

## 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%	3.1%	0.9%	2.3%	0.6%	-6.9%	1.1%	-4.9%					-2.1%
<b>2014</b>	-2.8%	4.4%	-0.2%	0.9%	2.6%	-1.6%	-0.1%	3.3%	-0.5%	1.6%	5.1%	-2.2%	10.6%
<b>2013</b>	6.0%	2.7%	0.7%	1.0%	2.1%	-4.2%	4.7%	-1.0%	0.0%	5.3%	0.4%	0.7%	19.5%
<b>2012</b>	3.2%	3.2%	-0.2%	-0.5%	-5.0%	2.7%	1.8%	0.9%	0.4%	1.0%	1.9%	0.3%	9.8%
<b>2011</b>				1.9%	0.3%	0.9%	-0.6%	-3.2%	-2.5%	5.7%	1.1%	1.7%	5.1%

Cumulative Total Return	1 Year	3 Year	Since Inception
<b>Best Ideas Portfolio</b>	1.8%	34.1%	49.4%
<b>MSCI World</b>	3.6%	41.2%	43.0%

## Market Commentary

Volatility in China's currency triggered a sharp sell-off in commodities, and added to mounting global deflationary pressures, prompting speculation that the Federal Reserve may refrain from raising rates in September, despite improving US economic data. Subsequently, on Monday 24<sup>th</sup> August, global markets erupted. In China, the Shanghai Composite Index fell -8.5% and was soon followed by the S&P 500, the FTSE 100 – down -4.0% and -4.7%, respectively – and other major indices. The turmoil that ensued was sufficient to earn that day the moniker “Black”. Yet the rout proved short lived: by the end of the week, the S&P 500 and FTSE 100 were both up 1.0%. Nevertheless, global markets fell over the month: the Shanghai Composite Index ended down -11.7%, while the S&P 500 and FTSE 100 suffered more modest tumbles of -5.3% and -5.9%, respectively.

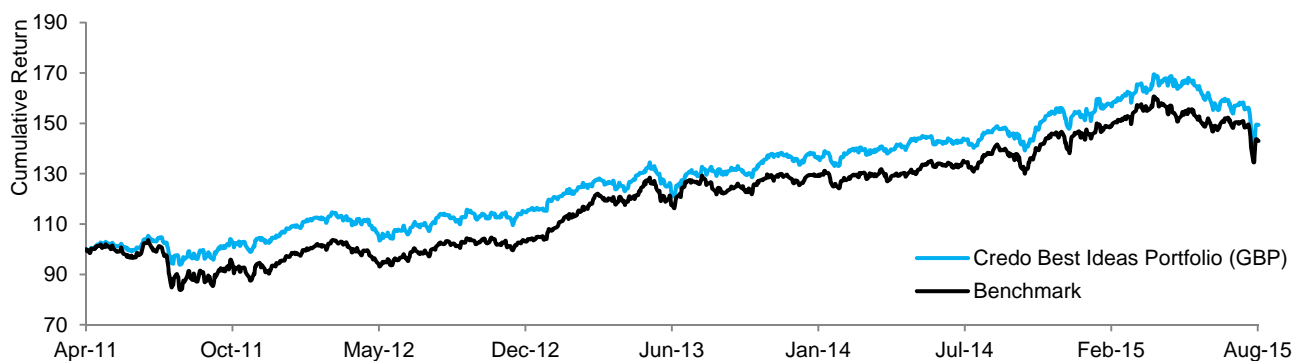
### Key Contributors to Return

Despite the global rout in equities, AutoZone performed well over the month. The company is likely to benefit from ongoing weakness in the oil price boosting miles driven, and a record old vehicle fleet. Its customers are also fairly price inelastic, and are willing to pay a large premium for availability and convenience. The stock returned 2.1% over the month. Diageo returned -1.2% in August, outperforming the benchmark by 3.7%. Though battered by recent market trends, Diageo is committed to cutting costs and is set to benefit from long-term growth in markets such as China. Demand for premium brands in China is set to grow with consumers' disposable income.

