

## 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>1,2</sup>

Long Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>Since Inception</b>	95.7%	76.9%	18.8%
<b>5 Year</b>	91.0%	81.7%	9.3%
<b>3 Year</b>	49.5%	39.0%	10.5%
<b>1 Year</b>	24.7%	17.6%	7.1%

Short Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>YTD</b>	22.5%	16.9%	5.6%
<b>3 Months</b>	15.7%	14.6%	1.1%
<b>1 Month</b>	2.5%	4.5%	-2.0%

## Market Commentary

The S&P 500 registered new highs over July, ending the month up 3.7%. Meanwhile, the US earnings reporting season entered full swing and sentiment was boosted by abundant surprises to the upside. In Europe, like their American counterparts, the ECB opted to continue their accommodative monetary policy stance. The STOXX 50 was up 4.5%. The uncertain ramifications of Brexit continue to weigh heavy in the minds of central bankers globally. Hopes of further stimulus from the Bank of Japan were dashed, as the bank held interest rates at -0.1% and offered only modest additional measures. After the announcement, the Yen soared against the US dollar. Following a failed military coup in Turkey, the BIST 100 fell -1.8%. President Erdogan has responded forcibly with a crackdown, purging thousands of government officials, and has imposed a three-month state of emergency.

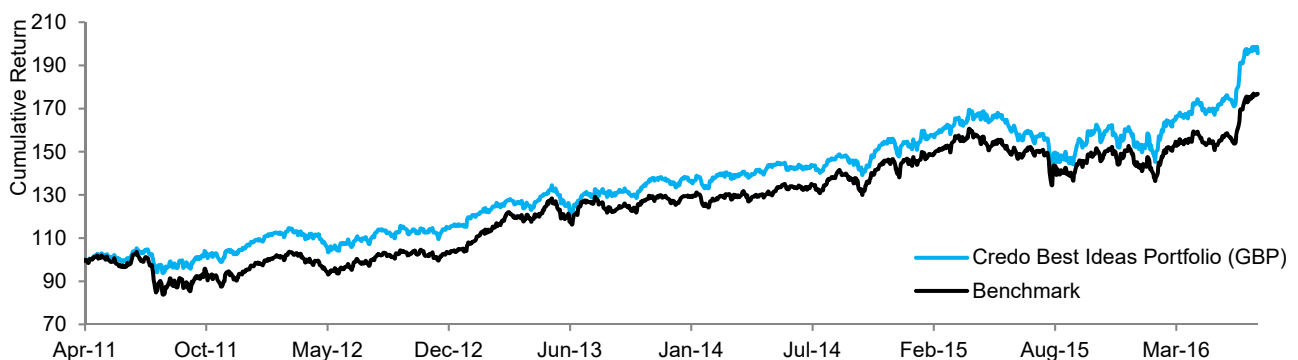
### Key Contributors to Return

Microsoft returned 10.8% over July as recent results suggest it is continuing to transform itself in a world that prioritises cloud computing and mobile technology. The 108% growth in its cloud platform shows it is starting to catch up with Amazon Web Services, while declining revenues from its Windows products have been arrested. Dogged by numerous earnings shocks, Rolls-Royce returned 11.2% after reporting a pre-tax profit of £104m. Investors have attributed this to the aggressive cost cutting implemented by the new CEO, Warren East. Having previously suffered 5 profit warnings in 3 years, analysts had predicted a pre-tax loss of £19m.

### Key Detractors from Return

Stericycle struggled over the month after the company reported that it improperly recognized the timing of some 2015 legal costs and forecast earnings that underwhelmed analyst estimates. The error led to net income being overstated by \$46.5m for the first quarter of last year, but did not affect results for the full year. The share price fell -13.3% over the month. Though initial signs suggest Chubb's merger has been successful, earnings per share fell by 3% compared to the first half of last year. That said, the company expects merger-related savings to reach \$750m annually by the end of 2018. The company fell -4.2%.

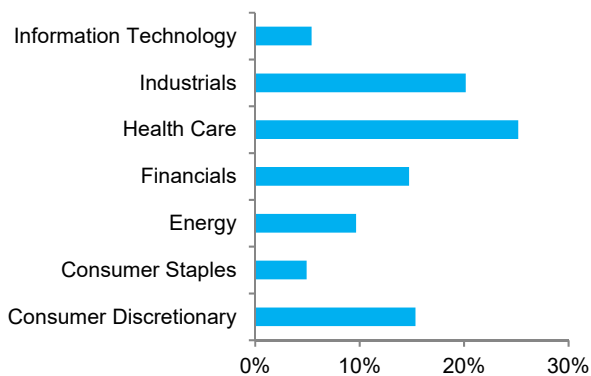
## Performance Since Inception (14/04/2011)<sup>2</sup>



