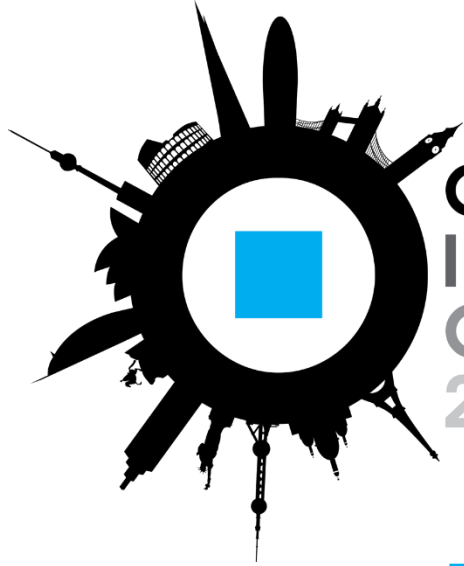


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2017

**BUSINESS OVERVIEW**  
ROY ETTLINGER

# Credo business overview



- Independent group founded in 1998
- Today circa 70% of equity owned by executives / employees
- Offices in London, Geneva, Johannesburg, Cape Town, Pretoria & Port Elizabeth
- Employs over 90 people

**Credo Wealth provides solutions to both:**

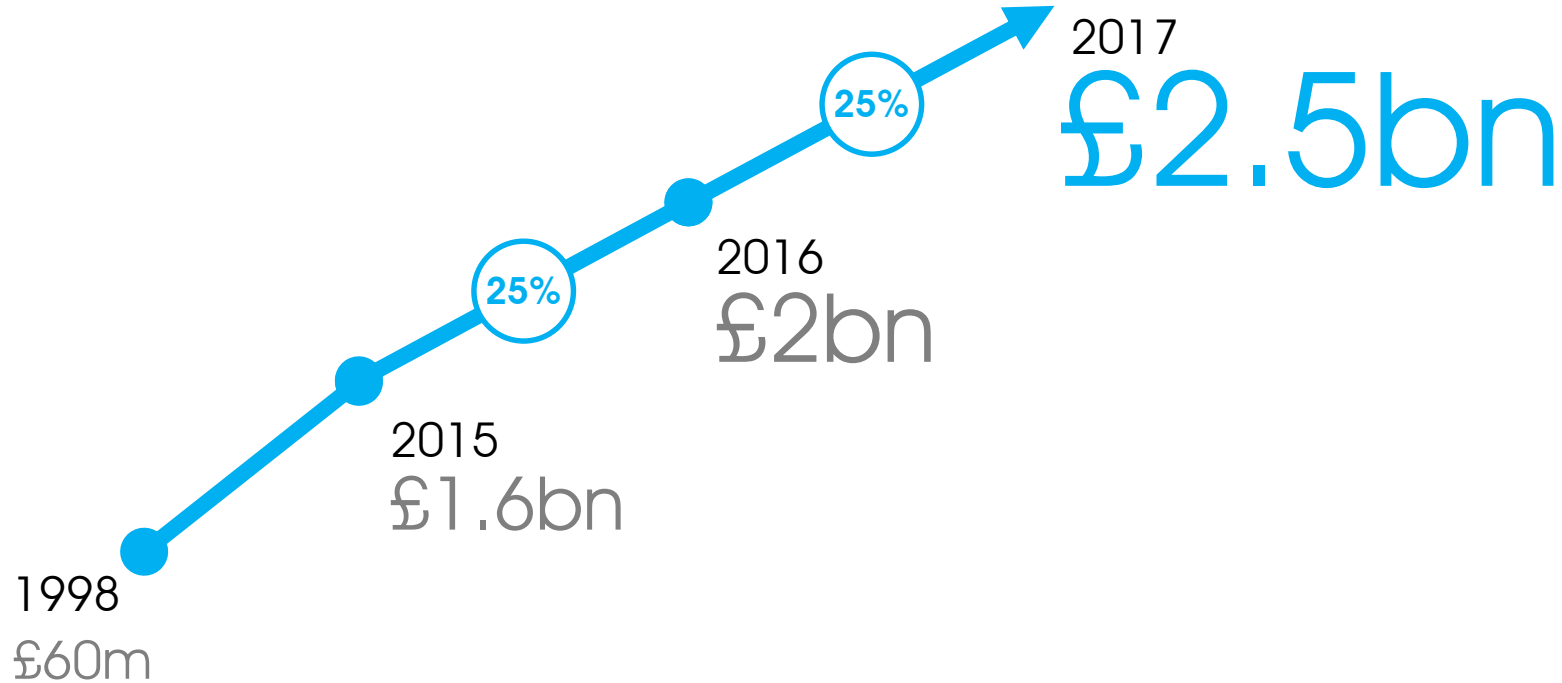
## Private Clients

Assets under  
Management of £1.5b

## Financial Intermediaries

28 Financial Intermediaries,  
with Assets under Custody of £1b

# Assets under administration



# Business philosophy



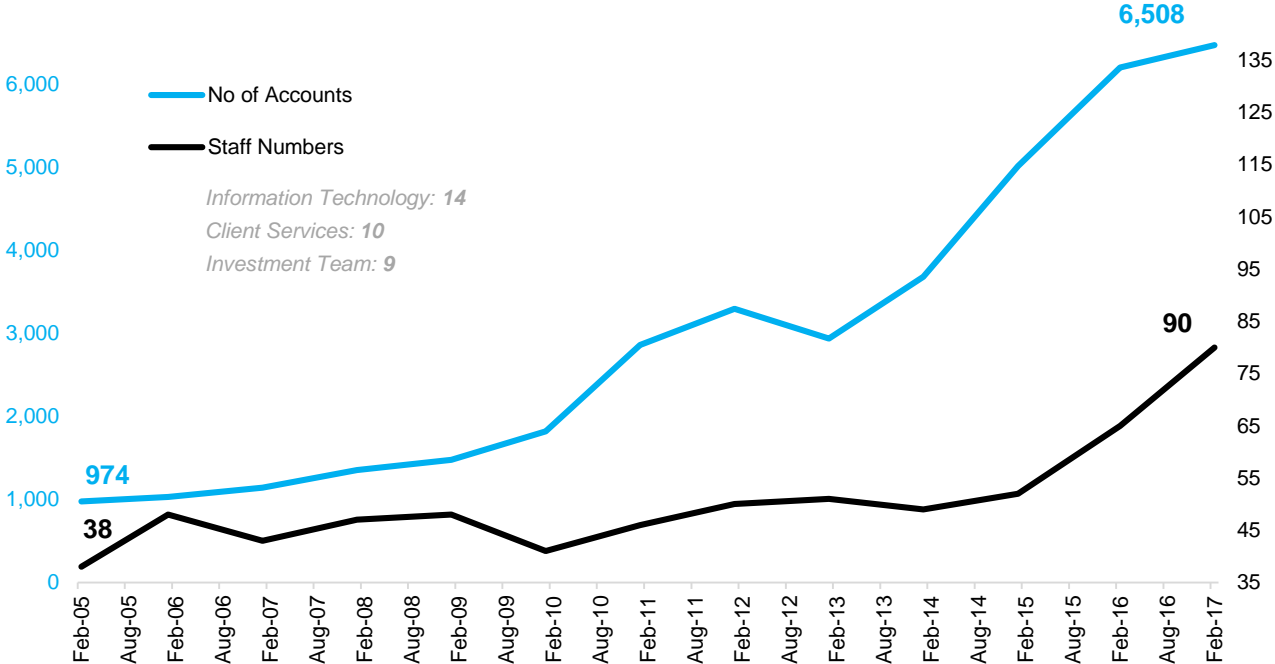
- Provide our clients with personal service
- Focus on long-term success
- To build relationships based on trust

# Strategic focus



- Technology, continuing investment in our IT infrastructure
- Investment solutions / Products
- Our people, increased staffing both UK and in SA

# Number of client accounts & staff





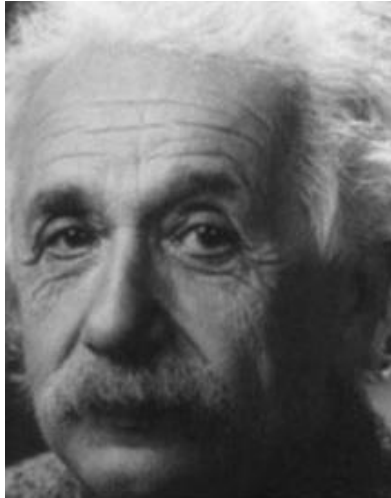
## Length of service



<b>Roy Ettliger</b>	<i>CEO</i>	<b>19 years</b>
<b>Alan Noik</b>	<i>Managing Director</i>	<b>17 years</b>
<b>Rupert Silver</b>	<i>Director</i>	<b>17 years</b>
<b>Jarrood Cahn</b>	<i>Director</i>	<b>16 years</b>
<b>Debra Chalmers</b>	<i>Legal &amp; Compliance Director</i>	<b>13 years</b>
<b>Alan Milstein</b>	<i>Financial Director</i>	<b>12 years</b>
<b>Deon Gouws</b>	<i>CIO</i>	<b>5 years</b>
<b>Greg Roediger</b>	<i>Non-Executive Director</i>	<b>19 years</b>
<b>Average</b>		<b>15 years</b>

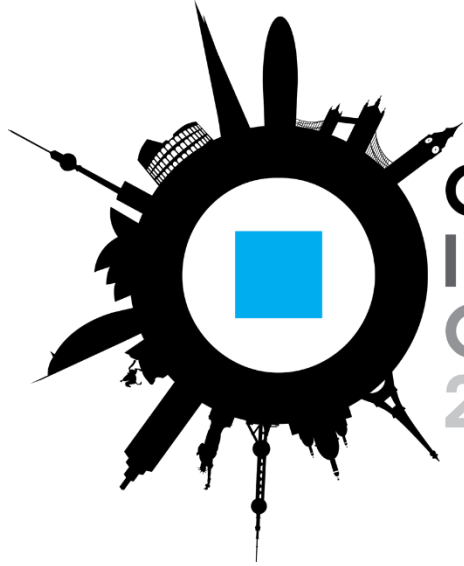
“The best time to **plant a tree** was 20 years ago  
The second best time is **now.**”  
*Ancient African Proverb*





***“Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn’t... pays it”***

Albert Einstein



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**PRODUCT UPDATE AND LAUNCH**  
ALAN NOIK

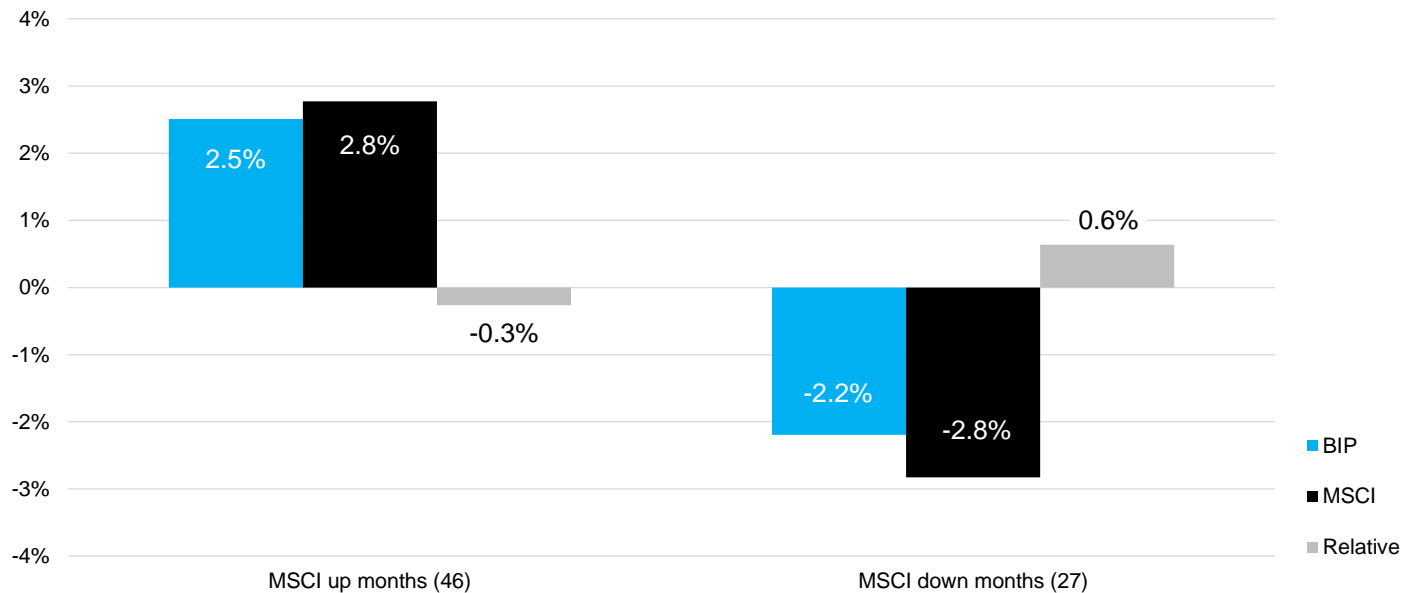
**Equities**

**Fixed  
Income**

**Multi-Asset**

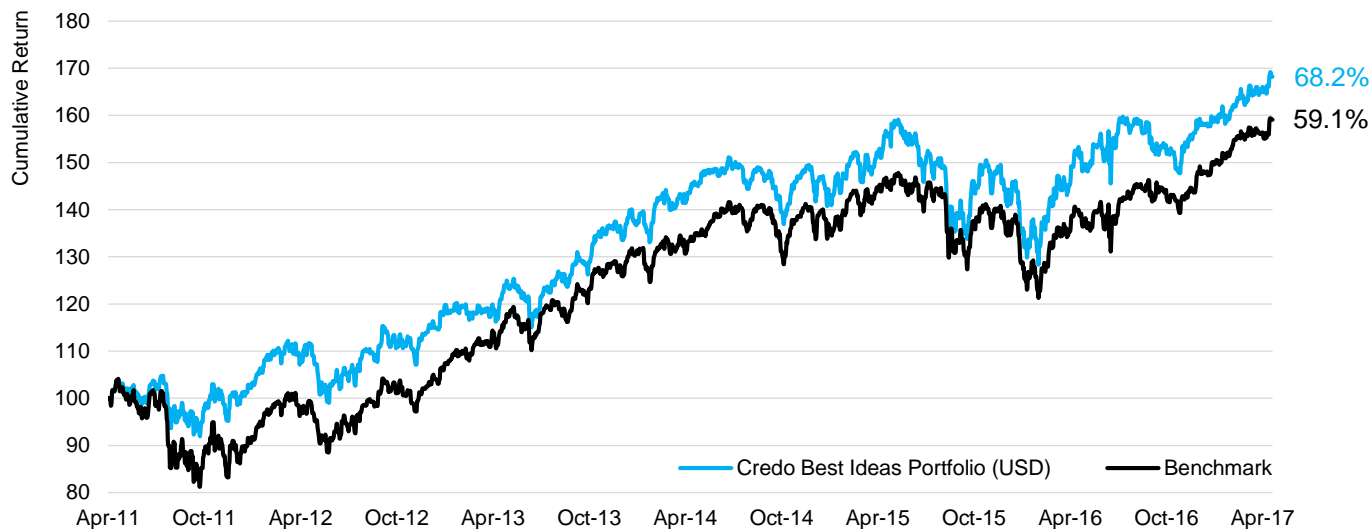
# BESTIDEASPORTFOLIO

Performance to 30 April 2017 (USD)



# BESTIDEASPORTFOLIO

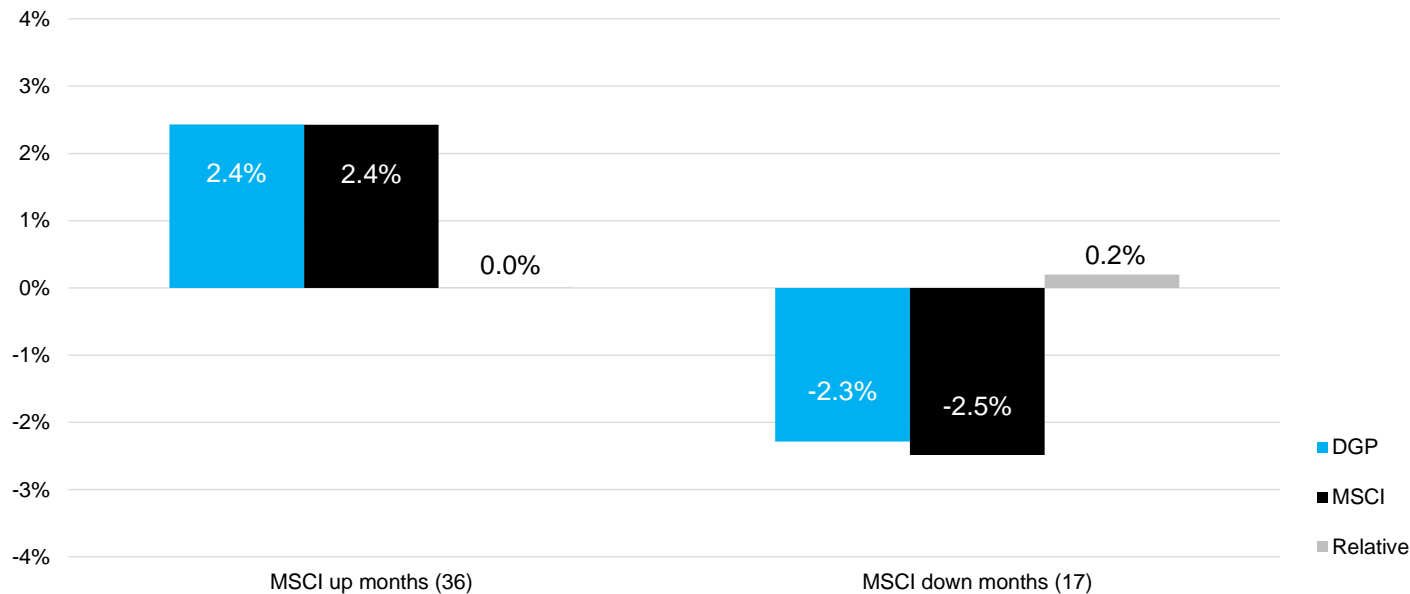
Performance since inception\* to 30 April 2017 (USD)



(\*) BIP inception: 14 April 2011

# DIVIDENDGROWTHPORTFOLIO

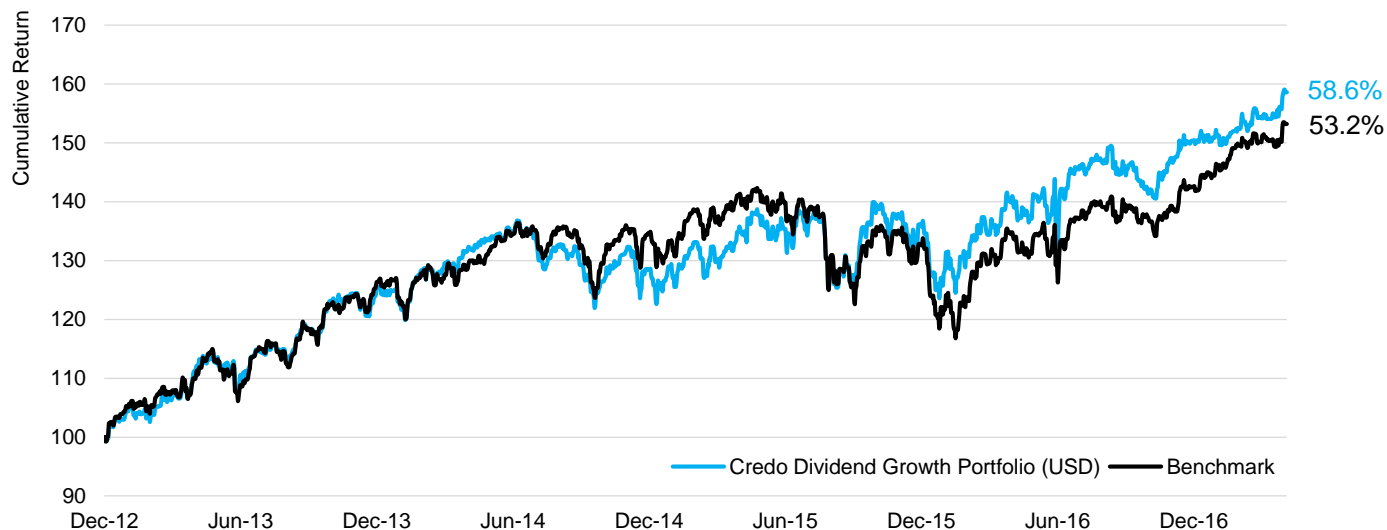
Performance to 30 April 2017 (USD)





# DIVIDENDGROWTHPORTFOLIO

Performance since inception\* to 30 April 2017 (USD)



(\*) DGP inception: 28 December 2012

BEST IDEAS PORTFOLIO

DIVIDEND GROWTH PORTFOLIO

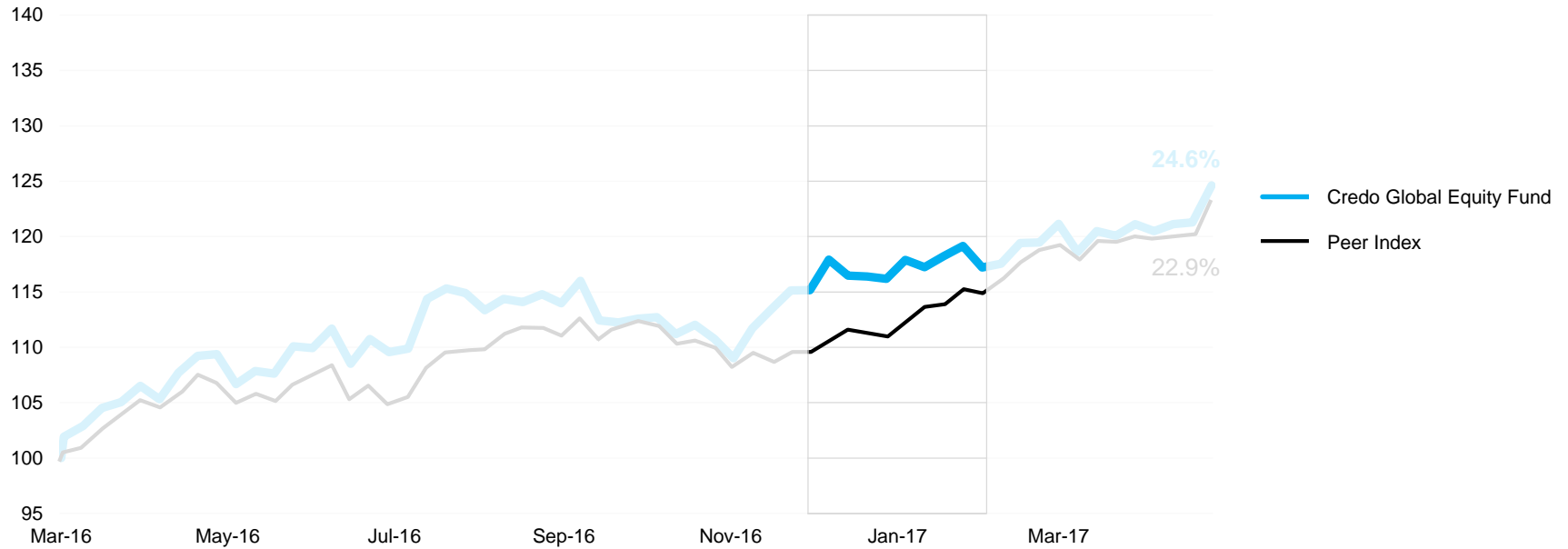
SPECIAL OPPORTUNITIES PORTFOLIO



**GLOBAL**  
EQUITY FUND

- Launched 1 March 2016
- \$1 per share (24/5: \$1.27)
- £: +36%
- Weekly dealing
- Daily dealing, UCITS regulated version, 3 July

## Credo Global Equity Fund vs Peers Index (USD)



“One of the key problems today is that politics is such a disgrace,  
good people don't go into government”

Donald Trump



# Major world events since last years' conference



- 23 June 2016      **Brexit vote**
- 8 November 2016    **US election**
- 8 May 2017        **Macron trounces Le Pen**
- 8 June 2017       **UK general election**

- 1 July 2017

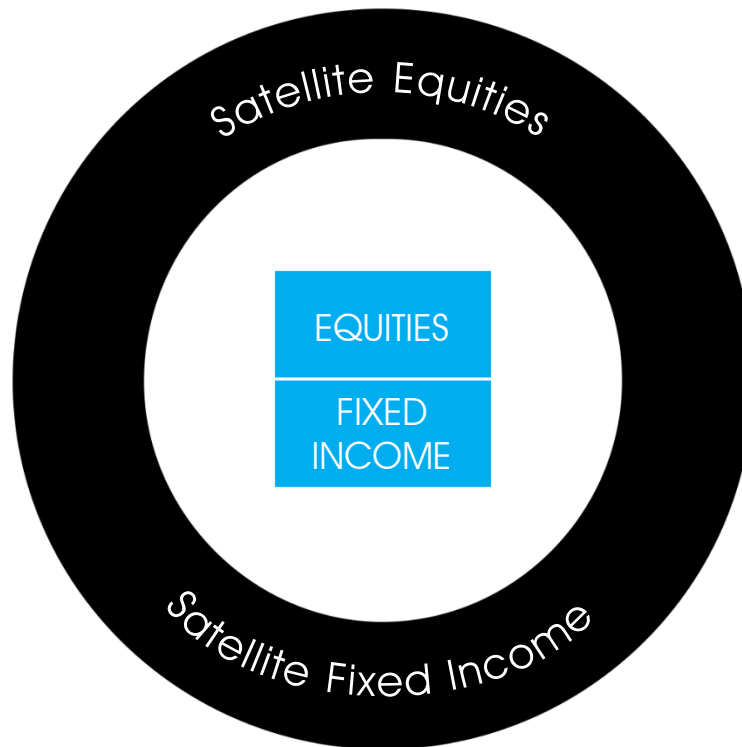
The next big event...

LAUNCH OF THE

**DYNAMIC**

F U N D

Our strategy





- Balance of income and capital growth
- Broad depth of expertise in both fixed income and equity markets
- Flexibility to allocate capital across asset classes depending on market conditions
- Sterling denominated

Investment team



**Deon Gouws**  
*Chief Investment Officer*



**Jarrod Cahn**  
*Senior Portfolio Manager*



**Rupert Silver**  
*Senior Portfolio Manager*



**Ainsley To**  
*Research Analyst*



**Jason Spilkin**  
*Portfolio Manager*



**John Verkroost**  
*Portfolio Manager*



**Benjamin Newton**  
*Portfolio Manager*



**Alison Norbury**  
*Equity Analyst*

# MULTI-ASSET PORTFOLIOS



---

Sample holdings MAP 70/30	Weight (%)
AQR Global Defensive Equity	8.5
Dimensional Global Targeted Value	9.4
DB X-trackers S&P500 Equal Weight	10.9
Hermes Asia ex Japan	5.3
iShares MSCI World	20.6
<b>Total</b>	<b>54.8</b>

---

Portfolio Performance (USD)					Annualised
Return (%)	YTD	1 Month	3 Month	1 Year	S. Inception
<b>Multi Asset - 70/30</b>	6.2	1.2	4.6	12.4	3.1
<b>Benchmark</b>	5.7	1.1	3.9	10.6	3.0
<b>Relative</b>	0.5	0.1	0.7	1.8	0.1

# Want to keep informed?



## PORTFOLIOPULSE

The Credo Portfolio Pulse provides monthly factsheets for our two **Equity Portfolios** and our four **Multi-Asset Portfolios**. The factsheets include performance, sample statistics, a market commentary and more.

Click on the buttons below for the latest factsheets:

**BEST IDEA PORTFOLIO**   **DIVIDEND GROWTH PORTFOLIO**

**MULTI ASSET PORTFOLIO 20/80**   **MULTI ASSET PORTFOLIO 45/55**   **MULTI ASSET PORTFOLIO 60/40**   **MULTI ASSET PORTFOLIO 70/30**

The **Credo Global Equity Fund (CGEF)** provides investors with long-only exposure to select developed market equity, based on our value-oriented investment philosophy.

