Market Capitalisation	AU$ 15.3bn
Revenue	AU$ 16.8bn
Financial Leverage Ex Goodwill	34%
EBITDA Coverage Ratio	4x
Reserve adequacy ratio	103%
Coverage of regulatory PCA	1.6x
Rating	BBB- / BBB-

QBE Insurance Group is Australia's largest international insurance and reinsurance company and one of the top 25 globally. QBE is listed on the Australian Securities Exchange and is headquartered in Sydney. They employ more than 17,000 people in 43 countries, providing insurance to policyholders in more than 140 countries. Their gross written premium was US$17.9 billion in 2013. QBE is mainly a property / casualty primary insurer, however, its operations also include reinsurance and lender mortgage insurance.

Operating performance was below satisfactory levels in 2013 with a US$244m loss. There are three key drivers for the recent below par performance of profits. Firstly, they undertook reserve strengthening (US$621m) in 2013, predominately related to the North American entities. Goodwill and intangible impairments were significant with a charge (US$600m) which represented 36% of equity, and a restructuring charge (US$134m) related to the lender placed insurance business. After this combination of one off losses we expect a strong rebound in this financial year. We have already seen evidence of this with profits in the first half of 2014 despite reserve strengthening in Latin America.

After a long period of focusing on growth led by acquisitions, with an aim to build the North America franchise, the group's current key objective is to consolidate the portfolio of businesses and improve the group's performance as well as operating efficiency.

Underwriting performance has remained strong and QBE aims to manage their underwriting risks through purchasing reinsurance, where possible, when risk tolerances exceed limits at a divisional level. One can never predict upcoming catastrophic events, but higher premiums, increased reinsurance cover and growing budgeted allowances enables the group to manage these accordingly.

QBE have a conservative investment strategy with 95% of investments in cash, short term money or investment grade securities. They have adopted a short duration policy of 0.5 years, therefore given portfolio positioning, QBE should stand to benefit from interest rate rises. The group also looks to alleviate any foreign currency risk by matching its exposures in assets and liabilities.

Capital position remains strong with the prescribed capital amount at 1.56x the Australian Prudential Regulatory Authority minimum requirement and they have announced a new target level of 1.7-1.9x in line with a strong capital trajectory. The operating performance in 2013 combined with higher financing cost reduced the EBITDA interest coverage to 3x, however this has already rebounded to 4x in the 2014 interim results and is expected to end the year at 6-7x. QBE has the ability to maintain its strong balance sheet through their internally generated capital and via its strong relationship with the capital markets. This relationship was illustrated by the announcement to raise US$750m in August 2014; the net proceeds were utilized to repay the convertible preference shares and subsequently increasing profits by reducing interest costs.

In conclusion, we are comfortable with the risk of the underlying company due to the new strategic direction, the significant capital buffer and strong alignment with the capital markets. As a result we are recommending the 2044 bond with a coupon of 6.75%, pricing close to par which is particularly attractive for a USD investment grade bond. The bond has a call in 2024 and we would be highly surprised if the bond was not called as this is normal practise; therefore we view this as if it has a 10 year maturity. If this does not occur the coupon moves to a rolling 10 year reset at the same spread, 10 year swaps plus 4.3%, further reducing future interest rate risk.

CREDO WEALTH

INCOMEPLUSPORTFOLIOS

The Credo Income Plus Portfolios are three high conviction bond portfolios across 2 currencies, each with a minimum targeted annual return that we would expect to achieve over the life of the portfolios, assuming bonds are held to maturity.

Investment Process

Investment Universe
- Primary market is Eurobonds in various currencies
- $150m or £100m minimum issue size

Screening
- Both quantitative and qualitative
- Eliminate bonds that offer inadequate compensation or have significant risks

Analysis
- Balance sheet strength
- Cash flow
- Profitability
- Reputation of issuer
- Terms of debt
- Interest rate sensitivity
- Debt maturity

Portfolios Construction
- Aim to achieve diversity across both industry and maturity
- Portfolios of typically 7-12 high conviction holdings

Ongoing monitoring and analysis

Execution

Unlike the equity world, bonds are generally traded telephonically and 'best price' is not always shown on data sources such as Bloomberg. It is important, therefore, to have a large network of trusted broker-dealers and intermediaries to ensure that bonds are traded at the best possible levels. We have a wide network of market contacts and counterparties making Credo a very attractive house through which to purchase these instruments.

Liquidity

The corporate bond market can become illiquid especially during times of financial stress. In addition certain bonds have large minimum dealing sizes that may be in excess of an individual client's position. It is therefore possible that an investor who wishes to redeem bonds before the stipulated redemption date may not be able to sell as and when required at the reported price if indeed at all. We will endeavour to aid liquidity for sellers.

Portfolios

Low Volatility

Appropriate for the more cautious investor. Bias towards high quality short dated senior investment grade bonds. The portfolio takes little risk in terms of credit and sensitivity to interest rates. A relatively low level of volatility can be expected.