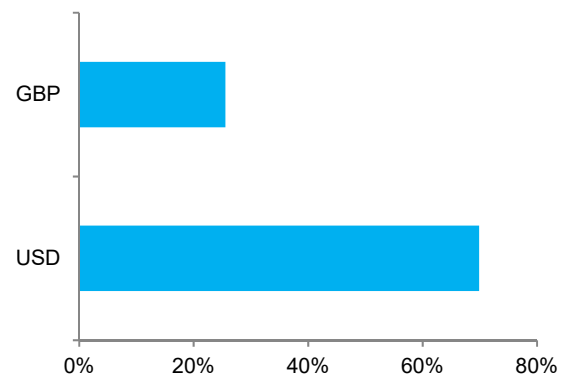
## Sample Portfolio Statistics<sup>2</sup>

	Current Price	Trailing 12 Month P/E	12 Month Forward P/E	Dividend Yield
BP	427p	360.3x	27.3x	7.1%
Union Pacific	\$93.1	18.4x	18.5x	2.4%
Microsoft	\$56.7	26.8x	19.6x	2.5%
<b>Total Portfolio Average</b>		<b>18.8x</b>	<b>16.3x</b>	<b>2.1%</b>
<b>MSCI World</b>		<b>22.0x</b>	<b>17.5x</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 gross dividends, reinvested. Following additions or removals, each holding is rebalanced to a 5% weighting.

(2) Source: Bloomberg pricing as of 29/07/2016 close. All portfolio performance is calculated using Bloomberg PORT, rounded to 1 decimal place.

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## Portfolio Performance (USD)<sup>1,2</sup>

Long Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>Since Inception</b>	59.1%	43.8%	15.3%
<b>5 Year</b>	53.8%	46.3%	7.5%
<b>3 Year</b>	30.3%	21.1%	9.2%
<b>1 Year</b>	5.5%	-0.5%	6.0%

Short Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>YTD</b>	10.0%	4.9%	5.1%
<b>3 Months</b>	4.6%	3.6%	1.0%
<b>1 Month</b>	2.2%	4.2%	-2.0%

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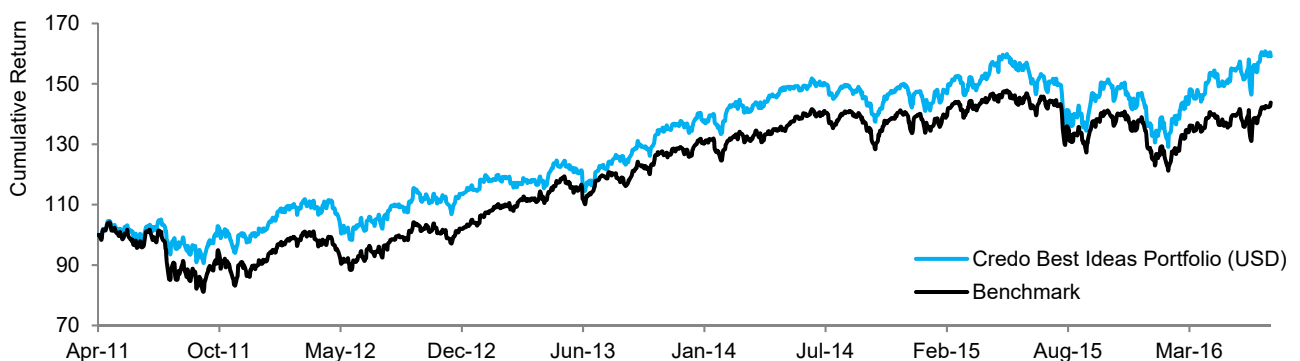
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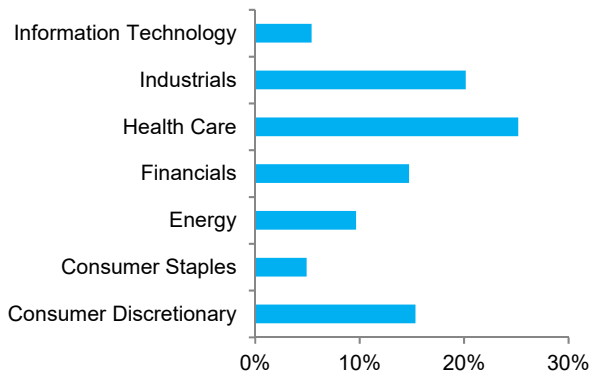
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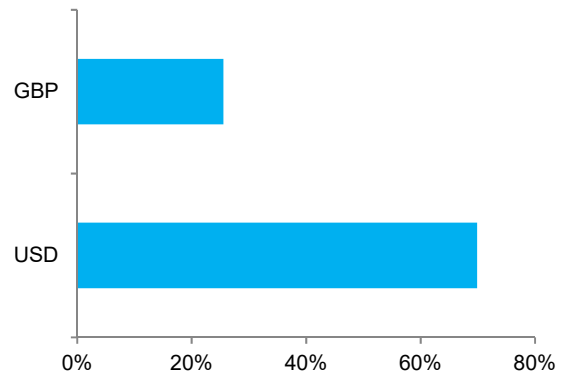
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