Click on the button below for more details.

**GLOBAL EQUITY FUND**

For further information on these portfolios and the CGEF, contact your Relationship Manager or email us at [info@credogroup.com](mailto:info@credogroup.com).

**CREDO WEALTH**

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## EQUITYSPOTLIGHT

The Credo Equity Spotlight provides a concise summary of developments affecting the **Credo Global Equity Fund (CGEF)**, **Best Ideas Portfolio (BIP)** and **Dividend Growth Portfolio (DGP)**.

The CGEF is a long only global equity fund, the BIP is a diversified portfolio of global equities, positioned to outperform the wider equity market over the long term and the DGP is a diversified portfolio of global equities, positioned to provide investors with a sustainable and growing income stream through dividends and share buy-backs.


**VIEW THE "EYES TOWARDS FRANCE" SPOTLIGHT**

For further information, contact your Relationship Manager or email us at [info@credogroup.com](mailto:info@credogroup.com).

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## Bruce Whitfield interviews Deon Gouws on The Moneymakers (CNBC Africa)



UK Prime Minister Theresa May's recent announcement of a snap election to be held on the 8th of June 2017 was the topic of discussion between CNBC Africa's Bruce Whitfield and Credo CIO, Deon Gouws.


[Click here](#) to watch the clip

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## Welcome 2017! Is it time to invest offshore?

*SJ du Preez - Managing Director, South Africa*



It has been said that the only "free lunch" in investment markets is diversification. As a South African investor, have you considered the opportunity to diversify your investments by investing offshore?

[Click here](#) to find a few interesting facts regarding the opportunity set available offshore.

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About Credo

Credo is a global wealth management business in existence since 1998 with assets under administration in excess of £2.5bn represented by 6,000 client accounts and employs over 90 skilled staff. We have offices in the United Kingdom, Switzerland and South Africa.

[Read More](#)

[Legal](#) | [Sitemap](#)

Subscribe to our updates

\* Required field

Contact

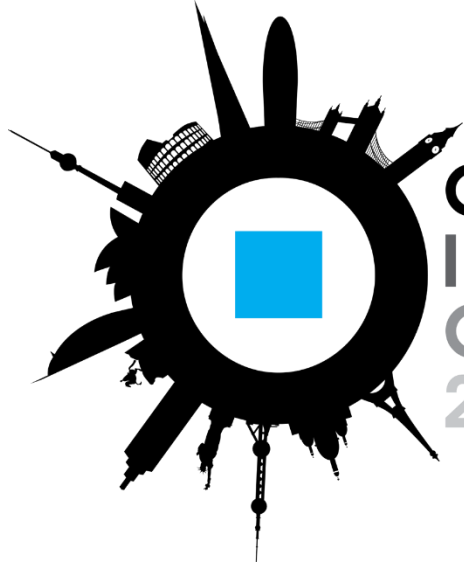
8-12 York Gate  
100 Marylebone Road  
London NW1 5DX

+44 (0)20 7968 8300

[info@credogroup.com](mailto:info@credogroup.com)

[Contact us](#)

[in](#) [twitter](#) [f](#) [v](#) [yt](#) [^](#)



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2017

**THE ALLURE OF THE OUTLIER**  
AINSLEY TO



## Probability - key to calculating expected value

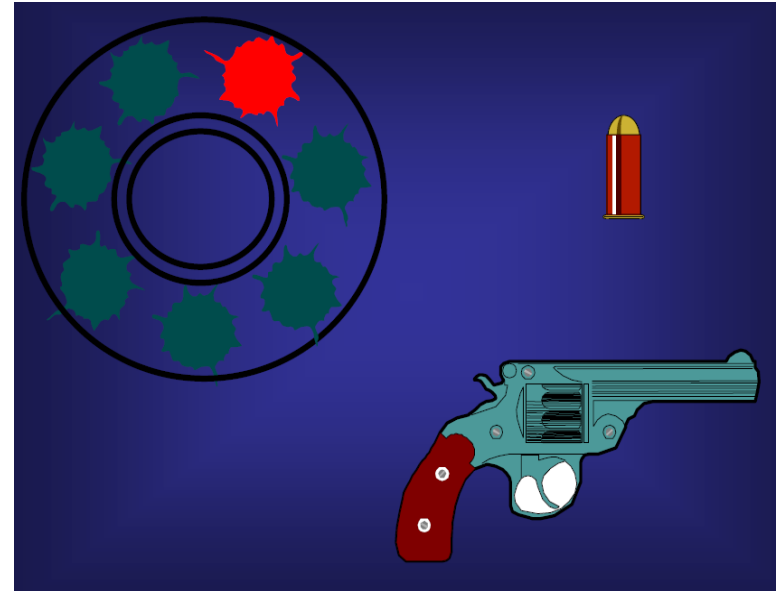


- All decisions boil down to estimating two components
- Today is a focus on outliers - observations or events with small probabilities of occurring

Expected Value = Value of Gain x Probability of Gain

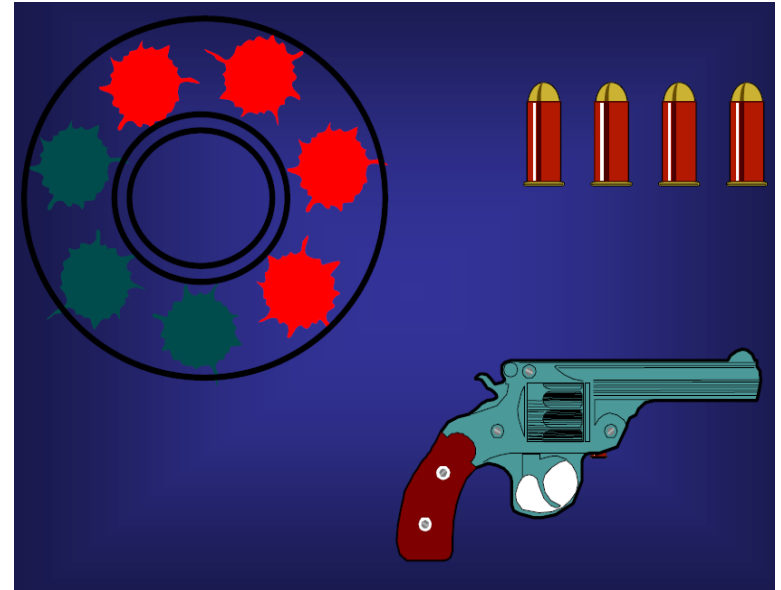
# How do you weight small probabilities?

- **Gamble A:** Remove 1 bullet from a gun that contains 1
- What is the most you would pay?
- 1 out of 7, or a ~14% of getting shot



# How do you weight “middle” probabilities?

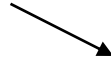
- **Gamble B:** Remove 1 bullet from a gun that contains 4
- What is the most you would pay?
- 4 out of 7, or a ~56% chance of getting shot



# Probability weighting



**Situation A:** 0% chance of winning \$10m



**Situation B:** 65% chance of winning \$10m



How much would you pay for an extra 1% chance?

- We place too much emphasis on small probabilities (**A**) and too little on middle probabilities (**B**)

# Probable vs Possible

- Subjects asked to estimate number of deaths a year for each cause

	Cause of Death	Estimate
Less Common	Fireworks	331
	Flood	863
More Common	Heart Disease	25,900
	Accidental Falls	2,585

Source: Lichtenstein et al

# Probable vs Possible

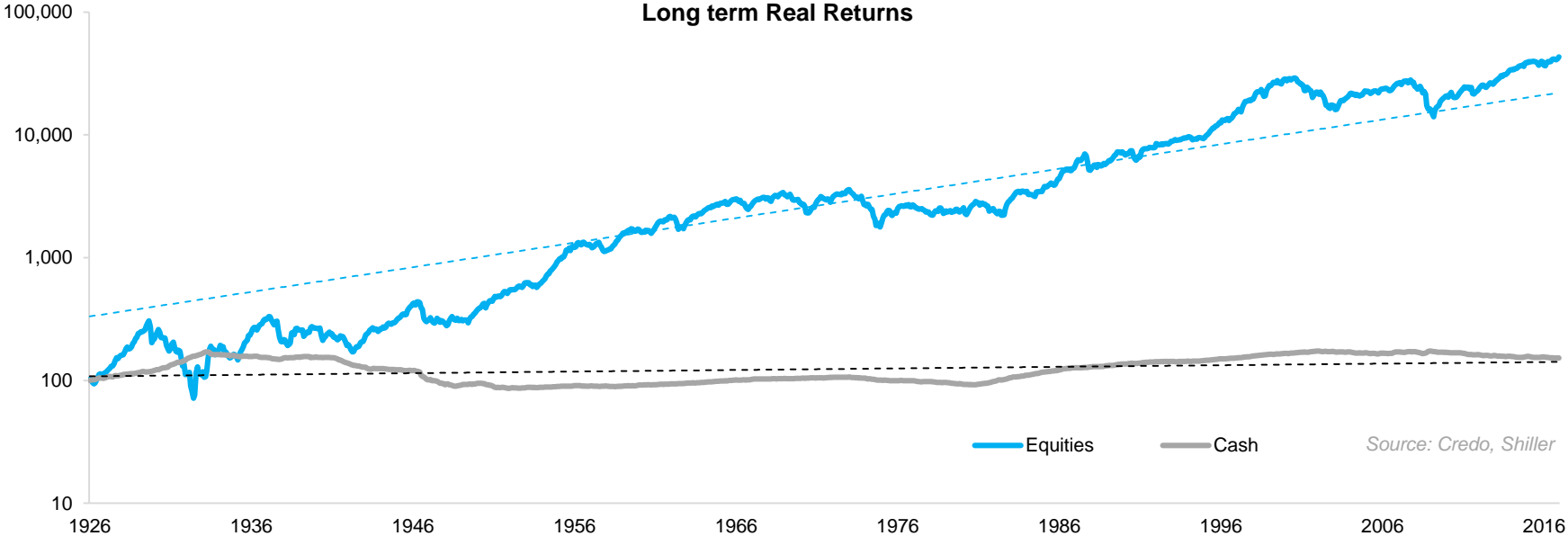


- We overestimate rare events and underestimate common events
- Rare events are more likely to make the news

	Cause of Death	Estimate	Actual	Error
Less Common	Fireworks	331	6	+325
	Flood	863	205	+658
More Common	Heart Disease	25,900	738,000	-712,100
	Accidental Falls	2,585	17,425	-14,840

Source: Lichtenstein et al

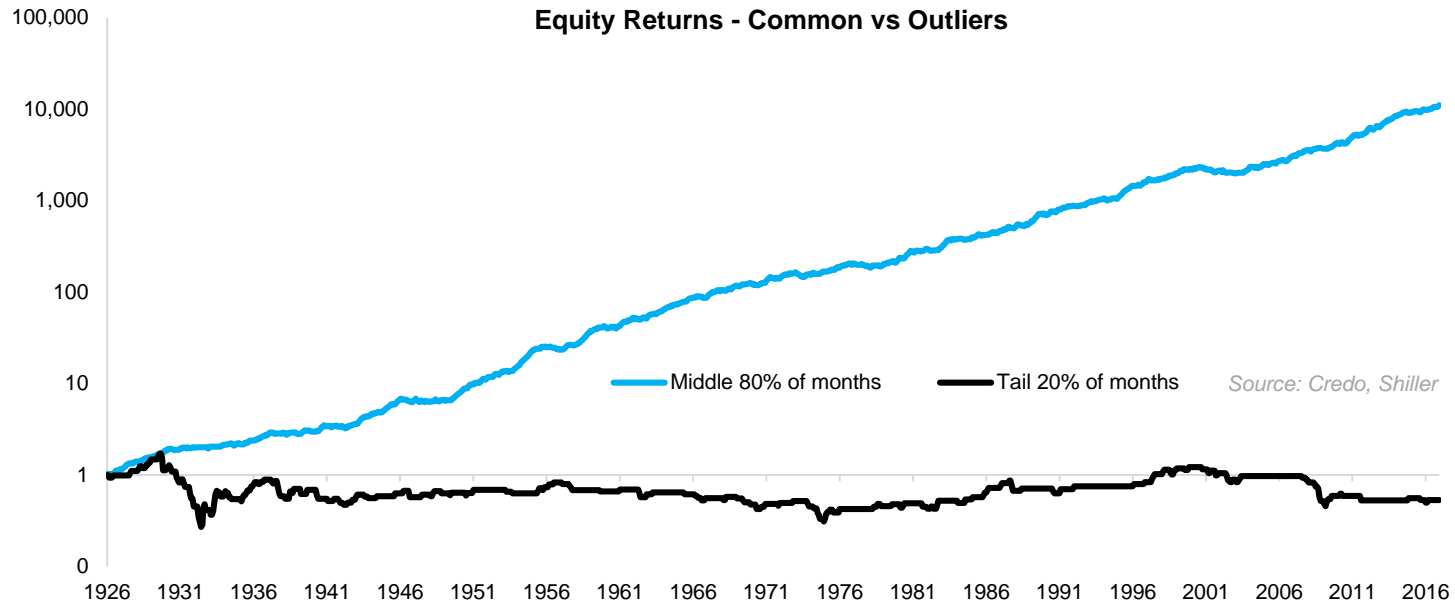
# Equities have provided a return over cash



# Outliers in equity market have detracted value



- When are you more likely to check your portfolio?



Volatility	
Middle 80%	7.47%
Tail 20%	31.29%

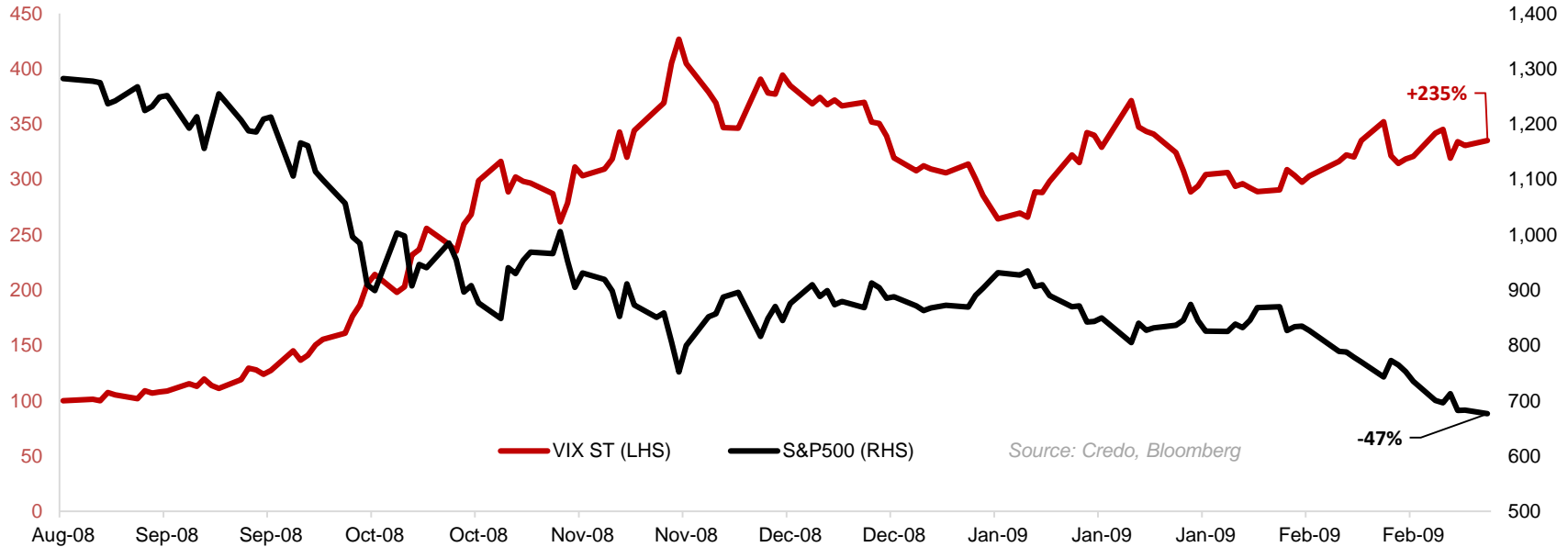


# The Possible vs The Probable



- A disproportionate amount of attention is given to 2008

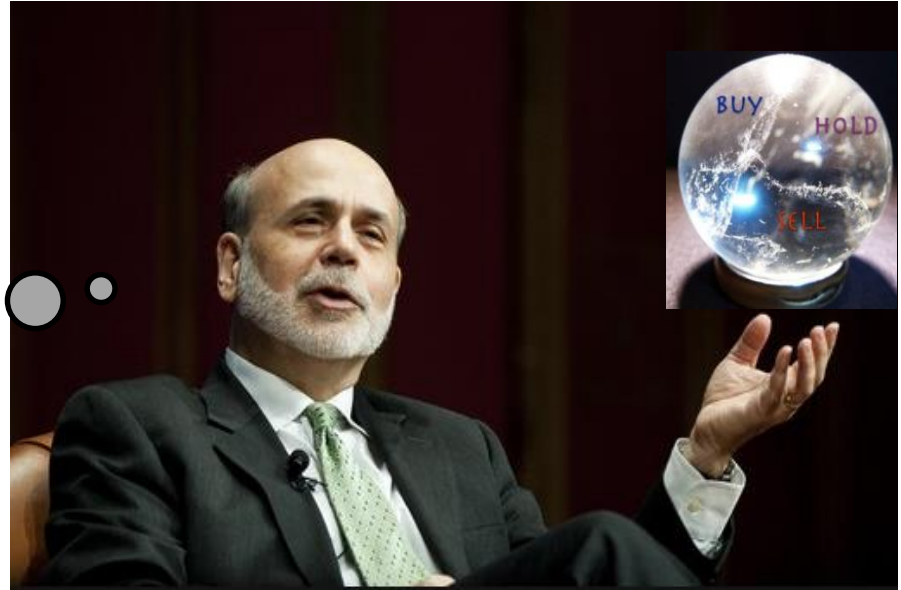
Betting on outlier events - Sep2008 - Mar2009



# Betting on the outliers

- Your Crystal Ball has 90% accuracy in predicting crises
- Crises happen 1% of the time
- What happens over the long term?

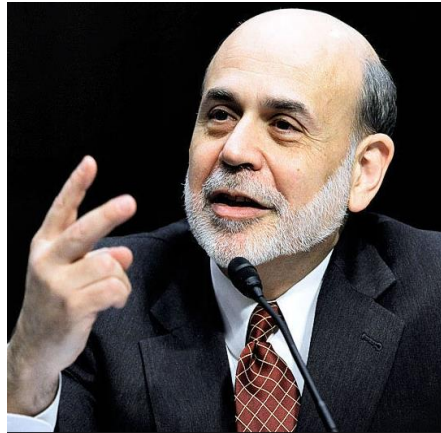
“90% of the time,  
it works every  
time 😊”



# Betting on the outliers - false positives

- Over 1000 periods you predict **108** crises, **99** of which are false:

99/108 = **92% ERROR**



**CRISIS  
(1%)**

1/10 Missed (10%)

9/10 Correct Crisis (90%)

**NO CRISIS  
(99%)**

99/990 False Positive (10%)

891/990 Correct No Crisis (90%)

The Federal Reserve is not currently forecasting a recession.

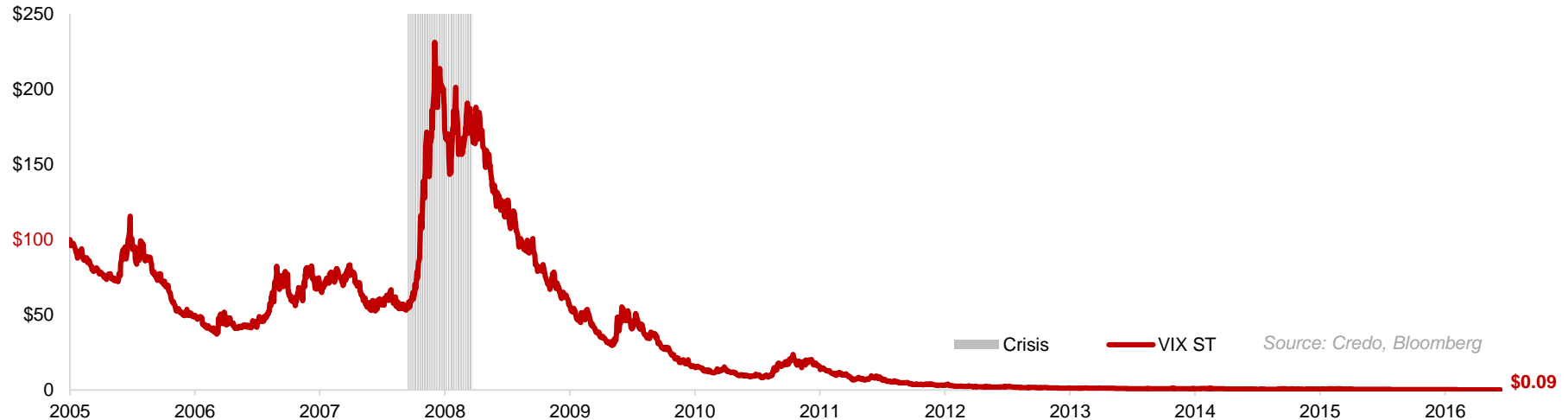
— Ben Bernanke —

Jan 2008

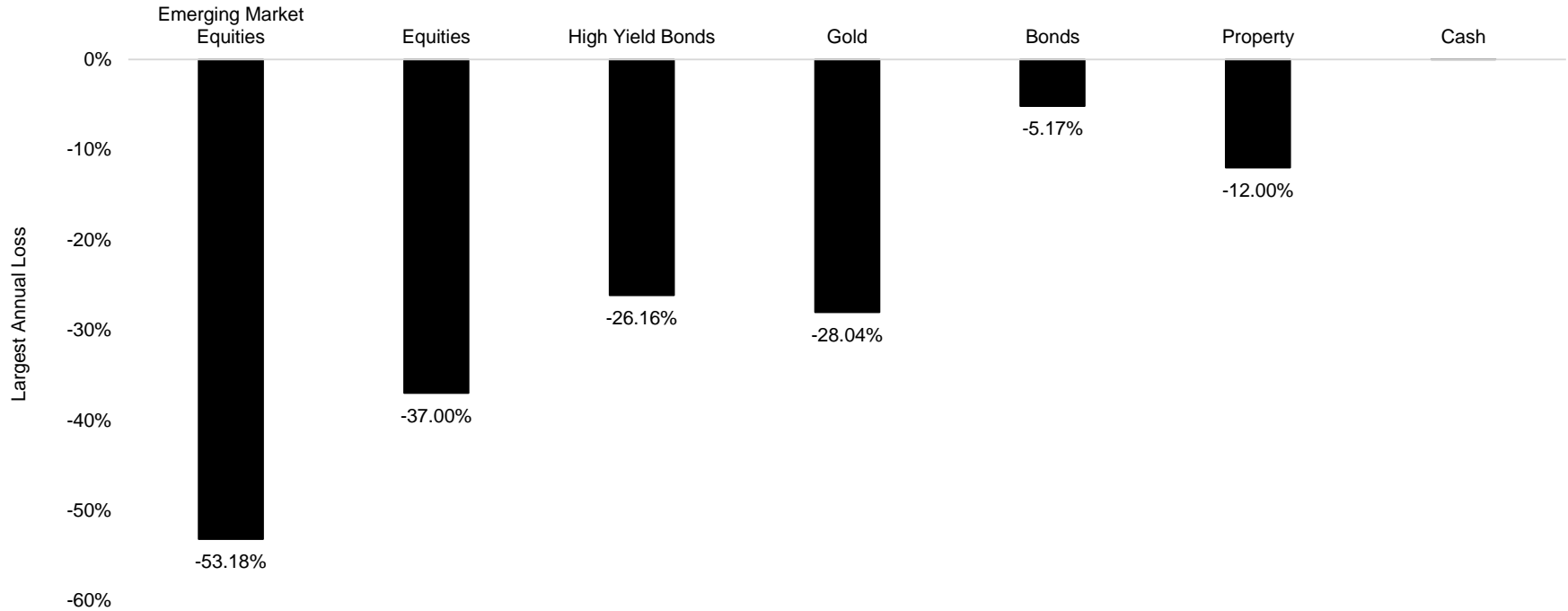
# The Possible vs The Probable

- *“Far more money has been lost by investors in preparing for corrections, or anticipating corrections, than has been lost in the corrections themselves.” - Peter Lynch*

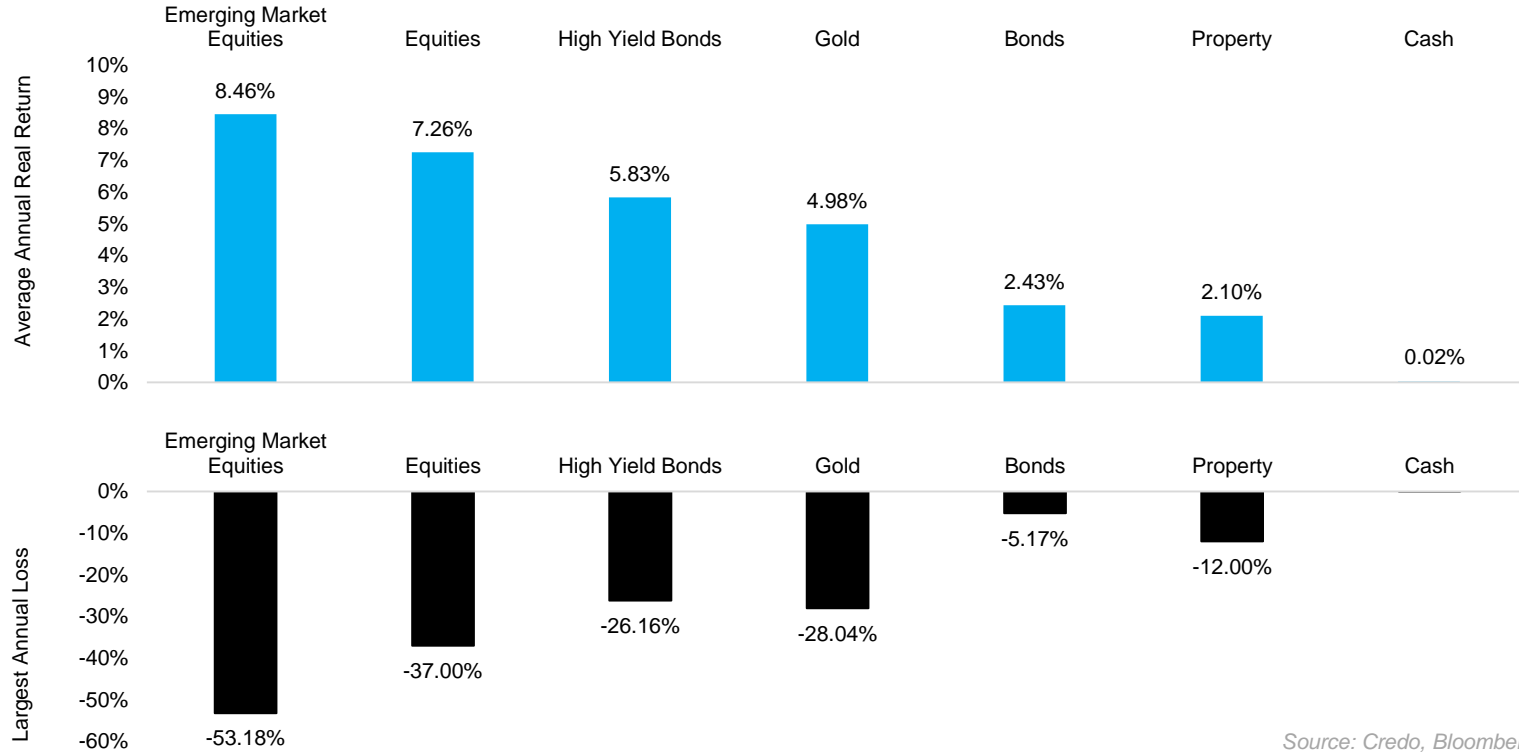
**Betting on outlier events over the long term**



# All risky assets go through periods of losses



# Positive real returns despite bad years



Source: Credo, Bloomberg

# Availability bias - the media puts our focus on outliers

- Lottery - \$100,000,000 prize, 1,000,000 players.
- Best outcome: **\$100,000,000 (outlier)** vs. Average outcome: **\$100** vs. Median outcome : **\$0 (most relevant)**
- The media only pays attention to the winner



Only the outlier gets on TV



How many of the worst fund managers can you name?

