

## Strategy & Objective

The Best Ideas Portfolio is a diversified portfolio (not a fund) of global equities, which we believe to be well positioned to outperform the wider equity market over the longer term. The portfolio has a bias towards developed market, large capitalisation stocks.

## Portfolio Performance (GBP)<sup>1</sup>

|             | Jan   | Feb  | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct  | Nov  | Dec   | YTD   |
|-------------|-------|------|-------|-------|-------|-------|-------|-------|-------|------|------|-------|-------|
| <b>2015</b> | 2.2%  |      |       |       |       |       |       |       |       |      |      |       | 2.2%  |
| <b>2014</b> | -2.7% | 4.2% | -0.1% | 0.8%  | 2.6%  | -1.6% | -0.1% | 3.2%  | -0.4% | 1.6% | 5.0% | -2.2% | 10.5% |
| <b>2013</b> | 6.1%  | 2.7% | 0.7%  | 1.0%  | 2.2%  | -4.2% | 4.6%  | -1.0% | 0.0%  | 5.3% | 0.4% | 0.7%  | 19.6% |
| <b>2012</b> | 3.1%  | 3.2% | -0.1% | -0.5% | -4.9% | 2.7%  | 1.8%  | 0.8%  | 0.4%  | 1.0% | 1.9% | 0.2%  | 9.8%  |
| <b>2011</b> |       |      |       | 2.0%  | 0.2%  | 1.0%  | -0.6% | -3.3% | -2.3% | 5.5% | 1.1% | 1.7%  | 5.5%  |

| Cumulative Total Return     | 1 Year | 3 Year | Since Inception |
|-----------------------------|--------|--------|-----------------|
| <b>Best Ideas Portfolio</b> | 16.0%  | 43.7%  | 55.7%           |
| <b>MSCI World</b>           | 17.2%  | 50.9%  | 47.1%           |

## Market Commentary

It has been an unsteady start to the year for US stocks as numerous economic headwinds, not least US dollar strength, dampened the earnings season. In Europe, by contrast, the announcement of additional stimulus by the ECB drove equities to deliver the highest monthly return in nearly four years. Commodities have continued to slide, with oil falling to \$48 by the end of the month. However, the decline has not been limited to oil: from copper to corn, commodities have continued to fall. As volatility has reared its head, investors have moved into safe-haven assets. This month alone, gold has rallied 8.4%, and US 10-Year Treasury yields have fallen to 1.66%. Across developed markets, deflationary fears abound. In the Eurozone, headline inflation is expected to drop -0.6% year-on-year. On the back of this, the ECB has embarked on a new era by announcing a €60bn a month programme of quantitative easing. This will largely be comprised of Eurozone sovereign debt. While this has driven the euro's depreciation, falling 6.7% against the US dollar, it has helped boost confidence across the beleaguered currency bloc.

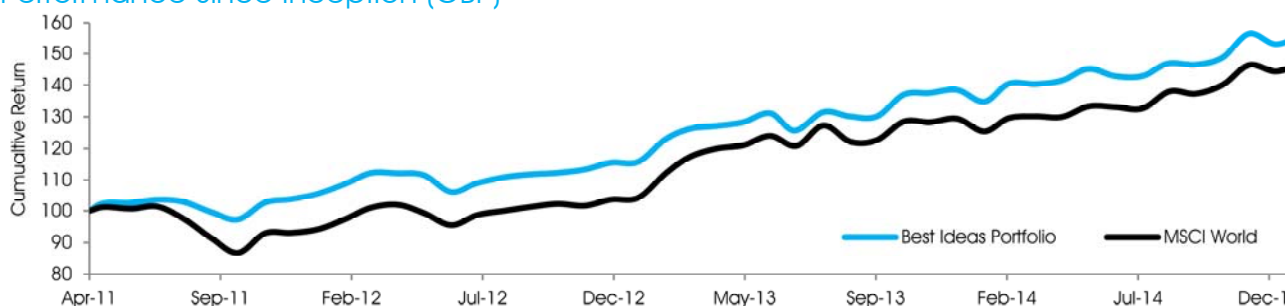
### Key Contributors to Return

Despite falling cigarette demand in recent years, Imperial Tobacco returned nearly 14% over the month. The company has ploughed considerable resources into the next generation of tobacco-related products, none more so than e-cigarettes. The purchase of *blu* from Reynolds American has given Imperial Tobacco access to the most popular vapour brand in the US. By the end of this year, the market is expected to grow to \$3.5bn in the US alone. Following mixed results for the six months ended December, including a 23% drop in pre-tax profits, Diageo's share price rose 6.6% last month, reflecting investor confidence that company sales are improving. On the back of improved profit margins thanks to continued cost-cutting, the company raised their interim dividend by 9% to 21.5p.

