Dividend Growth Portfolio
January 2015

CREDO WEALTH

Strategy & Objective

The Credo Dividend Growth Portfolio is a diversified portfolio (not a fund) of global equities that has an objective to provide investors with a sustainable and growing income stream through dividends and share buybacks. We focus on companies that pay attractive dividend yields, with an ability to sustain and grow these over the long term. The portfolio has a bias towards developed market, large capitalisation stocks.

Portfolio Performance (GBP)[1]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	2.7%												2.7%
2014	-2.6%	4.1%	1.1%	1.0%	2.1%	-1.0%	-1.7%	3.0%	-0.7%	1.3%	5.2%	-3.8%	8.0%
2013	7.5%	3.3%	2.9%	2.6%	1.9%	-1.4%	3.7%	-3.0%	0.4%	5.1%	-0.4%	-0.2%	24.2%
2012												-1.2%	-1.2%

Cumulative Total Return	1 Year	Since Inception
Dividend Growth Portfolio	13.8%	36.1%
MSCI World	17.2%	39.9%

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.

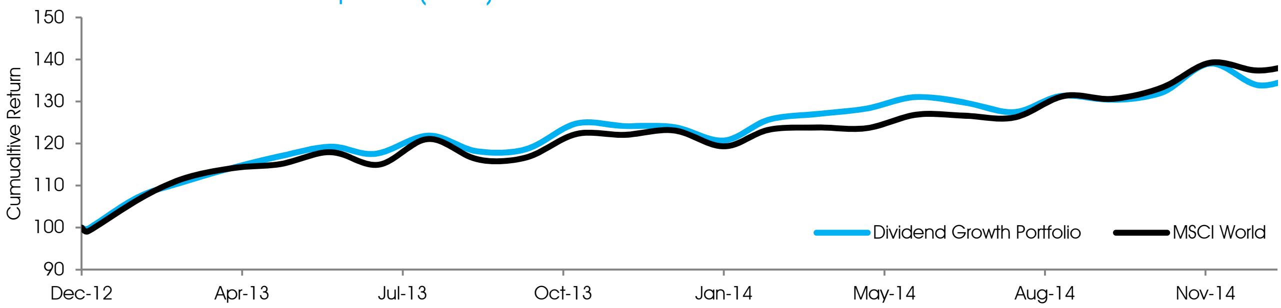
Key Contributors to Return

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 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%. Following their Winter of Discontent in December 2013, UPS invested $500m on automated sorting systems to improve efficiency. In an ironic reversal of fortune, their efforts were foiled by a disappointing 2014 holiday season. On less busy days many workers and trucks were left idle. The drop in productivity and the additional expenses for training and overtime eroded the company's preliminary earnings figures, leading to a -7.8% fall in the stock price over the month.

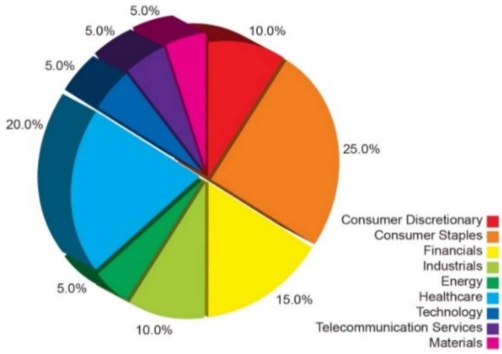
Performance Since Inception (GBP)[2]



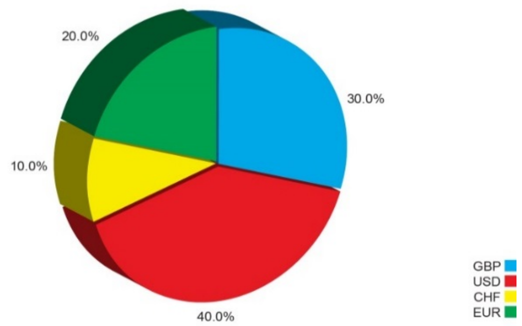
Sample Portfolio Statistics[2]

	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
BMW	€103.4	11.6x	11.5x	2.5%	€101.4
UPS	$98.84	20.7x	19.2x	2.7%	$108.64
Total Portfolio Average		**14.9x[2]**	**14.8x[2]**	**3.7%[2]**	
MSCI World		**17.2x[2]**	**16.2x[2]**	**2.6%[2]**	

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

(1) Performance figures are based on a notional portfolio, denominated in pound sterling, designed to track the holdings of the Credo Dividend Growth 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.