# Availability bias - what would media equality look like?

- The same screen time for the 3,315 US funds that have underperformed their benchmarks over the last 15 years?



5 minutes



23 days

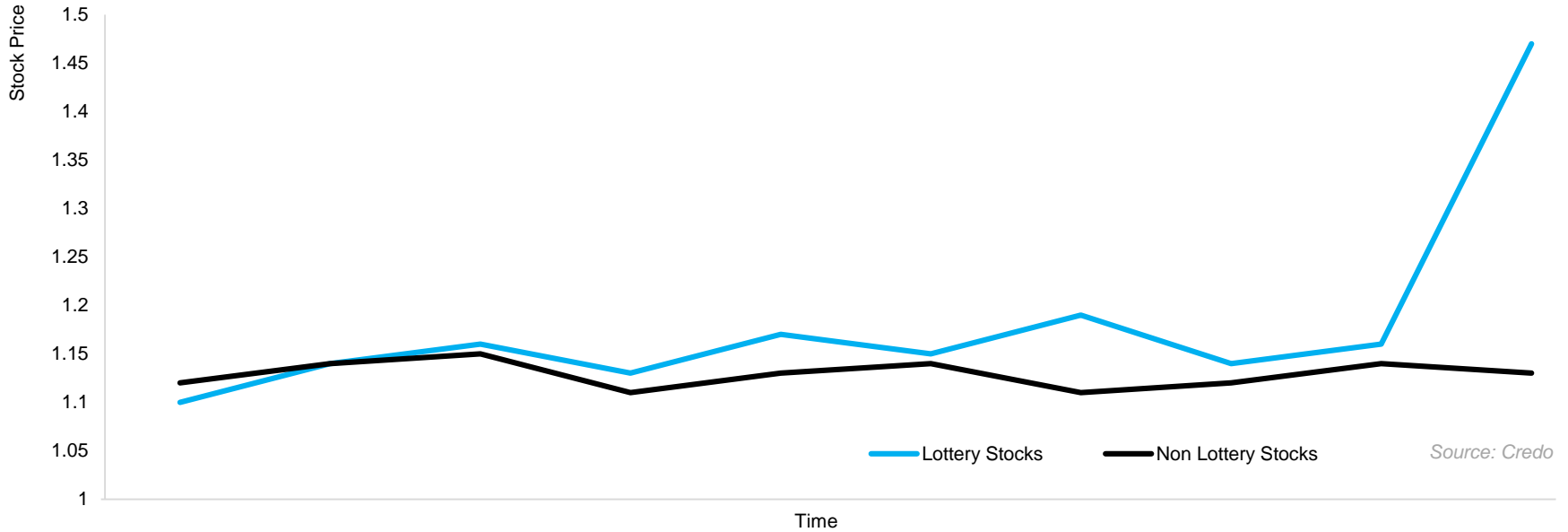
**x 3,315**



# Buying yesterday's lottery ticket

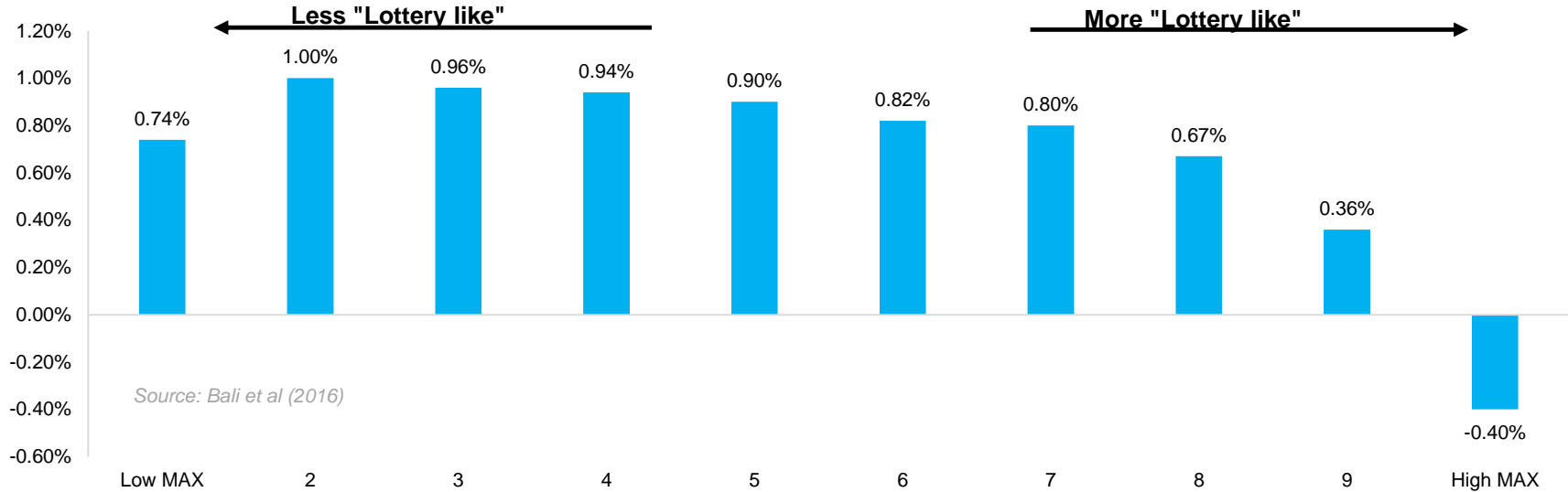


- A lottery like stock is one with a recent large positive return



# Buying yesterday's lottery ticket is a losing strategy

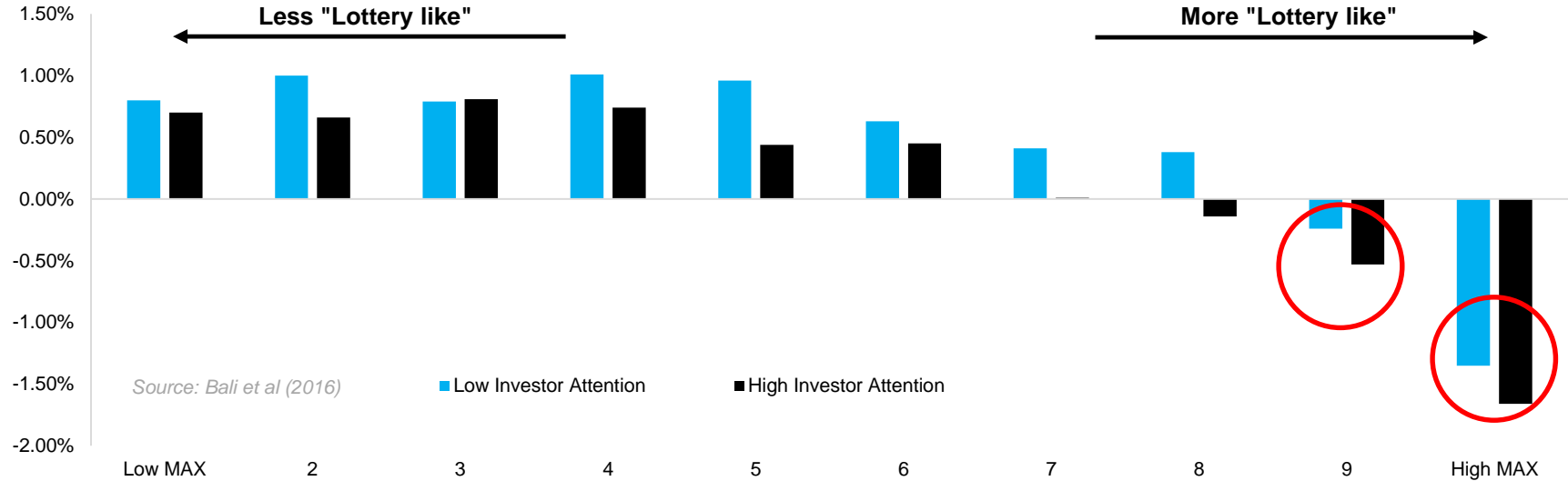
Returns on stocks sorted by recent large return - 1963-2012



# Buying yesterday's lottery ticket with a lot of retail attention

- Effect is magnified on lottery stocks with retail investor attention

Lottery stocks split by investor attention - 1963-2012



# What if you knew tomorrow's winning lottery ticket



- What if 20 years ago you had a crystal ball that told you today's biggest winners?

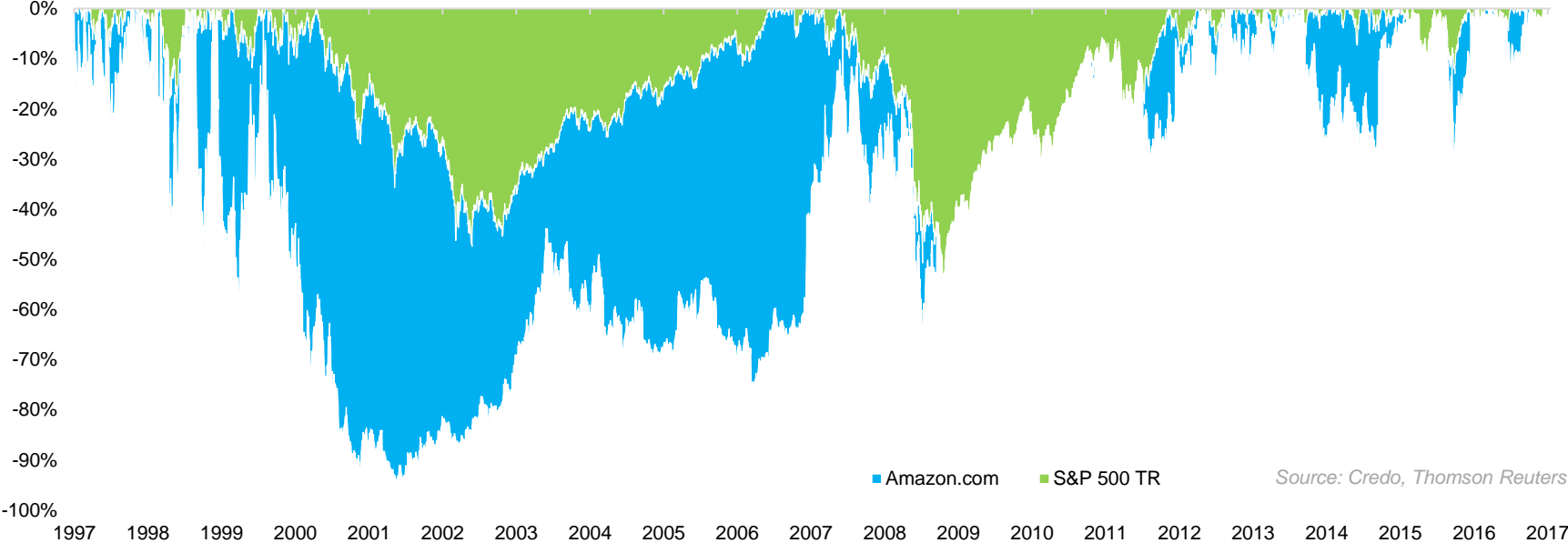


	Amazon	S&P 500
Ann. Return	35.04%	7.13%
\$1 invested	\$509	\$4.17

# Peak to trough losses along the journey



**Worst drawdown of -94% took 8 years to recover**

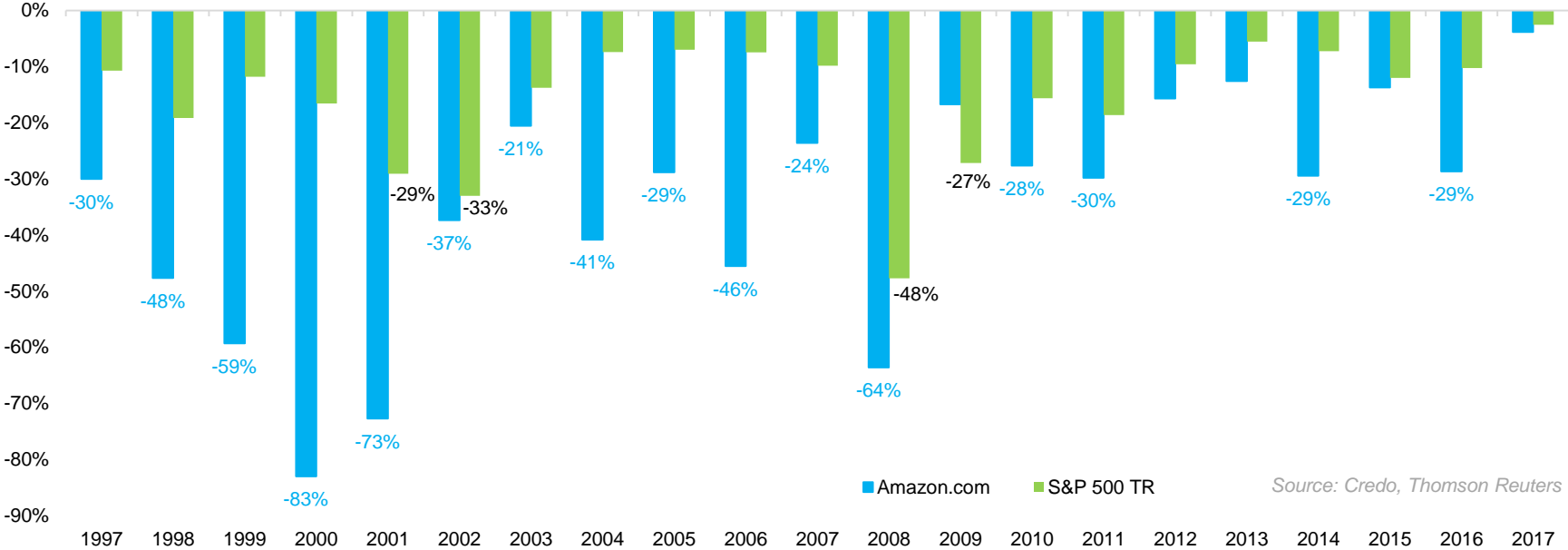


Source: Credo, Thomson Reuters

# Worse than -20% drawdowns in 16 of the last 20 years



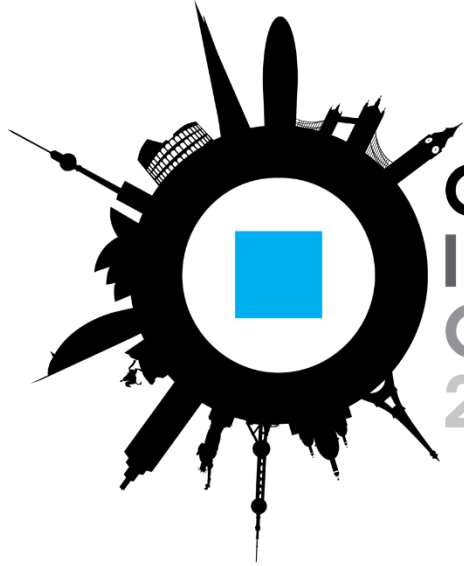
### An Annual Test of Your Pain Tolerance



Source: Credo, Thomson Reuters

***“With every new wave of optimism or pessimism, we are ready to abandon history and time-tested principles, but cling tenaciously and unquestioningly to our prejudices”***

Benjamin Graham



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2017

**FREE INVESTMENT ADVICE**  
SJ DU PREEZ



# Best investment advice ever



## DOSAGE AND DIRECTIONS FOR USE

Take 1 mg (one tablet) immediately, followed by 0,5 mg (half a tablet) 2 hourly until pain is relieved or until vomiting or diarrhoea occur.

A minimum of 3 days, but preferably 7 days, should elapse between courses of gout treatment with ASPEN COLCHICINE DS to avoid cumulative toxicity.

### *Creatinine clearance:*

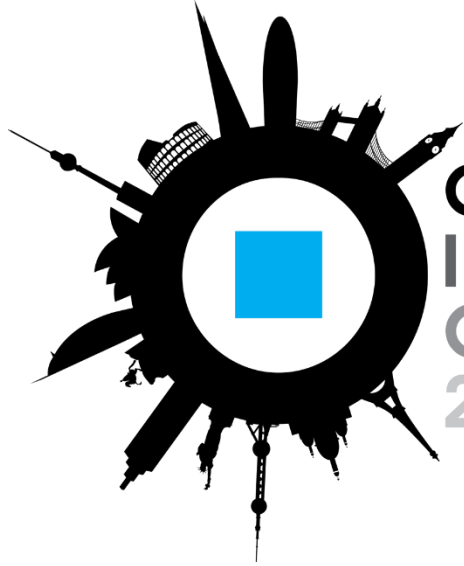
GFR 10 to 50 ml/minute, 50 % of normal dose.

GFR less than 10 ml/minute, treatment with ASPEN COLCHICINE DS must be avoided (see CONTRAINDICATIONS).

### *Elderly:*

ASPEN COLCHICINE DS should be given with caution to the elderly (see WARNINGS AND SPECIAL PRECAUTIONS).

**ASPEN COLCHICINE DS is not an analgesic medication and should not be used to treat pain from other causes.**



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2017

**THE GOOD, THE BAD & THE UGLY**  
JARROD CAHN



# Credo Investment Philosophy

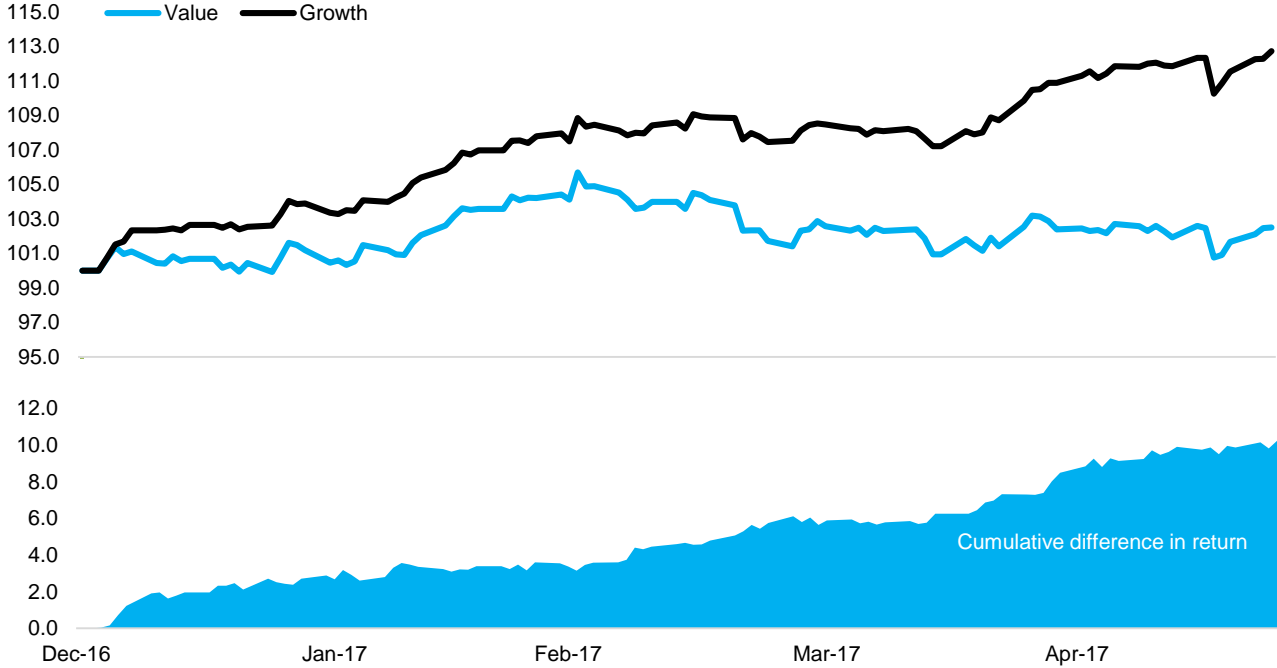


- We believe wealth is created & preserved by following a patient & disciplined investment strategy that is focused on the **long-term**
- We follow a **value-based** approach to investing
- We aim to identify matters of **strategic importance** rather than fixating on short-term news-flows and forecasts
- We strive to minimise turnover in our portfolios in an attempt to limit **transaction costs**
- We view risk as **permanent losses of capital** & not in terms of short-term volatility

# Value investing can be a lonely place



# Large cap value vs large cap growth 2017



Source: Credo Bloomberg

# Value investing can be a lonely place



- **Out of vogue**
- **Not exciting**, in fact its rather dull
- Requires **independent thinking**, strong discipline
- **Patience**: time to work
- **Strong resolve**, stomach for short-term volatility
- Often you can be too early
- Unloved, under-owned stocks



**THE  
GOOD**



**Microsoft®**

**THE  
BAD**



WELLS  
FARGO

**AND THE  
UGLY**

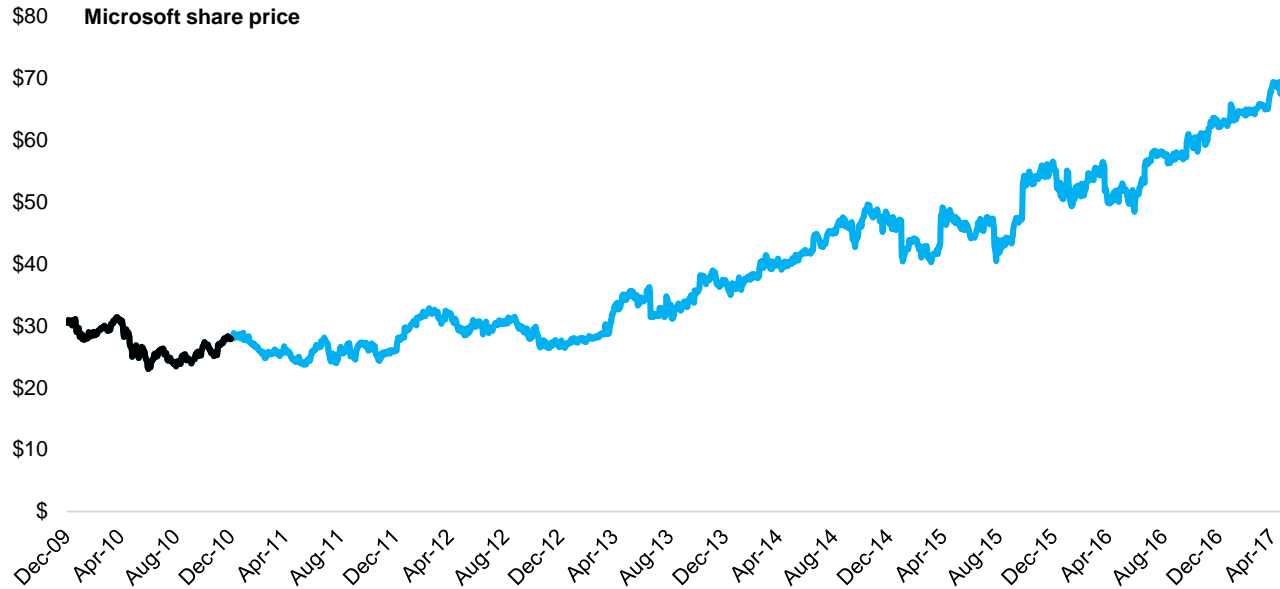


Sainsbury's

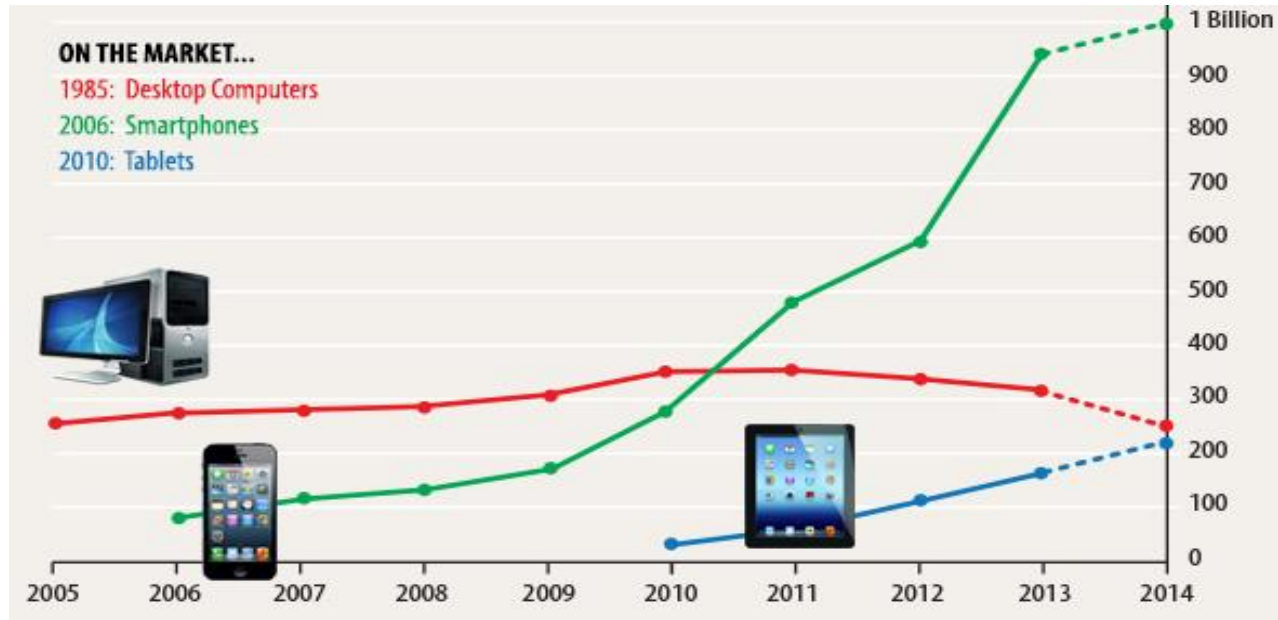
# Microsoft® - The Good



- Bought in Best Ideas Portfolio 13/4/2011
- Bought on a PE of 10x



# Microsoft® - The PC slowdown: Sales in millions of units



Source: Time Magazine, Jan 12, 2014

# Microsoft® - Competition from low end free software



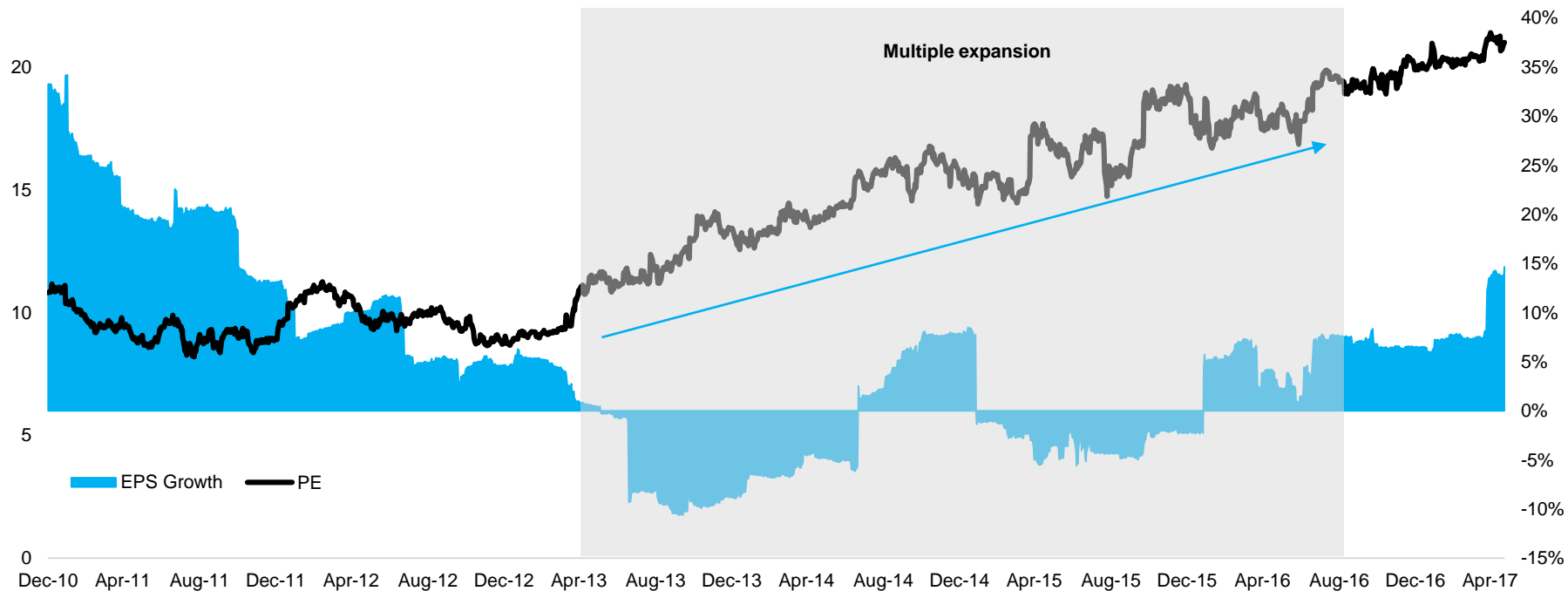
Steve Ballmer out



Satya Nadella in



# Microsoft® - EPS growth and Forward PE



Source: Credo Bloomberg

THE  
GOOD

THE  
BAD

AND THE  
UGLY



Microsoft



WELLS  
FARGO



Sainsbury's



# - The Bad



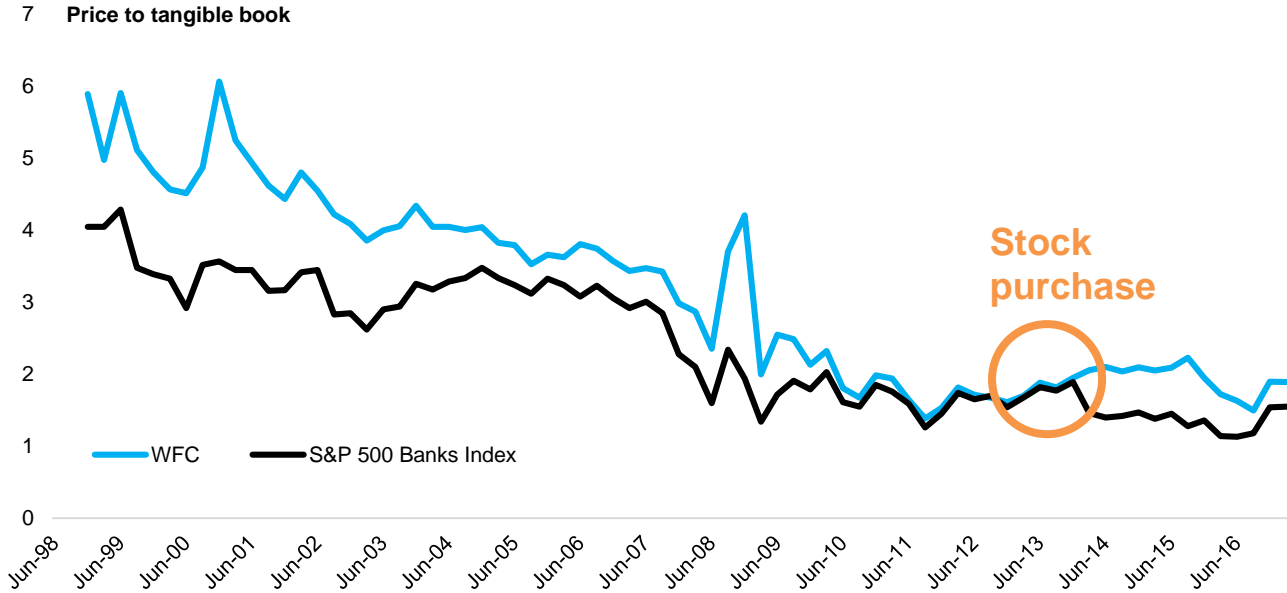
- Bought in Best Ideas Portfolio 26/6/2013
- Bought on a PE of 10.5x