Medium Volatility

This portfolio will take on a little more risk but should still not exhibit significant volatility. We may invest in longer dated bonds and subordinated debt. Some holdings may further not be investment grade. The portfolio is likely to contain more financial exposure but an emphasis on quality will be maintained.

High Volatility

For the more adventurous investor, this portfolio will contain significant exposure to financial paper, longer dated bonds and special situations. The portfolio is likely to experience significantly more volatility than the others. A material part of the portfolio will nonetheless be investment grade.

Current Portfolios

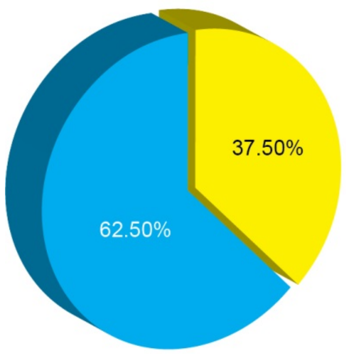
GBP	Target	Yield*
Low Volatility	2% +	2.71%
Medium Volatility	4% +	4.27%
High Volatility	5% +	4.78%

USD	Target	Yield*
Low Volatility	2% +	2.76%
Medium Volatility	4% +	4.59%
High Volatility	5% +	5.56%

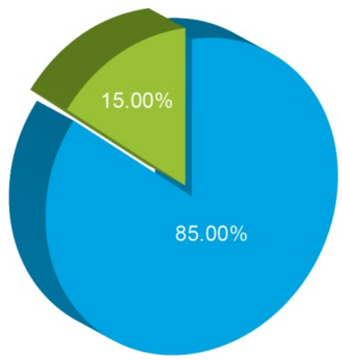
(*) For the annual yield we have estimated the most conservative likely outcome for investors.

Risk Ratings

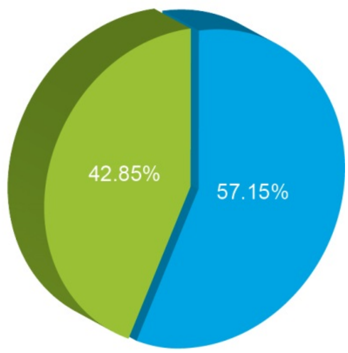
GBP



Low Volatility

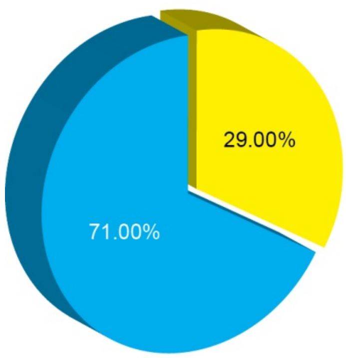


Medium Volatility

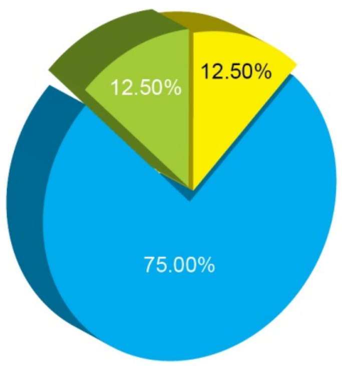


High Volatility

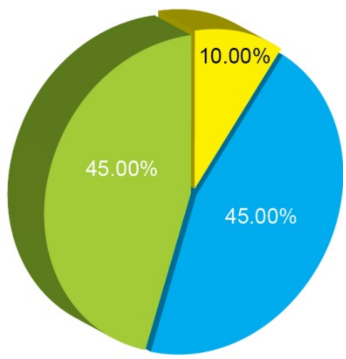
USD



Low Volatility



Medium Volatility



High Volatility

A rated and above · Investment grade · High yield

Investment Terms

Minimum Investment: £100,000 or US$150,000

Implementation

Investors should note that the minimum lot sizes of specific bonds that trade in the market are all different, with some as low as £1,000 and others as high as £200,000. Against this background, there may at times be some delay in aggregating orders. In some cases where we do not reach the minimum lot size within a suitable time frame, we may select alternative bonds.

Important Notice

The Credo Income Plus Portfolios ("CIPs") document has been issued by Credo Capital Plc (the "Company") for information purposes only. This document does not constitute an offer or solicitation to invest. Its sole purpose is to advise investors of this new offering and to assist the recipient in deciding whether they wish to receive further information about this opportunity. It does not constitute advice or a personal recommendation and if you wish to invest in a CIP you should consult with your investment advisor to ensure that the CIP you want to invest in is suitable for you given your investment objectives, attitude to risk and financial circumstances.

This document contains forward looking information that is based on current opinions and expectations. Actual results could differ materially from those anticipated in the forward looking information.

Investors are warned that past performance is not necessarily a guide to future performance, income is not guaranteed and security prices may go up or down and if you invest in CIPs you may not get back your original capital invested. The value of your investments may also rise or fall due to changes in tax rates and rates of exchange if different to the currency in which you measure your wealth. Companies in the Credo Group and their respective directors, members and employees may have positions in the companies and may have given advice in relation to the companies in the last twelve months.

Investors should note that annual yields shown are before any charges or fees are levied and are indicative as at 4 December 2014.

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