### Key Detractors from Return

With its exposure to emerging markets, HSBC suffered at the hands of falling Chinese growth and sinking commodities prices. However, with approximately 40% of revenue coming from firms operating in two or more markets, their reach is clearly a doubled-edged sword. Nevertheless, it enjoys a competitive advantage in Asia markets which will further solidify as it builds scale. The stock fell -9.4% over the month. Having struggled to cut costs, Danone returned -10.2% over the month. Moreover, any strengthening of the euro against other currencies is likely to reduce the euro value of Danone's overseas sales, which represent 60% of its consolidated total.

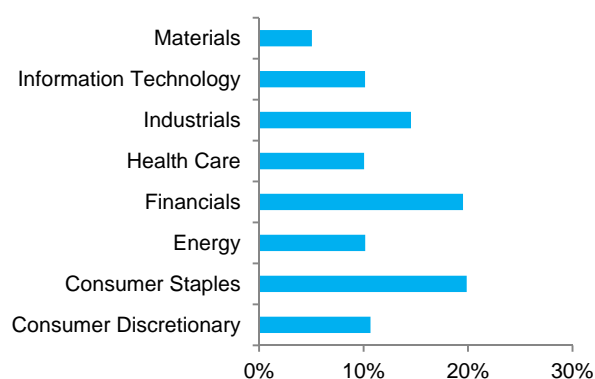
## Performance Since Inception (14/04/2011)<sup>2</sup>



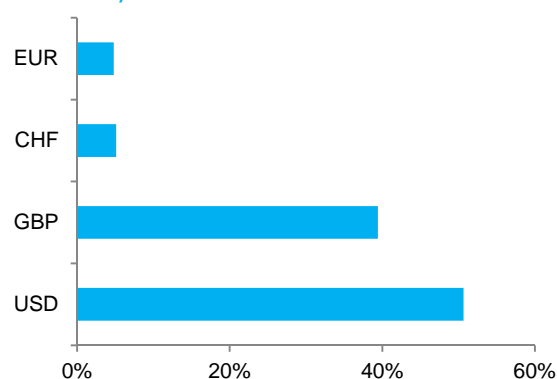
## Sample Portfolio Statistics<sup>2</sup>

	Current Price	Trailing 12 Month P/E	12 Month Forward P/E	Dividend Yield
BP	361p	21.4x	15.0x	7.1%
Danone	€55.4	27.5x	19.1x	2.7%
Microsoft	\$43.5	16.7x	16.5x	2.8%
<b>Total Portfolio Average</b>		<b>14.8x</b>	<b>14.8x</b>	<b>3.3%</b>
<b>MSCI World</b>		<b>17.7x</b>	<b>16.2x</b>	<b>2.6%</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.

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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 31/08/2015 close. All portfolio performance is calculated using Bloomberg PORT.

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2015</b>	-1.5%	6.0%	-3.0%	5.7%	0.2%	-4.1%	0.4%	-6.6%					-3.5%
<b>2014</b>	-3.4%	6.1%	-0.5%	2.1%	1.9%	0.4%	-1.4%	1.4%	-2.7%	0.2%	2.7%	-2.5%	4.0%
<b>2013</b>	3.6%	-1.7%	0.8%	3.3%	-0.3%	-4.1%	4.6%	1.0%	4.6%	4.5%	2.3%	1.9%	21.9%
<b>2012</b>	4.7%	4.4%	0.2%	1.0%	-9.7%	4.5%	1.8%	2.1%	2.2%	0.8%	1.3%	1.6%	14.9%
<b>2011</b>				4.6%	-1.3%	-1.4%	1.6%	-4.1%	-6.2%	8.9%	-1.5%	0.4%	0.2%

Cumulative Total Return	1 Year	3 Year	Since Inception
<b>Best Ideas Portfolio</b>	-5.8%	29.7%	40.9%
<b>MSCI World</b>	-4.1%	36.6%	34.9%