# - A good entry point





## - Fiasco – September 2016



- 1.5m new accounts opened and 500k credit cards issued
- Fake email addresses and PIN numbers issued
- Fees taken on these accounts without knowledge or consent
- Reason - to meet high pressure sales targets
- Company agreed \$185m fine (0.07% of ~\$250bn market cap)
- 1% (5,300) of workforce fired
- John Stumpf hands back \$41m unvested equity and resigns

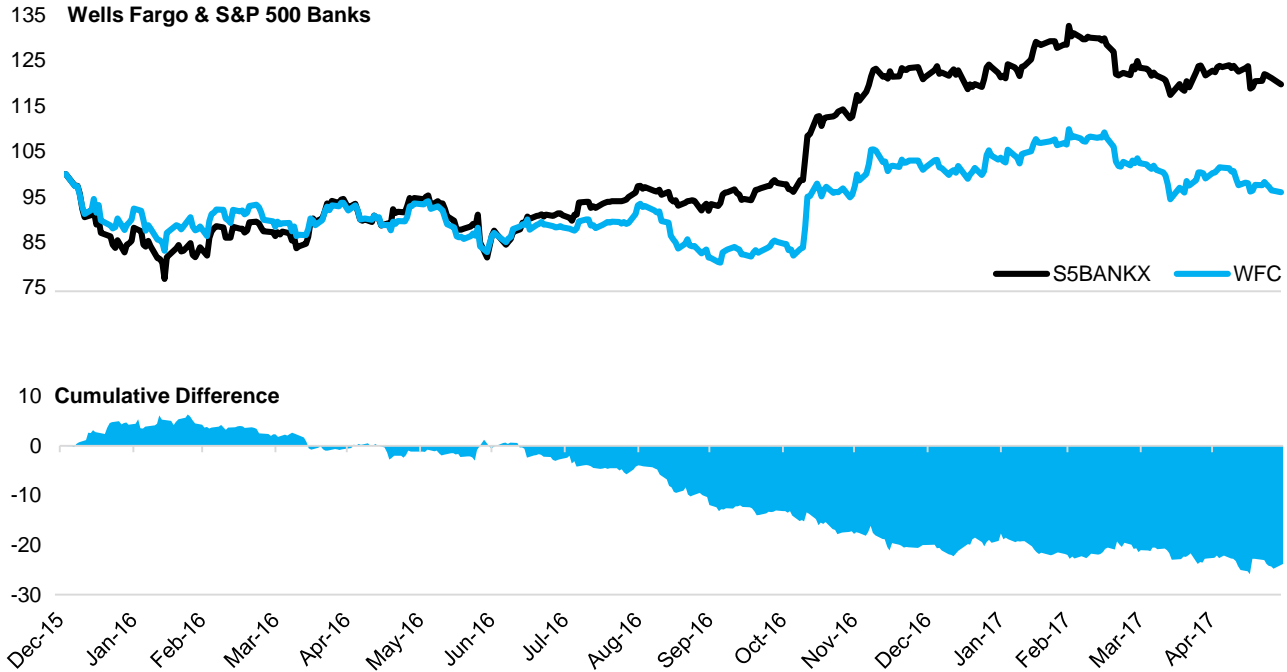


# - Investors have a short memory





# - Fiasco





## - Prospects



- Since the scandal, the stock has underperformed its peer group
- Temporary setback
- Interest rate cycle rising
- Quality balance sheet
- Trump bump - deregulation in the industry
- Discount rating to peer group

THE  
GOOD



**Microsoft**

THE  
BAD



WELLS  
FARGO

AND THE  
UGLY



**Sainsbury's**

***“a high price can make a good business  
into a very bad investment,  
whereas a low price can turn a mediocre business  
into a very sound and profitable investment”***

Benjamin Graham



# Sainsbury's - The Ugly



- Bought in Best Ideas Portfolio and Dividend Growth Portfolio on 06/02/2017
- Bought on a PE of 13.5x





E-COMMERCE

## The Grocery Store May Be on Its Death Bed

So-called 'click and collect' may be the future of shopping for groceries

By Brad Tuttle @bradrtuttle | Oct. 08, 2013



Read Later

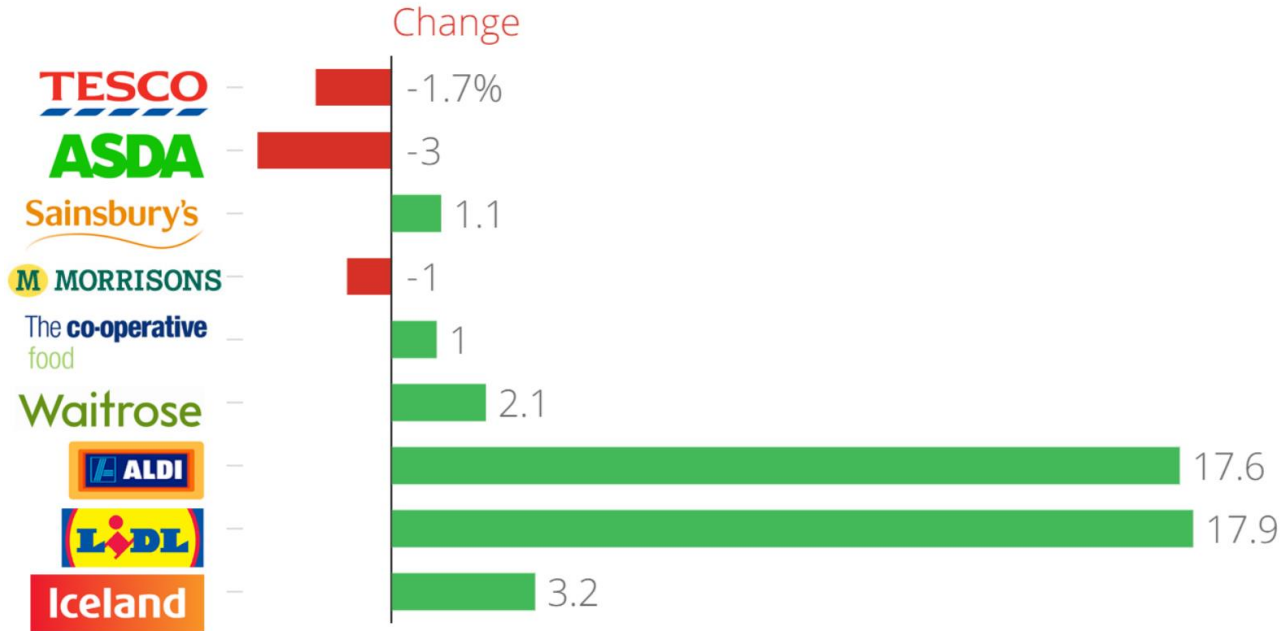
The need for the weekly 30-minute expedition browsing up and down the aisles of the supermarket is being eliminated. Instead, many shoppers are taking advantage of new services, in which they place an order online and hit a convenient pickup location to retrieve their groceries—often without ever having to leave the car.

Despite the spread of options offering online groceries shipped to customers' homes, consumers have largely been reluctant to jump on board. While the service sounds remarkably convenient, many are uncomfortable letting someone else pick out the meat



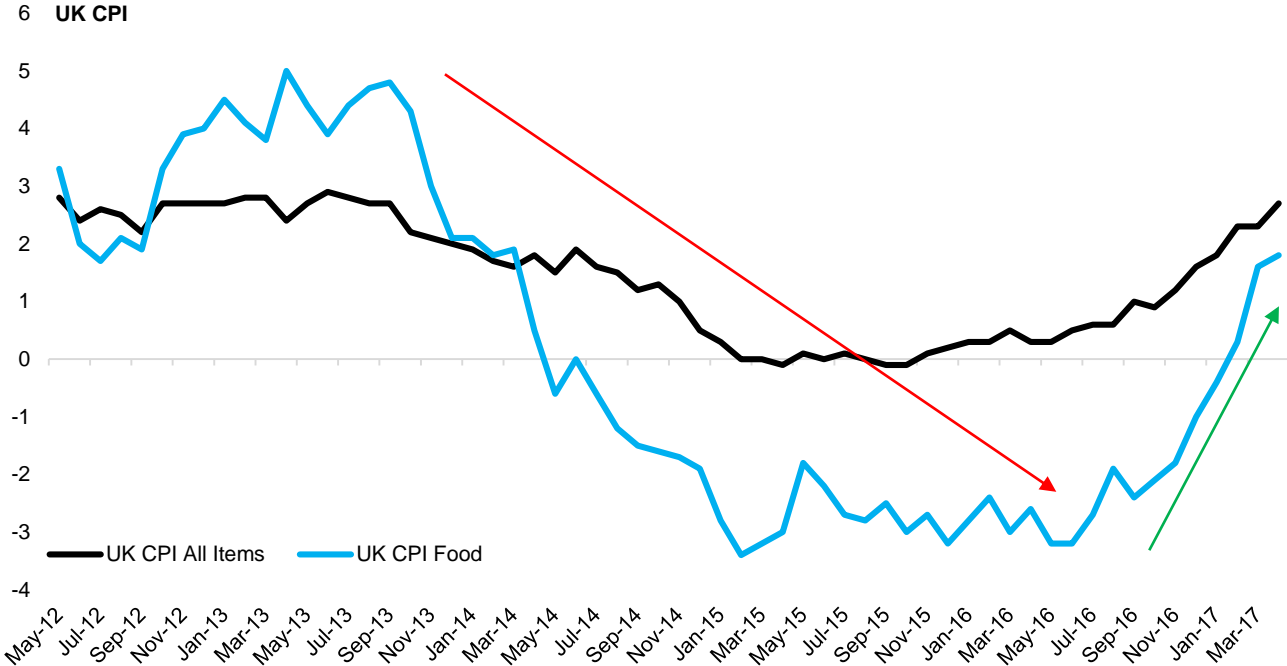
Getty Images

# Sainsbury's - Trouble for the big four supermarkets



City AM - Tuesday 20 October 2015

# Sainsbury's - Deflation vs Inflation



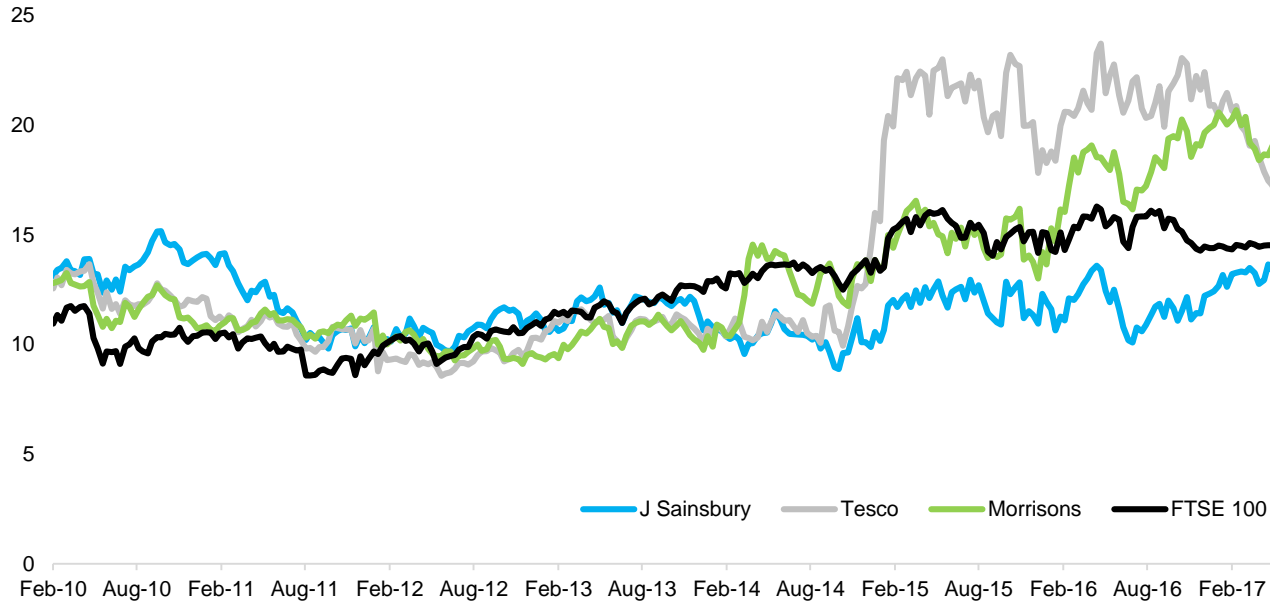
Source: Credo, ONS

# Sainsbury's - Argos acquisition - not well received



- Paid £1.1bn
- Customer loan book of £615m
- Net cash of £322m

# Sainsbury's - UK Supermarket forward PE ratio



# Value investing can be a lonely place



# Sticking to your philosophy

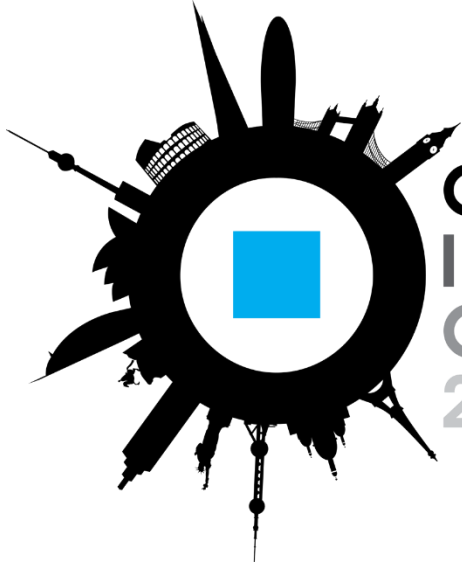


- Independent thinking, strong resolve, strong discipline
- Low expectations
- Margin of safety, capital preservation against upside potential



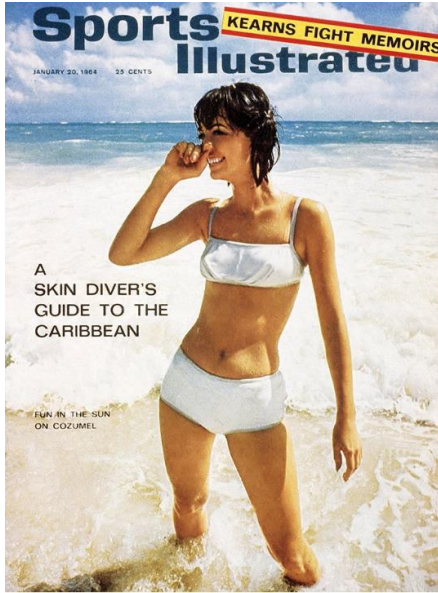
The end





**CREDO**  
INTERNATIONAL  
CONFERENCE  
2017

**INVESTING IN  
A POST-TRUTH WORLD**  
DEON GOUWS



# INVESTING IN A POST-TRUTH WORLD

DEON GOUWS

# Swimsuit Indicator: Why Stocks May Have a Good Year

John Melloy | [@johnmelloy](#)

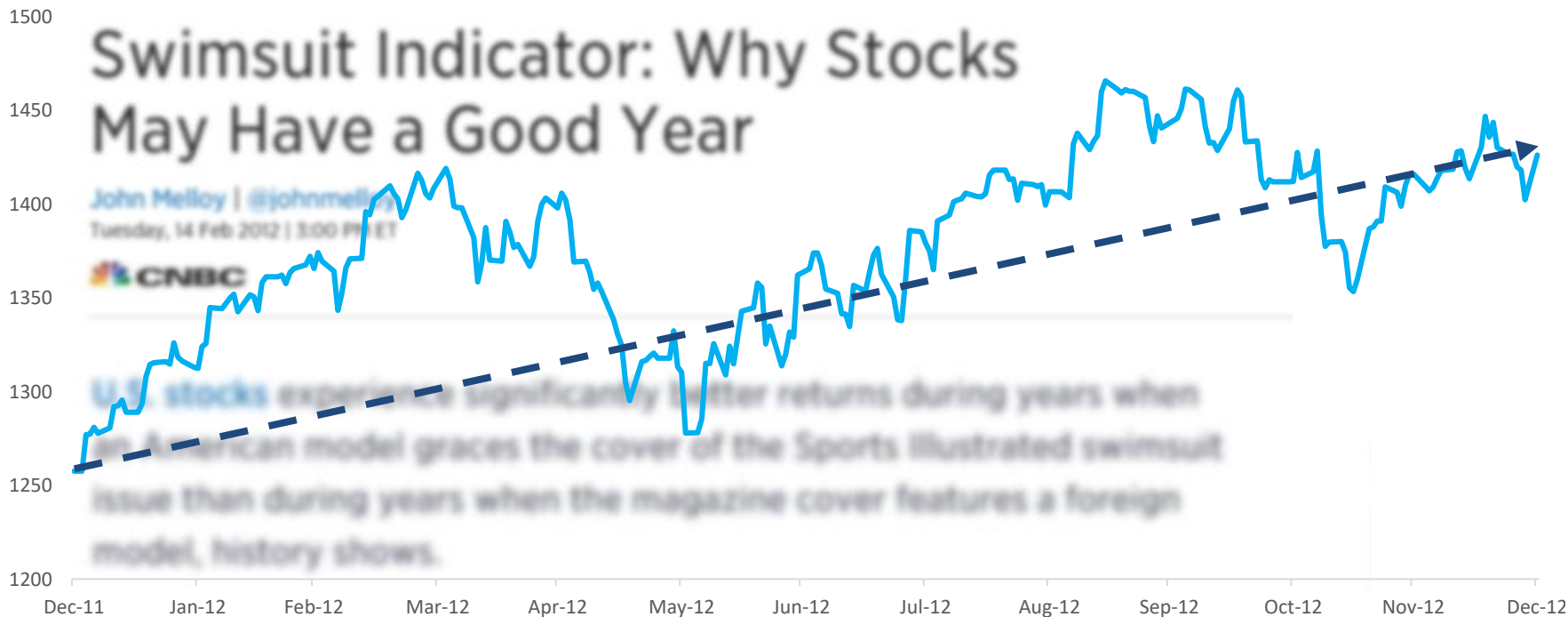
Tuesday 14 Feb 2012 3:00 PM ET



---

**U.S. stocks** experience significantly better returns during years when an American model graces the cover of the Sports Illustrated swimsuit issue than during years when the magazine cover features a foreign model, history shows.

## S&P 500

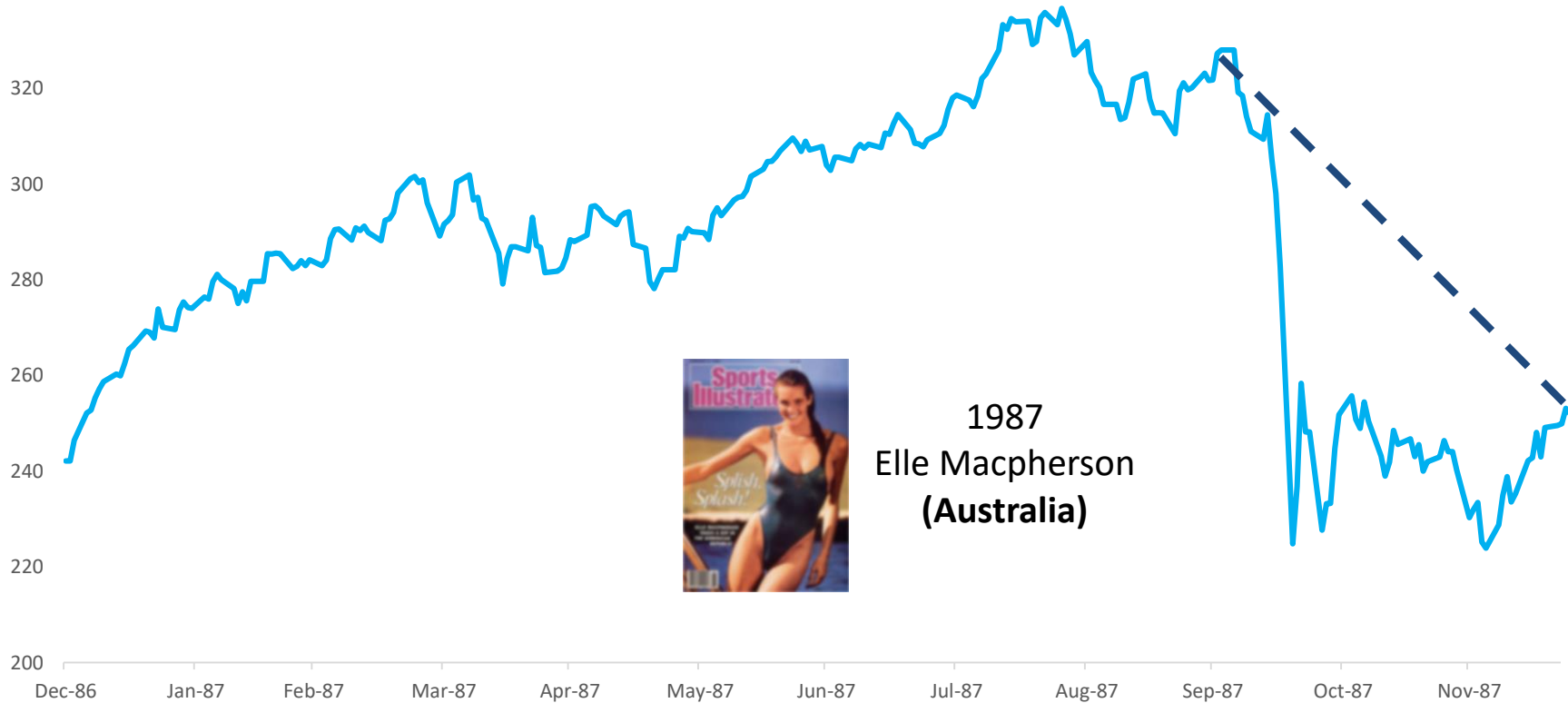


*American on cover: S&P500 ave. +9.1%*

*No American on cover: S&P500 ave. +5.9%*

# The Crash of 1987

## S&P500



1987  
Elle Macpherson  
(Australia)

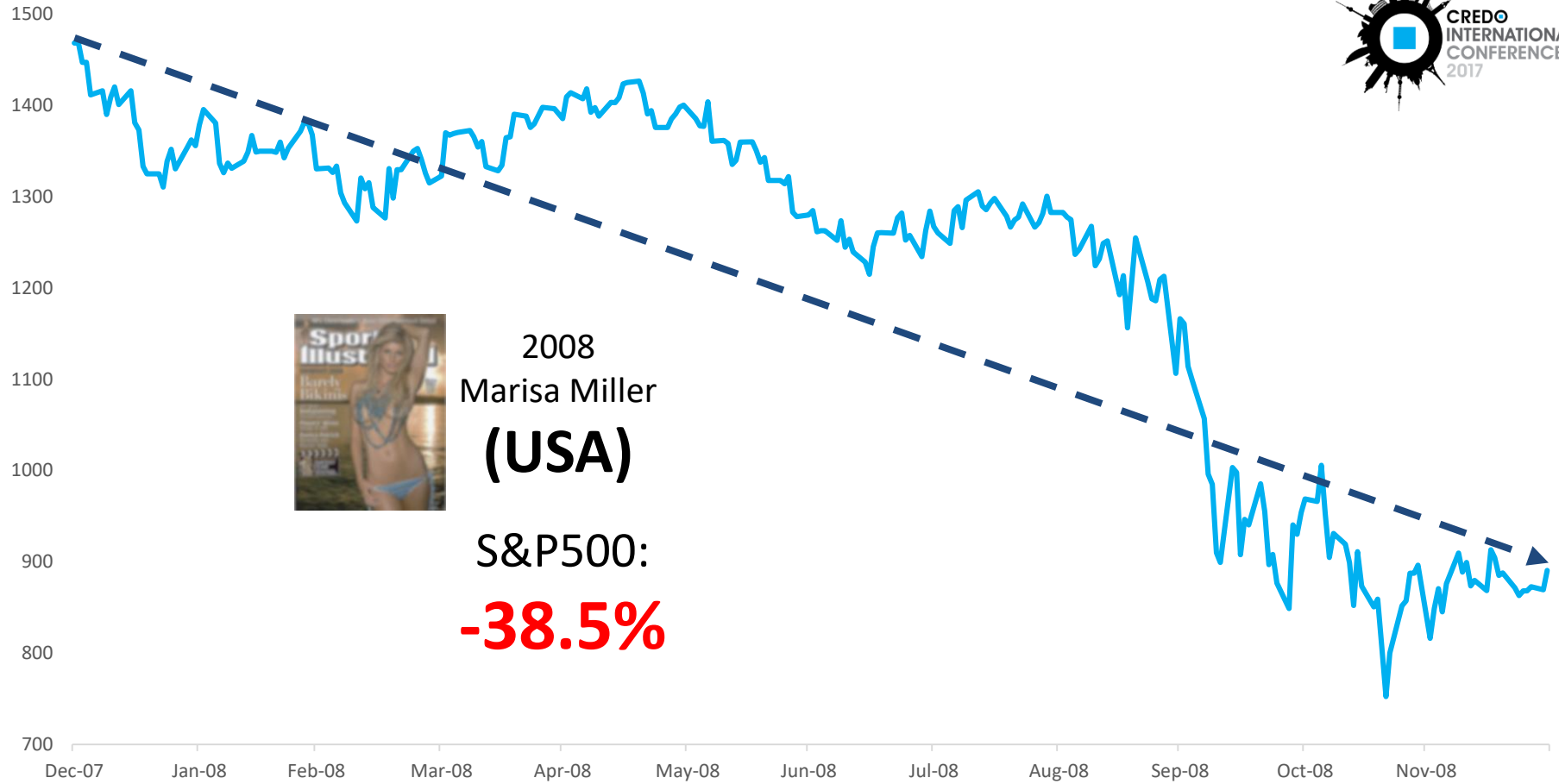
# Bursting of Tech Bubble







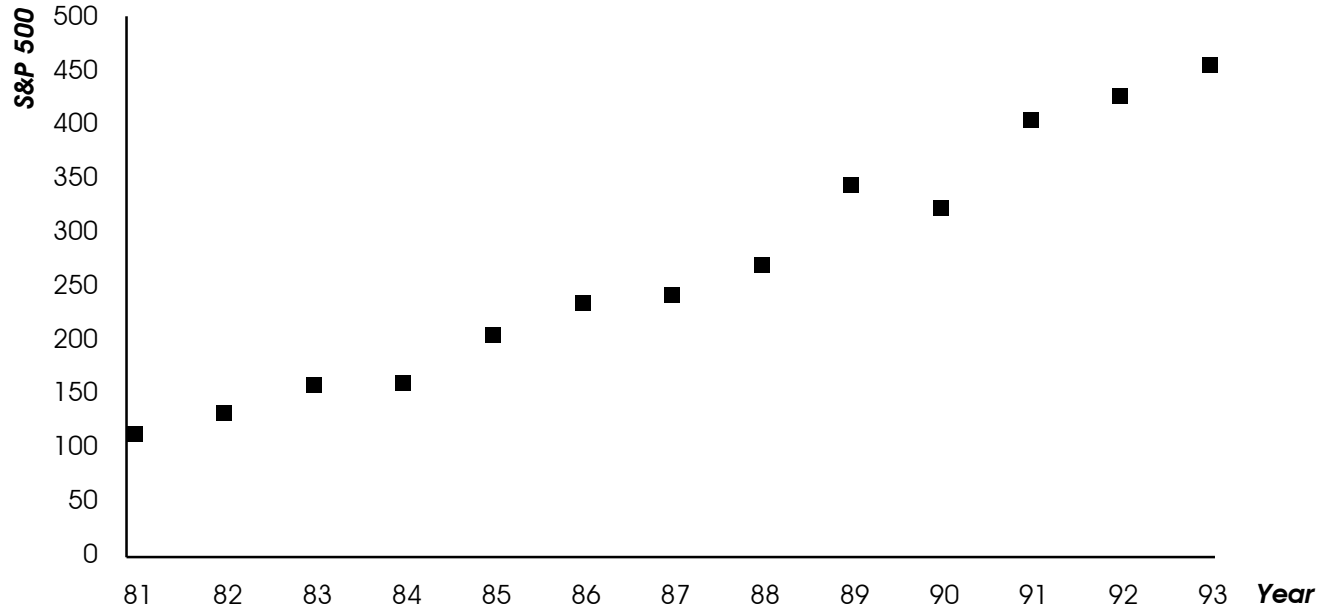
# S&P500 (2008)



