CREDO WEALTH

PERSHING SQUARE

Market Capitalisation	$6.5bn
Issue	$1.0bn
Leverage	15.4%
Rating	BBB / BBB+
Trade Denominations	250,000

Pershing Square Holdings (PSH) is Bill Ackman's listed hedge fund that has recently come to the market with an investment grade bond issuance of $1bn. Credo participated in the equity initial public offering in October 2014 of $6bn of permanent capital for the strategy, listed on Euronext Amsterdam and recently have included the bond issue within the Credo Income Plus portfolios.

Bill Ackman, who famously shorted Herbalife, going at loggerheads with Carl Icahn, founded PSH in 2003. The fund utilises an activist strategy, which means that the fund builds up a large position in US large capitalisation stocks with the ambition of facilitating a change in strategy or management. This entails a research-intensive methodology and a fundamental value approach. The strategy in aggregation has $19bn assets under management. Management are aligned with investors' interests, with $1.5bn in the strategy and $270m in this vehicle, of which $228m is subject to a 10 year lock up. The stocks within the portfolio look to fulfil the following criteria; growing and predictable free cash flow, low sensitivity to cyclical factors, liquid trading and a strong credit profile.

The fund typically holds between 8 to 12 stocks, which leads to concentrated stock positions. At present the largest stock holding is 21% of invested capital. Although no explicit restrictions apply, we believe this is at the upper limit of the fund's stock concentration. The fund has the opportunity to short equity holdings, although this has delivered some unwanted media attention. Subsequently shorting strategies will be limited going forward and will usually be implemented by investing in credit default swaps. PSH has a targeted average holding period of 3 to 6 years with 1 to 3 new investments each year. The fund has outperformed the S&P 500 since inception, with returns of 20.6% compared to the index of 7.9% per annum as of March 2015. This alpha has been created by outperforming the market in negative months; in the average negative month the fund has returned -0.9% vs -3.8% for the S&P 500.

There are two key risks to highlight within the structure; the second order redemption risk and the key man risk. Although these are permanent assets, they are reflective of the overall strategy and the sister funds have a redemption risk, which consist of approximately 60% of the assets, and which could lead to distressed asset sales if the strategy goes through a period of significant underperformance. We judge this to be a tail risk, given the manager has navigated his 12 year track record without this concern. Additionally the funds retain a portion of assets in a liquid strategy to limit this risk. Secondly, although there is an experienced team behind the investment at PSH, Bill Ackman is the lead manager and personality of the fund. This key man risk is mitigated by the clause that in the event of a change in control, PSH will make an offer to repurchase the bonds at a purchase price of 101% (plus accrued).

The bond issue gives the fund approximately 15% leverage and a new injection of cash which will be invested in the strategy, likely to be in a new holding further diversifying the underlying. The fund's leverage is capped by the prospectus at 33%, meaning there would have to be a 75% drawdown in capital for the bond's security to be impaired. Given the largest drawdown since inception was 13%, on an annual basis, compared to 37% for the S&P 500 during the financial crisis. Although the historical return is not necessarily reflective of the future performance, this should provide investors with a certain level of comfort.

In conclusion, in our view investors with a medium appetite for risk could consider investing in this investment grade issue as we believe there is a high level of security and a relatively attractive yield of 5.5% for a 7 year bond. Looking at broad comparisons to peers this issue looks favourable with the closest comparison being Carl Icahn's fund yielding approximately 5% over the same term and rated BBB-. This bond presents a different underlying exposure to a typical investment grade credit. However, as familiar holders of the equity investment, we believe there is adequate return for the risk until maturity.

INCOMEPLUSPORTFOLIOS

The Credo Income Plus portfolios ("CIP") 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	Screening	Analysis	Portfolios Construction
- Primary market is Eurobonds in various currencies - \$150m or £100m minimum issue size	- Both quantitative and qualitative - Eliminate bonds that offer inadequate compensation or have significant risks	- Balance sheet strength - Cash flow - Profitability - Reputation of issuer - Terms of debt - Interest rate sensitivity - Debt maturity	- 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	Medium Volatility	High 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.	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.	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

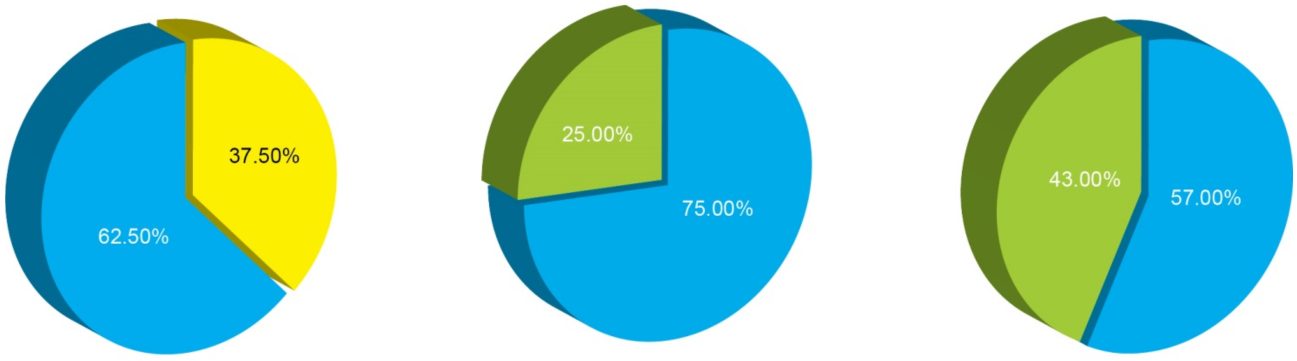
GBP	Target	Yield*
Low Volatility	2% +	2.86%
Medium Volatility	3% +	4.33%
High Volatility	5% +	5.15%

USD	Target	Yield*
Low Volatility	2% +	2.74%
Medium Volatility	3% +	4.58%
High Volatility	5% +	5.94%

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

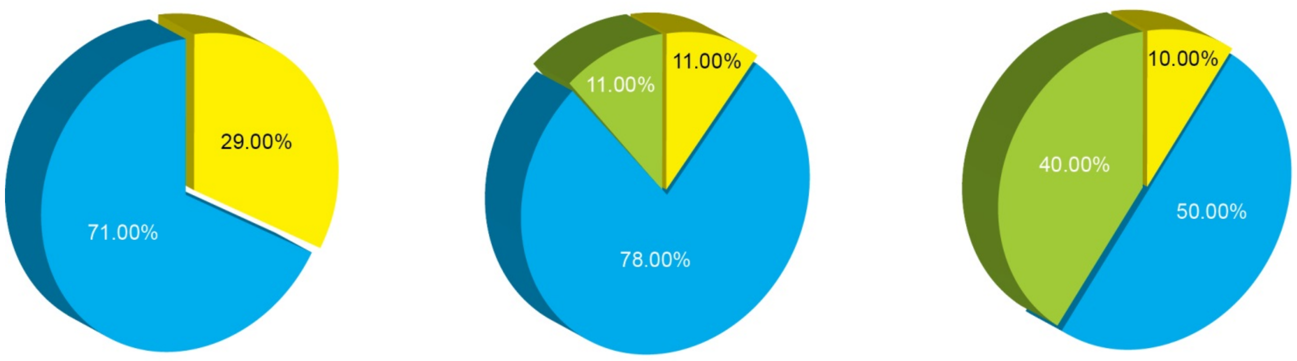
Risk Ratings

GBP



Low Volatility | Medium Volatility | High Volatility

USD



Low Volatility | Medium Volatility | High Volatility

A rated and above | Investment grade | High yield

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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

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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 30 June 2015.