'

Luxury goods also look appealing. 'Although it's perceived that luxury goods have become a defensive sector, which I think is a misnomer, we believe that the trend of the consumer has become quite discerning and there is no doubt that the growth of the emerging consumer has become massive.

'We look at those companies that have diversified their businesses from being very EU-centric to being exposed to high growth in Asian markets. We prefer Richemont, because it is more diversified, but the problem is the Swiss franc has been so strong and the company does a lot of manufacturing domestically.'

CREDO CAPITAL'S TOP STOCKS

SOURCE: Credo

Holdings	Recomm. Price	Current Price	Return since Rec.
Anglo American	3090p	2655p	-14.1%
Apple	\$336.0	\$446.7	32.9%
BP	459p	475p	3.4%
Caterpillar	\$107.6	\$109.1	1.4%
HSBC	656p	537p	-18.1%
Imperial Tobacco	2000p	2263p	13.2%
McDonalds	\$76.9	\$99.2	29.1%
Microsoft	\$25.6	\$29.6	15.5%
Procter & Gamble	\$63.0	\$65.0	3.1%
Prudential	734p	705p	-4.0%
Roche	SFr131.8	SFr160.0	21.4%
UPS	\$72.6	\$75.6	4.2%
Vodafone	160p	175p	9.1%
Volkswagen	€111.0	€137.3	23.7%
Wal-Mart	\$53.6	\$61.5	14.7%
Average	N/A	N/A	9.0%
Benchmark2	N/A	N/A	-7.0%

Credo outstrips the benchmark over 12 months to 25 Jan 2012