2008  
Marisa Miller  
**(USA)**

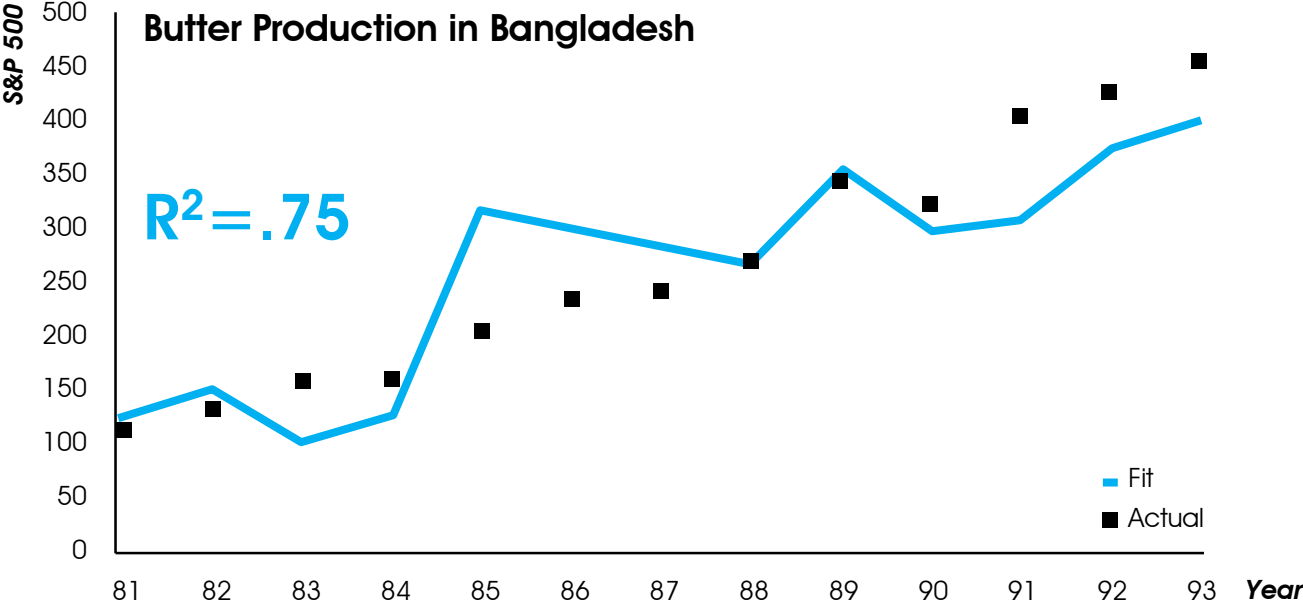
S&P500:  
**-38.5%**

# The S&P 500 (1981-1993)

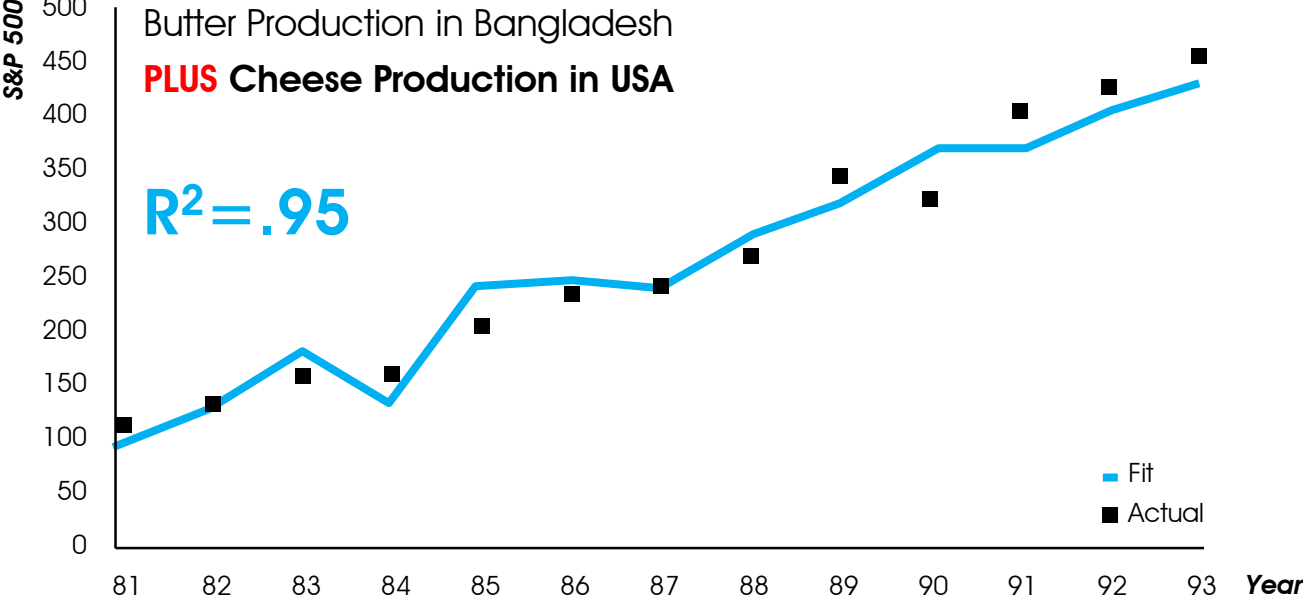


Source: David Leinweber

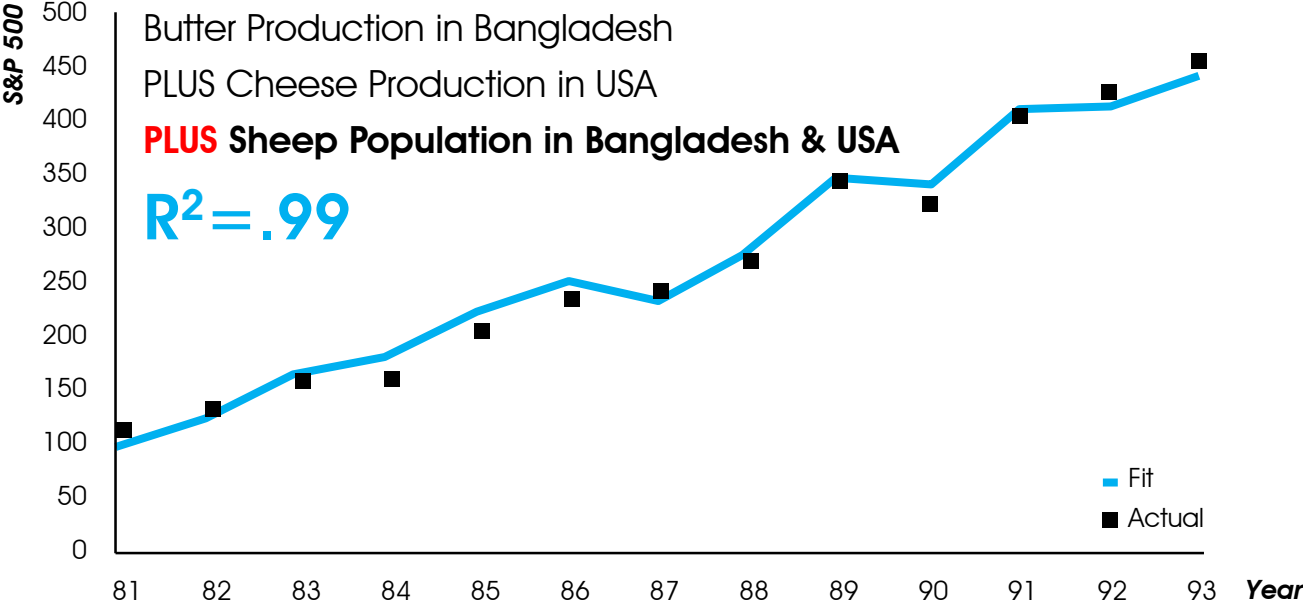
# Overfitting the S&P 500



# Overfitting the S&P 500



# Overfitting the S&P 500



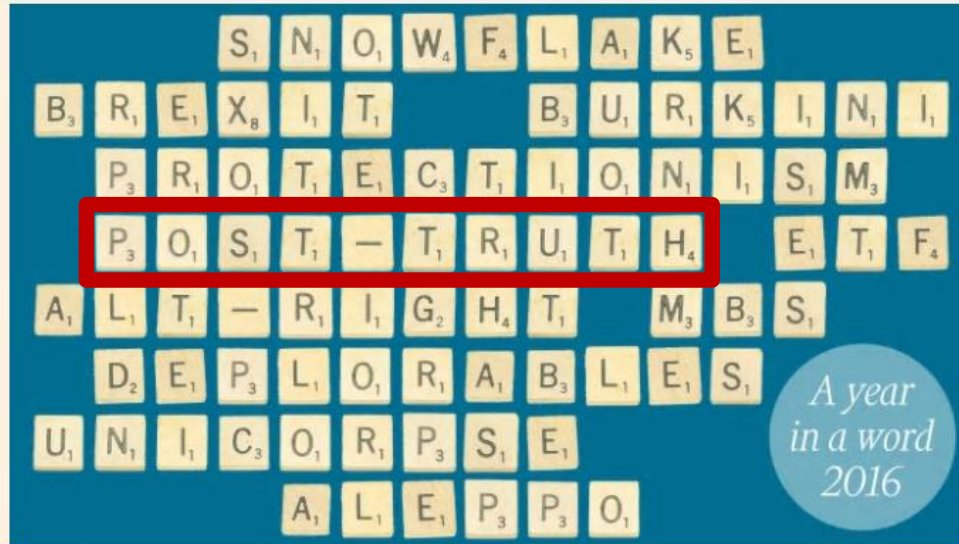
# FINANCIAL TIMES

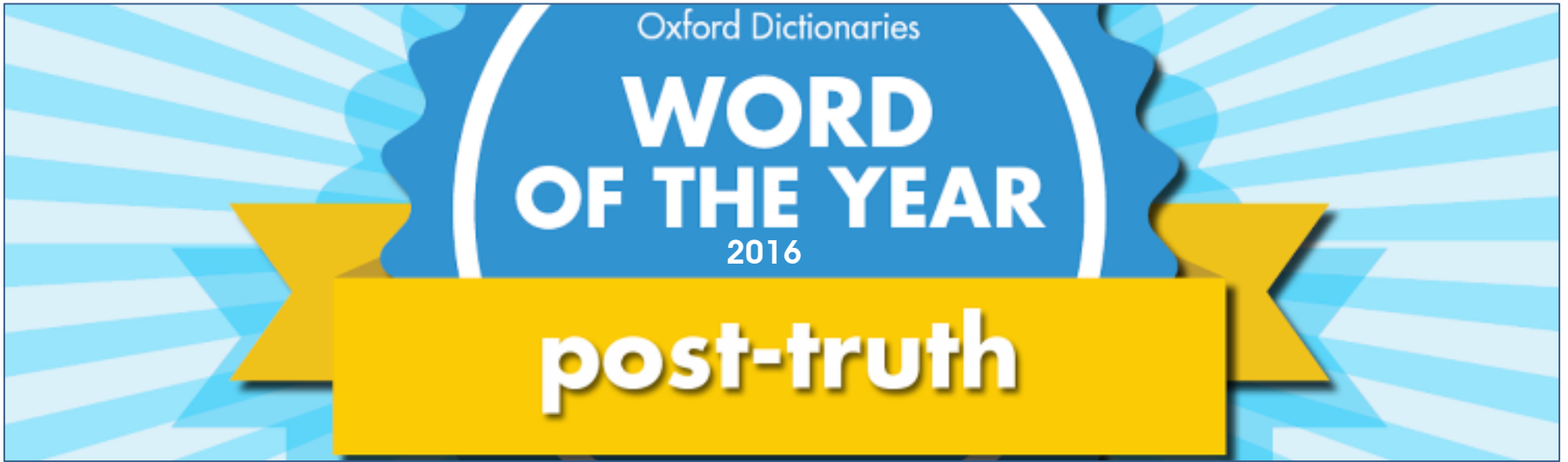


## Year in a Word 2016

The words that shaped the past 12 months

“Year in a Word



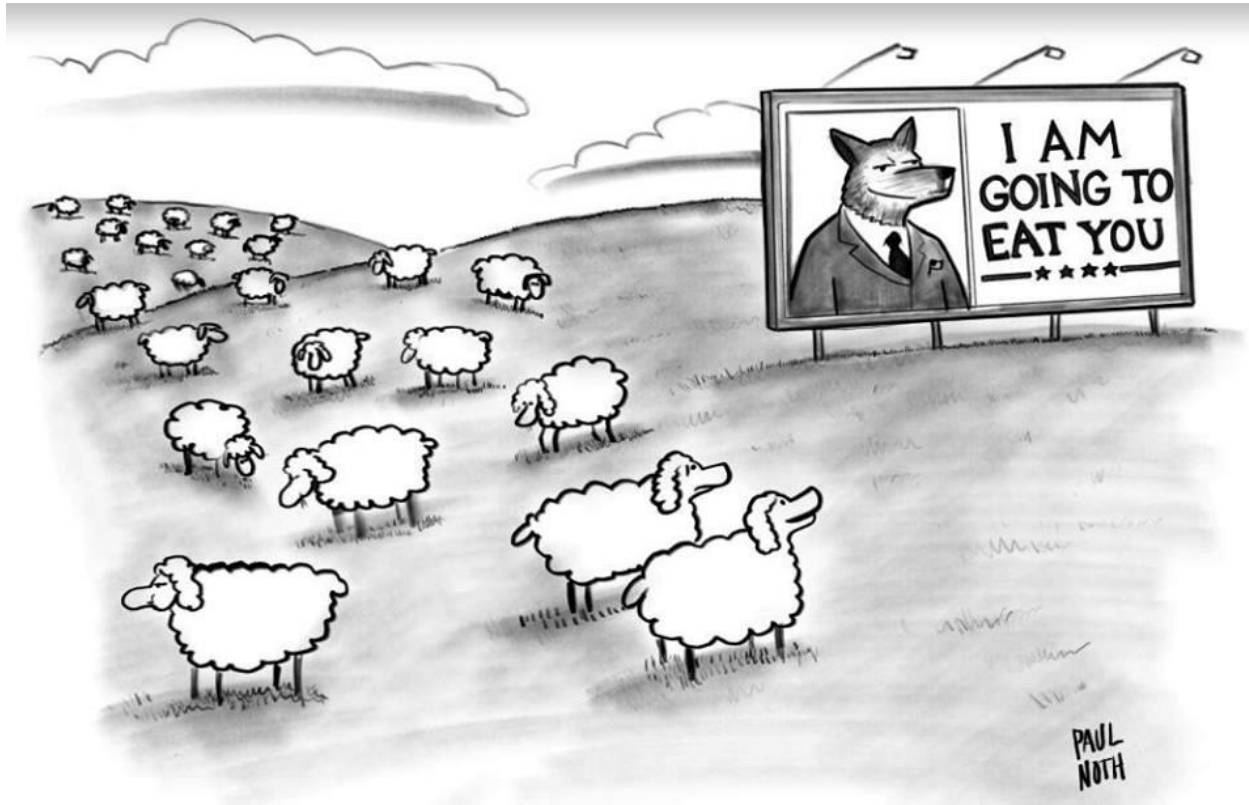


*“...where objective facts  
are less influential in shaping public opinion  
than **appeals to emotion & belief**”*



MAKE AMERICA  
GREAT AGAIN





*“He tells it like it is.”*

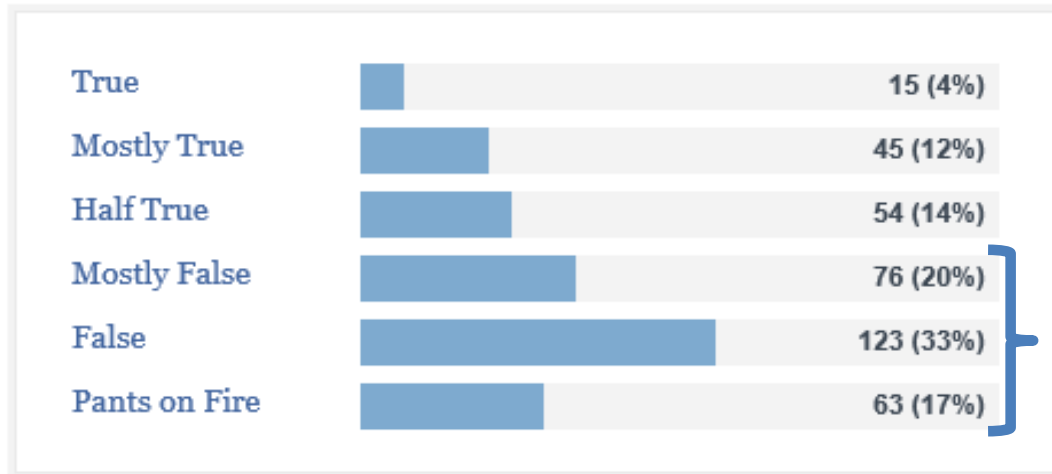
## Donald Trump's file



### Republican from New York

Donald Trump was elected the 45th president of the United States on Nov. 8, 2016. He has been a real estate developer, entrepreneur and host of the NBC reality show, "The Apprentice." **Trump's statements were awarded PolitiFact's 2015 Lie of the Year.** Born and raised in New York City, Trump is married to Melania Trump, a former model from Slovenia. Trump has five children and eight grandchildren. Three of his children, Donald Jr., Ivanka, and Eric, serve as executive vice presidents of the Trump Organization.

## The PolitiFact scorecard







**Donald J. Trump** ✓

@realDonaldTrump



The FAKE NEWS media (failing [@nytimes](#), [@NBCNews](#), [@ABC](#), [@CBS](#), [@CNN](#)) is not my enemy, it is the enemy of the American People!

2/17/17, 3:48 PM



“That was the largest audience to witness an inauguration, period.”

*(Sean Spicer, 21 Jan 2017)*



Trump 2017



Obama 2009





“I think sometimes we can disagree with the facts.”  
*(Sean Spicer, 21 Jan 2017)*

Earlier Today

NBC / "Meet the Press"



WASHINGTON, DC



THE WHITE HOUSE

MEET THE PRESS

@RELIABLESOURCES

# ARE 'ALTERNATIVE FACTS' REALLY FACTS?

LIVE

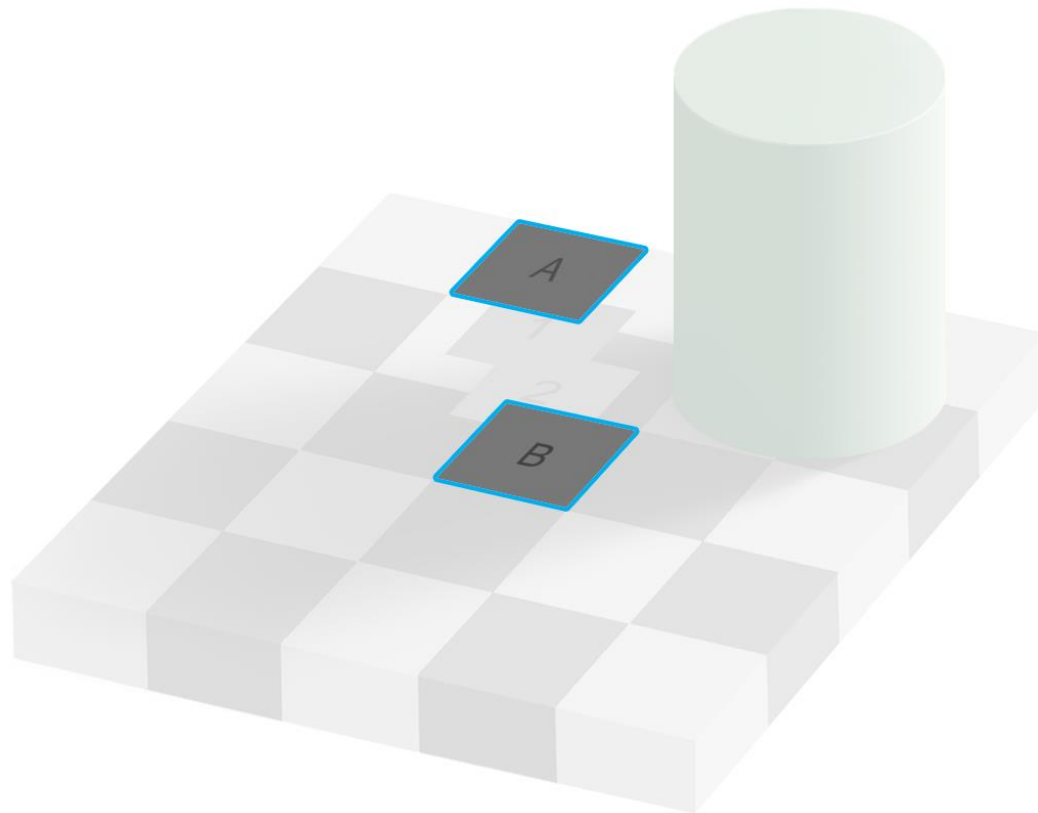
CNN

8:23 AM

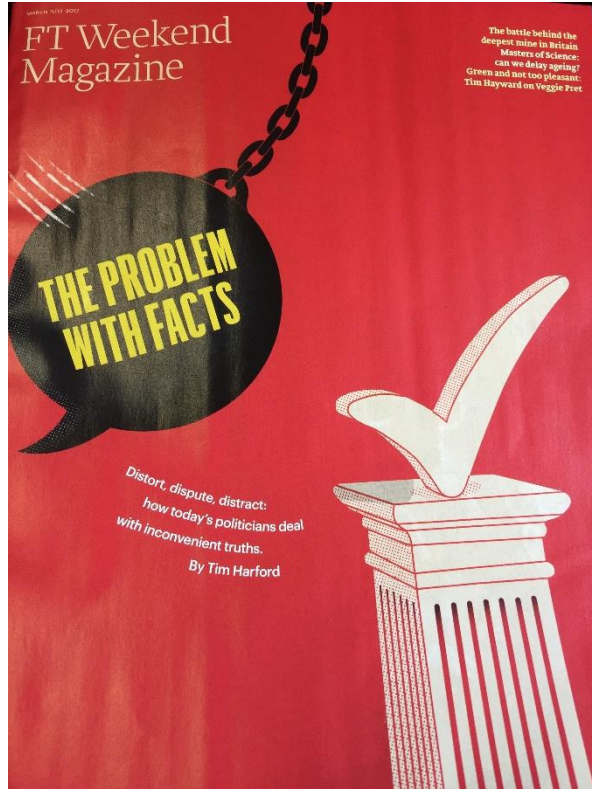


THE BAD NUCLEAR DEAL SIGNED WITH IRAN CONTINUES TO BE THE SUPREME RELIABLE SOURCES

# The problem with facts...



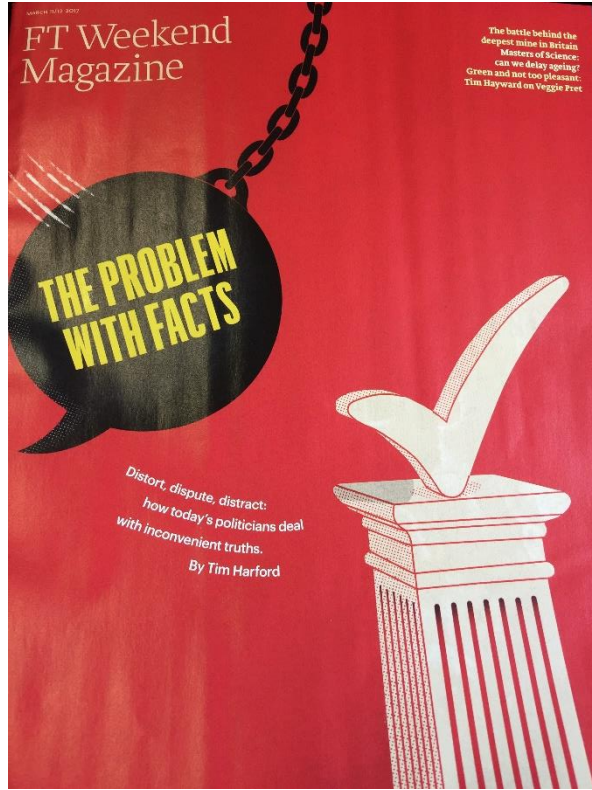
# The problem with facts...