### Key Detractors from Return

The extended rout in commodity prices continues to weigh on producers Anglo American. While Anglo American's Q4 results were as expected, its turnaround efforts are clashing with a general malaise in commodity prices. The share price slid following the announcement that it expected to take certain impairments. That said, under CEO Mark Cutifani's stewardship, the company is pursuing the expansion of mechanised mining, allowing much lower costs of production. The news that Microsoft's core PC software business is likely to face headwinds in the coming months as the company struggles to revive growth in some overseas markets contributed to a 9.8% fall in the share price. However, the company has continued to pursue organic growth elsewhere, with commercial cloud revenues rising by 114%.

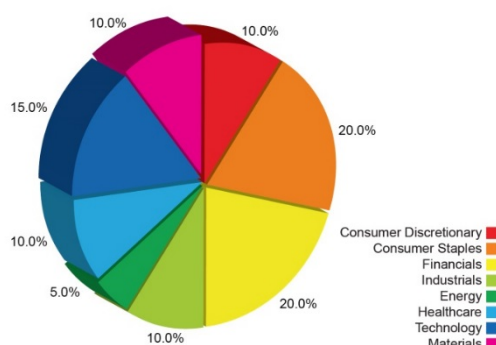
## Performance Since Inception (GBP)<sup>2</sup>



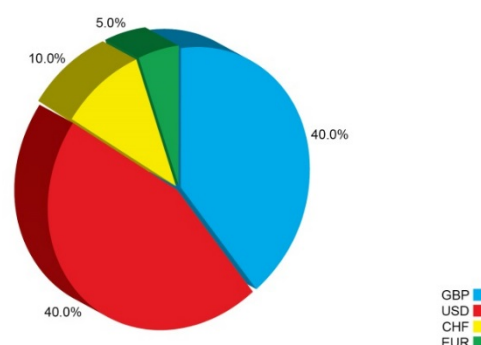
## Sample Portfolio Statistics<sup>2</sup>

|                                | Current Price | Trailing 12 Month P/E    | 12 Month Forward P/E     | Dividend Yield          | 2015 Consensus Price Target |
|--------------------------------|---------------|--------------------------|--------------------------|-------------------------|-----------------------------|
| BP                             | 424p          | 12.8x                    | 17.1x                    | 6.2%                    | 452p                        |
| Danone                         | €59.6         | 33.2x                    | 22.6x                    | 2.4%                    | €57.2                       |
| Microsoft                      | \$40.40       | 15.1x                    | 15.7x                    | 3.1%                    | \$48.09                     |
| <b>Total Portfolio Average</b> |               | <b>14.2x<sup>2</sup></b> | <b>14.7x<sup>2</sup></b> | <b>3.0%<sup>2</sup></b> |                             |
| <b>MSCI World</b>              |               | <b>17.2x<sup>2</sup></b> | <b>16.2x<sup>2</sup></b> | <b>2.6%<sup>2</sup></b> |                             |

## Sector Allocation



## Currency Allocation



## Investment Philosophy

Credo's investment philosophy is based on the following tenets:

- Wealth is preserved and created by following a long-term, low turnover strategy.
- We believe in a value-based approach to investing, given that the price which is paid when investing is one of the very few things in financial markets that investors can actually control.
- We do not define risk in terms of quantitative metrics, but simply as the potential to lose clients' money; accordingly, our approach to investing can be described as a relatively conservative one, focusing first and foremost on capital preservation.
- Yield is an important consideration across all asset classes.
- Transaction costs have the potential to erode investment returns quickly; based on this, we not only follow a low-turnover approach, but we also apply our minds when considering transaction size.
- We aim to identify matters of strategic importance when considering investments, rather than focusing on daily news-flow in financial markets.

## Important Notice

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(1) Performance figures are based on a notional portfolio, denominated in pound sterling, designed to track the holdings of the Credo Best Ideas Portfolio. Portfolio incorporates all additions and removals. Portfolio may not be fully invested at a point in time and therefore can hold a portion of assets in cash. Performance is calculated before any fees (which can vary depending on the level of service) but includes net dividends, reinvested. Following additions or removals, each holding is rebalanced to a 5% weighting.

(2) Source: Bloomberg pricing as of 30/01/2014 close.