## Market Commentary

Volatility in China's currency triggered a sharp sell-off in commodities, and added to mounting global deflationary pressures, prompting speculation that the Federal Reserve may refrain from raising rates in September, despite improving US economic data. Subsequently, on Monday 24<sup>th</sup> August, global markets erupted. In China, the Shanghai Composite Index fell -8.5% and was soon followed by the S&P 500, the FTSE 100 – down -4.0% and -4.7%, respectively – and other major indices. The turmoil that ensued was sufficient to earn that day the moniker “Black”. Yet the rout proved short lived: by the end of the week, the S&P 500 and FTSE 100 were both up 1.0%. Nevertheless, global markets fell over the month: the Shanghai Composite Index ended down -11.7%, while the S&P 500 and FTSE 100 suffered more modest tumbles of -5.3% and -5.9%, respectively.

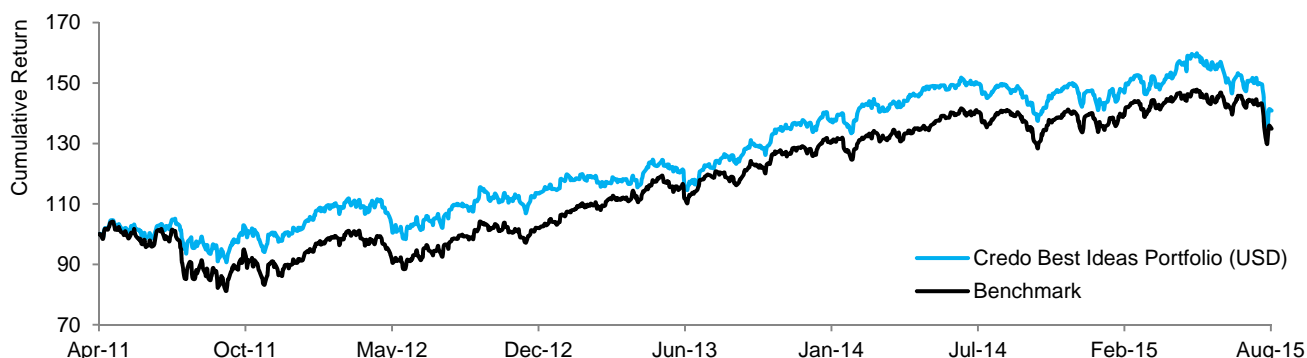
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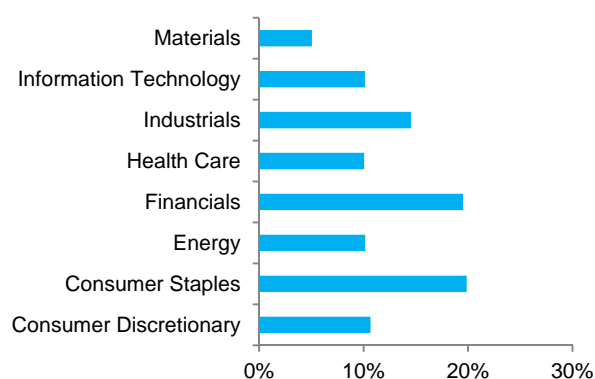
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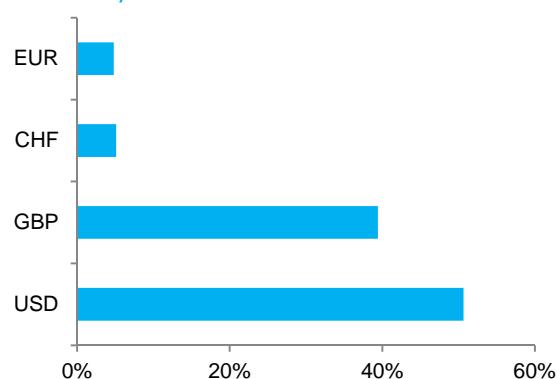
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