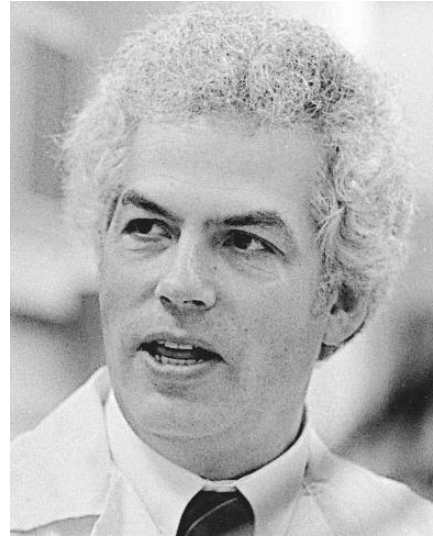
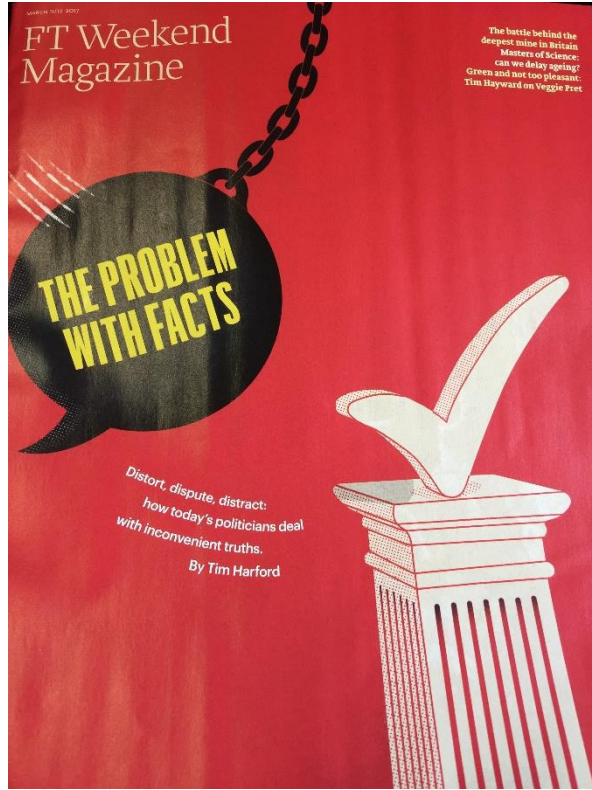
## “agnotology”

- the study of how ignorance is deliberately produced

# The problem with facts...



# The problem with facts...



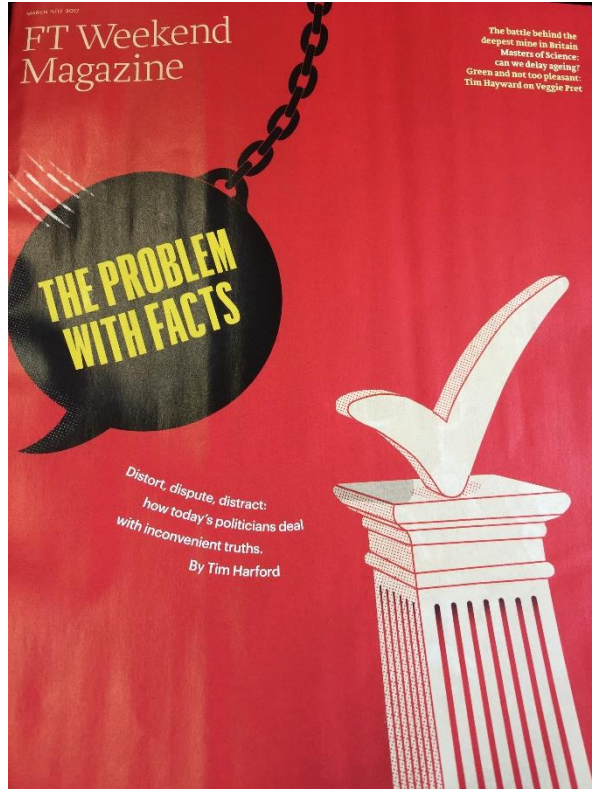
**Stanley Prusiner**

Nobel Prize in Medicine 1997

(for work on Creutzfeldt-Jakob disease)

***Sponsored by RJ Reynolds***

## The problem with facts...



“Creutzfeldt-Jakob disease may be rare, but it was exciting news. **Smoking-related diseases such as lung cancer & heart disease aren't news at all.**”

*(Tim Harford)*

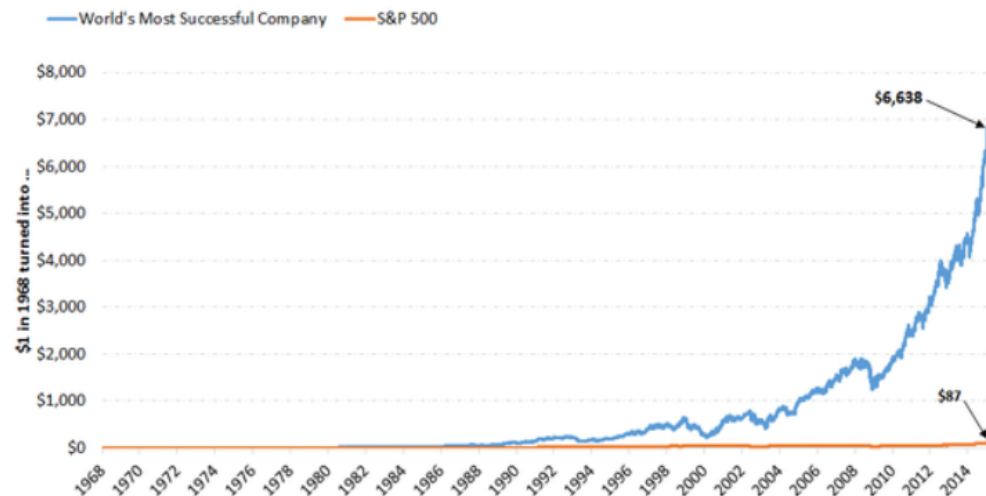
# The Extraordinary Story of America's Most Successful Industry

You'll never guess what it was.

Morgan Housel ([cmfhouse1](#))

Feb 13, 2015 at 11:10AM

## \$1 Invested in 1968



SOURCE: S&P CAPITAL IQ

## AUTHOR



Morgan Housel

([cmfhouse1](#))

Morgan Housel is an economics and finance columnist for Fool.com. Analyst, Motley Fool One. [More Articles](#)

## ARTICLE INFO

Feb 13, 2015 at 11:10AM

Financials



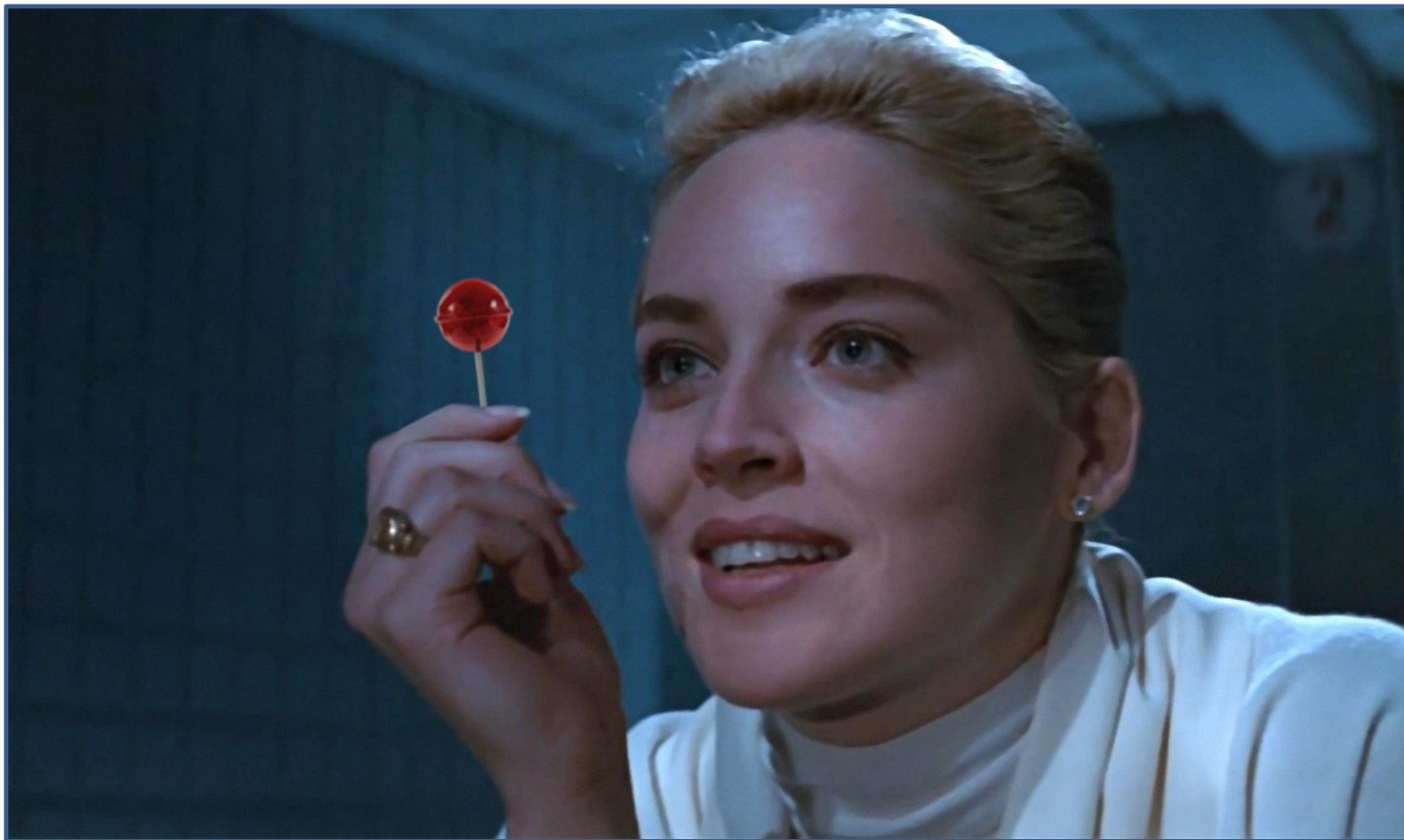




“All we're doing is using digital technology to tastefully **update movies** of the past... by **removing cigarettes.**”

*(Senator Finistirre, Thank You For Smoking)*







**Q:** “But, in essence, aren’t you changing history?”

**A:** “No, I think we’re **improving** history.”

POST-truth

FAKE NEWS

ALteRnatiVE FACTS





**MEDIA**

**INTERNET**

**TELEVISION**

**RADIO**

**MAGAZINES**

**NEWSPAPERS**

# Media: Inconsistency



TIME   
@TIME



The problem with your coffee



Hot Drinks a Probable Cancer Cause, Says WHO  
time.com

4/9/17, 6:15 AM



TIME   
@TIME



How coffee can help you live longer

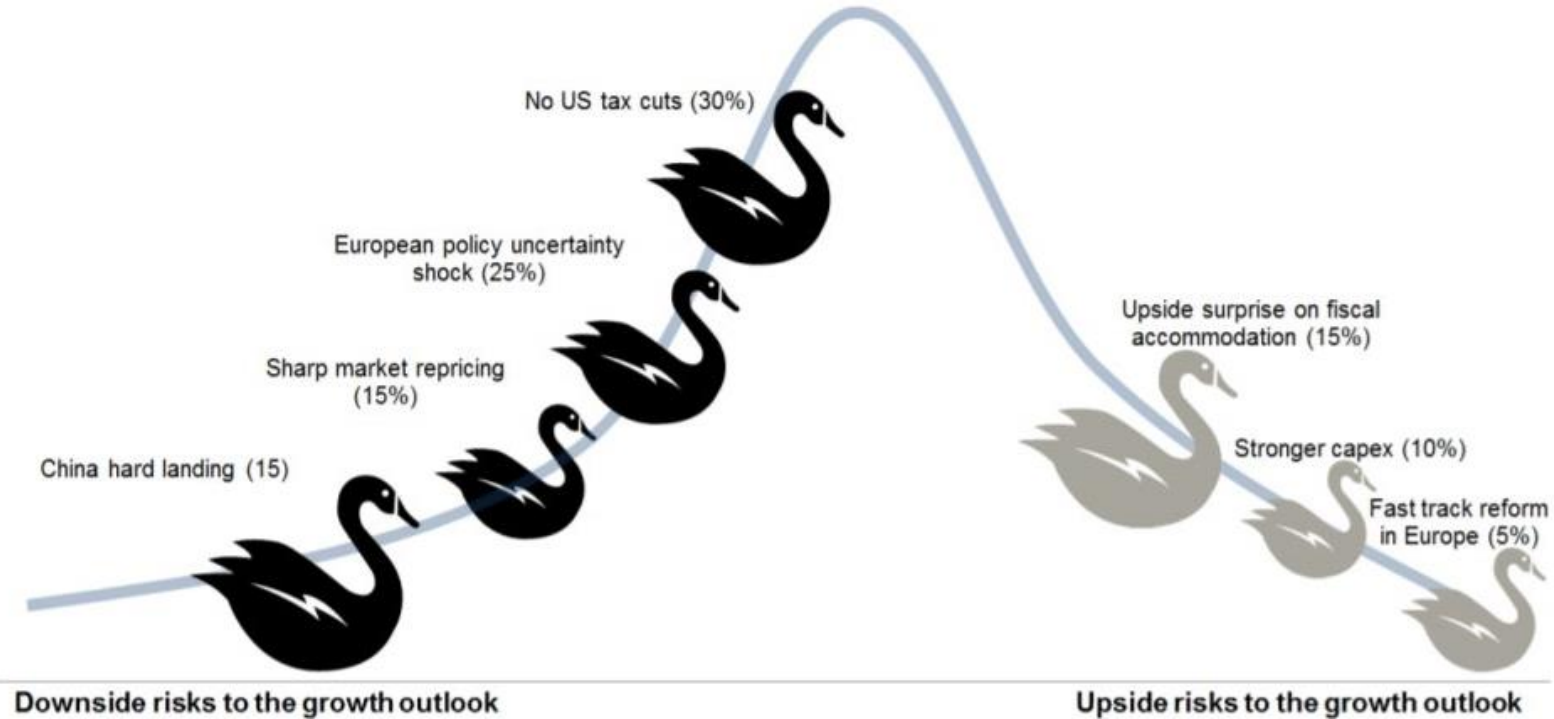


How Coffee Can Help You Live Longer  
New findings add to growing evidence that co...  
time.com

4/9/17, 6:45 AM

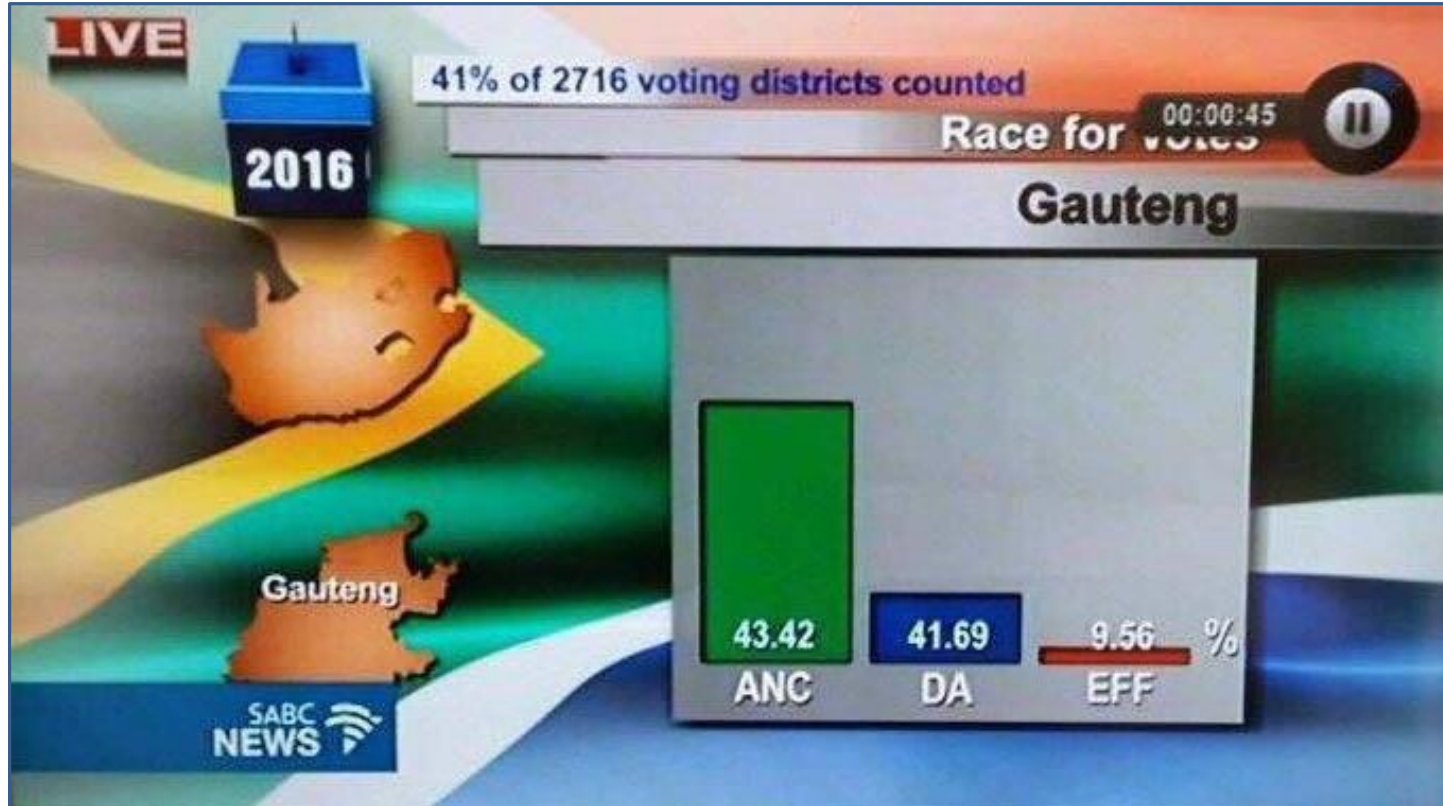


# Media: Incomprehension

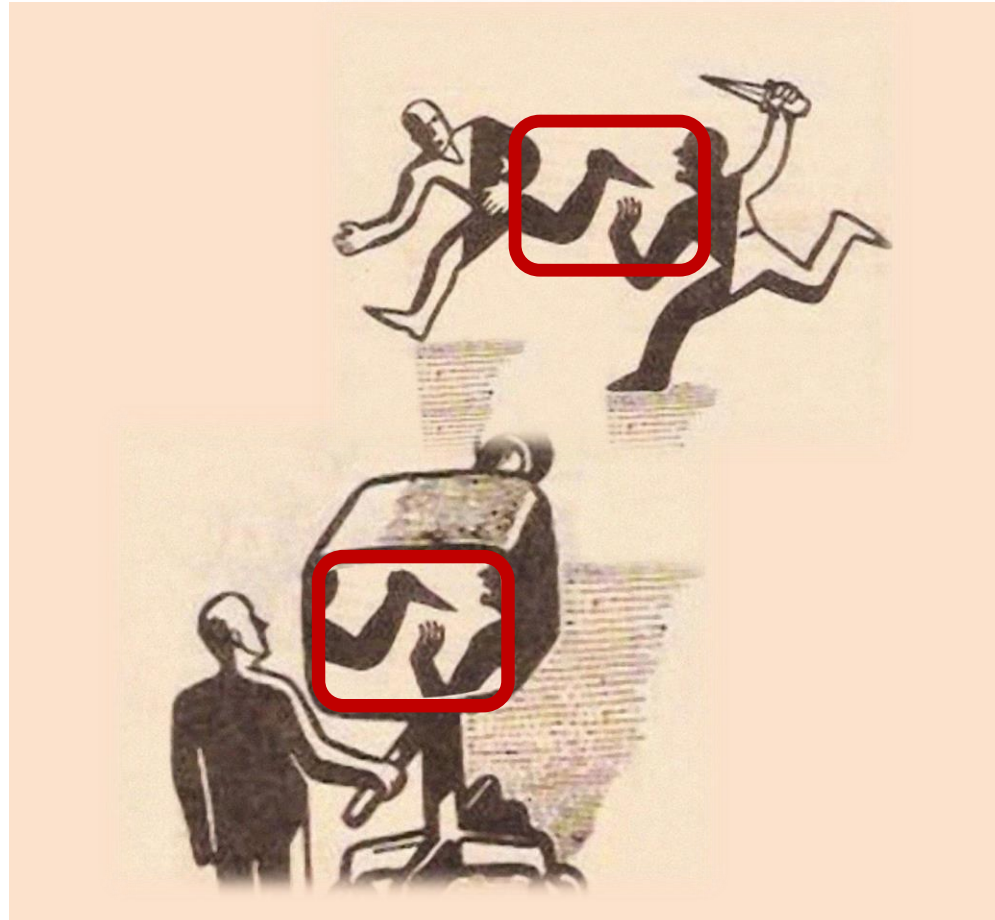


Source: Business Insider, SocGen

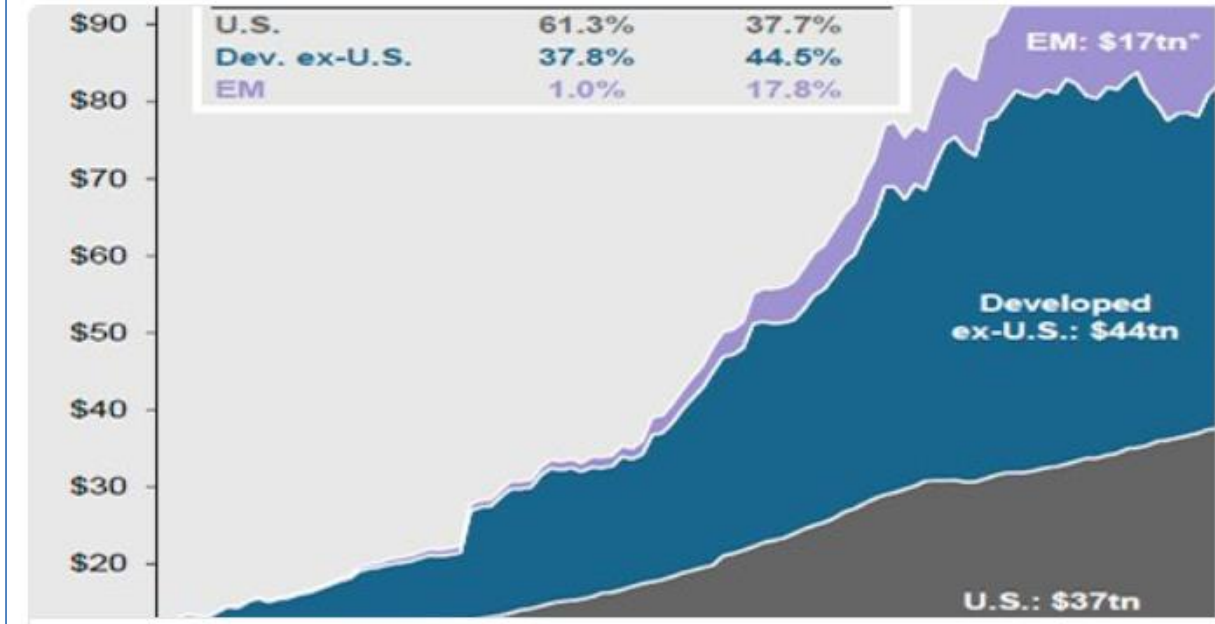
# Media: Incoherence



# Media: Bias



## Global Debt Hits 325% Of World GDP, Rises To Record \$217 Trillion | Zero Hedge



Source: Zerohedge

# 2016 – The Year of the Lie



‘Sell everything’ – here’s the incendiary RBS warning on deflation, risk and the next crash

Andrew Roberts



## The Telegraph

### Business

# RBS cries 'sell everything' as deflationary crisis nears

By **Ambrose Evans-Pritchard**

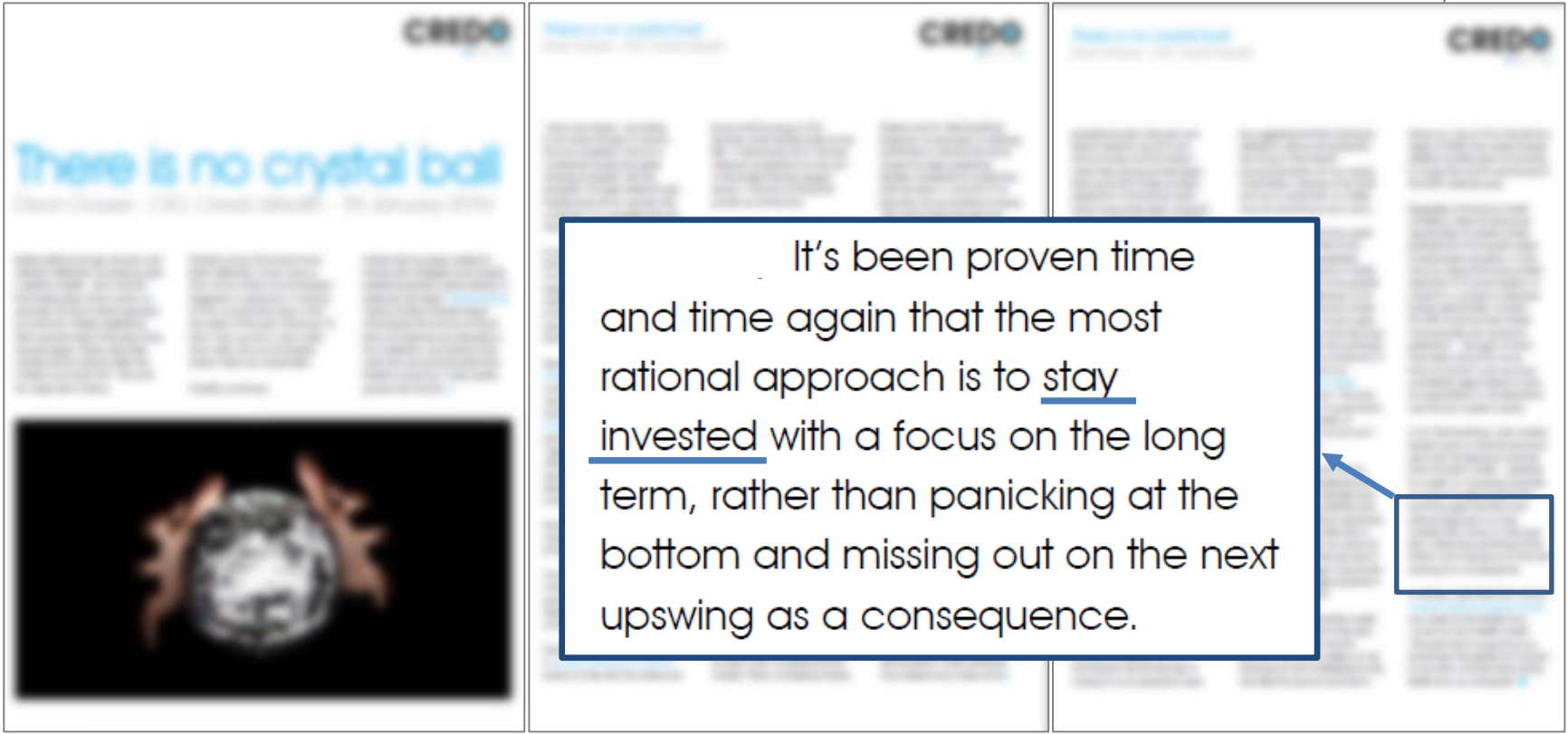
11 JANUARY 2016 • 10:20PM

**R**BS has advised clients to brace for a “cataclysmic year” and a global deflationary crisis, warning that major stock markets could fall by a fifth and oil may plummet to \$16 a barrel.

The bank’s credit team said markets are flashing stress alerts akin to the turbulent months before the Lehman crisis in 2008. “Sell everything except high quality bonds. This is about return of capital, not return on capital. In a crowded hall, exit doors are small,” it said in a client note.

# "Sell Everything" (RBS, 11 January 2016)





CREDO

## There is no crystal ball

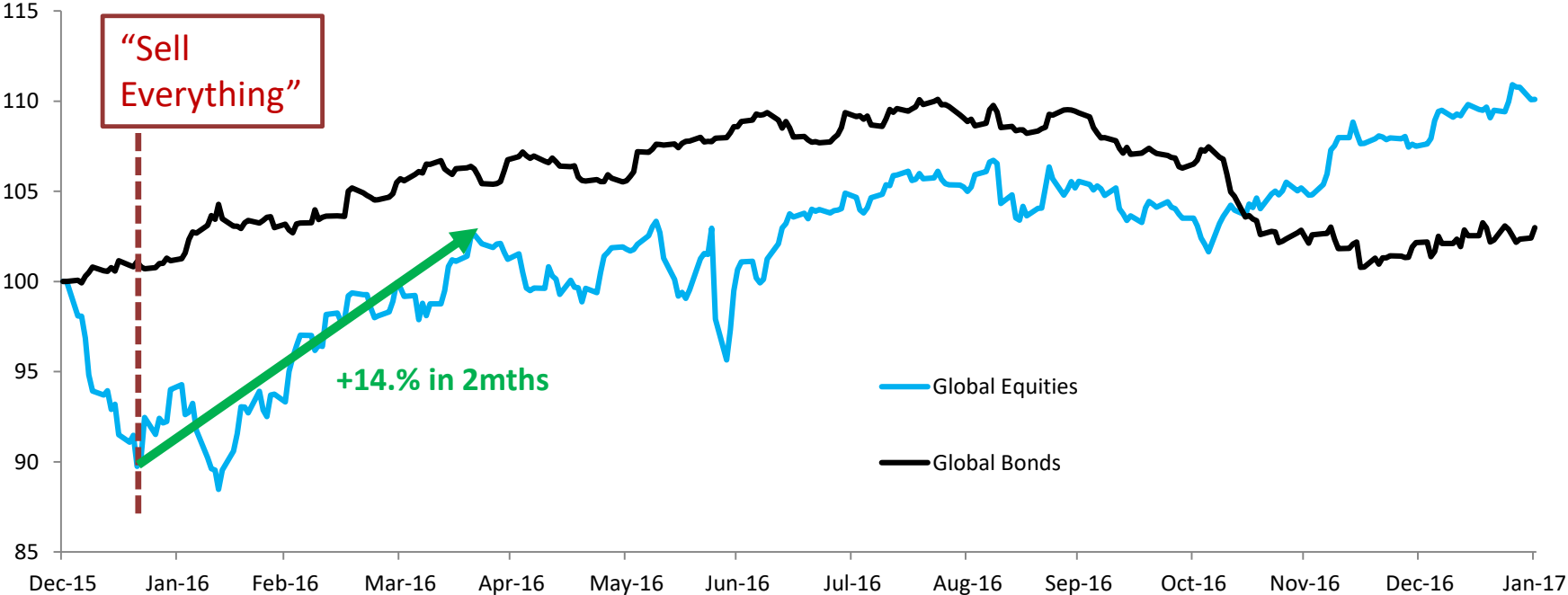
CREDO

It's been proven time and time again that the most rational approach is to stay invested with a focus on the long term, rather than panicking at the bottom and missing out on the next upswing as a consequence.

CREDO



# 2016 – The Year of the Lie



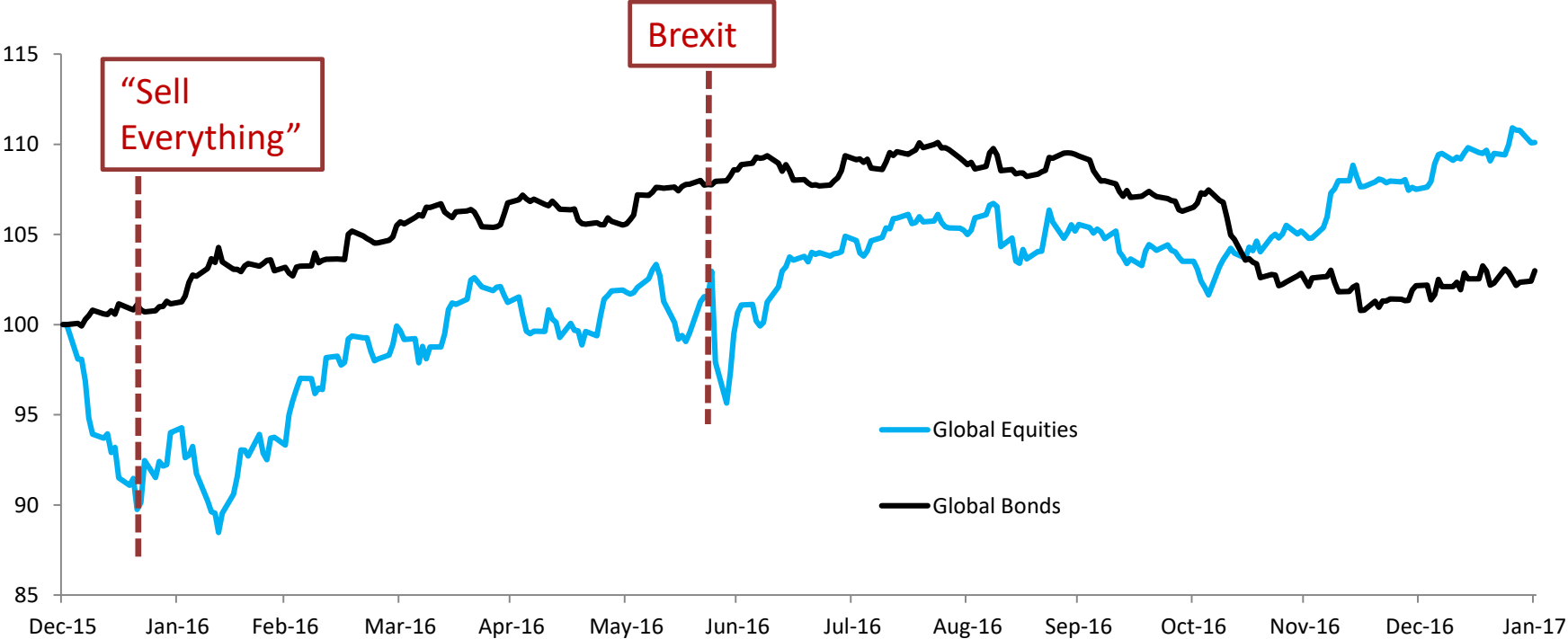
# "Sell Everything" (RBS, 11 January 2016)... subsequent 12 month returns



“Sell Everything” ... 12 months later



# 2016 – The Year of the Lie





Boris Johnson (born 19 June 1964)



“No I can’t guarantee it... that was one of the mistakes that I think the Leave campaign made.”

*(Nigel Farage, 24 June 2016)*

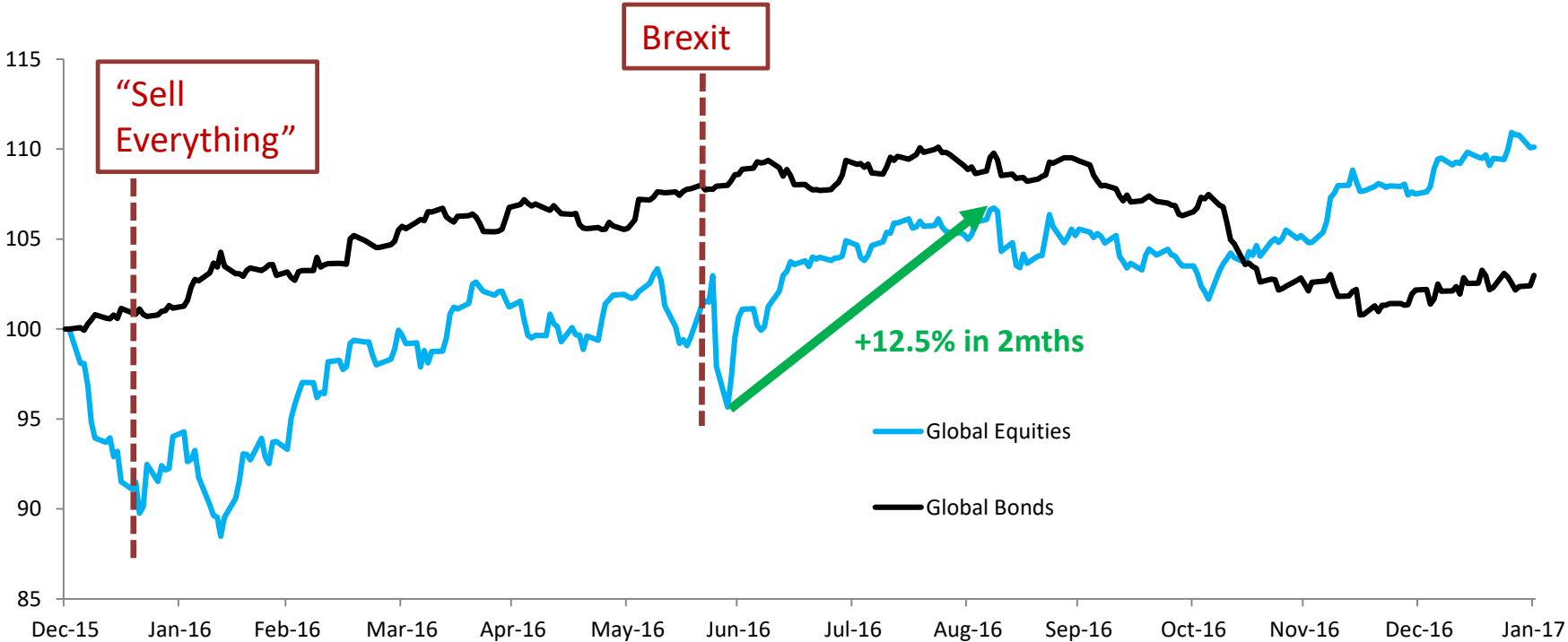




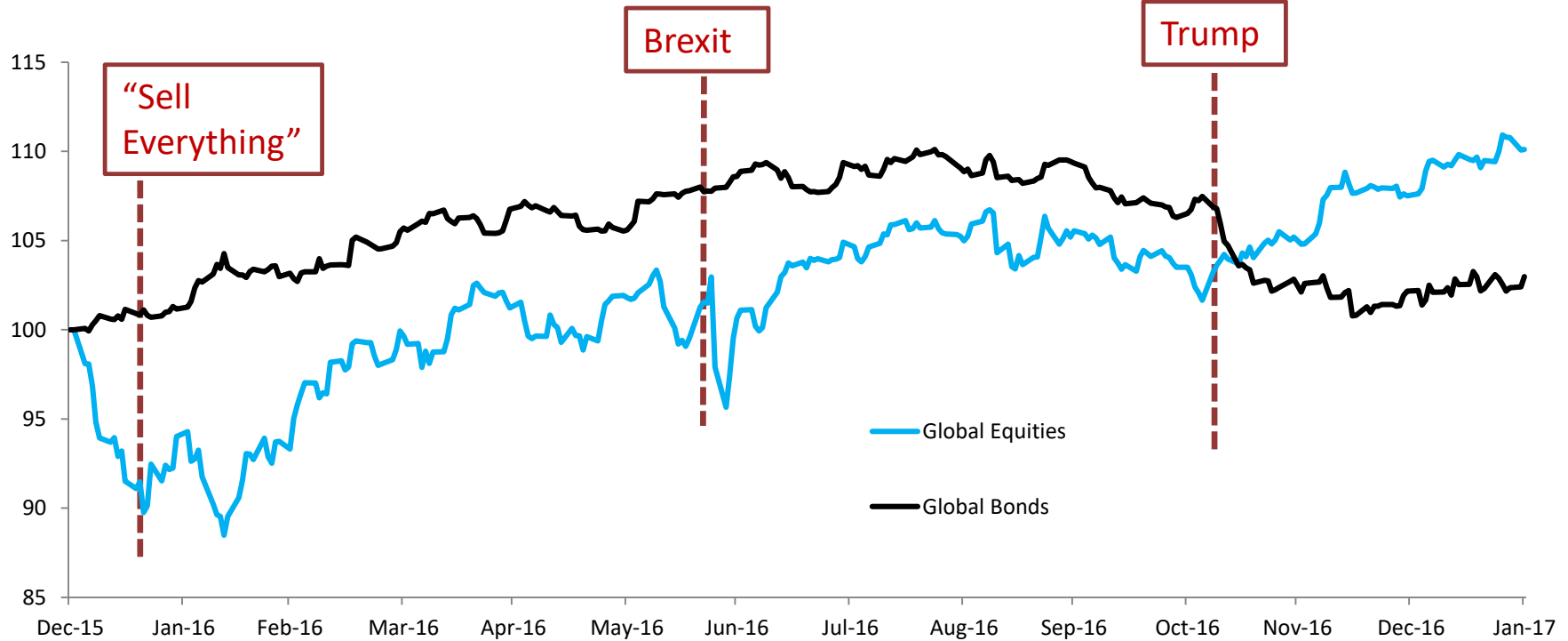
*If Brexit matters to your portfolio then you're doing it wrong. Really wrong.*



# 2016 – The Year of the Lie




# 2016 – The Year of the Lie






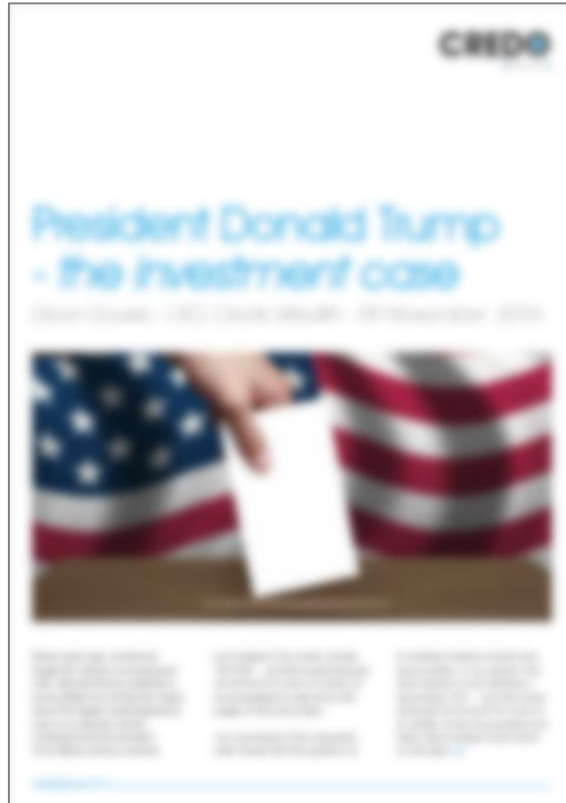
5:44 AM  
Bloomberg L.P.

**Bloomberg Markets** Markets Tech Pursuits Politics Opinion Businessweek Sign In  
Subscribe to Businessweek



## Americas

NAME	TIME (EST)	FUTURE DATE	LAST	NET CHANGE	OPEN	HIGH	LOW	2 DA
DM1:IND <b>Dow Jones mini</b>	12:31 AM	Dec 2016	17,622.00	-663.00	18,304.00	18,394.00	17,418.00	
ES1:IND <b>S&amp;P 500 mini</b>	12:31 AM	Dec 2016	2,044.25	-91.25	2,138.00	2,152.50	2,028.50	
NQ1:IND <b>NASDAQ 100 mini</b>	12:31 AM	Dec 2016	4,587.25	-215.00	4,807.25	4,837.50	4,558.50	

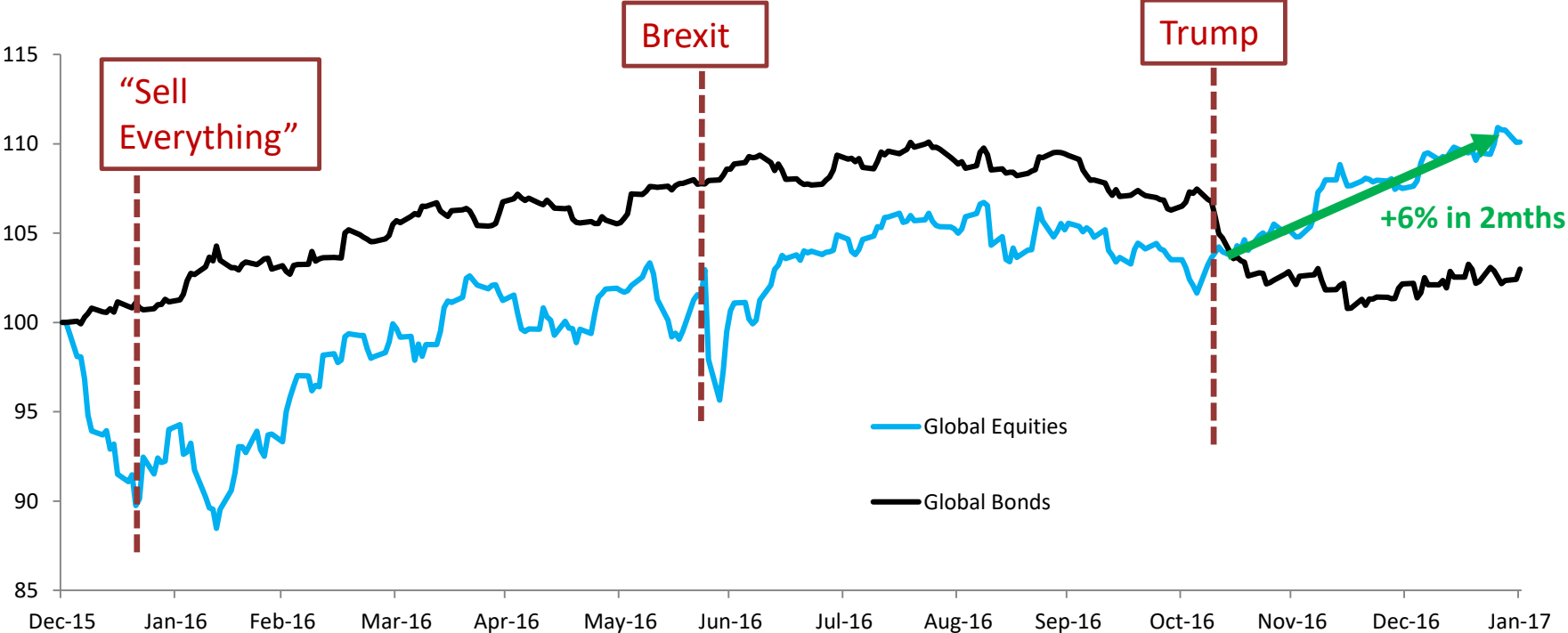


To be sure, there is in fact a plausible argument in terms of which **Trump's presidency is likely to be better for the economy and markets** compared to what the equivalent impact of a Clinton presidency might have been. The reason for this is simple: if you ignore the politically incorrect statements, the populist noises and the plans to build a wall around Mexico, the **core Republican policies are always more stimulatory** and business friendly than those of the Democrats. Nothing that either Trump or Clinton have said over the past few months contradicts this basic principle: it is common cause for example that **Hilary Clinton would regulate more and tax more** and use the proceeds to implement more generous social policies.





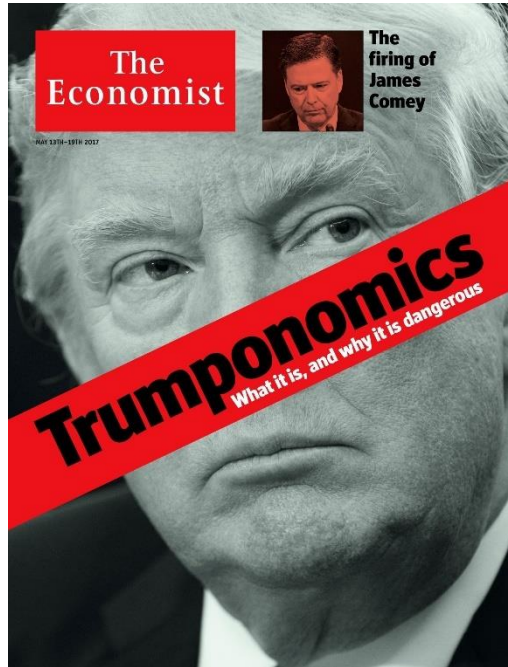
# 2016 – The Year of the Lie



*“Donald Trump winning the election is a possibility that seems to us **much more likely than the odds** currently being given by most political experts.*

*In this scenario, we foresee:*

- 1. a collapse in the US dollar,***
- 2. a big pullback in stocks,***
- 3. lower bond yields, &***
- 4. a higher gold price.”***



“Don’t believe these phony numbers when you hear 4.9% & 5% unemployment. The number’s probably 28, 29, as high as 35. In fact, I even heard recently 42%.”

*(Donald Trump)*





**Donald J. Trump** ✓

@realDonaldTrump

 Follow



Great jobs report today - It is all beginning to work!

RETWEETS

12,003

LIKES

64,560

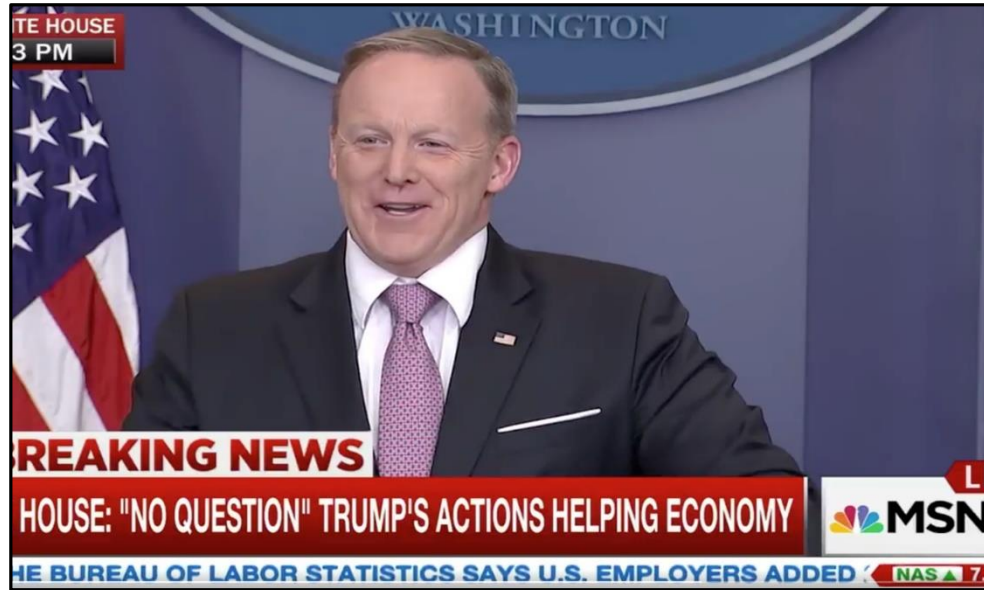


12:34 AM - 6 May 2017

 18K

 12K

 65K



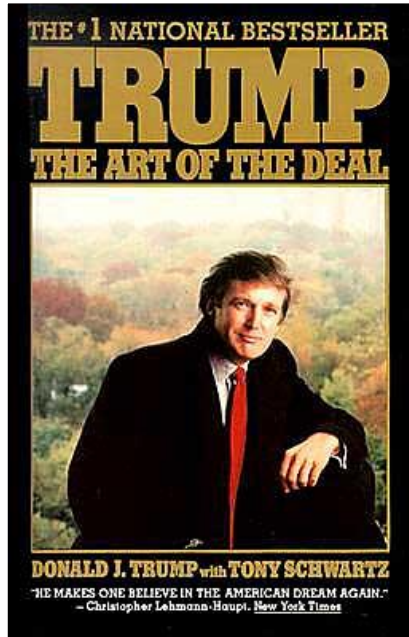
“They may have been phony in the past...  
but it's very real now.”

*(Sean Spicer, 10 Mar. 2017)*

# US Unemployment Rate



Source: US Bureau of Labor Statistics

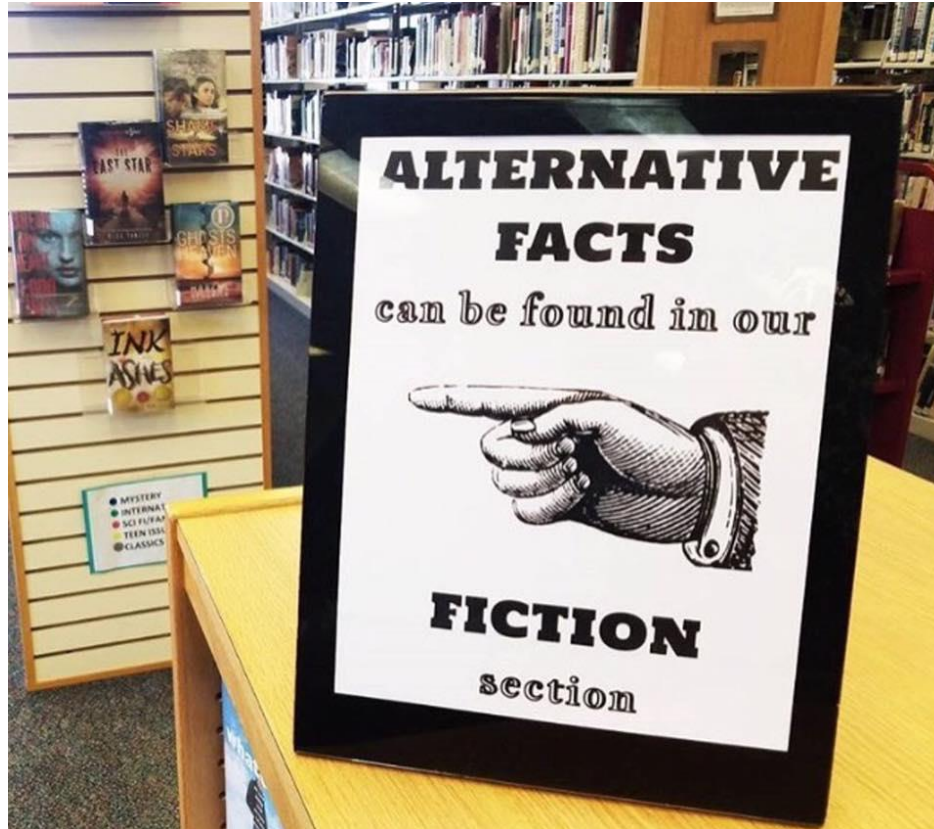
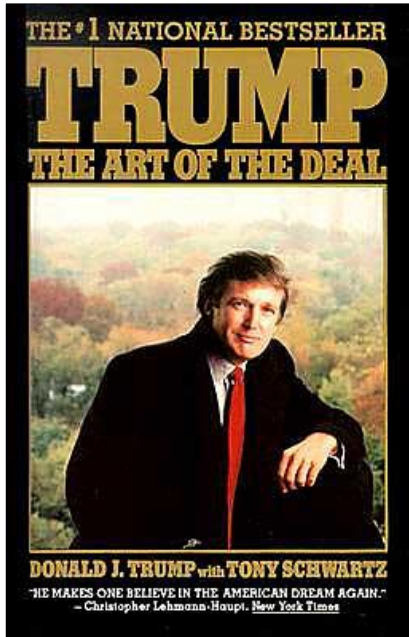


## 60 • TRUMP: THE ART OF THE DEAL

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### **Deliver the Goods**

You can't con people, at least not for long. You can create excitement, you can do wonderful promotion and get all kinds of press, and you can throw in a little hyperbole. But if you don't deliver the goods, people will eventually catch on.



# 2017 – The Year of the Lie (continued)



# THE **HEALTHYGUTDIET**

By Dr Michael Mosley, 5:2 diet creator

PULLOUT  
CENTRE  
PAGES

# Daily Mail

FRIDAY, MAY 19, 2017

www.dailymail.co.uk

NEWSPAPER OF THE YEAR 65p

# AT LAST, A PM NOT AFRAID TO BE HONEST WITH YOU

By Jason Groves  
Political Editor

**THERESA MAY** yesterday put the needs of ordinary working families at the heart of a pragmatic plan to deliver a better deal for 'mainstream Britain'.

In a dramatic break with the past, the Prime Minister set out practical pledges rather than the eye-catching but unrealistic promises that have littered other manifestos. With remarkable honesty three weeks before Britain goes to the polls, she levelled with voters that the country faces 'tough choices' and 'great challenges' as she navigates Brexit. And in

Turn to Page 2

## COMMENT

**DEADLY serious, utterly candid and unashamedly moral, the Tories' 84-page manifesto yesterday unveiled Mayism (a word she hates) ... and British politics entered a new era.**

SEE PAGE 16



Commanding: Theresa May at yesterday's manifesto launch

# FINANCIAL TIMES

## Theresa May's 9 U-turns

The prime minister is making a habit of retreating from policies



**June 30, 2016**

'There should be no general election before **2020.**'

**July 12, 2016**

'Let us make sure we put this time to good use, to build the support we need to go to the country in **four years' time,** and not just win, but win big.'

**September 4, 2016**

'I'm not going to call a snap election. I've been very clear that I think we need that period of time, that stability, to be able to deal with the issues that the country is facing and have that election in **2020.**'

**October 1, 2016**

'I think it's right that the next general election is in **2020.**

'This isn't about political games, it's about what is right for the country.

'I think an early general election would introduce a note of instability for people.'

**March 7, 2017**

Official spokesman - 'It's **not going to happen.** It's not something she plans to do or wishes to do.'

**March 20, 2017**

Official spokesman - 'There is not going to be one until **2020.**'



# Brexit Bonanza?



# Brexit Bonanza?



# PS: Pound buffeted?



**Brexit: WHAT'S NEXT?**

## POUND BUFFETED BY ELECTION POLLS

**TOP NEWS**  
**Blankfein Tweets, Iger Quits Trump Council in Climate Fury**  
PAGE 1 OF 2  
The business community lashed back at Donald Trump's decision to ditch the Paris climate accord, as two high-profile executives quit the president's advisory council and Goldman Sachs Group Inc.'s Lloyd Blankfein took to Twitter for the first time ever to express disapproval.

<b>Bloomberg</b> 2 JUN 09:29 @BUSINESS	<b>FTSEMIB</b> 2-DAY VIEW	<b>IBEX 35</b> 2-DAY VIEW	<b>EU STOXX 50</b> 2-DAY VIEW	<b>FR 2YR</b> 2-DAY VIEW	<b>FR 5YR</b> 2-DAY VIEW	<b>FR 10YR</b> 2-DAY VIEW
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**Media not the only culprit, though...**

CAPITAL ASSET PRICES: A THEORY OF MARKET  
EQUILIBRIUM UNDER CONDITIONS OF RISK\*

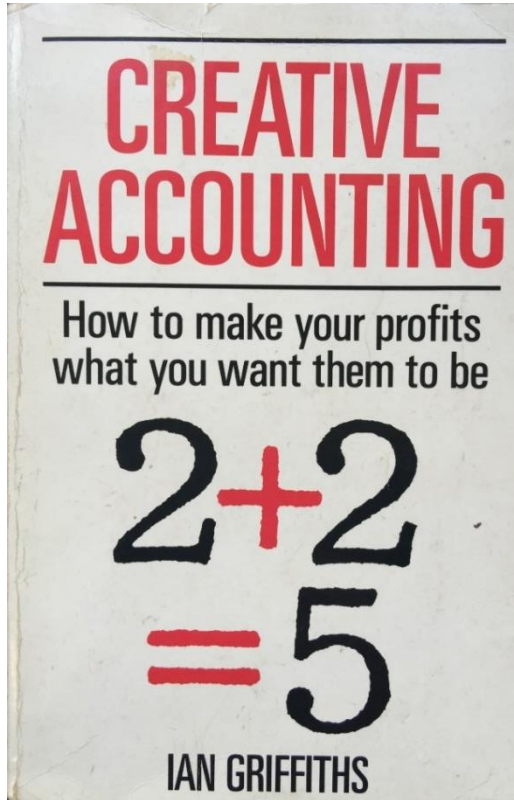
WILLIAM F. SHARPE†

I. INTRODUCTION

ONE OF THE PROBLEMS which has plagued those attempting to predict the behavior of capital markets is the absence of a body of positive micro-economic theory dealing with conditions of risk. Although many useful insights can be obtained from the traditional models of investment under conditions of certainty, the pervasive influence of risk in financial transactions has forced those working in this area to adopt models of price behavior which are little more than assertions. A typical classroom explanation of the determination of capital asset prices, for example, usually begins with a careful and relatively rigorous description of the process through which individual preferences and physical relationships interact to determine an equilibrium pure interest rate. This is generally followed by the assertion that somehow a market risk-premium is also determined, with the prices of assets adjusting accordingly to account for differences in their risk.

### III. EQUILIBRIUM IN THE CAPITAL MARKET

In order to derive conditions for equilibrium in the capital market we invoke two assumptions. First, we assume a common pure rate of interest, with all investors able to borrow or lend funds on equal terms. Second, we assume homogeneity of investor expectations:<sup>16</sup> investors are assumed to agree on the prospects of various investments—the expected values, standard deviations and correlation coefficients described in Part II. Needless to say, these are highly restrictive and undoubtedly unrealistic assumptions. However, since the proper test of a theory is not the realism of its assumptions but the acceptability of its implications, and since these assumptions imply equilibrium conditions which form a major part of classical financial doctrine, it is far from clear that this formulation should be rejected—especially in view of the dearth of alternative models leading to similar results.

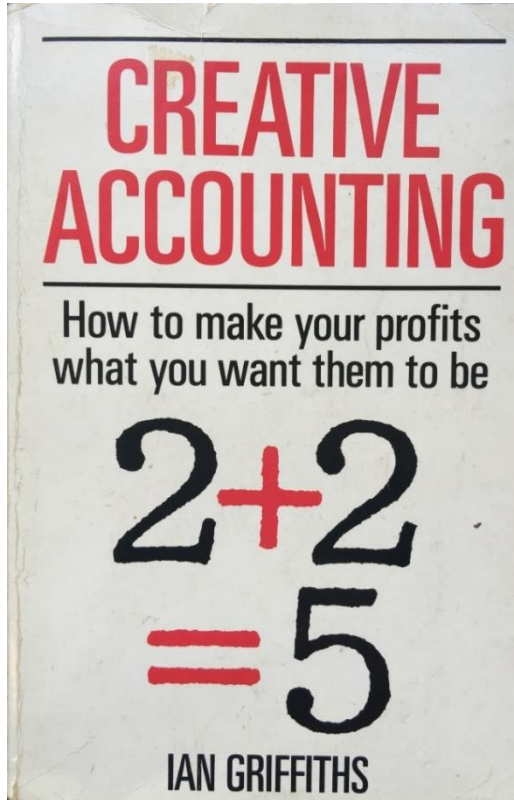


“Every set of published accounts is based on books which have been gently cooked or completely roasted...

**It is the biggest con trick since the Trojan horse.”**

*(Ian Griffiths, 1986)*

## Media: not the only culprit (2)



“Blessed is the shareholder who expects nothing from a set of accounts, for he shall not be disappointed.”

*(Ian Griffiths, 1986)*



# Bloomberg

"I need to listen well so that I hear what is not said."  
Thuli Madonsela

**The pulse of the market.  
The power of Bloomberg.**

We can help you be more efficient on your terms, in your time.  
The new Bloomberg Professional app for iPhone. [Learn more.](#)

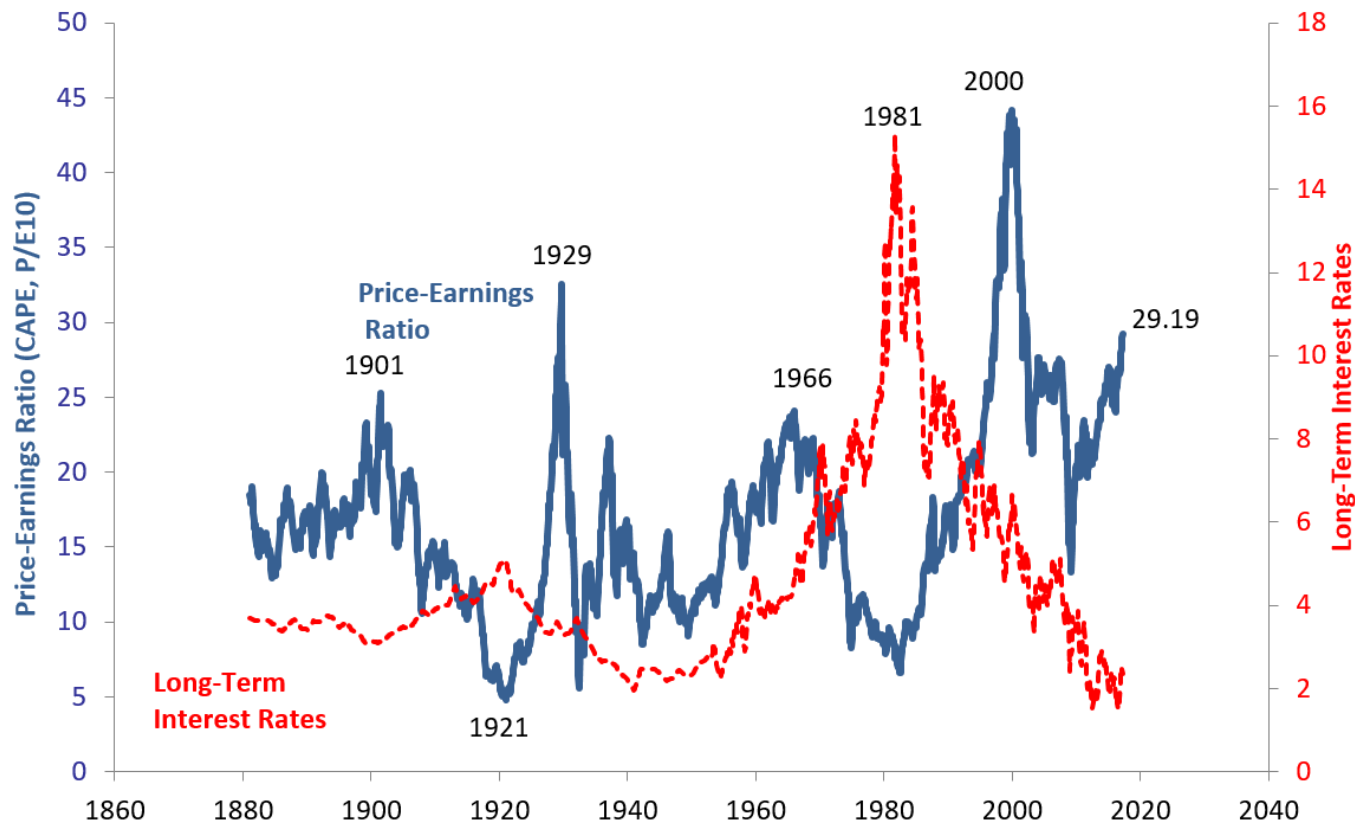
# Credo Investment Philosophy



- We believe wealth is created & preserved by following a patient & disciplined investment strategy that is focused on the **long-term**
- We follow a **value-based** approach to investing
- We aim to identify matters of **strategic importance** rather than fixating on short-term news-flows and forecasts
- We strive to minimise turnover in our portfolios in an attempt to limit **transaction costs**
- We view risk as **permanent losses of capital** & not in terms of short-term volatility

# Some #UnfilteredFacts...

# #UnfilteredFact no. 1: Markets are not cheap



Source: R Shiller, Yale University

# #UnfilteredFact no. 2: Markets can get a lot more expensive



**Patrick O'Shaughnessy**

@patrick\_oshag

Shiller P/E crossing 30x for third time.

first time: 1929, immediate crash, great depression

second time: 1997, market ran another +80%

2017/03/01, 6:24 PM

50 RETWEETS 75 LIKES



# #UnfilteredFact no. 2: Markets can get a lot more expensive



The screenshot shows the top portion of the CNBC website. It includes the CNBC logo on the left, a search bar with the text "Search Quotes, News & Video" and a magnifying glass icon on the right, and a navigation menu with links for HOME INTL, NEWS, MARKETS, INVESTING, TECH, MAKE IT, VIDEO, SHOWS, and MORE. Below the navigation menu is a large "INVESTING" heading, followed by a horizontal menu with links for FINANCE, BANKS, INVESTING (highlighted in red), WALL STREET, HEDGE FUNDS, M&A, and INSURANCE.

Nobel winner Robert Shiller:  
Stay in the market because it  
'could go up 50 percent from  
here'

Tae Kim | @firstadopter  
Tuesday, 23 May 2017 | 4:05 PM ET



## #UnfilteredFact no. 3: Corporate earnings in decent shape

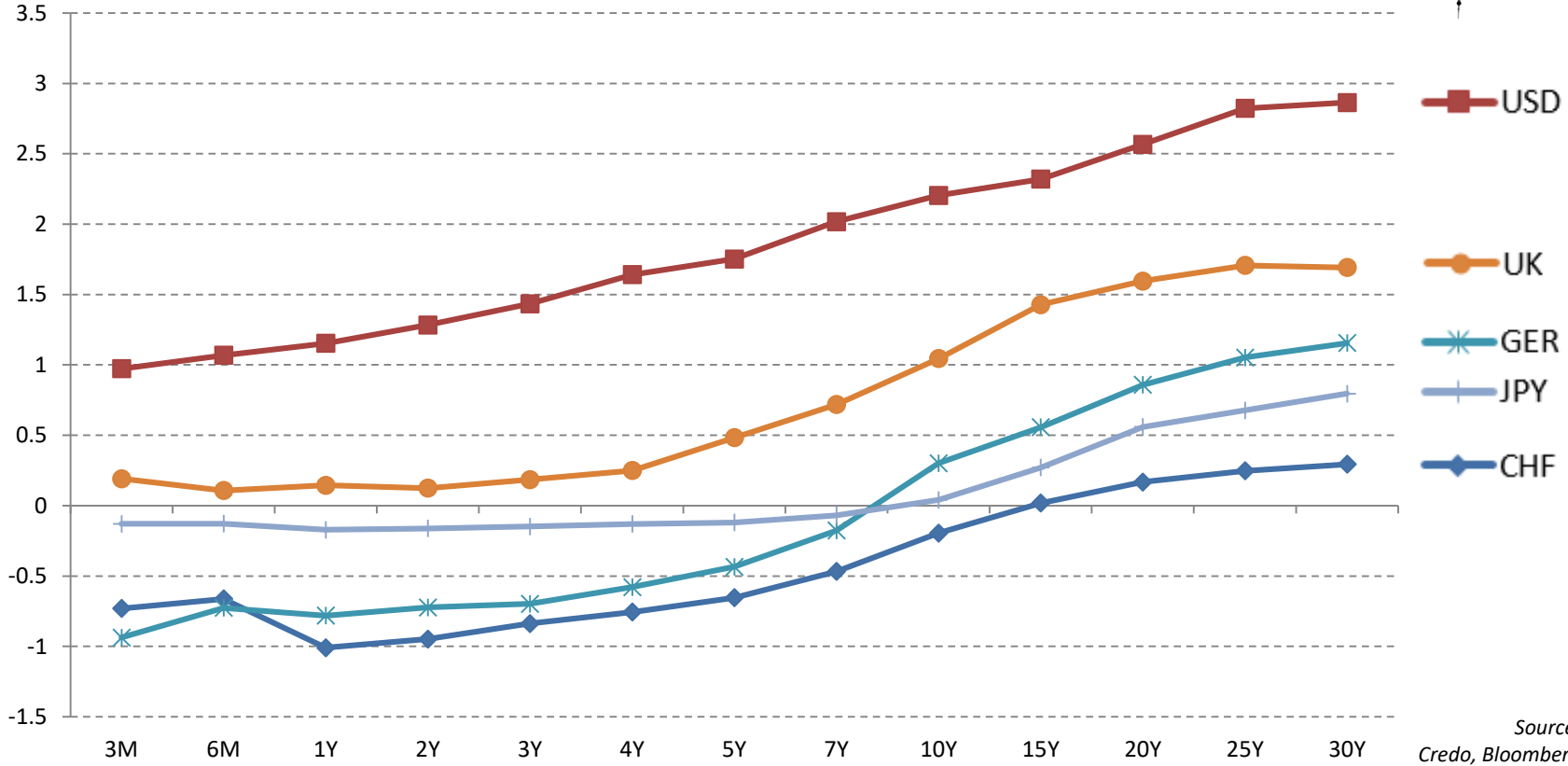


### 1Q 2017 Earnings Scorecard, as of 9:00 AM ET on May 5, 2017

<u>Sector</u>	<u>EPS Growth</u>	<u>Avg EPS Surprise</u>
Energy	200.18%	44.59%
Financials	24.05%	6.46%
Information Technology	23.37%	6.18%
Consumer Discretionary	20.62%	5.76%
Health Care	13.15%	6.32%
Materials	10.12%	4.68%
Consumer Staples	7.64%	0.33%
Real Estate	5.29%	2.18%
Industrials	3.94%	5.92%
Utilities	1.43%	4.74%
Telecom	-10.21%	-1.92%
<b>S&amp;P 500</b>	<b>16.35%</b>	<b>5.61%</b>

Source: The Earnings Scout

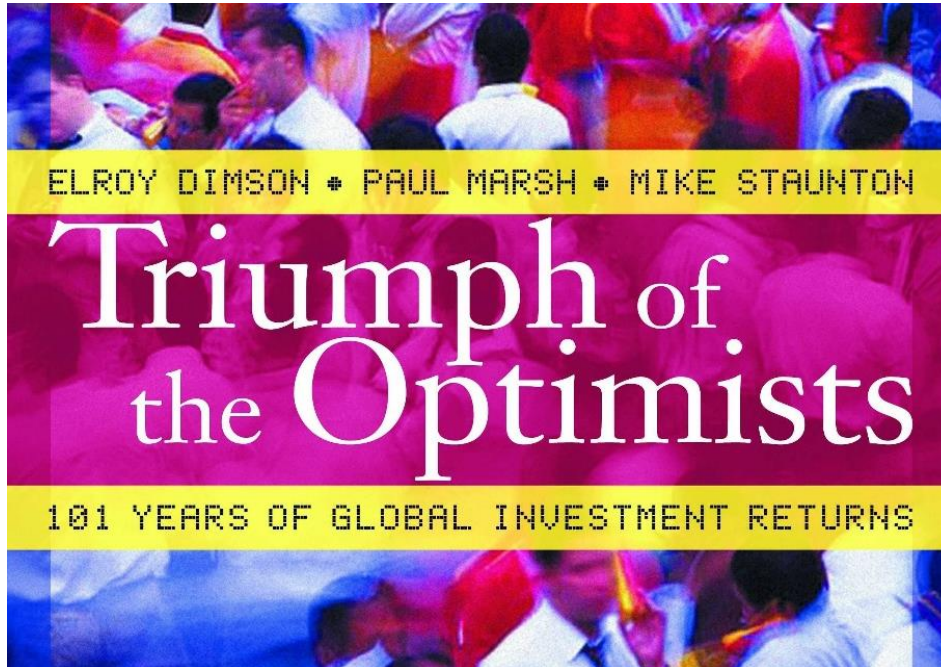
# #UnfilteredFact no. 4: Interest rates... lower for even longer?



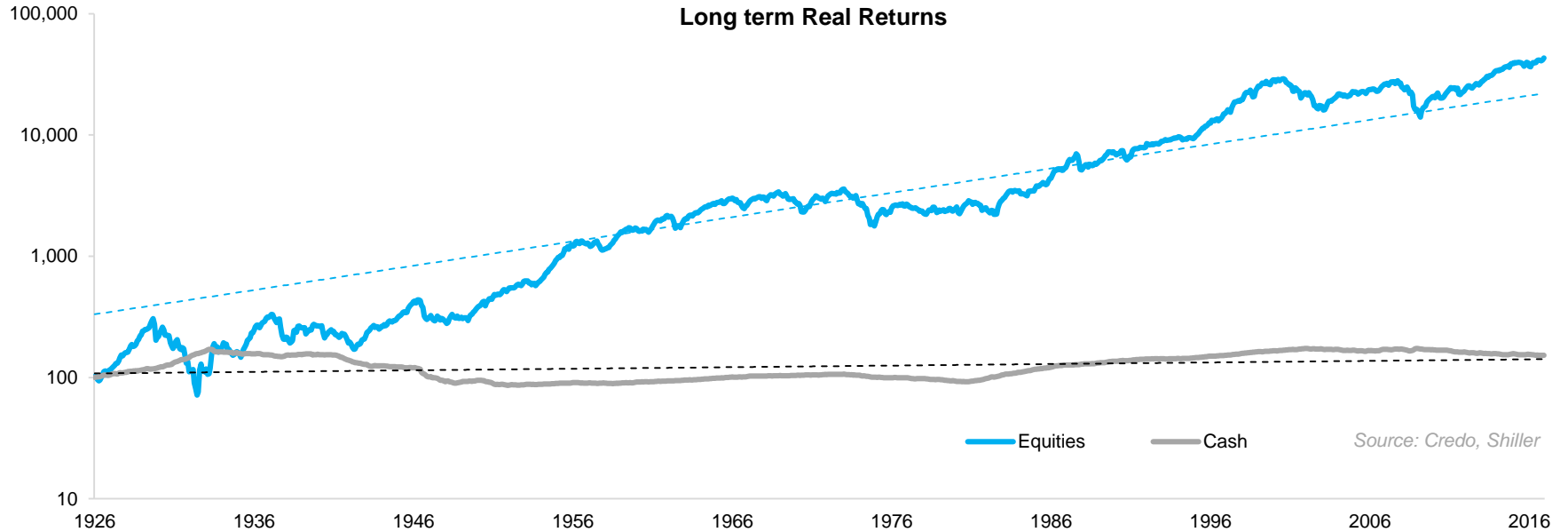
Source: Credo, Bloomberg



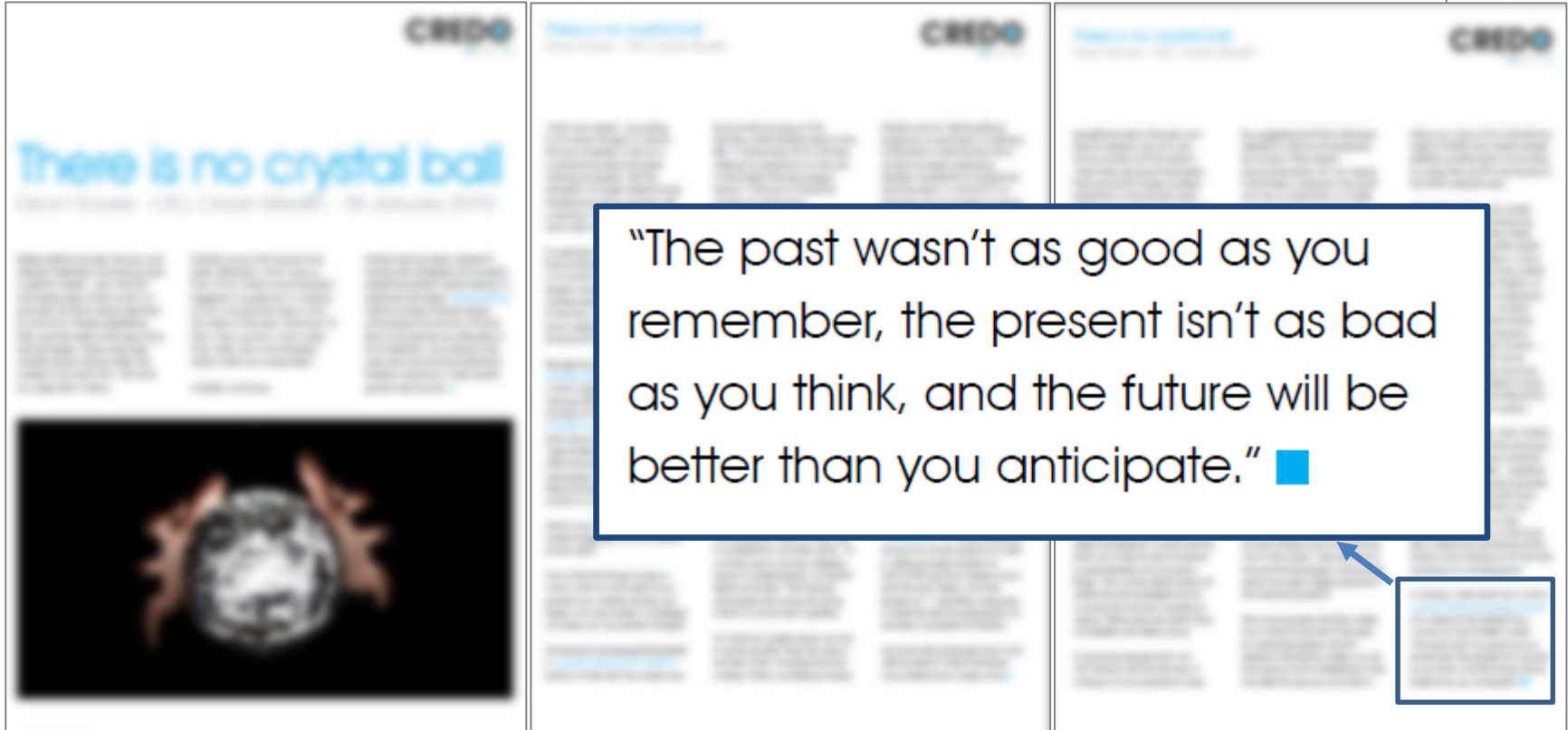
# #UnfilteredFact no. 5: The optimists tend to triumph over time



# #UnfilteredFact no. 5: The optimists tend to triumph over time



# In conclusion



CREDO

## There is no crystal ball

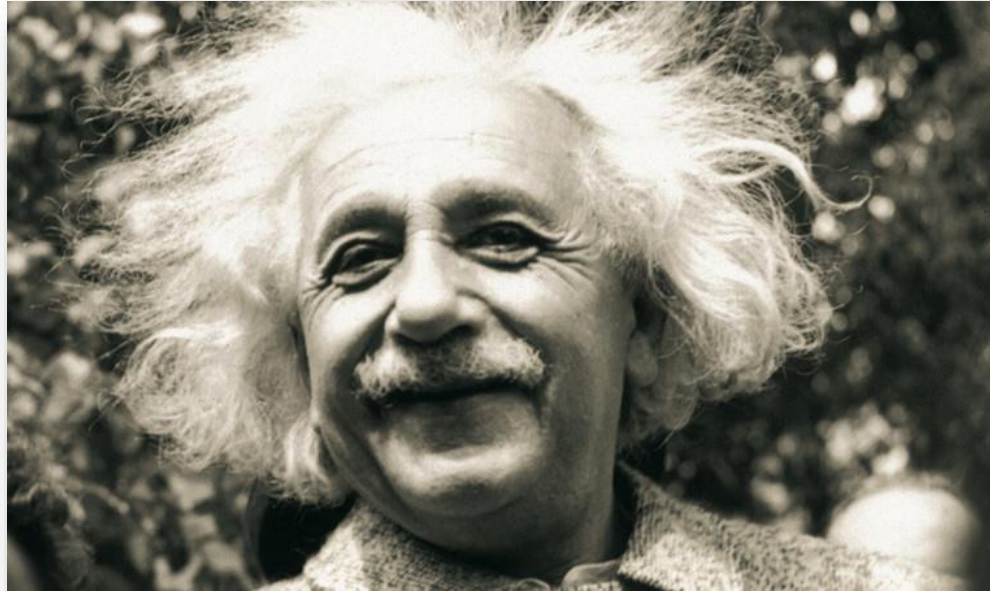
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“The past wasn’t as good as you remember, the present isn’t as bad as you think, and the future will be better than you anticipate.” ■

CREDO

And finally...



“Don’t believe everything you read on Twitter”  
*(Albert Einstein)*



 @DeonGouws\_Credo



[credogroup.com](https://credogroup.com)

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